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Venezuela

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Doing Business in Venezuela

Market Overview

Venezuela is experiencing the worst economic depression in the country's history. Under the Maduro government, the economy has contracted nearly 50 percent between 2013 and 2017. Without comprehensive economic reforms, there are few prospects of a recovery in the short term.

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 in 2016, making Venezuela 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 one official FX mechanism to sell dollars to private sector firms and individuals (Gazette No. 41.329, January 2018). The mechanism, called the Complimentary Exchange Rate or DICOM, sells dollars to the private sector for all products and services. The DICOM rate is a variable rate determined by a 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. Obtaining 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

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

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 limit profits, inspect businesses, and enforce penalties that include up to 14 years in prison. Venezuela has inadequate intellectual property rights (IPR) protection. Simultaneously, increasingly strict labor laws make it very difficult to dismiss or fire employees, even for cause, making it difficult to use independent contractors in place of fulltime employees. Additionally, businesses are regularly impacted by both electricity rationing and water shortages. High crime rates remain a significant concern and security cost to many businesses – not only for personnel safety, but also due to losses of shipments, parts, equipment, and infrastructure.

Businesses operating in Venezuela continue to lose talented professional and English-speaking employees to emigration. Meanwhile, frequent minimum wage increases, currency devaluations, and lack of transparency in the bottlenecked FX regime system make budgeting and daily business operations challenging. Many companies have experienced significant difficulties repatriating bolivar (VEF) earnings as the GBRV has virtually stopped authorizing dollar sales for those earnings. Meanwhile, the value of unrepatriated earnings continue to erode due to skyrocketing inflation. Additionally even authorized payments by the GBRV are often delayed, adding 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. As a result, many businesses have difficulty obtaining primary materials or spare parts for all types of business activities. Furthermore, declining oil exports and reduced GBRV dollar sales to the private sector slowed Venezuela's economy which had negative growth the BCV estimated at -16 percent in 2017, although figures were not published. According to estimates from the Venezuela's National Assembly in absence of official Central Bank numbers, annual consumer price inflation finished 2017 at 2,700 percent and will likely finish 2018 well over 100,000 percent. Analysts forecast the economy will continue to contract in 2018.

Beginning in August 2017, the United States applied a series of financial sanctions against the Venezuelan government and its subsidiaries as a consequence of the government's anti-democratic conduct. As of July 2018, those sanctions were still in place. Some but not all commercial transactions with the government are prohibited. An overview of U.S. sanctions on the Venezuelan government and its officials is available here. Additionally, the Financial Crimes Enforcement Network (FinCEN), a Department of Treasury bureau, issued an Advisory on Widespread Public Corruption in Venezuela on September 20, 2017 that warned U.S. businesses of methods Venezuelan senior political figures (and their associates and front persons) may use to move and hide corruption proceeds.

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 history of expropriation across sectors.

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

Political Environment

U.S.-Venezuela Relations

While the United States established diplomatic relations with Venezuela in 1835 and has a deep history of shared socio-economic ties, The U.S.-Venezuelan bilateral relationship has been increasingly tense in recent years. The United States and Venezuela have not exchanged ambassador since 2010. The United States and Venezuela maintain diplomatic relations, with embassies each headed by a chargé d'affaires.

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. In July 2017, President Maduro convoked the election of a supra constitutional body called the National Constituent Assembly that usurped the powers of the democratically elected National Assembly. Many countries, including the United States, do not recognize the ANC as a legitimate institution and consider its dissolution as a necessary first step for Venezuela's return to democracy.

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.

Sinc 2006, pursuant to section 40A of the Arms Export Control Act, the Department of State 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 $21.8 billion in 2017. U.S. goods exports to Venezuela totaled $8.8 billion in 2017, down 21 percent from 2016. U.S. imports from Venezuela totaled $13.0 billion, up 11 percent from 2016. 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.

Beginning in August 2017, the United States applied a series of financial sanctions against the Venezuelan government and its subsidiaries as a consequence of the government's anti-democratic conduct. Executive Orders 13808, 13827, and 13835 all prohibit certain financial activities and transactions with respect to Venezuela. As of July 2018, those sanctions were still in place. Some but not all commercial transactions with the government are prohibited. An overview of U.S. sanctions on the Venezuelan government and its officials is available on the Department of Treasury's website. Additionally, the Financial Crimes Enforcement Network (FinCEN), a Department of Treasury bureau, issued an Advisory on Widespread Public Corruption in Venezuela on September 20, 2017 that warned U.S. businesses of methods Venezuelan senior political figures (and their associates and front persons) may use to move and hide corruption proceeds.

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 2018

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 Union of South American Nations (UNASUR), the G-15, the G-24, and the G-77. Venezuela was indefinitely suspended from the Non-Aligned Movement, the Southern Common Market (Mercosur) in August 2017 "for a rupture of the democratic order."

Bilateral Representation

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

Commented [SJD(1]: We recommend leaving this blank until publication, as there is no permanent charge d'affaires currently.

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

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

[Find the State Department link to your country and insert it into the text by clicking on this link http://www.State.gov/r/pa/ei/bgn/]

Selling US Products & Services

Using an Agent to Sell U.S. 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 has historically varied 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.

Potential exporters should study Venezuelan laws on price controls, 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

The process for registering a business in Venezuela is in flux. The new 2017 Foreign Investment Law designated the Ministry of Trade and Investment (Ministerio del Poder Popular para Comercio Exterior e Inversion Internacional - MIPPCOEXIN) as the regulatory authority for foreign investment. The National Center for Foreign Commerce (CENCOEX) handles investment issues related to imports and operates under the authority of MIPPCOEXIN. A 2017 Foreign Investment Law passed by the illegitimate ANC requires foreign investors to enroll in a new registry and sign an investment contract with the GBRV through the investment promotion agency ProVenezuela (created in 2018); however, ProVenezuela's operational mechanisms have yet to be established. Prospective investors should consult MIPPCOEXIN or the ministry in charge of the respective sector for guidance.

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.

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 MIPPCOEXIN. Certain payments for the use of franchise rights may be subject to withholding taxes.

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 MIPPCOEXIN or the relevant ministry for that industry.

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 MIPPCOEXIN, and the licensees' bolivar proceeds must be converted into dollars. Such payments are thus also subject to GBRV currency controls.

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. 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 National Service of Contractors. 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 65 percent of Venezuelans (roughly 20 million people) were Internet users in 2017. 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. Since 2017, even credit card and online transactions in the local currency have become increasingly challenging since many banking systems and transfer limits have been unable to keep up with hyperinflation. Frequent electricity outages in many parts of the country also inhibit eCommerce.

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 and is preferred over traditional media outlets, which are heavily restricted by the government.

Trade Promotion & Advertising

A few specialized publications exist. Television and radio commercials promote primarily locally-produced durable and non-durable consumer goods. Very few international companies publicize locally. Billboards are common, as are leaflets, and limited in-store promotions. Print advertising continues to shrink due to declining overall commercial activity, import restrictions on newsprint that have reduced the number of newspapers in circulation, and regulations laid out in the 2004 Law on Social Responsibility on Radio and Television (Ley Resorte), which requires outlets to publish government-provided content. Very few advertising agencies are currently functioning. 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 Fax: +58 212 505-3710 diario@eluniversal.com	El Nacional Edificio El Nacional, Av. Principal de Los Cortijos de Lourdes, Caracas Phone: +58 212 203-3194, 203-3226 Fax: +58 212 203-0548 comunicaciones@el-nacional.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 in 2011 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]
Name: Laura Hammel
Address: U.S. Consulate General, Av. Presidente Wilson, 147, 4th Floor 20030-020, Rio de Janeiro, Brazil
Telephone: +55 21-3823-2499
E-mail: laura.hammel@trade.gov

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.

Principal 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 Ministry of Foreign Commerce and Investment - MIPPCOEXIN

Venezuela's 2018 Investment Guide

Venezuela's Intellectual Property Rights Office – SAPI

Venezuela's National Institute of Statistics – INE

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

Leading Sectors for US Exports & Investments

Venezuela's deep economic deterioration over the past five years has changed the dynamics of Venezuela's once-thriving consumer market. Some opportunities still exist, but the many challenges and risks to doing business in Venezuela must be seriously weighed. Among these challenges are a weak domestic market after five years of economic contraction, heavy government intervention, and foreign exchange and price controls. The sectors highlighted below represent historically strong areas for U.S. exports.

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 has historically been 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, Venezuela set a target of reducing its output in 2017 by 95,000 barrels per day (bpd) to 1.9 million bpd. OPEC's latest monthly oil market report estimated that Venezuela's total crude oil production remains well below its output target, declining to 1.5 million bpd in May 2018. Most analysts believe production will continue to decline through the end of 2018. 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. 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. However, U.S. companies report that significant barriers to such partnerships remain.

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 historically have comprised 90 percent of imports in the sector by value but up-to-date information is unavailable. 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

Historically, Venezuela was 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 A variety of car companies historically assembled cars in Venezuela, including 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 approximately five million cars, trucks, and buses, plus a significant number of motorcycles.

Currently, the industry is virtually paralyzed for lack of access to dollars to import parts and inability to repatriate profits. Auto assembly declined, from 172,418 vehicles produced in 2007 to 1,774 vehicles in 2017 according to the Venezuelan Automotive Chamber (CAVENEZ), Those vehicles were assembled by just four companies: Ford, Mack, Toyota, and FCA and represented Venezuela's lowest output since 1962. A lack of hard currency for imports of components is primarily responsible for the decline, which have resulted in assembly lines frequently being shut down in recent years. Automakers 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 seven major auto producers billions of dollars for unliquidated foreign exchange authorizations for imports and un-repatriated earnings according to business association Fedecamaras. The domestic auto parts producers alone owe $400 million to international providers.

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. There has been no additional updates about the implementation of this plan and the automotive sector continues to decline. However, the need for spare automotive parts and equipment continues to offer some market opportunities for some exporters.

Web Resources

Venezuelan Chamber of Autoparts Manufacturers – FAVENPA

Venezuelan Automotive Chamber – CAVENEZ

Safety and Security (Kate)

This is a best prospect industry sector for this country. Includes a market overview and trade data.

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

Venezuela remains highly dependent on imported agricultural goods. However, the level of imports has drop significantly in the last five years. Official Venezuelan data about total trade in agricultural products are not available, U.S. agricultural exports to Venezuela fell from a high of $1.7 billion in 2012 to $406 million in 2017. In 2017, U.S. bulk commodity exports totaled $220 million. Wheat, at $79 million, represented 36% of this total. The export of U.S. intermediate agricultural products totaled $134 million. U.S. consumer-oriented products were $12 million, slightly above the $11 million exported in CY 2016.

Agricultural importers face a Venezuelan economic crisis that complicates the purchase of commodities due to hyperinflation and extreme restrictions on access to foreign currency. The GBRV maintains a stringent, prohibitively extensive bureaucracy to obtain permissions for importing agricultural products and access to foreign exchange. Despite these challenges, there are U.S. agricultural product exports that experienced marginal growth in 2017, including soybeans, meat products, sweeteners, snack foods, and animal fats.

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

On May 19, 2016, the GBRV created a company called Corporation of Productive and Alimentary Services (in Spanish: Corporación Única de Servicios Productivos y Alimentarios or CUSPAL) under MINPAL (Ministry of Foods) that manages all the state food imports, distribution and retail networks. This state-owned/operated company is responsible for purchasing domestically produced as well as imported food and agricultural products. The main MINPAL food agencies are:

- 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.MERCAL (in Spanish: Mercado de Alimentos)

- There are also Abastos Bicentenarios, S.A. (which is about to be closed), the Foundation for Strategic Food Supply (in Spanish: Fundación Programa de Alimentos Estratégicos or FUNDAPROAL), and National Superintendence of Agricultural and Food Management (in Spanish: Superintendencia Nacional de Gestión Agroalimentaria or SUNAGRO) which play lesser roles in food regulation and sector oversight.

The Ministry of Food also oversees the Local Committees for Supply and Production (CLAP). Created in 2016 by President Nicolás Maduro, CLAP boxes have become the GBRV's primary mechanism through which a collection of subsidized food staples are distributed through community councils. Private companies producing basic staples (such as food, personal hygiene, and household necessities) in Venezuela can be legally obligated to sell up to 50 percent of their products to the government at subsidized prices if those companies receive raw materials from the government at subsidized prices.

In September 2017, the GBRV created AGROSUR (in Spanish: Consorcio Agrosur), a state-operated business unit dependent on the Ministry of Agriculture and Lands (MAT) that manages all public food production and distribution networks, including what remains of Abastos Bicentenario. Certain commodities are expected to be produced within the consortium, which include coffee, sugar, cocoa, cereals and meat products. AGROSUR will also manage the sale and distribution of agricultural inputs as well as equipment and storage facilities.

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 (170 stores), Farmahorro (114 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.

Leading Sub-Sectors

Venezuela continues to have a small, niche market for luxury, artisanal goods. Such products, including coffee and chocolate, often have fewer restrictions such as mark-up limitations and price controls. However, the licensing requirements from government-run certifying agencies have become increasingly stringent and difficult to receive accreditation.

Opportunities

The agricultural sector lacks access to seed, fertilizer, modern farming equipment, and modern technical training and assistance to rebuild domestic production capacity, presenting opportunities for both investors and suppliers. However, serious challenges and risks remain as a result of a weak domestic market, heavy government intervention, and foreign exchange controls.

Web Resources

https://www.fas.usda.gov/regions/venezuela

Customs, Regulations & Standards

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.

Agricultural Goods and Services

Agricultural and food product imports are legally 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).

On December 28, 2015, the Government of the Bolivarian Republic of Venezuela (GBRV) published a law banning the use and research of modern biotechnology in agriculture. This law also prohibits the production, import, use, release and multiplication of Genetically Engineered (GE) or transgenic seeds. The law also prohibits the granting of copyright protections and patents on any type of seed, whether conventional or otherwise. Violators of this law can be subject to penalties ranging from fines to imprisonment.

Venezuela also requires that importers 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 Tariffs

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 with 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. Venezuela was indefinitely suspended from the Non-Aligned Movement, the Southern Common Market (Mercosur) in August 2017 "for a rupture of the democratic order."

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.

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 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

Overview

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

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. Currently, 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 Commerce's 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 (Shon)

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 FONDONORMA or SENCAMER.

Contact Information

Venezuela's Ministry of Foreign Commerce and Investment - MIPPCOEXIN

Minister: Jose Gregorio Vielma Mora
Address:Avenida Urdaneta, Torre Central, Piso 9, Municipio Libertador, Caracas, Venezuela.
Ph: +58 212-7818228, +58 0212-7096011

Ministry of Popular Power for Health
Minister: Dr. Carlos Alvarado (As of June018)
Address: Centro Simon, Edif. Sur, Piso 9, El Centro, Caracas.
Ph: +58 212 408 03 45 Fax: +58 212 408 25 60

Publication of technical regulations

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Trade Agreements

In December 2016, Venezuela was suspended as a full member by MERCOSUR for failure to fulfill all entry requirements by the 2016 dateline. Venezuela was still in process of adopting the CET and requirements at that time. Venezuela was indefinitely suspended from MERCOSUR in August 2017 "for a rupture of the democratic order." Venezuela is a member of the World Trade Organization. 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 Foreign Commerce and Investment - MIPPCOEXIN

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 restrictive climate for foreign investors. Conditions for foreign investment are likely to deteriorate in the near term. Low global oil prices have aggravated Venezuela's economic crisis as have corruption and chronic mismanagement of the oil production sector by the Venezuelan government. According to Central Bank of Venezuela (BCV), the country finished 2016 with an estimated 16.5 percent economic contraction and 274.4 percent inflation. In the absence of official GDP or inflation figures for 2017, local economic consulting firms estimated the economy shrank at least 12 percent, with inflation over 2,000 percent, while widespread shortages of consumer goods continued. The IMF estimates 2018 inflation will surpass 13,000 percent, and the economy will contract a further 15 percent. The Venezuelan government and the state oil company both entered selected default in November 2017 after missing payments on their U.S. dollar bonds, although creditors have not yet sought legal action. Financial analysts have raised concerns that strains on Venezuela's foreign currency resources could exacerbate shortages of consumer goods and potentially force a more extended 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's) poor management and 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 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. The president announced slight adjustments to the foreign exchange system in March 2017 and again in February 2018, but analysts doubt it will result in improved access to U.S. dollars since the system lacks transparency and has attracted limited hard currency. The GBRV has implemented new laws and regulations to varying degrees, and their staying power remains unproven, increasing uncertainty in the investment climate.

In 2017, Venezuela passed a new Foreign Direct Investment Law that repealed and replaced the 2014 Foreign Investment Law. The new law adds some details and definitions absent from the previous version, but also places additional government control over investment. Some clarifications about its implementation and operational mechanisms were reportedly still not yet available as of this report's publishing.

On August 25, the United States applied financial sanctions against Venezuela, which prohibited U.S. individuals and entities from providing new financing, dealing in certain existing bonds, and distributing dividend payments to the government of Venezuela. While commercial transactions with the Venezuelan government are not impacted, joint ventures and other partnerships with the Venezuelan government or its subsidiaries could be prohibited activities. The United States, as well as more than thirty other countries, has also announced individual sanctions against high-ranking Venezuelan officials that could also impact U.S. persons and entities interested in doing business with the Venezuelan government.

U.S. and multinational firms considering doing business in Venezuela should carefully weigh the risks posed by an ongoing economic crisis, a non-transparent and heavily if unevenly regulated operating environment, sanctions imposed by the United States and other countries against Venezuela's government and its officials, and a foreign exchange regime that strictly limits access to hard currency.

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	169 of 175	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business	2017	188 of 190	www.doingbusiness.org/rankings
Global Innovation Index	2016	120 of 128	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in Partner Country ($M USD, stock positions)	2016	$4,379	http://data.imf.org/CDIS
World Bank GNI per capita	2013	$11,760	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

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. Meanwhile, the 2017 Foreign Investment Law (the Constitutional Law for Foreign Direct Investment) passed by the illegitimate National Constituent Assembly adds new minimum requirements for investors. The Venezuelan 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. CONAPRI (*Consejo Nacional de de Promoción de Inversiones*), an independent investment promotion agency that has monitored the investment climate for the last 26 years and has consulted the GBRV on investment matters, has limited bandwidth for promoting investment. Article 16 of the 2017 Foreign Investment Law says an "annual plan to promote foreign productive investment" will be created by the GBRV, but no additional details were provided.

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. Regulations in the 2017 law more or less follow suit with those of the 2014 law; however, there are some notable differences. The new law designated the Ministry of Trade and Investment (*Ministerio del Poder Popular para Comercio Exterior e Inversion Internacional* - MPPCOEXIN) as the regulatory authority for foreign investment, replacing the Venezuelan currency commission, the National Center for Foreign Commerce (CENCOEX). CENCOEX still handles investment issues related to imports. The Petroleum and Mining Ministry and the Economy, Finance, and Public Banking Ministry have concurrent authority with MPPCOEXIN for regulating their respective sectors, and prospective investors must seek guidance from those specific ministries first. Private sector sources anticipate the 2017 law will expand state control over foreign investments in Venezuela. See Section "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 place, 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 Reserves 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 Orinoco Heavy Oil Belt (*Faja del Orinoco*), 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 the section on the transparency of the regulatory system for more information.

In December 2017, a new illegitimate legislative body called the National Constituent Assembly (ANC) passed a law entitled "*Ley del Régimen Tributario en el Desarrollo Soberano del Arco Minero del Orinoco*," which decreed that all mining operations in the Orinoco region required at least 55 percent GBRV ownership. Article 2 established the taxable rates for joint ventures and for state companies and institutions. These rates, the law refers, will be established by the president of the Bolivarian Republic of Venezuela, when these companies produce and process a certain amount of gold. Companies that export must provide an annual sworn statement promising their investment amount each year. The law also claims to promote alliances between the GBRV and smaller, more informal mining operations.

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 188 of 190 overall in the World Bank's 2017 *Doing Business* report and is ranked last 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 (http://www.saren.gob.ve/) but remains a largely manual process.

A 2017 Foreign Investment Law passed by the illegitimate ANC requires foreign investors to enroll in a new registry and sign an investment contract with the GBRV; however, these operational mechanisms have yet to be created. Prospective investors should consult MPPCOEXIN or the ministry in charge of the respective sector for guidance.

There are a variety of small-scale public and private initiatives dedicated to promoting the participation of women and minorities in the economy, but these efforts are mostly isolated. There is no formal business facilitation mechanism to provide for the equitable treatment of these groups to date.

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.

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.

By presidential decree, Maduro initiated the establishment of the National Constituent Assembly (ANC) in July 2017 outside of Venezuela's constitutional framework with the directive of re-writing Venezuela's constitution. The illegitimate ANC has since created numerous other laws, including the 2017 Foreign Investment Law, further eliminating the National Assembly's role. These legislative processes were not transparent and did not allow room for public comment. These regulations were not data-driven, but rather created to serve the political agenda of the Maduro regime. Executive agencies generally develop and promulgate implementing regulations without consulting private sector representatives of the affected sectors. Regulations are inconsistently enforced, and the 2017 Foreign Investment Law does not mention an enforcement mechanism. It is unknown as to whether such information will follow in supplemental documents. The law does mention the application of fines for violating it statutes, but it does not describe how they would be levied. Laws and regulations are published as official gazettes and can be found online at http://www.imprentanacional.gob.ve/.

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. While Venezuela is no longer a voting member of Mercosur, in practice, commercial and trade operations remain relatively unchanged. 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 UNCITRAL's model arbitration law. The private sector Venezuelan Business Center of Arbitration and Conciliation (CEDCA) offers arbitration services. Additional information is available at http://www.cedca.org.ve/. Venezuela withdrew from the International Centre for Settlement of Investment Disputes (ICSID) in 2012.

The 2017 Foreign Investment Law states, "Provided that the internal judicial remedies have been exhausted and previously agreed upon, the Bolivarian Republic of Venezuela may participate and make use of other dispute resolution mechanisms built within the framework of the integration of Latin America and the Caribbean, as well as in the framework of other integration schemes."

Laws and Regulations on Foreign Direct Investment

Navigating the various investment law requirements remains challenging (see section on Limits on Foreign Control and Right to Private Ownership and Establishment). Obtaining legal counsel is recommended to ensure compliance with laws and regulations. Additionally, the 2017 Foreign Investment Law was passed by the illegitimate ANC, a legislature not recognized by most of the world. Its policies are described below. A description of the guidelines for foreign investment under the prior Foreign Investment Law of 2014 can be obtained by reading the 2017 Investment Climate Statement.

The 2017 Foreign Investment Law designates MPPCOEXIN as the regulatory authority for foreign investment. 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 residents abroad who invest in Venezuela; non-Venezuelans resident in Venezuela who undertake investments in Venezuela. The law defines an investment as "those resources lawfully obtained and destined by a national or foreign investor to the production of goods and services, incorporating raw materials or intermediate and final products with emphasis on those of origin or national manufacture, which contribute to the creation of decent work, promotion of small and medium industry, endogenous productive chains, as well as the development of productive innovation."

Foreign investment must be for a minimum value of eight hundred thousand euros (€ 800,000) or six million five hundred thousand renminbi (6,500,000) or its equivalent in another foreign currency. The investment must be for at least two years. MPPCOEXIN may exceptionally approve an investment of no less than ten percent of the amount described above for the promotion of SMEs. Upon completion of the two-year period, investors may, upon payment of taxes and other liabilities, make remittances abroad.

Foreign investors will have the right to remit abroad annually 100 percent of the proven profits or dividends that come from their foreign investment in freely convertible currencies. However, in cases of "force majeure or extraordinary economic conditions," the National Executive may reduce this percentage between 60 percent and 80 percent of the profits.

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.

A notable addition to the 2017 Foreign Investment Law is the explicit prohibition of foreign investors' involvement in "political debate." "They cannot participate directly or indirectly in the national political debate or contribute directly or indirectly to the formation of opinions on topics of public interest in the media." In addition, "companies and their representatives in their capacity as representatives of the same or using the links generated by it may not contribute through donations, contributions, rents and/or logistical facilities, with institutions public or private, or non-governmental organization." 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 MPPCOEXIN or another competent authority provides them with a foreign investment registration. ProVenezuela, the GBRV's new investment and export promotion agency, will supposedly be in charge of registration. However, the new Foreign Investment Registry and associated contractual process is not yet complete.

Competition and Anti-Trust Laws

Procompetencia, the Superintendence for the Promotion and Protection of Free Competition, was previously the government agency responsible for regulating businesses to ensure competition exists to benefit consumers and producers. Procompetencia has since been rebranded as the Anti-Monopoly Superintendence with the slogan "Combating the Economic War." Information regarding this organization is limited, and the website no longer functions.

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).

Dispute Settlement

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 least five investment disputes involving firms with U.S. affiliations are ongoing at the International Centre for Settlement of Investment Disputes (ICSID).

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 U.S. 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 U.S. 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

The 2017 Foreign Investment Law calls for the promotion of investment along with the creation of "a program for special benefits granted to foreign investments." On April 27, the GBRV announced the creation of investment and export agency ProVenezuela. No additional details on investment are yet available.

Updated information on investment promotion in Venezuela can be found at the MPPCOEXIN website:

http://portal.mippcoexin.gob.ve/web/i_special_provenezuela.php

http://portal.mippcoexin.gob.ve/web/p_especiales_1.php

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 some tariff duties: Margarita Island (part of Nueva Esparta state) and Santa Elena de Uairen in the state of Bolivar. However, stakeholders have stated the GBRV has not focused on developing these ports and free trade zones

Performance and Data Localization Requirements

Venezuela's 2017 Foreign 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

Venezuela's Intellectual Property Rights (IPR) regime remains inefficient and ineffective. There is no indication of forthcoming IP reforms, and Venezuela remained on USTR's 2018 Special 301 Priority Watch List. Venezuela's 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 IPR 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 IPL 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, DIPRO. The January 2018 elimination of the DIPRO rate is a step in the right direction and could bode well for foreign clients, but the outcome is still uncertain. Increased enforcement efforts coupled with capacity building of relevant agencies and officials that occurred in 2016 have lost their vigor and have shown minimal impact.

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 2007 violates TRIPS Articles 2.1 and 62.2. SAPI has begun to approve some specific design-related cases, but all other types of patents continue to be denied or remain in limbo. 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 2015, Venezuela ranked as one of the top 20 economies worldwide for unlicensed software and an estimated 87 percent of the software used in Venezuela was unlicensed. The commercial value, if all unlicensed products were purchased legally, would be roughly USD2.78. No Venezuelan markets were identified in 2017's U.S. Department of Commerce "Notorious Markets" Report. The World Economic Forum's Global Competitiveness Report for 2017-2018 ranked Venezuela last out of 137 countries in IP protection for the fifth straight year. The Property Rights Alliance's 2017 International Property Rights Index (IPRI) ranked Venezuela 126 out of 128 countries.

Patents and Trademarks

SAPI has issued no new patents since 2007 with the exception of some design-related cases. 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 29,278 in 2005 to 19,600 in 2016. 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, a fee structure initiated in May 2015 forced foreign rights holders to pay patent and trademark fees in U.S. dollars calculated at the overvalued DIPRO exchange rate (10 bolivars/USD), resulting in foreign rights holders being charged some of the highest fees for IP protection in the world. As a result of Venezuela's tiered exchange rates, foreign right holders were paying a minimum of 70 times more than national companies. Approximately 100 trademarks expired in 2017, but only 20 reapplied, with many likely deterred by the high fees.

On January 29, 2018, the GBRV eliminated DIPRO and unified its exchange rates. Currently, fees are being charged at the DICOM rate (presently 59,500 bolivars /1 USD). This change benefitted foreign rights holders, as fees previously costing $3,000 currently cost less than $1 under DICOM. However, this announcement substantially reduces SAPI's revenue stream, which could impact its offering of services without additional adjustments to the payment structure.

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. However, trademark counterfeiting and piracy (including over the internet) remain widespread and enforcement is weak.

Enforcement

Increased efforts in capacity building by SAPI, which intiated a "one-stop" IP website to serve as an electronic portal for conducting IP business in Venezuela, including online learning, has lost momentum and has made little progress. SAPI sent some higher-level officials to WIPO training events, but working-level adjudicators that are responsible for approving patents and trademarks remain poorly trained, with the more-experienced and talented employees either leaving the country or retiring.

The lengthy legal processes, inexperienced judges, and insufficient investigative and prosecutorial resources significantly hamper IP enforcement in Venezuela. Companies are discouraged from pursuing lawsuits to enforce IP rights due to the slow, uncertain, and unclear legal framework. The GBRV abolished the Venezuelan copyright and trademark enforcement branch of the federal police in 2010. Victims of IP theft must sue infringers in order to trigger judicial injunction. SENIAT, the Venezuelan tax and customs authority, has the power to seize goods belonging to infringers at ports. Legal experts note that IP laws are unevenly enforced and cases can take years to resolve without guarantee of a positive outcome. IP lawyers report that the IPR review and appeal process takes on average 13 years, so slow and the penalties are so low that the system does not deter counterfeiters. Local attorneys report that rights owners can, and often prefer to, settle disputes out of the court system due to cumbersome bureaucratic steps.

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.

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, 58-0212-975-8402
The Venezuelan-American Chamber of Commerce: www.VenAmCham.org
U.S. Patent and Trademark Office (USPTO): www.uspto.gov, 1-800-786-9199
National Intellectual Property Rights Coordination Center: www.iprcenter.gov
International Trade Administration, U.S. Department of Commerce: www.stopfakes.gov

For a list of local lawyers, please visit:
http://photos.state.gov/libraries/venezuela/19452/public/Commercial_Law_Firms_List.pdf

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 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 six percent of GDP in 2016, 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, increased over 16,000 percent year on year as of April 13, 2018. Private analysts attribute the rise to government spending-driven increases in M2 and currency controls that trap the liquidity in Venezuela, although Venezuela's hyperinflation 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 Bicentennial Public Securities Exchange (BPVB), 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 2018 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 2017 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 2018 there were 31 banking institutions – 24 private and 7 public – down from 59 in November 2009. Public-sector banks held an estimated 52 percent of total banking sector assets in February 2018.

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 24 percent in the twelve months to February 2018, 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 2018, included 24 percent on commercial and personal loans, 29 percent on credit cards, and 16 percent on car loans. With inflation of 274 percent in 2016 and estimated over 2,000 percent in 2017, 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 USD 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.

Total banking assets, at roughly USD 15 billion (at the official DICOM VEF/USD exchange rate in February 2018), grew 3,445 percent in local currency from February 2017 to February 2018. Public and private universal and commercial banks control 99 percent of total banking sector assets. Banco de Venezuela holds 43 percent of total sector assets as of February 2018, followed by Banesco with 15 percent of total sector assets; Banco Provincial with 8 percent; and Banco Mercantil with 6 percent. Banesco and Mercantil are Venezuelan-owned, while Banco Provincial is majority owned by BBVA of Spain. Banco de Venezuela is the largest state universal bank. The GBRV nationalized it from Spain-based Banco Santander in May 2009. Citibank is the only U.S.-owned universal bank with a presence in Venezuela and accounts for 0.1 percent of total sector assets as of February 2018.

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 Conversion and Transfer Policies). Venezuelans may not withdraw dollars from such accounts in Venezuela, however.

Foreign Exchange and Remittances

Foreign Exchange Policies

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 February 2018, Venezuela again modified its official FX mechanisms and now manages just one official FX mechanism called DICOM. The BCV oversees a weekly auction to sell U.S. dollars to private sector firms and individuals. Under the new system, the FX offer comes from private companies and individuals instead of the government. Firms and individuals soliciting dollars from DICOM must register with the body. The BCV publishes the DICOM rate weekly. Ostensibly, a managed floating rate, it remains overvalued. As a result, access to hard currency for the private sector has been severely limited in the last year.

Remittance Policies

Foreign investors in Venezuela have struggled to convert their VEF earnings into USD. Since 2008, CENCOEX and its predecessor, CADIVI, virtually ceased approving the sale of USD 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. The 2017 Foreign Investment Law states foreign investors will have the right to remit abroad annually 100 percent of the proven profits or dividends that come from their investment in freely convertible currencies. Legally, foreign investors could purchase dollars through DICOM to repatriate earnings, 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 now publish different parallel exchange rates. One of the most popular, DolarToday, reported an exchange rate of 638,520 VEF/USD on April 25, 2018, a devaluation of 99.8% since April 25, 2016

The OECD's 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

Not applicable

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 historically did not need to go through CENCOEX or the BCV to request hard currency at the strongest official exchange rate, while private companies struggled with the official mechanisms' limitations and process delays.

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-à-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 2017 Foreign Investment Law requires foreign investors to promote responsible business conduct (RBC), but it does not specify what this means. 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.

Corruption

Venezuela has comprehensive anti-corruption laws but enforcement is weak and inconsistent, as indicated by Venezuela's ranking by Transparency International of 169 out of 180 countries in its 2017 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. Many government watch groups warn the Venezuelan government selectively investigates corruption allocations for political reasons. Increasing numbers of government employees, including both low and high-ranking officials at state-owned oil company PDVSA, have been arrested over the past year on corruption charges.

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 Público
Esquinas de Misericordia a Pele El Ojo y Avenida México
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 Andrés Eloy Blanco
Edificio Cámara 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, regular failures of public services such as electricity and water, and shortages of gasoline and natural gas, have also led to frequent 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, including as recently as January 2018.

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 fraudulent.

In April 2012, former President Chavez used a presidential decree 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 2017, Venezuela saw continued protests and work stoppages by unions across the public and private sectors, although no official statistics are available. 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 2017 were available, but protests and work stoppages continued due to a variety of economic, social, and political concerns.

In 2017, union leaders reported PDVSA lost 25,000 workers due to the company's deteriorating economic performance and safety practices. In 2018, workers continued leaving, citing discontent with new executive leadership, who lacked experience in oil company operations. Workers reported management replaced standard daily safety meetings with political propaganda meetings, urging compliance with PSUV political ideology.

In March 2018, The International Labor Organization (ILO) Governing Body approved the establishment of a Commission of Inquiry (CoI) on Venezuela. ILO members voted in favor of implementing a CoI, citing grave concern over the Venezuelan government's lack of progress in implementing ILO recommendations and exhortations to comply with international labor and business standards. Venezuelan business and labor organizations welcomed the CoI's establishment, noting it was long overdue after experiencing years of government impediments to improving business owners' and workers' rights.

The GBRV's statistics agency (INE) estimated the unemployment rate at 7.3 percent in 2016. In 2015, the 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 2016.

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, 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)	2013	$371,006	2014	$482,359	www.worldbank.org/en/country

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)	2015	$9,568	2016	$7,984	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host Country's FDI in the United States ($M USD, stock positions)	2015	$4,187	2016	$4,457	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total Inbound Stock of FDI as % host GDP	2013	10.4%	2014	6.7%	https://bea.gov/international/di1usdop.htm

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 2016			**Outward Direct Investment 2016**		
Total Inward	22,873	100%	Total Outward	NA	100%
United States	4,379	19	N/A	N/A	N/A
Netherlands	3,209	14%	N/A	N/A	N/A
Spain	2,034	9%	N/A	N/A	N/A
France	1,909	8%	N/A	N/A	N/A
Brazil	1,506	7%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets – June 2017								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	3,418	100%	All Countries	29	100%	All Countries	3,389	100%
United States	2,831	83%	Panama	16	55%	United States	2,819	83%
Switzerland	264	8%	United States	12	41%	Switzerland	264	8%
Denmark	120	4%	Not Specified	1	<1%	Denmark	120	4%
Panama	17	<1%	N/A	N/A	N/A	Panama	1	<1%
Not specified	183	5%	N/A	N/A	N/A	Not Specified	182	5%

Contact for More Information on the Investment Climate Statement

U.S. Embassy Caracas Economic Section
Calle F con Calle Suapure
Urbanización Colinas de Valle Arriba
Caracas, Venezuela
58-0212-907-8441
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 Investment Climate Statement 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

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.

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

Multilateral Development Banks:

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 Venezuela International Travel Information.

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 Venezuela.

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 U.S. visa requirements for Venezuelans. Visa applicants should go to the following links.

State Department Visa Website

U.S. Embassy in Venezuela (Visa Website)

Currency

Multiple FX mechanisms and exchange rates have been introduced, modified, and eliminated over the past several years. Venezuelan law presently authorizes one official FX mechanism to sell dollars to private sector firms and individuals (Gazette No. 41.329, January 2018). The mechanism, called Complimentary Exchange

Rate or DICOM, sells dollars for all types of products. The DICOM rate is a variable rate determined by a 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. However, foreign investors have struggled to convert their bolivar earnings into U.S. dollars. Since 2008, the government office 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/Electronics

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 been problematic since 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. American Airlines is the only remaining U.S. air carrier with service to Venezuela. Domestic flights to secondary cities have reduced dramatically over the last year, and tickets are difficult to find. Travelers should expect flight delays and aged planes.

Corporate, private, and executive aircraft without cargo or paying passengers require 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. Persons traveling from Venezuela to certain other countries (including but not limited to Aruba, Costa Rica, El Salvador, Panama, Colombia, Brazil and Belize, and Nicaragua) may be required to show proof of yellow fever vaccination.

Travel Warnings

The Centers for Disease Control and Prevention (CDC) issued a Level 3 Travel Warning on May 15, 2018 and recommends travelers avoid all nonessential travel to Venezuela due to unreliable health services in Venezuela. The country is experiencing outbreaks of infectious diseases, and adequate health care is currently difficult to obtain in many parts of the country. The CDC's website is a reliable and regularly updated source of information about requirements and recommendations for travel to Venezuela. Additionally, the CDC has determined that there is a risk of Zika virus in Venezuela. It advises pregnant women to avoid travel to the country and 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 increasingly prevalent 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 are increasingly unreliable even in many private hospitals (which are known locally as "clinics".) Public hospitals and treatment facilities are inadequate and should be avoided.

Historically, private hospitals have been 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. Avoid scheduling business trips during these periods if at all possible.

Holidays 2018	
New Year's Day 2018	Monday, January 1
Birthday of Martin Luther King, Jr.*	Monday, January 15
Washington's Birthday *	Monday, February 19
Carnival	Monday, February 12
Carnival	Tuesday, February 13
Holy Thursday	Thursday, March 29
Good Friday	Friday, March 30
Declaration of Independence**	Wednesday, April 19
Memorial Day*	Monday, May 28
Independence Day (USA)*	Wednesday, July 4
Independence Day (Venezuela)**	Thursday, July 5
Birthday of Simon Bolivar	Tuesday, July 24
Labor Day*	Monday, September 3

Columbus Day*	Monday, October 8
Day of Indigenous Resistance**	Friday, October 12
Veterans Day*	Monday, November 12
Thanksgiving Day*	Thursday, November 22
Christmas Eve	Wednesday, December 24
Christmas Day	Thursday, 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