

Exporting to Venezuela A Guide for U.S. Companies Planning to Export American Products to the Venezuelan Market



This small guide was developed by the U.S. Commercial Service (USCS) office at the U.S. Embassy in Caracas, the capital of the Bolivarian Republic of Venezuela (BRV), and is based on the status and conditions existing at the time of its writing. Note that rules, laws, regulations and practices are subject to changes, often without prior notice, and should be confirmed by a customer when orders have been received. Final costs to the exporter rarely change, but changes might result in delays in receiving payment or in the final costs to the importer.

The Market for Exports

Venezuela traditionally has been an excellent market for exports from all over the world. The U.S. supplied USD 9 billion of products in 2006, of which USD 3.1 billion was machinery and \$1 billion was in vehicles, followed by chemicals and related products, medical equipment, metals and a large variety of consumer products. While the U.S. during the 1950's had a market share of over 50 percent, this has gradually decreased to under 30 percent, principally caused by the appearance of many new competing countries and the economic revival of other manufacturing countries. Venezuela mainly exports petroleum, ores and iron with some agriculture, now decreased, and never has had much manufacturing, given a population of just 27 million. It mostly consists of assembly operations, production under license or contract by foreign manufacturers, and low-cost consumer goods. Thus, Venezuela needs to import a large variety of products from industrialized nations.

Since no strong bilateral or multilateral trade pacts exist between the U.S. and the BRV, our competitors can enter this lucrative market under more or less the same conditions, coping with the distances involved and the resulting differences in transportation costs. Some competitors are able to adjust to this, as evidenced by China and Japan, both with growing market shares. Venezuela always has preferred U.S. products and continues to look for them, not only for industrial use, but also for the consumer market. Venezuelan buyers also stress their confidence in the design and quality of U.S. products. U.S. manufacturers certainly should consider Venezuela as a target market.

Aids to Finding and Selecting Buyers

Interested Venezuelan companies may have found the name and address of the U.S. manufacturer of an item they need or want and might have contacted the

firm directly requesting information and a price estimate. In any case, a reply to a request for quotation in addition to price ranges might ask whether the interested buyer has investigated duties, import license requirements, foreign exchange availability, and the need for an export license, depending on the product. In replying to an RFQ the potential U.S. exporter might ask how the buyer intends to pay for the purchase, whether he uses a customs agent in the port or airport he wants to use, and which mode of transportation he intends to request.

As part of an initial strategy for exporting to Venezuela, the U.S. company might find it useful to request some basic information from the USCS at the U.S. Embassy via e-mail. The USCS would be pleased to answer questions about the potential market for specific products, potential obstacles in general and potential competitive factors. The USCS through its Export Assistance Centers (EACs) located in all major cities throughout the U.S. also makes available a number of specific services designed to assist a U.S. exporter in obtaining information on a future buyer who has contacted the exporter, on locating possible sales agents or distributors or in finding potential local contacts interested in having the U.S. firm visit them to discuss cooperation or to see their facilities personally (a so-called "Gold Key Service"). While these services require a small fee they could be very useful and in the longer run not only might save the exporter money, but also help in saving time and future problems. A phone call to one of the EACs nearby will also establish a relationship for future needs and assistance for potential problems.

Language

The official language of Venezuela is Spanish, but many Venezuelan businessmen speak English or can at least read it. The government is not allowed by law to answer any correspondence not written in Spanish. Spanish must be used for some printed material, such as important safety information for technical products and dose information for buyers of medicines. It is not expected or required to have detailed maintenance or operating manuals in Spanish for technical products, but it could be a worthwhile investment to have some of this information translated into Spanish because it would greatly support sales efforts.

The government's daily "Official Gazette" publishes all new laws, decrees, regulations or any other government actions or announcements by the central government. Daily newspapers rarely publish the full text of a new measure but might publish extracts or summaries. Since there are often differences between the Gazette text and what the papers report, we recommend use of the official text instead of press reports. Full texts of new laws, in Spanish, are available from many kiosks along the streets. Potential importers will be up-to-date on all new or changed regulations that affect their business and normally have them available.

Regulations and Potential Difficulties

Venezuela prohibits the import of few products. This includes used automobiles, used or retread tires and used clothing. However, many products require either an import license or an import or sales permit through registration at a ministry or agency. While some of these are obvious, such as arms and explosives (Ministry of Defense), animal feeds and veterinary medicines (Ministry of Agriculture), drugs and pharmaceuticals (Ministry of Health), products emitting nuclear radiation (Ministry of Energy and Mines), many others (such as for foods) exist to control the volume of imports. Still others must only be registered with the Ministry of Health before they can be sold to the public (such as pesticides packaged for retail sale, sprays, and all household disinfectants and cleaning compounds) and each package or container must show the registration number. All packaged or industry-made foods must be registered and authorized for sale with each package showing the registration number and a list of ingredients.

Only a locally established and registered company that will also be responsible for complying with other regulations or quotas, and not the exporter, can apply for these licenses and permits. In some cases, the importer in Venezuela will ask the foreign exporter to furnish supporting documents, such as FDA registration in the case of medicines, certificate of free sale for certain hospital or medical equipment, or authorizations by the appropriate U.S. agency in the case of radioactive products used for medical or scientific purposes. In most cases, only the published analysis of the product or the list of ingredients listed on the label is required and possibly some supporting literature or foreign tests. Requirements for local testing are rare. Existing importers of any of the products have never reported difficulties to the exporter or obstructions or protectionism in favor of local products. Most of these requirements appear intended to protect the public.

Government agencies are prohibited by regulation from buying used or reconditioned products and Venezuelan banks as a norm will not provide financing for used equipment or products. Commercial buyers, however, could be interested in the savings related to used equipment. Because of a slim infrastructure of reliable repair companies not tied to brands, any potential buyer will first ask whether spare parts are available and from whom. Also usually asked is whether repair technicians are available. Distributors of imported equipment that conceivably might require occasional maintenance or repair might ask their U.S. supplier whether the company that manufactures the equipment would be able and willing to train maintenance technicians or make available detailed repair literature or instructions.

Patents or trade marks once registered are protected, but the protective measures, often requested by U.S. exporters who desire that customs be asked to stop the import of products which in the exporters' opinion violate a registered

trademark, can only be requested through legal measures and through the intellectual protection and registration offices of the government. Trademark protection is weak and the understaffed trademark protection police can confiscate merchandise only through a court order.

Other rules are based on internationally established restrictions, such as the use of toxic colorants for toys, the use of cancer-causing chemicals used in textiles, health warnings on tobacco products, x-ray emissions by TV or computer screens and others. If the U.S. exporter's products are subject to such internationally accepted limitations, he should question potential Venezuelan buyers whether Venezuela has the same limitations.

There are also regulations which might impact shipping such as the need for fumigation, heat or chemical treatment of lumber used for crating or pallets and the use of specific types of containers for toxic chemicals, flammable products or those with potential toxic emissions. However, practically all of these regulations are of international compliance or origin and any freight forwarder or shipping company in the U.S. would know about these and can instruct the exporter accordingly.

Standards

Venezuela's standards institute is called FONDONORMA, jointly operated by a non-profit foundation owned by the private sector industry and several Venezuelan ministries. In addition to creating industry standards, it is in charge of granting ISO certifications, international and Venezuelan quality certificates, certifying testing laboratories and providing technical assistance to local or foreign companies in need of domestic and foreign industrial standards guidance and information. Most standards published are voluntary, but a number of standards developed by FONDONORMA, are mandatory, with enforcement by the government. Customs can block imports not in compliance. Local importers are normally aware of such standards and can request authorizations for imports, especially if equal foreign norms exist and are widely used by industrialized nations. While obligatory standards years ago at times were used to create trade barriers, partly for reasons of protectionism, this practice has been eliminated and there have been no complaints about this for years.

Customs

Venezuela's customs service is part of the country's internal revenue service, SENIAT. Apart from some regulations, the most important activity of the service, and the one of greatest importance to importers, is the application of the import duty schedule. This schedule is based on law and it largely applies the international Harmonized Tariff Schedule used by the World Trade Organization of which Venezuela is a member with some input from the NABANDINO customs code used by the Andean countries.

Import duties range from 5 percent to 10 percent but to only occasionally to over 30 percent with some exceptions. Many products are duty-free. The duty is based on the CIF value (cost plus insurance plus freight). Customs, as part of the internal revenue service, also at times collects the value added tax (VAT) which at present is 9 percent, but with many products exempt. The retail sales outlet can also collect the VAT. Again, the importer will know both the duty range and the need for paying the VAT. A charge of 1 percent for customs services is collected along with the duties.

In addition to the customs tariff schedule, the tariff guide, named in Venezuela "Arancel de Aduanas," lists additional information for each item, such as import licensing requirements, the agency responsible for such license, and special other requirements not usually of importance to the foreign exporter. However, such requirements at times result in an increase of the final sales cost to an eventual local buyer because the importer will pass these costs along to the final buyer and the foreign exporter might wish to know for competitive purposes the final cost in local currency of the imported product.

Customs offices are located at all international airports and in the most important ports, such as La Guaira near Caracas, Puerto Cabello (the largest port), Maracaibo, Porlamar on Margarita Island and some smaller and, for foreign trade, less important ports including some so-called "subaltern" ports used by the fishing fleet, yacht clubs and similar. Both the international airports and the ports have support by military organizations that are charged, for instance, with controlling the drugs trade and checking for arms, munitions or explosives. Customs uses modern technologies for checking container contents through X-ray machines. Bonded warehouses controlled by customs also exist and are used by importers who, not having their own storage facilities, can have imports transported from the ports or airports to such facilities and duties must be paid when the products leave these warehouses. Some warehouse companies also operate transportation facilities and can be contracted to operate a distribution subsidiary for shipping the goods from the warehouse to a final destination.

One of Customs' important activities is curbing illegal activities by matching paperwork such as cargo manifests with actual contents of containers or unloaded cargo, to prevent illegal imports and over/under-invoicing for the purpose avoid duty payments. No such problems or protective measures would affect the average exporter and customs only does for what it exists. In general, local importers have no specific complaints about customs and report few attempts at corruption, unwarranted delays in processing, or unjustified fines. If importers feel that they have been damaged without justification, there are well-established although somewhat slow bureaucratic means to complain. Imports confiscated by customs, and following an appeals process, are auctioned off periodically at public auctions that are advertised periodically through the press.

The government also utilizes the customs tariff for adjusting import levels according to perceived economic needs and at times without prior notification raises or lowers duty levels. It also can utilize duty levels for establishing countervailing duties for specific products and so-called reference prices, both to temporarily reduce imports due to alleged dumping. This had been done for instance on textile products for which minimum price levels were created for use by customs. At times, such lists were only for imports of specific products from specific countries of origin and once the trade had adjusted or the importers began to raise their price levels the measures were eliminated. Raising or lowering customs import tariffs at times, and often through a decree, have been used to either stimulate imports by certain trade or industry sectors or to curb what the government feels are "unnecessary luxury imports." Only recently the government decreed duty raises for alcoholic beverages, tobacco products and assembled automobiles, possibly to curb imports, but also to support the existing assembly industry existing of American, Japanese, French and Korean companies.

The Need for a Customs Agent

Most Venezuelan importers utilize the services of a customs agent. These legally established companies, which operate under a license by the government, provide complete logistics support to importers and are the legally contracted entities that can provide all services related to port or airport fees, elaboration of documents in the Spanish language required by customs, the payment of fines and import duties, port or airport storage fees, materials handling costs, container costs and any other service needed by the importer or charged to him including transportation from port, airport, airport or bonded warehouse to the premises of the importer.

The contract with a customs agent to a certain degree makes the customs agent the owner of the imported products for practical purposes, especially if the shipping documents list the customs agent as consignee. This is mentioned only because some U.S. companies fear that the customs agent might take the products out of customs and "disappear." At the exits of ports and airports there are check points where usually military personnel together with customs officials make a final check of documentation before allowing the products to leave the premises.

Customs agents charge authorized fees for their services and they have competitors. In an annex to this report we list a number of the oldest and best-known customs agents. Most are also the agents of steamship companies going to Venezuelan ports. It is often one of these companies that is the first to inform or alert an importer that products he ordered have arrived in port.

Temporary Import

Occasionally a U.S. company receives a request to make available equipment for temporary use in Venezuela, such as for a construction project, but which is not intended to be imported permanently becoming the property of the requester. This is possible under specific conditions; the products to be imported temporarily are not charged import duties or other taxes. The receiver of such equipment must request authorization for temporary import from customs, supplying the details of the equipment to be sent to Venezuela, the expected length of time needed to execute the project, the cost of the equipment and the identity of the user. Customs does require a bond to cover the duties and customs fees charged payable if by any circumstances the equipment stays in country and is not re-exported, in which case the bond is forfeited and the equipment is legally imported. An extension of the length of time the equipment will be needed is possible upon request for which the bond coverage also must exist or be extended.

The situation is somewhat different for airplanes. The lease of airplanes for commercial flights transporting people or cargo is not allowed under the temporary import rules, only for specific purposes for which there is no domestically available equipment, such as heavy lift, remote sensing or transmission line construction. Pilots must have an internationally valid license, and the airplanes must have a valid FAA-issued airworthiness certificate and insurance coverage. Apart from customs permission, a permit must be obtained from Venezuela's equivalent of the FAA (INAC), and the airplanes to be used must have an up-to-date U.S. registry ("tail number").

Exchange Controls

In 2003 Venezuela decreed exchange controls designed to curb capital flight and the use of foreign exchange, especially dollars, for non-commercial needs. A dedicated government office named CADIVI (Commission for the Administration of Foreign Exchange) has wide-ranging duties and purposes. This complicated and cumbersome system causes delays to the importer and exporter in obtaining dollars. Often these delays have been caused by the importers themselves, either for non-compliance with the bureaucratic procedures or by their delay in depositing the local currency equivalent for the foreign exchange they requested, but often the CADIVI bureaucracy is to blame. In late 2007, the demand for controlled dollars increased to the point that access to controlled dollars was being prioritized. Private sector contacts report waits of up to 180 days for certain types of goods. Some goods deemed unnecessary or termed "luxury" are denied access to controlled rate dollars and must be imported and paid for at the parallel rate, which increases their price substantially in local currency. The price at the parallel rate was roughly two and one half times that at the official rate at start of 2008.