

Country Market Study: Venezuela



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The Department of Agriculture, Forestry and Fisheries take no responsibility for any action taken from this study. This is a desktop study and own research must be undertaken, before decisions is made based on this study

SUMMARY

Venezuela is a developing South American country with a population of 28 million people. The country is rich in oil which contributes 96% of export earnings, about 45% of budget revenues, and around 12% of GDP. With relatively acceptable GDP/capita of US\$13600 and inflation rate of 7.9%, Venezuela has relatively high inflation rate of 52%.

Venezuela as a member of the WTO and also an affiliate to various regional economic unions and associations has opened its market to trade with other countries. Though Venezuela's trade is dominated by oil exports, imports into Venezuela are mostly electronics (32%), agriculture (17%), and others.

The agricultural production profile indicates that Venezuela's production is in most cases less than the required consumption, which could be an opportunity for exports by SA. Though there is opportunity for SA in Venezuela market, the study reveals Brazil, USA, Argentina, Canada, and Columbia, as major agriculture, forestry and fisheries (AFF) import suppliers to Venezuela.

Venezuela's accession to MERCOSUR could be an opportunity for increased trade between these countries, pending the ratification of the SACU-MERCOSUR agreement.

It is concluded that though there may be opportunities available in Venezuela for some SA agricultural products, competition may come from countries with preferences in Venezuela. A Trade Potential Index (TPI) aimed at revealing SA's competitive products in Venezuela, shows only two products with a maximum score of 5.

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1. Introduction

The study provides an overview of South Africa's agriculture, forestry and fisheries trade with Venezuela. The aim is to investigate the opportunities for maximising trade between the two and to highlight the present trade and the trade potential that exists between SA and Venezuela. The study would focus on increasing SA's Agriculture, Forestry, and Fisheries exports to Venezuela.

The study, though only a desk-top research, is intended to give the reader an overview of Venezuela's AFF structure and development, with the intent to highlight the possibilities available for SA producers in that market.

The study include looking at Venezuela as a country in general (i.e. geography, politics, economy and economic performance and cooperation); an analyses of trade and trade related policies; analyses of SA's trade potential; and some conclusions and recommendations.

2. Historical Background

The collapse of Gran Colombia in 1830, gave rise to Venezuela, Ecuador, and Colombia (previously New Granada). Until 1959, Venezuela was ruled by military strongmen, who promoted the oil industry and allowed social reforms. Since 1959, Venezuela was led by democratically elected governments. From 1999 to 2013, former President Hugo Chavez pursued to implement what he termed "21st century socialism", meant to alleviate social ills and attacking capitalist globalization. His successor, President Nicolas Maduro, continued with Chavez programs.

Critics of these programs states that these programs weaken democratic institutions, encourage political polarization, politicize military, encourage rampant crime, are over dependent on the petroleum industry with its price fluctuations, foreign-exchange controls that discourage private-sector investment, cause high inflation, decline in fundamental human rights, and scarcity of consumer goods.

3. Country Facts

Venezuela is a Federal Republic country in the Northern part of South America, with a total area of 912 050 km² (land – 882 050 km² and water – 3 000 km²)¹. During 2011 the land use in Venezuela was: 2.85% - arable; 0.71% - permanent crops; and 96.44% other uses, with an irrigated area of 10 550km².

¹ Central Intelligence Agency: World Factbook (2012)

Arable crops are crops harvested annually and require that the land be tilled annually for planting of crops like rice, maize, cabbage and spinach. Permanent crops are crops that do not require tilling of the land after every harvest and include crops like coffee, bananas, plantains, oranges, coconuts and mangoes.

With a population of 28 868 486 (July 2014 est.), Venezuela is ranked the 46th most populated country in the World. The population, 94% urbanized, mostly of Catholic religion (96%), is made up of 7 Ethnic groups (i.e. Spanish, Italian, Portuguese, Arab, and German, African, and Indigenous people). The official language in Venezuela is Spanish. The literacy rate for people of 15years and over that can read and write is 95.5% and the life expectancy is 74.4 years.

Venezuela is classified as a Developing Country, based on the World Bank, 2012 specifications².

4. Economic Overview

The CIA-World Facebook, states: “Venezuela remains highly dependent on oil revenues, which account for roughly 96% of export earnings, about 45% of budget revenues, and around 12% of GDP. Fuelled by high oil prices, pre-election government spending helped spur GDP growth in 2012 to 5.6%”.

Indications using the 2013 estimates were that Venezuela had a budget deficit of 9.8% to the GDP.

Table 1 below shows Venezuela’s economic indicators and rankings in the World at 2013 estimates from the CIA-World Factbook.

Table 1. Venezuela Economic indicators (2013-est.)

Indicator	Contribution	World Ranking
GDP (PPP) US\$ - billions	407.4	34
GDP Growth %	1.60%	159
GDP per Capita US\$	13 600	99
Inflation rate %	52.20%	222
Unemployment %	7.90%	84
Exports US\$ - billions	91.78	41
Imports US\$ - billions	59.3	49

Source: CIA-World Factbook

² Developing countries are defined by their per capita Gross National Income (GNI)/annum. GNI of US\$ 11,905 and less are defined as a developing (specified by the World Bank, 2012).

Table 2 below shows the contribution of different sectors to Venezuela's GDP and employment. Services contribute 60.8% and 70.9% to GDP and employment respectively.



Table 2. % Venezuela's Sector Contribution to Employment and GDP

Sector	GDP	Employment
Agriculture	3.7	7.3
Industry	35.5	21.8
Services	60.8	70.9

Source: CIA-World Factbook

The Venezuelan currency, the Venezuelan Bolivar (VEF) was stable against the US\$ during 2008 and 2009, but it weakened from 2010³, see table 3 below.

Table 3 Venezuelan bolivars (VEF) : US dollar (US\$)

Year	2008	2009	2010 est.	2012 est.	2013 est.
VEB:\$ rate	2.147	2.147	2.5821	4.289	6.048

Source: CIA-World Factbook

In its February 2002 WTO Trade Policy Review (WT/TPR/G/108), Venezuela indicated its intentions of taking part in the shaping of international trade policy, both bilateral and multilateral, and took drastic steps between 1996 and 2002. The government of Venezuela further stated that: *“Venezuela has been playing quite a dynamic international role in trade policy matters, participating actively in various trade negotiations, both as a member of an integrated trade bloc (e.g. the Free Trade Area of the Americas (FTAA), or in bilateral trade relations by the Andean Community with MERCOSUR, the Andean Community with the European Union) as well as on an individual basis, managing its own trade relations with Asia, Africa, Europe and other countries. Venezuela also participates within the framework of the G-15 and G-77, which discuss economic and trade issues in a political context”*.

Also of important is Venezuela's signing or amendment of various international trade rules to conform to WTO principles and rules. These rules and principles include the opening of the trade regime, reduction of its overall bound rate and the enforcement of the WTO Agreement on Customs Valuation.

³ On the day of compiling this document (29 Jul. 14), the 1 US\$: VEF was 6.29 VEF (XE-currency converter-www.xe.com/currencyconverter)

5. Infrastructure

The CIA World Factbook states that Venezuela produced approximately 127.6 billion kilowatt per hour (Kwh) of electricity in 2012, rendering it the 28th largest electricity producer in the World, whilst they consume 85.05 Kwh (the 35th largest consumer in the world). Venezuela exports 626 million Kilowatt (Kw) of electricity. This is an illustration that Venezuela is independent in terms of energy to produce and support its citizens.

In terms of telecommunications Venezuela is ranked 24th and 34th, in terms of mainline telecommunication and mobile phones with 7.65 and 30.52 million lines respectively.

In 2013, Venezuela had 444 Airports (127 with paved runways and 317 with unpaved runways).

By 2008, Venezuela had 806km of rail transport, ranking 98 in the World, with only 5% (i.e. 41km) electrified.

6. Risk Profile

Economic Risk: High⁴

Oil accounts for about 96% of export earnings, 45% of budget revenue and 12% of the GDP. The economy is therefore vulnerable to oil price shocks and changes in global oil demand. The economy, which was growing rapidly in the years leading up to 2009, slowed due to government mismanagement, nationalization of industries and price and capital controls. Inflation has historically been extremely high and is expected to hit 50% in 2014. Monetary stability is weak as there are extensive price controls on almost all goods and services as well as foreign exchange controls.

Political Risk: Very High⁵

Social unrest continues to rise over low economic growth, high inflation, rampant corruption, high rates of violent crime and food and water shortages throughout the country. Although the country is independent in terms of energy to produce and support its citizens, there are chronic and widespread electricity shortages throughout the country as infrastructure investment and maintenance is insufficient due to government mismanagement and nationalisation of

⁴ IMF World Economic Outlook and A.M. Best, Venezuela, 2014

⁵ IMF, Axco, Swiss Re and A.M. Best, Venezuela, 2014

industries. Tensions between Venezuela and the United States are high, as President Maduro openly opposes the United States' influence in the region.

Financial System Risk: Very High⁶

The Superintendent of Insurance Activity is responsible for the supervision of the insurance sector. The state is heavily involved in the financial sector and risk of expropriation exists. Price and exchange rate controls, in combination with corruption, allow for limited economic expansion. The risk of expropriation remains high. Venezuela ranks number 181 of 189 countries in the World Bank's Ease of Doing Business index.

7. Bilateral, Regional & Multilateral Trade Agreements

The Bolivarian Republic of Venezuela has been a WTO member since 1 January 1995 and a member of GATT since 31 August 1990.

On accession to the GATT, Venezuela bound its tariff at a general ceiling level of 50 per cent. These commitments were strengthened in the Uruguay Round by agreeing to reduce the overall bound rate to 35 per cent by 2004.

Since 1992, Venezuela's applied tariff schedule has been based on the Common External Tariff of the Andean Group⁷, with ad valorem rates of 5, 10, 15 and 20 per cent (with certain exceptions)⁸.

Venezuela is also a member of the following economic and trade communities:

➤ *Organization of the Petroleum Exporting Countries (OPEC)*

The OPEC was founded in Baghdad, Iraq, with the signing of an agreement by five countries namely Kuwait, Saudi Arabia, Islamic Republic of Iran, Iraq and Venezuela.

These countries were later joined by Qatar, Indonesia, Libya, the United Arab Emirates, Algeria, Nigeria, Ecuador, Gabon and Angola.

➤ *Union of South American Nations (UNASUR)*

⁶ AMB Country Report, 2014

⁷ A free trade area composed of Bolivia, Chile, Columbia, Ecuador, and Venezuela

⁸ http://wto.org/English/tratop_e/tp26_e.htm

UNASUR (signed in 2008), comprises of Brazil, Colombia, Ecuador, Argentina, Bolivia, Chile, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.

➤ *MERCUSUR*

South American trade block signed in 1991. It is composed of five member states: Brazil, Uruguay, Argentina, Paraguay and Venezuela. Its associated member countries are Chile, Bolivia, Colombia, Ecuador and Peru.

➤ *Bolivarian Alliance for the Peoples of America (ALBA)*

Was established on 2004, comprising of Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, Saint Lucia , Saint Vincent and the Grenadines, Venezuela

8. Agricultural, Fisheries, and forestry Profile

Production and consumption

Venezuela's major Agricultural crops and products include Corn (Maize), Sorghum, Rice, Coffee, Beef, Bananas, Vegetables, Pork, Milk, Eggs and Fish. Data depicting the production and consumption of Fish and forestry is scarce. FAO stats (2015), shows that Venezuela's Aquatic production of Rainbow trout (*O. mykiss*); Tambaqui and hybrids (*Colossoma* sp.); Tilapia (*Oreochromis* spp.); Shrimp (*P. Vannamei*) from 1990-2004 averaged 9 056 tonnes.

Timber extraction in Venezuela is under government control. In 2001 there were 14 concession-holding companies in operation, carrying out forest management plans on 1 206 000 ha. "Fuelwood represents 50 percent of total wood consumption in Venezuela, mainly for household use and to a lesser extent for cottage industries. Little information is available on the production and use of other forest products. National production of round wood has declined, amounting to 1 085 000 m³ in 2001, 69 percent of it from areas with forest management and development plans and from *Pinus caribaea* plantations, and 11 percent from areas under annual permits, which are not subject to such plans". FAO (2015).

Table 4: Venezuela Corn Production and consumption by Year (1000MT)

Market year	Production	Domestic Consumption	Self-Sufficiency ⁹
2008	1800	3200	56
2009	1634	3400	48
2010	1300	3100	42
2011	1300	3850	34
2012	1300	3650	36
2013	1360	3800	36
2014	1300	3950	33
Average			41

Source: USDA for United States

Corn is Venezuela's major domestic food crop and it is the country's most important cereal. Most of Venezuela's corn crops come from the central plains, mainly the states of Portuguesa, Barinas, and Guárico.

Table 4 above shows that on average from 2008 to 2014, Venezuela's corn production was only 41% of the required consumption. Indications are that Venezuela depends on corn imports to sustain its consumption.

Table 5: Venezuela Sorghum Production and consumption by Year (1000 MT)

Market Year	Production	Domestic Consumption	Self-Sufficiency
2008	330	330	100
2009	150	180	83
2010	130	130	100
2011	100	105	95
2012	110	105	105
2013	110	105	105
2014	110	105	105
Average			99

Source: USDA for United States

⁹ For the purpose of this paper and analysis, self-sufficiency is taken as the ratio of production to consumption (i.e. P/CX100). For example if self-sufficiency is 2%, then production only covers 2% of requirement; if ration is 124%, then there is surplus of 24%)

Grain sorghum is one of the important food crops in Venezuela, used also for poultry, swine, and cattle feed production. From 2008 to 2014, Venezuela's sorghum crop has been affected by lower product prices, lack of incentives to producers and poor weather conditions.

Table 5 above shows that Venezuela's Sorghum production breaks even with domestic consumption, leaving the country with no reserves. On average the country satisfies 99 % of the required sorghum domestic consumption. Sorghum feed production are predicted to remain steady in 2015.

Table 6: Venezuela Milled Rice Production and consumption by Year (1000MT)

Market Year	Production	Domestic Consumption	Self-Sufficiency
2008	495	600	83
2009	500	615	81
2010	358	630	57
2011	380	660	58
2012	385	660	58
2013	385	650	59
2014	380	650	58
Average			65

Source: USDA for United States

Venezuela's rice production was affected by bad weather conditions, a lack of inputs availability, and higher production costs during 2008 to 2014. Rice farmers in Venezuela suffer from rising costs of production.

Table 6 above shows that, there is a rice deficit in the country due to the increase in consumption and stagnated domestic production. From 2008 to 2014 the production of rice has been decreasing while the consumption has been increasing.

Table 7: Venezuela Green Coffee Production and consumption by Year (1000MT)

Market Year	Production	Domestic Consumption	Self-Sufficiency
2008	996	810	123
2009	1000	835	120
2010	725	875	83
2011	625	1305	48
2012	700	1305	54
2013	730	1290	57
2014	700	1290	54
2015	660	1295	51
Average			74

Source: USDA for United States

Table 7 shows Venezuela's production and consumption of coffee over the past seven years (2008-2014). During 2008 and 2009, Venezuela's coffee production yielded a surplus relative to consumption. However, from 2010 to 2014, there was shortage of coffee production relative to consumption. The table shows that on average, Venezuela's coffee production was only 77% of the required consumption.

Table 8: Venezuela Beef and Veal Meat Production and Consumption by Year (1000MT)

Market Year	Production	Domestic Consumption	Self-Sufficiency
2008	305	615	50
2009	290	508	57
2010	348	523	67
2011	345	560	62
2012	360	577	62
2013	290	580	50
2014	270	585	46
2015	270	590	46
Average			55

Source: USDA for United States

Table 8 shows that for the past seven years (2008-2014) there has been a beef deficit in Venezuela as beef consumption exceeded production. On average for the period under discussion, Venezuela only covers 55% of its domestic beef consumption. Venezuela's consumption of beef has been increasing since 2010. The highest beef consumption in Venezuela was 615 MT in 2008.

9. Major Exports and Imports

Table 9: Venezuela's AFF export products to the world [2008-2013] R'000

Commodity: Agriculture, Forestry and Fisheries products [2008-2013] R'000				
HS Code	Product Description	Average	% Share	Major trading partners
	Total AFF products	103.42		
'220840	Rum and tafia	15.19	15	Italy, Panama, USA
'030613	Shrimps and prawns,	13.23	13	France, Spain, USA
'180100	Cocoa beans	8.69	8	Germany, USA, Japan
'220300	Beer made from malt	8.07	8	Netherlands, Aruba, USA
'410120	Whole raw hides	6.51	6	Hong Kong China, China, Italy
'120740	Sesamum seeds	6.13	6	Guatemala, Mexico, Lebanon
'240391	Homogenized Tobacco or Reconstituted tobacco	5.65	5	Colombia, Czech Republic, Ecuador
'030614	Crabs frozen	4.02	4	USA, Canada, China
'440121	Wood in chips	2.58	2	Turkey, Austria, Canada
'441121	Fibreboard	2.01	2	Brazil, Colombia
'200710	Homo prep(jams, fruit jellies	1.89	2	Netherlands, Austria, Belgium
'220290	Non-alcoholic beverages	1.61	2	Netherlands, Colombia, Aruba
'210111	Coffee extracts	1.60	2	Australia, Czech Republic, France
'030617	frozen shrimps & prawns	1.56	2	France, Spain, USA
'210690	Food preparations not elsewhere specified	1.22	1	Netherlands, USA, Aruba
'441031	Particle board	1.13	1	Colombia
'490199	Books, brochures	0.86	1	USA, Netherlands, Colombia
'220710	Undenatured ethyl alcohol	0.83	1	Colombia, Netherlands, Chile
'090121	Coffee, roasted	0.82	1	Australia, Austria, Belgium
'180400	Cocoa butter	0.78	1	USA, Netherlands, United Kingdom

Source: ITC Trade map

Table 9 above illustrates some of the agriculture, forestry and fisheries products exported by Venezuela to the world. On averages between 2008 and 2013, Rum and tafia have the highest share of 15 %, followed by Shrimps and Prawns with 13 %, then Cocoa beans and Beers with 8 %. Venezuela's major export partners include Italy, Panama, USA, France, Spain, Germany, Japan, The Netherlands, Aruba, Hong Kong China, China, Guatemala, Mexico, Lebanon, Colombia, Czech Republic, Ecuador, Canada, Turkey, Brazil, Austria, Belgium, Australia, Chile and The United Kingdom.

Table 10: Venezuela's top 20 AFF Import products from the world [2008-2013] R'000

Commodity: Agriculture, Forestry and Fisheries products [2008-2013] R'000				
HS Code	Description	Average	% Share	Major trading partners
	Total AFF products	8 503.43		
010290	Bovine, live	704.38	8	Brazil, Colombia, Nicaragua
230400	Soya-bean oil-cake	592.94	7	USA, Bolivia, Argentina
040221	Milk powder	523.82	6	New Zealand, Argentina, Uruguay
100590	Maize (corn)	405.51	5	USA, Argentina, Mexico
020230	Bovine cuts	396.12	5	Brazil, Nicaragua , Colombia
100190	Wheat	296.22	3	Canada, USA, Lebanon
150710	Soya-bean	285.88	3	Argentina, USA, Nicaragua
020712	Fowls(gallus domesticus),whole, Frozen	223.28	3	Brazil, Argentina, Uruguay
481840	Sanitary towels and diapers for babies	179.57	2	Chile, Mexico, Brazil
210690	Food preparations	166.50	2	USA, Spain, Mexico
110710	Malt	156.29	2	France, Netherlands, Belgium
020110	Bovine Carcasses	155.91	2	Colombia, Austria, Belgium
160414	Tunas,skipjack	149.05	2	Ecuador, Portugal, Italy
190110	Preparations of cereals, flour	147.27	2	Mexico, Argentina, Ireland
040690	Cheese not elsewhere specified	136.58	2	Uruguay, Argentina, Netherlands
170111	Raw sugar, cane	135.87	2	Brazil, Colombia, Costa Rica
100110	Durum wheat	127.27	1	Canada, USA, Mexico
220830	Whiskies	118.76	1	United Kingdom, Panama, France
170490	Sugar confectionery	107.70	1	Colombia, Spain, Brazil
480100	Newsprint, in rolls	102.17	1	Canada, USA, Chile

Source: ITC Trade map

Table 10 shows Venezuela's imports from the world with regard to agriculture, forestry and fisheries products over the past six years. The total average AFF imports from the world exceed that of its exports to the world. Venezuela's largest import sources are Brazil, Colombia, Nicaragua, USA, Bolivia, Argentina, New Zealand, Uruguay, Mexico, Canada, Lebanon, Chile, Spain, France, Netherlands, Belgium, Austria, Ecuador, Portugal, Italy, Ireland, Costa Rica, The United Kingdom and Panama.

10. Trade & Tariff Policies

➤ Tariffs

The Venezuelan Customs Tariff contains 6,692 tariff lines at the eight-digit level, of which 86 are defined to 10 digits. All tariff lines of the Venezuelan tariff schedule are in ad-valorem duties.

Venezuela applies the Common External Tariff of the Andean Community. The Andean CET is determined by the level of processing, with a 5 percent tariff rate applied to raw materials and industrial inputs; 10 and 15 percent to intermediate inputs and capital goods; and 20 percent to final goods. There are some exemptions to the CET. Higher rates apply to trade in automobiles, and variable tariffs apply to a number of agricultural products. At the time the decisions regarding the establishment of the CET were made, Bolivia was excused from implementing it and was allowed to maintain its national tariff schedule. Peru, which had already adopted a two-level tariff rate of 15 and 25 percent for most of its tariff schedule, was not prepared to immediately implement the four-level CET. Thus, it was again Colombia and Venezuela that first adopted the Andean CET and then Ecuador. In 2001, the average MFN applied tariff was 12 per cent, with the average for agricultural products being 14.6 per cent and other goods 11.6 per cent. Venezuela's average bound WTO tariff is 35% for non-agricultural products and between 10% and 135% for agricultural products.

Under the Andean Price Band System, Venezuela can apply duties that vary with agricultural prices. Tariff quotas are applied on 17 agricultural tariff lines, which are administered through import licenses since 2000¹⁰.

Imports from Andean Community members cross Venezuela borders duty free, while Venezuela also grants preferential treatment on imports from Mexico (under the G-3 Agreement) and from other Latin American and Caribbean countries.

➤ Anti-dumping, Countervailing duty and Safeguards Measures

The current regulations on anti-dumping practices and subsidization is contained in the Law on Unfair International Trade Practices (LSPDCI) of 1992, together with its regulations; the Enabling Law for the Marrakesh Agreement Establishing the WTO; the Agreement on Application of Article VI of the GATT 1994; the Agreement on Subsidies and Countervailing

¹⁰ WTO| Trade Policy Review-Venezuela 2002

Measures; and Decision 283 of the Cartagena Agreement Commission, as notified by Venezuela to WTO¹¹.

As at 30 June 2002, there were 19 anti-dumping duty orders applied on a variety of products, mainly steel, chemicals and footwear. Three countervailing duty orders have been imposed on cheese from the European Union.

Venezuela has availed itself to the special safeguard provisions of the WTO Agreement on Agriculture, which permit the imposition of an additional duty on top of the bound tariff rate at a specified trigger volume or price level, Special safeguards are being applied to 76 four, eight or ten digit products in the The Common Customs Nomenclature of the Andean Community (NANDINA) tariff headings covered by the "tariffication" commitment¹².

Venezuela applies safeguard measures without discriminating unless the integration agreement provides for differential treatment.

➤ **Technical regulations and standards**

The Law on Technical Standards and Quality Control of 30 December 1979 contains provisions relating to standardization, certification, testing, accreditation, technical regulations and quality control in the areas of manufacturing and trade in goods, the provision of services, the introduction, distribution and marketing of imported goods, and the exportation of Venezuelan goods and services.

The standards and technical regulations Venezuela applies are commonly based on international standards. Venezuela has adopted some 300 technical regulations, but, as at September 2002, had only notified 24 of these to the WTO Committee on Technical Barriers to Trade¹³.

➤ **Sanitary and Phytosanitary measures**

Venezuela applies several sanitary and phytosanitary measures, but has yet to notify to the WTO Committee on Sanitary and Phytosanitary Measures.

Indications are that notifications are prepared, through the Autonomous Agricultural Health Service (SASA) of the Ministry of Agriculture and Land (MAL), and that the technical assistance of the WTO Secretariat has been requested for this purpose.

¹¹ WTO documents G/ADP/N/1/VEN/1 and G/SCM/N/1/VEN/1 of 6 April 1995, and G/ADP/N/1/VEN/1/Suppl.2 and G/SCM/N/1/VEN/1/Suppl.2 of 4 July 1996.

¹² See Part 1, Section I-A of Schedule LXXXVI (Corrigendum), 25 March 1994.

¹³ WTO| Trade Policy Review-Venezuela 2002

A requirement for the importation of animals and animal products is that they (imported animals and animal products) be registered with the SASA by the producer, exporter or importer. The products must enter the country accompanied by an official sanitary certificate issued by the competent officials of the country of origin¹⁴.

➤ Rules of origin

Venezuela applies both preferential and non-preferential rules of origin. Special rules of origin are applied on imports from the following trade agreements; the Andean Community; the Latin American Integration Association (LAIA); the bilateral Venezuela-CARICOM agreement; the Chile-Venezuela Economic Complementation Agreement; the partial-scope agreements with Costa Rica, Cuba, El Salvador, Guatemala, Guyana, Honduras, Nicaragua, Paraguay, Trinidad and Tobago, and Uruguay; and the Group of Three Agreement (G-3)¹⁵. Venezuela participates in the WTO Committee on Rules of Origin, and has notified the WTO of non-preferential rules, as well as preferential rules of origin applied by the Andean Community and LAIA.

Venezuela applies non-preferential rules of origin only on imports of goods that are similar to products subject to anti-dumping duties or countervailing measures.

11. Agricultural Trade Structure & Product Analysis

Table 11: SA's Agriculture, Forestry and Fisheries exports to Venezuela [2009-2013] R'000

HS code	Product description	Average	MFN rate (%)	SA's Key Competitors
	Total AFF products	3 505.2		
'100590	Maize (corn) not elsewhere specified	2 410.4	16.3	USA
'220870	Liqueurs and cordials	543.8	35	USA
'480591	Paper and paperboard	342.6	12.5	Spain
'350400	Peptones & derivatives	92.6	5	USA
'200929	Grapefruit juice, unfermented	23.2	20	-
'200990	Mixtures of juices unfermented		20	USA

¹⁴ MPT Resolution No. 571 of 22 October 1999, in force since 28 October 1999.

¹⁵ G-3 is a free trade agreement between Colombia, Mexico, and Venezuela that came into effect on January 1, 1995, which created an extended market of 149 million consumers with a combined GDP of US\$486.5 billion. Venezuela TPR, 2002

		22.8		
'200980	Fruit&vegetable juice not elsewhere specified (excluding mixes)	13.6	20	Brazil
'151590	Vegetable fats&oils nes	10.2	30	Canada
'050590	Feathers down not elsewhere specified and included	8.8	10	-
'442010	Statuettes	7.2	20	Panama

Source: ITC Trade Map

Table 11 above shows the top ten SA's AFF export products to Venezuela over the period of five years (2009-2013). Trade between the two countries takes place under MFN. Of the top ten products exported by SA to Venezuela, the lowest MFN rate applied is 5 % on Peptones and Derivatives, and the highest MFN rate applied is 35 % on Liqueurs and Cordials. SA's key competitors are economies such as, USA, Spain, Brazil, Canada and Panama.

Table 12: SA's Agriculture, Forestry and Fisheries imports from Venezuela [2009-2013] R'000

HS code	Product description	Averages	MFN rate (%)	Venezuela's key competitors
	Total AFF products	43.4		
'210111	Coffee extracts, essences	16.4	22.5	Spain
'030749	Cuttle fish and squid	14.4	0.1	China
'180100	Cocoa beans	8.0	0	Peru
'220860	Vodka	2.2	3	France
'180400	Cocoa butter, fat and oil	0.8	0	Malaysia
'490199	Books, brochures	0.8	0	United Kingdom
'100640	Rice, broken	0.4	0	India
'121190	Plants & parts of plants	0.2	7.9	China
'220870	Liqueurs and cordials	0.2	2.1	Germany
'010110	Pure-bred breeding horses	-	-	Australia

Source: ITC Trade Map

Table 12 above shows SA’s top ten agriculture, forestry and fisheries imports from Venezuela over the past five years (2009-2013). SA applied zero percent duty on some of AFF products from Venezuela; these include Cocoa beans, Cocoa butter and oils, Books brochures, and Rice.

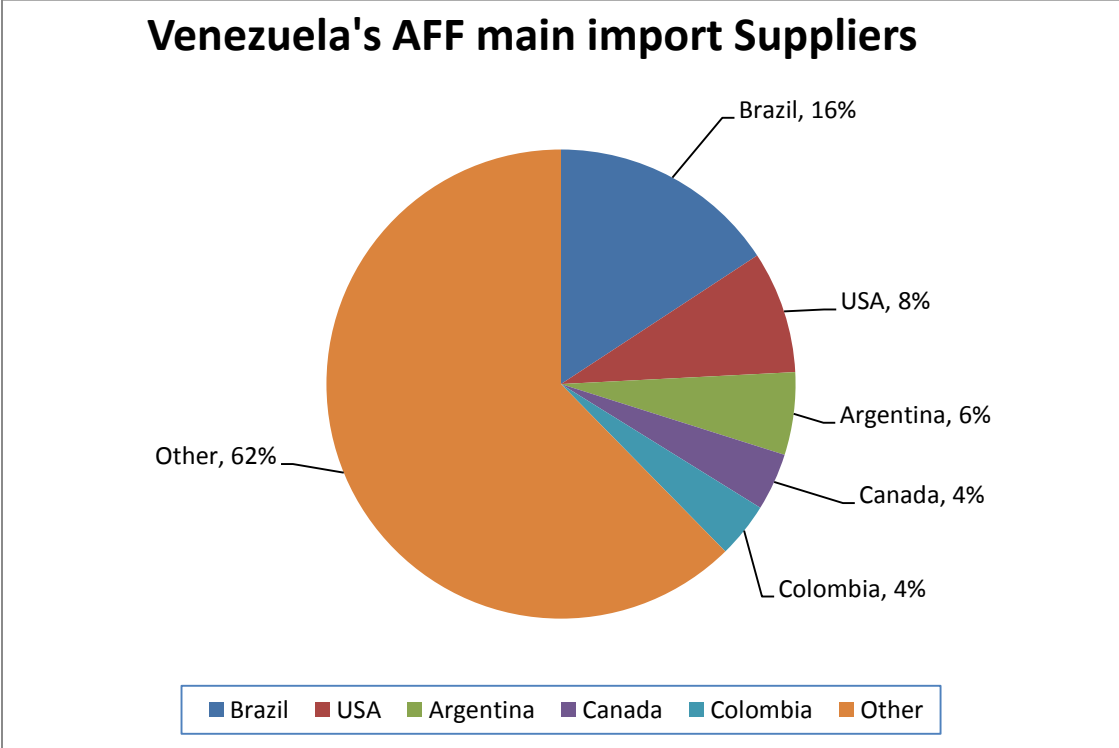
Table 13: SA-Venezuela Agriculture, Forestry and Fisheries Trade Balance [2009-2013] R'000

Commodity	2009	2010	2011	2012	2013	Average
Exports	833.0	564.0	14 769.0	1 018.0	342.0	3 505.2
Imports	67.0	33.0	15.0	90.0	12.0	43.4
Trade Balance	766.0	531.0	14 754.0	928.0	330.0	3 461.8

Source: ITC Trade Map

Table 13 above indicates that from 2009 – 2013, South Africa had an average agriculture, fisheries and forestry trade surplus of R 3.4m with Venezuela.

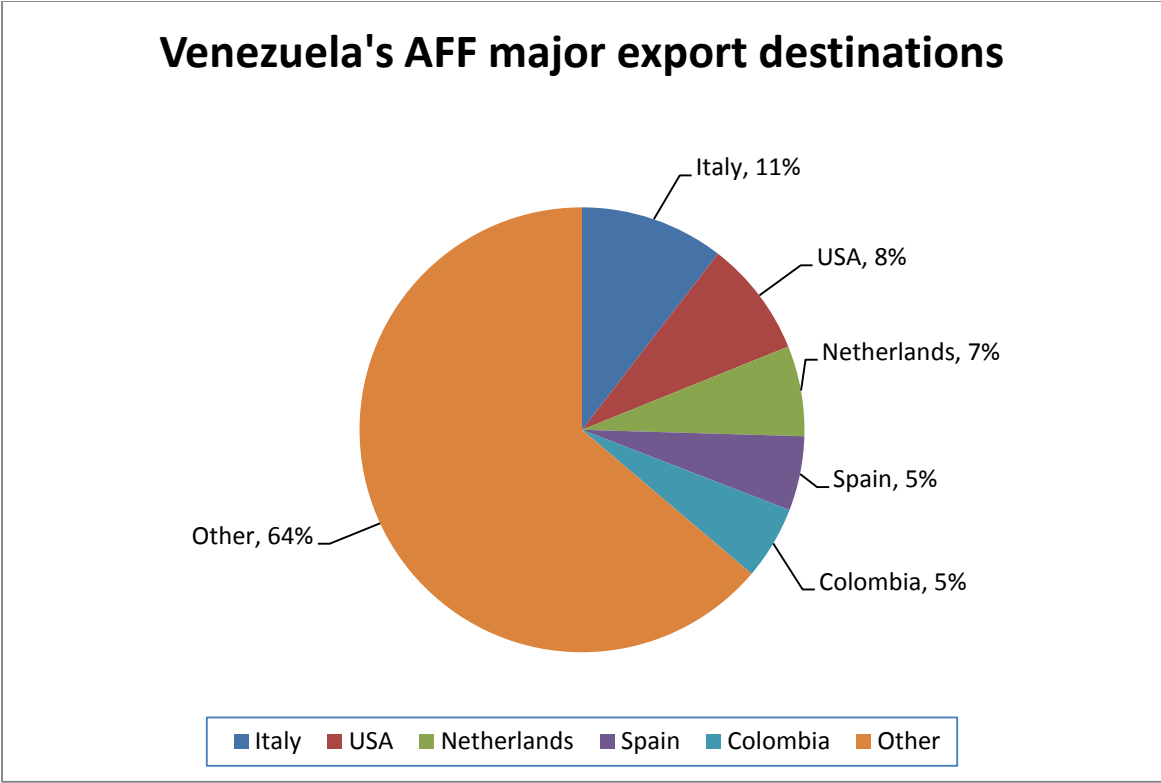
Chart 1: Venezuela’s main AFF imports suppliers-2009-2013



Source: ITC Trade Map

Chart 1 above illustrates Venezuela’s AFF main import supply markets. Brazil is the biggest supplier of AFF products to Venezuela accounting for 16% of Venezuela’s imports from the world, followed by the USA and Argentina with 8% and 6%. Other notable suppliers to the country are Canada and Colombia with 4% share of Venezuela’s imports from the world.

Chart 2: Venezuela’s AFF major export destinations - 2009-2013



Source: ITC Trade Map

Chart 2 above shows Venezuela’s major AFF export markets. Such economies include Italy, USA, Netherlands, Spain and Colombia with share of 11%, 8%, 7% and 5% respectively.

12. Agricultural Markets Accessibility

The currently negotiated SACU-Mercosur FTA between the Southern African Customs Union and the Common Market of the South (MERCOSUR) presents a good opportunity for South Africa and Venezuela to further increase or improve their market access and diversify their export markets. Though Venezuela is not a signatory of the yet to be ratified SA-MERCOSUR FTA agreement, they have recently acceded to MERCOSUR, which inadvertently renders them participants in this agreement pending acceptance of the offer by SACU members.

SACU and MERCOSUR member states acknowledged the intense work done during the negotiations to achieve an agreement aimed at jointly improving market access for their products.

13. Trade Potential Analysis

Table 14: Agricultural products with potential for export to Venezuela according to the TPI

HS code	Description	Total TPI Score	Did Venezuela import from SA	Is the export by SA to Venezuela growing	Is SA exports to the world growing	Is Venezuela imports from the world growing	Is the avg.indicative potential trade larger than R1 million
'220870	Liqueurs and cordials	5	1	1	1	1	1
'490110	Brochures	5	1	1	1	1	1
'100510	Maize (corn) seed	3	0	0	1	1	1
'100590	Maize (corn) nes	3	0	0	1	1	1
'100610	Rice in the husk	3	0	0	1	1	1
'100630	Rice, semi-wholly milled	3	0	0	1	1	1

Source: ITC Trade Map

Table 14 shows that SA has only two products with absolute trade potential in Venezuela with the maximum TPI score of five. These products are Liqueurs and cordials and Brochures. Though three is not the optimum ideal to measure potential, Corn is selected as it appears in the production consumption analysis as a product with potential in Venezuela. See annexure II for a full list of the TPI with the minimum score of three.

9. Conclusion

The study reveals that, Venezuela seems not to be self-sufficient in the production of its major agriculture crops and products. The consumption and production analysis undertaken as indicated in paragraph 8 reveals that, Venezuela is a net importer of corn, Sorghum, Rice, Coffee and Beef. Venezuela depends on imports to sustain its domestic consumption. Between 2008-2013, Venezuela's agricultural production and crops has been affected by lower product prices, lack of incentives to producers and poor weather conditions. Thorough investigations still need to be undertaken to determine what the influence of proximity, competitors and risks in the Venezuela's market could be for SA exporters of these products.

Ways and mechanisms should be sought by SA authorities to negotiate better market access conditions in Venezuela, given that Venezuela applies high duties in most of the products exported by South Africa. The situation could however, be modified by the possible implementation of the SACU-MERCOSUR FTA agreement, to which Venezuela would be a signatory due to its recent accession to MERCOSUR.

The Trade Potential Index (TPI) analysis reveals that only two products (Liqueurs and Cordials and Brochures) have an absolute potential in Venezuela. Further, Corn with a trade potential index of three also appears in the production consumption analysis. Trade between the two countries could be expanded through the currently negotiated SACU-MERCUSOR FTA, as Venezuela has recently been accepted as a member of MERCOSUR. Venezuela's main trading partners are USA, Brazil, Argentina, Canada, Colombia, Italy, Netherlands and Spain.

Annexure 1 - Trade Potential Index

The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of import demand, import trends, growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is then aggregated to give a total score, which is measured against a final score of 5. A score of 1 would therefore represent the lowest end of the scale and the least trade potential whilst a score of 5 would indicate the greatest trade potential.

The criterion for scoring is as follows:

- **The value of imports from a country:** If current trade in the form of imports from the partner country does exist, a score of 1 is allocated. The absence of trade is allocated a score of 0. The existence of a trade relationship is deemed a significant factor in furthering trade.
- **Growth in import demand:** If imports from the importing country have registered positive growth measured over the latest five year period, a score of 1 is allocated. No growth or negative growth rates are awarded a score of 0. In the absence of trade or import data between countries, import growth from the rest of the world is used as an indication of general import demand with positive growth allocated a score of 1 and no or negative growth a score of 0. The inclusion of this value in the table is also intended to indicate general import demand for the product as well as providing a basis for comparing demand for specific country products relative to demand for the same product from global sources.
- **Net Export growth:** Growth of net exports from the exporting country to the rest of the world is indicative of country's real supply capacity and increased demand for locally produced goods. A positive growth rate in the value of net exports over a five year period is awarded a score of 1, whilst no or negative growth is awarded a score of 0.
- **Production Capacity:** In assessing a country's potential for exporting a product, it is important to show a measure of confidence in terms of supply capacity and production growth. If production from the exporting country has registered a positive growth measured over the latest five years period, a score of 1 is allocated. No growth or negative growth rates over the same period are awarded a score of 0.
- **Unit Value:** Unit value is determined on the basis of value and quantity of exports. Products with a high unit value (≥ 1 \$) are allocated a score of 1. Products with a low unit value (< 1 \$) are allocated a score of 0.

Annexure II

Agricultural products with potential for export to Venezuela according to the TPI

HS code	Description	Total TPI Score	Did Venezuela import from SA	Is the export by SA to Venezuela growing	Is SA exports to the world growing	Is Venezuela imports from the world growing	Is the avg.indicative potential trade larger than R1 million
'220870	Liqueurs and cordials	5	1	1	1	1	1
'490110	Brochures	5	1	1	1	1	1
'010210	Bovine, live pure-bred fed	3	0	0	1	1	1
'010290	Bovine,except pure-bred fed	3	0	0	1	1	1
'010511	Fowls,live domestic weighing	3	0	0	1	1	1
'020220	Bovine cuts bone	3	0	0	1	1	1
'020230	Bovine cuts boneless	3	0	0	1	1	1
'020319	Swine cuts, fresh or chilled	3	0	0	1	1	1
'020329	Swine cuts, frozen	3	0	0	1	1	1
'020712	Fowls (gallus domesticus)	3	0	0	1	1	1
'040110	Milk not concentrated	3	0	0	1	1	1
'040120	Milk not concentrated	3	0	0	1	1	1
'040210	Milk powder	3	0	0	1	1	1
'040221	Milk & cream powder	3	0	0	1	1	1
'040390	Buttermilk, curdled milk	3	0	0	1	1	1
'040410	Whether or not concentrated	3	0	0	1	1	1
'040510	Butter	3	0	0	1	1	1
'040590	Fats and oils	3	0	0	1	1	1
'040690	Cheese nes	3	0	0	1	1	1
'040819	Egg yolks nes	3	0	0	1	1	1
'071190	Vegetables nes&mixtures	3	0	0	1	1	1
'071290	Vegetables&mixtures dried	3	0	0	1	1	1
'071310	Peas dried, shelled	3	0	0	1	1	1
'080620	Grapes, dried	3	0	0	1	1	1
'090411	Pepper of the genus Piper	3	0	0	1	1	1
'091099	Spices nes	3	0	0	1	1	1
'100110	Durum wheat	3	0	0	1	1	1
'100190	Wheat nes&meslin	3	0	0	1	1	1
'100510	Maize (corn) seed	3	0	0	1	1	1
'100590	Maize (corn) nes	3	0	0	1	1	1
'100610	Rice in the husk	3	0	0	1	1	1
'100630	Rice, semi-wholly milled	3	0	0	1	1	1
'120929	Seeds of forage plants	3	0	0	1	1	1
'120991	Seeds, vegetable	3	0	0	1	1	1

'121190	Plants&pts of plants	3	0	0	1	1	1
'130190	Natural gums, resins	3	0	0	1	1	1
'130219	Vegetable saps&extracts	3	0	0	1	1	1
'130239	Mucilages&thickeners nes	3	0	0	1	1	1
'150420	Fish fats&oils&their fractions	3	0	0	1	1	1
'150710	Soya-bean oil crude	3	0	0	1	1	1
'150790	Soya-bean oil&its fractions	3	0	0	1	1	1
'150910	Olive oil, virgin	3	0	0	1	1	1
'151190	Palm oil	3	0	0	1	1	1
'151211	Sunflower-seed	3	0	0	1	1	1
'151620	Veg fats &oils&fractions	3	0	0	1	1	1
'151710	Margarine	3	0	0	1	1	1
'151790	Edible mx/preparation of animal	3	0	0	1	1	1
'151800	Animal/veg fats&oils	3	0	0	1	1	1
'160100	Sausage&similar products of meat	3	0	0	1	1	1
'170211	Lactose and lactose syrup	3	0	0	1	1	1
'170230	Glucose&glucose syrup	3	0	0	1	1	1
'170240	Glucose including syrup cntg	3	0	0	1	1	1
'170490	Sugar confectionery not elsewhere specified	3	0	0	1	1	1
'180500	Cocoa powder,	3	0	0	1	1	1
'180690	Chocolate	3	0	0	1	1	1
'190110	Prep of cereals,flour	3	0	0	1	1	1
'190219	Uncooked pasta	3	0	0	1	1	1
'190230	Pasta nes	3	0	0	1	1	1
'190410	Prep foods	3	0	0	1	1	1
'190590	Communion wafers	3	0	0	1	1	1
'200190	Veg,fruit,nut	3	0	0	1	1	1
'200410	Potatoes preservd	3	0	0	1	1	1
'200520	Potatoes prepared	3	0	0	1	1	1
'200599	Vegetables	3	0	0	1	1	1
'200600	Fruit,nut,fruit-peel&pts	3	0	0	1	1	1
'200799	Jams,fruit jellies,fruit	3	0	0	1	1	1
'200819	Nuts&seeds nes incl mx	3	0	0	1	1	1
'200870	Peaches nes	3	0	0	1	1	1
'210120	Tea or maté extracts	3	0	0	1	1	1
'210690	Food preparations nes	3	0	0	1	1	1
'220410	Grape wines, sparkling	3	0	0	1	1	1
'220820	Spirits obtained by distilling	3	0	0	1	1	1
'220860	Vodka	3	0	0	1	1	1
'220890	Undenatured ethyl alcohol	3	0	0	1	1	1
'230120	Flour,meal&pellet of fish	3	0	0	1	1	1
'230210	Maize (corn) bran, sharps	3	0	0	1	1	1

'230310	Residues of starch	3	0	0	1	1	1
'230400	Soya-bean oil-cake&other	3	0	0	1	1	1
'230990	Animal feed preparations	3	0	0	1	1	1
'440799	Lumber, non-coniferous	3	0	0	1	1	1
'440910	Wood (lumber)	3	0	0	1	1	1
'441019	Particle board of wood	3	0	0	1	1	1
'441090	Particle board	3	0	0	1	1	1
'441192	Fibreboard of wood	3	0	0	1	1	1
'441239	Plywood consisting of veneered panels and similar wood	3	0	0	1	1	1
'441299	Panels	3	0	0	1	1	1
'441510	Cases, boxes, crates	3	0	0	1	1	1
'441520	Pallets, box pallets	3	0	0	1	1	1
'441900	Tableware&kitchenware	3	0	0	1	1	1
'442090	Wood marquetry&inlaid	3	0	0	1	1	1
'442190	Wood articles nes	3	0	0	1	1	1
'470790	Waste&scrap of paper	3	0	0	1	1	1
'480257	Paperboard	3	0	0	1	1	1
'480258	Uncoated paper	3	0	0	1	1	1
'480519	Fluting paper, uncoated,	3	0	0	1	1	1
'480620	Paper, greaseproof	3	0	0	1	1	1
'481029	Paper, fine, woodcontaining	3	0	0	1	1	1
'481159	Paper and paperboard	3	0	0	1	1	1
'481810	Toilet paper	3	0	0	1	1	1
'481830	Tablecloths&serviettes	3	0	0	1	1	1
'481840	Sanitary articles of paper	3	0	0	1	1	1
'481850	Articles of apparel	3	0	0	1	1	1
'481890	Household supplies	3	0	0	1	1	1
'481910	Cartons, boxes and cases,	3	0	0	1	1	1
'481930	Sacks and bags, of paper	3	0	0	1	1	1
'482110	Paper labels of all kinds	3	0	0	1	1	1
'482190	Paper labels of all kinds	3	0	0	1	1	1
'482369	Trays, dishes, plates	3	0	0	1	1	1
'482390	Paper&paper articles	3	0	0	1	1	1
'491199	Printed matter, nes	3	0	0	1	1	1
'030429	Frozen fish fillets	3	0	0	1	1	1

Source: ITC Trade Map