

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) Introduction

1. Venezuela, which became an independent republic in 1810, has enjoyed political stability and virtually uninterrupted democratic civilian rule since December 1958 following the "Pact of *Punto Fijo*", a power-sharing compromise reached between the main political forces of the centre, the AD (*Acción Democrática*), the Christian Socialist Party (*Partido Social Cristiano/ Comité de Organización Política Electoral Independiente*, COPEI) and the Democratic Republican Union (*Unión Republicana democrática*, URD). The present coalition Government of President Rafael Caldera (COPEI), elected on 5 December 1993 with the support of a political coalition (CONVERGENCIA), and took office on 2 February 1994.

(2) General Framework

2. Venezuela is a federal republic divided into 22 States, one Federal District and 72 Federal Dependencies (see below).

3. Executive power is in the hands of the President, who is elected by universal suffrage for a period of five years. The President appoints the Council of Ministers, usually from his own political party. Ministers need not be members of the legislature nor members of the President's political party. The President may not be elected twice in succession but may be re-elected 10 years following the termination of his mandate or the lapse of two presidential terms.

4. The President may, in case of external or internal conflict or well-founded reasons to believe one or the other may occur, declare a state of emergency and suspend constitutional guarantees (except for the prohibition of the death penalty and other limitations on prison sentences).¹ A state of economic and political emergency was decreed in June 1994, at which time exchange controls were introduced and other economic measures taken (Chapter I). On 6 July 1995, constitutional rights suspended in 1994 were restored, following the passage of a new financial emergency law as well as a consumer protection law and the law concerning the exchange régime (Chapter I).

5. Legislative power is vested in a bicameral Congress composed of a 50-member Senate (*Senado*) and a 204-member Chamber of Deputies (*Cámara de Diputados*). Senators (2 from each State, 2 from the District and the rest selected on the minority representation principle) and deputies (at least 2 from each State and one from each Territory) are elected by universal suffrage. The responsibilities of the Senate include the launching of debates on bills to approve international treaties.

6. The judiciary consists of the Supreme Court of Justice (consisting of 15 Magistrates, elected at a joint session of Congress for nine years) and the tribunals. The Supreme Court may rule on whether laws or their interpretation are constitutional and whether the proceedings of the legislative bodies are legal.

7. The States are autonomous but must comply with the laws and Constitution of the Republic. They have individual Legislative Assemblies (*Asamblea Legislativa*) which legislate on regional organization, financial or administrative matters. The States cannot introduce separate customs; import,

¹Articles 190 and 240 of the Constitution.

transit, export or excise duties; taxes on live animals and products thereof; or prohibitions for the consumption of goods produced outside their territory.²

8. Elections for the presidency and the Congress take place simultaneously every five years, while those for the regional and municipal authorities are held every three years.

(3) Structure of Trade Policy Formulation

(i) Legislative and Executive branches of Government

9. The Congress may debate, approve and amend laws including those related to the Budget or the fiscal régime. Bills may be introduced by members or Commissions (*Comisión Delegada* or *Comisiones Permanentes del Congreso*) of the Congress, the Executive, the Supreme Court of Justice or by the electoral initiative of not less than 20,000 citizens and may be submitted to either the Chamber of Deputies or the Senate. Bills must be debated twice in each chamber of Congress. Following approval by both chambers, bills become law on the signature of the President. Laws may be amended or repealed only by new laws. The President may veto and return bills passed by Congress either when these are approved by simple majority or considered unconstitutional. In the first case, bills may again be approved by Congress; in the second, the Supreme Court may pronounce that the measure is in compliance with the Constitution. In both such cases, if the President then refuses to enact the law, the President or the Vice-President of the Congress assume this responsibility.

10. The President is also empowered to issue implementing regulations for laws. The President negotiates foreign loans and international treaties; in order to be ratified, the latter require Congressional approval by means of special law (*ley especial*).³ He also decides the date when such an approval law can be promulgated. International treaties or regulations published in the Official Gazette have the rank of domestic legislation; nevertheless, in practice, these are not applicable in the absence of implementing regulations. The Executive is empowered, upon authorization by law, to adopt exceptional economic and financial measures to safeguard the public interest. This power was used to implement the foreign exchange controls described in Chapter I.

11. Trade policy formulation is directed by a Cabinet (*Consejo de Ministros*) which decides on the basis of consensus. Since 1970 the Foreign Trade Institute (*Instituto de Comercio Exterior*, ICE) of the Ministry of External Relations (*Ministerio de Relaciones Exteriores*) has had the main responsibility for trade policy formulation and implementation in co-ordination with other Government agencies, in particular the Ministry of Development (*Ministerio de Fomento*).⁴ Other agencies involved include the Ministry of Finance (*Ministerio de Hacienda*), the Ministry of Agriculture and Livestock (*Ministerio de Agricultura y Cría*, MAC), the Ministry of Energy and Mines (*Ministerio de Energía y Minas*), the Ministry of Environment and Renewable Natural Resources (*Ministerio del Ambiente y de los*

²Article 18 of the Constitution.

³In emergency situations, the Delegated Committee of the Congress (*Comisión Delegada del Congreso*), a committee in charge of Congress affairs during the official break period, may grant provisional approval to the Executive for the ratification of international treaties. To obtain a final approval or disapproval these must be submitted to the Congress (Article 128 of the Constitution).

⁴Since 1994, the Minister of Development is also the President of ICE. The fact that both trade and industrial policies are under his responsibility is intended to ensure better coordination in policy making in these areas.

Recursos Naturales Renovables), the Central Office for Coordination and Planning (*Oficina Central de Coordinación y Planificación*, CORDIPLAN) and the Venezuelan Investment Fund (*Fondo de Inversiones de Venezuela*, FIV). In the area of services, ICE's functions are limited to the coordination of international negotiations while policy related matters are the responsibility of a number of public sector institutions (Chapter V).

12. In early 1995, a bill on the replacement of ICE and the Ministry of Development by a Ministry of Industry and Trade (*Ministerio de Industria y Comercio*, MIC) was under consideration by the Congress. The MIC, which is expected to become operational in late 1995 or early 1996, would cover both industry and trade related matters.

13. The Central Bank of Venezuela formulates foreign exchange and monetary policies. In case of emergency, the President and his Cabinet of Ministers (*el presidente en Consejo de Ministros*) can decree foreign exchange controls or restrictions. The Executive can create or designate a public institution to coordinate the implementation of these measures.

14. ICE prepares analyses on developments in trade flows, foreign trade relations and the effects of the country's trade policies. Other public sector institutions, including the Central Bank and its export finance fund (*Fondo de Financiamiento a las Exportaciones*, FINEXPO) (Chapter IV), undertake periodic reviews which cover trade policy matters.

(ii) Advisory bodies

15. No formal, overall periodic review of trade policy is operated by any independent body. However, the Venezuelan authorities consult extensively with business interests and academics on policy formulation and implementation matters. Although consultations are rather informal than formal, the private sector participates to discussions with ICE's management and the Advisory Board (*Consejo Asesor*) of the Central Bank.

(4) Trade Policy Objectives

(i) General trade policy objectives

16. Until 1989 Venezuela's trade policy objectives were set in a general framework of increased state involvement in the economy as well as a high degree of tariff and non-tariff protection. In 1989, when external debt considerations made this development model unsustainable, a trade liberalization process was initiated with the objective of eliminating the anti-export bias and integrating the domestic to the world economy. Venezuela's accession to the GATT was part of this new approach.

17. At present Venezuela's trade policy objectives include protection of domestic producers against distortions which are caused by unfair competition practices; increasing the domestic value added of exported items; and diversification and expansion of non-traditional exports.

18. Under its Constitution, Venezuela is committed in fostering economic integration in Latin America with the objective of raising common welfare and security.⁵ Accordingly, regional and bilateral agreements constitute important elements in the trade policy framework aimed at promoting Venezuela's participation in the world economy and improving market access for its exports of goods

⁵Article 108 of the Constitution.

and services to the region. In this context, a priority objective is to expand regional integration by establishing a free trade area in Latin America and the Caribbean as well as by improving bilateral relations with countries outside the region.⁶

(ii) Sectoral trade policy objectives

19. Until the end of the 1980s, Venezuela's trade policy objectives were to promote the development of basic industries by the State as well as to protect domestic producers.

20. While present sectoral policy objectives may take account of the need to increase efficiency, it is not Venezuela's policy to achieve neutrality of treatment between sectors. First, policy is to encourage the exploitation and development of the country's extensive natural resources, in particular petroleum, natural gas and minerals. These remain essentially reserved for the State, although there is now increased scope for joint ventures with minority foreign participation. Second, the low pricing of energy inputs and tariff escalation are designed to encourage processing (i.e., increased value added) in Venezuela. A local content plan in the automotive sector provides high effective protection against suppliers from outside the sub-region (Venezuela, Colombia and Ecuador). According to the Venezuelan authorities, the plan forms part of a common policy which aims to promote specialization and derive benefits from an enlarged sub-regional market in equitable competitive conditions. Agriculture is mainly import-competing, although there has also been some liberalization in this sector and some (non-traditional) products are exported, e.g. bananas.

(iii) The Uruguay Round

21. Venezuela became a formal participant in the Uruguay Round following its accession to the GATT in 1990.⁷ Its primary objective in the negotiations was the strengthening of the multilateral trading system, which constitutes an important element for Venezuela's development strategy. It favoured adoption of a more accurate framework of rules governing trade in goods and services, reinforcement of the dispute settlement mechanism, improvement of market access conditions and the establishment of multilaterally agreed rules in areas such as TRIPs and TRIMs. Apart from seeking recognition for its unilateral trade liberalization measures, Venezuela supported full liberalization of trade in tropical products (including coffee, cocoa and bananas) and elimination of distortive practices of major trading partners in this sector. It also expressed concern over the threat by the United States to use unilateral retaliation, a practice which it considered to be inconsistent with the GATT framework of rules.⁸

22. Venezuela signed the Marrakesh Agreement concluding the Uruguay Round, which it ratified on 29 December 1994 to become a founder member of the WTO as of 1 January 1995.⁹ The overall outcome of the negotiations is seen as positive for Venezuela as most of its objectives were attained. Venezuela sees the WTO as a multilateral forum where developing countries will have the opportunity

⁶More details on Venezuela's regional integration objectives are contained in Table II.1.

⁷MTN.TNC/13, 23 January 1990.

⁸MTN.SB/16, 17 July 1991; MTN/GNG/TRIPS/W/2, 16 October 1991; MTN.TNC/28, 13 January 1993; MTN.SB/19, 13 July 1993.

⁹Law approving the Marrakesh agreement establishing the WTO (*Ley Aprobatoria del Acuerdo de Marrakech por el que se Establece la Organización Mundial del Comercio*), Official Gazette No 4829; 29 December 1994 WT/L/51Rev.1, 24 April 1995.

to defend themselves more effectively against unilateral action. The results in certain areas such as textiles and clothing, anti-dumping, countervailing measures and services (professional and financial) are considered as particularly beneficial for the country. Venezuela's specific commitments, including those made on its GATT accession, are discussed in Chapters IV and V.

23. Regarding the WTO agenda Venezuela, based on recent experience, is concerned by the possible use of legitimate issues such as environmental and worker's rights protection to disguise protectionist trends. Venezuela believes that consideration should be given to the fact that the latter issue is dealt with other multilateral institutions, including the International Labour Office which has long-standing experience in this area.¹⁰

(5) Trade Laws and Regulations

24. The provisions of international agreements which have been ratified and published in the Official Gazette are implemented directly, derogate existing domestic legislation and cannot be affected by subsequent laws. Andean Group Decisions have similar status but their implementation does not require legislative approval.

25. Both GATT (1947) and the WTO Agreements form part of the domestic legislation and can, therefore, be directly invoked before the courts. The authorities communicated to the WTO Secretariat, in several cases in the area of industrial property international and/or regional provisions were invoked.

26. The State protects private sector initiatives. Nevertheless, to foster economic development, it may dictate measures affecting production and regulate the movement, distribution and consumption of national wealth.¹¹ Monopolies are prohibited and exclusive concessions should be granted on a temporary basis. Nevertheless, under the constitution, the right to exploit certain industries or services of public interest as well as to create, expand and control basic heavy industry is reserved for the State.¹² Protection is afforded to scientific, literary and arts works as well on inventions, marks of origin and trademarks (Chapter IV (4)(vii)).¹³

27. Trade policy guidelines are contained in Decree 239 (*Normas de la Política Comercial*) of 1989. No basic trade law as such exists in Venezuela. Recent laws, promulgated after accession to the GATT, cover government procurement, unfair trade practices, competition matters, etc.). Outdated legal texts have been or are replaced by provisions which were agreed at Andean Group, multilateral or international level and subsequently incorporated into domestic legislation; details are given in Chapter IV. Trade policy measures, covered by these instruments, have been implemented by decrees or resolutions issued by Government institutions, agencies or the President.

28. Following the legislative approval mentioned earlier (section II (4) (iii)), the WTO Agreements now supersede previous legislation not in conformity with their provisions; however, implementing laws or regulations have to be issued in a number of areas which remain to be identified.

¹⁰MTN.TNC/MIN (94)/ST/57, 13 April 1994.

¹¹Article 98 of the Constitution.

¹²Article 97 of the Constitution.

¹³Article 100 of the Constitution.

(6) Trade Agreements and Arrangements

(i) Multilateral agreements

29. Following procedures initiated in June 1989, Venezuela's accession to GATT was approved by the CONTRACTING PARTIES on 26 July 1990.¹⁴ Its Protocol of Accession was signed on 1 August 1990 and Venezuela became the 98th contracting party on 31 August 1990.¹⁵

30. Venezuela did not adhere to any of the MTN (Tokyo Round) Agreements or Arrangements, although it maintained observer status in the Agreements on Subsidies and Countervailing Measures, and on Import Licensing Procedures. The main reason for its non-adherence to any of these Codes related to the coincidence of its accession with the re-negotiation of these agreements in the context of the Uruguay Round. The authorities considered it preferable to wait for the conclusion of the negotiations before undertaking any such commitments.

31. Under the Agreement Establishing the WTO, Venezuela assumed, as part of the Single Undertaking, all commitments under the Multilateral Trade Agreements which apply to Members. At present, Venezuela does not intend to adhere to any of the plurilateral trade agreements.¹⁶

32. Since 1971 Venezuela has been a beneficiary under various GSP (Generalized System of Preferences) schemes.¹⁷

33. Since 1 January 1995, the EU has granted exceptional temporary assistance to Venezuela by extending GSP tariff preferences similar to those already provided to drug-producing countries such as Bolivia, Colombia, Ecuador and Peru. It consists of full suspension of the common customs tariff duties on EU imports of certain industrial goods for the period 1995 to 1998. Similar benefits cover certain agricultural items until 31 December 1995. The authorities consider that these preferences, which affect virtually all products (except petroleum), will constitute an important incentive for non-traditional exports.

34. Although an active participant in the negotiations for the establishment of the Global System of Trade Preferences (GSTP), Venezuela, which signed the agreement in April 1988, did not implement it because it failed to ratify by the original deadline in 1991. In early 1995, Venezuela was negotiating its adhesion to the GSTP at a second round of negotiations; in this context, Sri Lanka, Bangladesh

¹⁴GATT document L/6716, 30 July 1990.

¹⁵Venezuela's protocol of accession was approved on a provisional basis by the Delegated Committee of the Congress, discussed earlier (section II (3) (i)). A final approval or disapproval, as required by the Constitution, has never been given by the Congress.

¹⁶The Uruguay Round Plurilateral Trade Agreements comprise the Agreement on Trade in Civil Aircraft, the Agreement on Government Procurement, the International Dairy Agreement and the International Bovine Meat Agreement. These are binding only on those WTO Members which have accepted them.

¹⁷According to United States Trade Representative (USTR), between 1991 and 1994 (first semester), the share of Venezuelan eligible exports to the United States benefiting from GSP treatment rose progressively from 94 per cent to 98 per cent. The corresponding shares for the European Union and Norway were of 62 per cent (1992) and around 98 per cent (1994).

and Libya made requests for concessions while Venezuela offered tariff cuts of ranging from 5 per cent to 20 per cent for 43 eight-digit NANDINA (agricultural and industrial) items.

35. Venezuela is a member of the United Nations, the World Bank, the International Monetary Fund, the International Maritime Organization (IMO) and the Organization of Petroleum Exporting Countries (OPEC), as well as a number of regional bodies including the Inter-American Development Bank (IDB), the Organization of American States (OAS) and the Latin American Economic System (SELA).

36. Venezuela is a signatory to the International Coffee Agreement, the International Cocoa Agreement and the U.N. Code of Conduct for Liner Conferences. It is also a member in regional commodity producers' groups (e.g., the Latin and Caribbean Sugar Producers Group or GEPLACEA, the Union of Banana Exporting Countries or UPEB, etc.).

(ii) Regional agreements

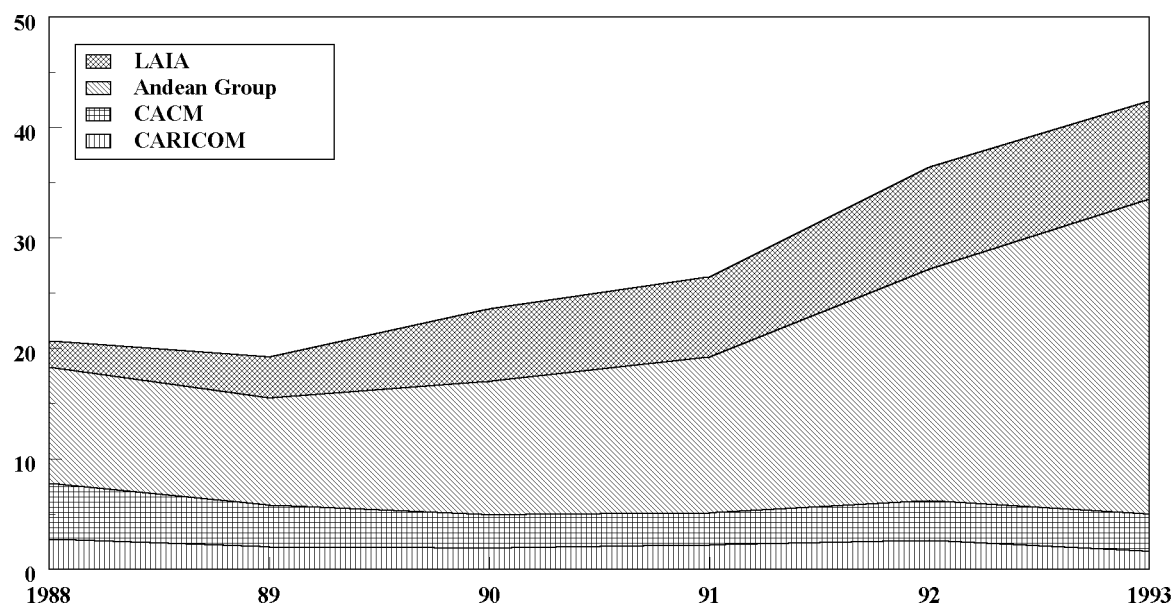
37. As indicated in Annex Table A.II.1, since the late 1980s Venezuela's regional commitments have expanded greatly. In the near future, these should be broadened in the light of plans for the formation of various regional trade agreements in the Americas. The authorities consider that, in the light of recent and planned developments, priority needs to be given to the harmonization of legal frameworks and relevant policies of participating countries.

38. Venezuelan exports, in particular, have derived considerable benefits from regional integration in the Andean Group (Chart II.1). The share of imports subject to preferences was markedly smaller than for exports. Nevertheless, between 1988 and 1993 the share of all imports of preferential origin in total imports grew by 33 per cent to 14 per cent, or about US\$1.5 billion (Chart II.1). Imports from Andean Group countries (mainly Colombia) more than doubled while, while imports from other LAIA partners grew at more slowly. In total, imports from Andean and other LAIA countries accounted for more than 13 per cent of total imports. The share of non-traditional exports to LAIA and Andean Group partners tripled to more than 37 per cent in 1993. This performance was mainly linked to the rapid growth of exports to Colombia (25 per cent) and Mexico (6 per cent) with which regional trade liberalization commitments have recently been intensified (Annex II.1). The progressive implementation of the trade agreements with Colombia and Mexico should lead to further intensification of intra-regional trade.

Chart II.1
Foreign trade with the region

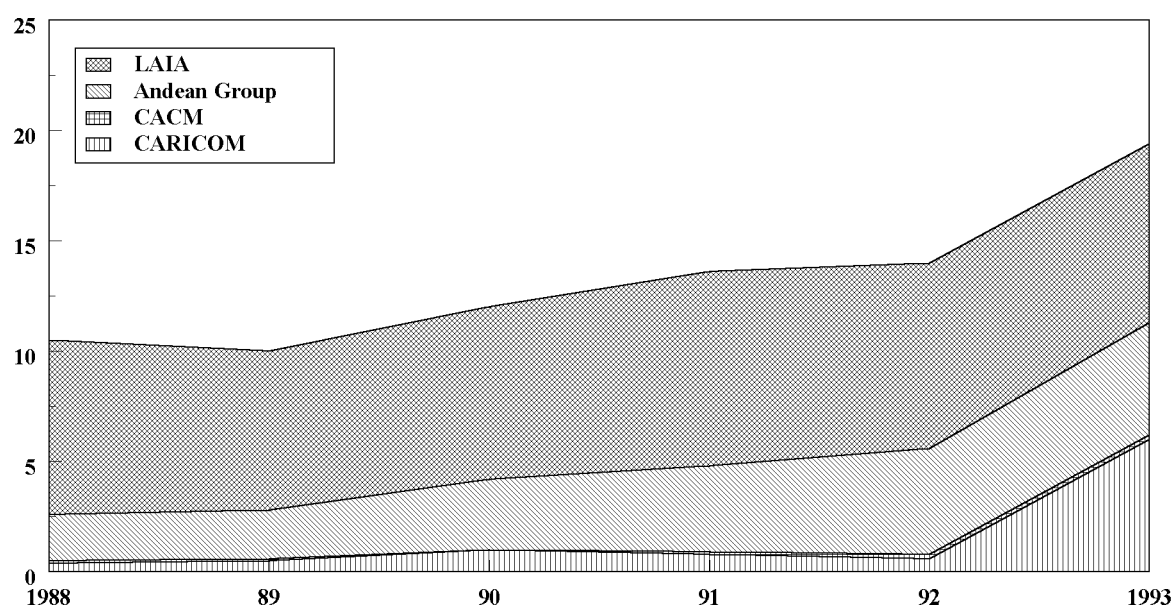
a Exports

Per cent of total exports



b Imports

Per cent of total imports



Note: 1993 data provisional.

Source: OCEI.

(a) LAIA

39. Venezuela is a member of the Latin American Integration Association (LAIA), established on 12 August 1980 by the Montevideo Treaty, replacing the Latin American Free Trade Association (LAFTA, 1960).¹⁸ The long-term objective of this Treaty is the gradual and progressive establishment of a Latin American Common Market. The instruments used to attain LAIA objectives comprise two main categories of agreements: Regional-Scope Agreements, where all member countries participate according to their level of development¹⁹ and Partial-Scope Agreements that bind only their signatories (Annex II.1). Apart from granting tariff preferences, some of the latter embody activities which aim at fostering economic complementarity and developing economic cooperation activities between signatories.²⁰ Additionally, a Reciprocal Payments and Credit Agreement is intended to facilitate intra-regional transactions (see Chapter III).

40. A bi-annual report on LAIA activities is required to be submitted every two years to the GATT Committee on Trade and Development, although it is now more than three years since the last report.²¹

(b) Andean Group

41. Venezuela is a signatory to the Cartagena Agreement establishing the Andean Group.²² The main objectives of this Agreement are to accelerate the economic growth of participating countries through economic integration, to help members to fulfil these economic integration objectives, originally set under the 1960 Montevideo Treaty, and to establish favourable conditions for the conversion to

¹⁸Ten out of the eleven LAIA members were contracting parties to the GATT (Ecuador was close to completing accession procedures) while eight of them were WTO members by May 1995. GATT TPRM reports on Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Peru and Uruguay provide background material on LAIA.

¹⁹ALADI/AR.PAR/4 of 1 August 1990, Regional Scope Agreement No.4 and Amending Protocol of 12 March 1987. Countries are classified in three categories: (i) most-developed, (ii) those at an intermediate stage of development, and (iii) least-developed. Countries higher up in the classification are expected to grant more benefits than those standing lower and to make an effort grant deeper preferences to least developed countries as well as on products of special export interest to them. In addition to the Regional Tariff Preferences Agreement (*Preferencia Arancelaria Regional*, PAR), Regional Market-Opening Agreements in favour of least-developed LAIA countries based on non-reciprocity and co-operation, provide for the immediate elimination of all tariff and non-tariff restrictions on imports of certain export items (specified in each agreement between the donor and the beneficiary) into other LAIA markets. These are Regional Market-Opening Agreements No.1, 2 and 3 in favour of Bolivia, Ecuador and Paraguay, respectively.

²⁰Venezuela participates in the following sectoral agreements: No.5 (chemical industry), No.13 (phonography), No.15 (petrochemicals), No.18 (photography) and No.27 (glass), as well as in agreements on cultural, educational and scientific cooperation and tourism promotion (GATT document L/6946, 20 December 1991).

²¹Most recently, GATT documents L/6946, 20 December 1991; L/6985, 5 March 1992; and, L/6985/Add.1, 9 April 1992.

²²Founders of the Andean Group are Bolivia, Colombia, Ecuador and Peru. Venezuela became a member in 1973. Chile (a founder) withdrew in 1976, but continued to participate in discussions on issues such as road, transport, double taxation and regional multinationals. On 25 August 1992, Peru shifted from full member to observer status and concluded bilateral trade agreements with other partners (Table II.1). Except for Ecuador whose protocol of accession to the WTO was expected to be ratified by December 1995, all Andean Group countries were contracting parties to the GATT and subsequently have become WTO Members.

a Latin American common market.²³ According to the Venezuelan authorities, a full common market in the Andean Group should be fully accomplished within four years from now. Apart from the trade liberalization programme among members and the establishment of a common external tariff (Table II.1 and Chapter IV), the Andean Group's regulatory framework includes, *inter alia*, a common régime on industrial property rights, rules against unfair trade practices, technology transfer, transport and rules of origin. There is also a supra-national dispute settlement mechanism.

42. In June 1995, Andean Group countries were in the process of defining the elements to be contained in negotiations with MERCOSUR countries for the establishment of a South American Free Trade Area (*Area de Libre Comercio Sudamericano*, ALCSA).

43. Venezuela sees itself as a bridge between the MERCOSUR and the Andean Group. As of 1996, it intends to negotiate unilaterally a free trade agreement with MERCOSUR. The process of revision of the bilateral trade agreements maintained with individual MERCOSUR countries, termed as the Historical Patrimony (*Patrimonio Histórico*) Agreements, was to be initiated in late 1995.

44. Since 1990, the members of the Andean Group have submitted two reports on their activities to the GATT Committee on Trade and Development.²⁴

(c) The Group of Three

45. Venezuela is a signatory to the Agreement on Free Trade of the Group of Three (*Tratado de Libre Comercio del Grupo de los Tres*) which also includes Colombia and Mexico. The Agreement, which is intended to liberalize all tariffs, represents a considerable extension of preferential treatment as it extends LAIA's regional preferential treatment (Annex Table A.II.1) to the entire customs tariff and covers items contained in previous bilateral Partial-Scope or other trade agreements between the two Andean Group members and Mexico. In addition to preferences and sectoral matters (agriculture, automotive, textiles and clothing), the provisions of the Agreement also cover rules of origin, sanitary and phytosanitary measures, government procurement, investment, services (financial, telecommunications, transport, professional) and intellectual property.

(d) CARICOM

46. Venezuela considers its Agreement with the Caribbean Common Market (CARICOM), signed on 13 October 1992, as a means for providing trade and investment opportunities to the least-developed countries of the region.²⁵

(e) Central America

47. As indicated in Annex Table A.II.1, apart from trade preferences granted to imports from Central American Common Market (CACM) countries, since 1990 Venezuela and Colombia have been

²³Article 1 of the Cartagena Agreement of 26 May 1969. GATT TPRM reports on Bolivia, Colombia and Peru also provide background material on the Andean Group.

²⁴The reports are contained in GATT documents L/6737, 12 October 1990 and, L/7089, 12 October 1992. Documents L/6841, 6 May 1991 and L/7088, 12 October 1992 notify recent Andean Group legislation.

²⁵CARICOM's 13 members are Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and Grenadines, and Trinidad and Tobago.

negotiating an Agreement on Trade and Investment (*Acuerdo sobre Comercio e Inversión*) with CACM for the establishment of a free trade area by 2003. The negotiations, which were expected to conclude prior to 30 June 1993, are currently under suspension. Pending issues include the trade liberalization programme and rules of origin. Negotiations are expected to resume when CACM countries apply a common external tariff. This agreement refers also to non-trade related matters such as employment, shipping and natural resources.

(f) Other

48. In June 1994 Venezuela joined the Association of Caribbean States (*Asociación de Estados del Caribe*).²⁶ Its objective is to establish a framework for flexible co-operation on issues such as economic integration, trade, investment, transport, communications, science and technology and environmental protection.

49. In December 1994, Venezuela participated in the Summit of the Americas where, *inter alia*, a programme for completing the negotiations for a Free Trade Area for the Americas (FTAA) the year 2005 was agreed. According to the Plan of Action, the OAS and the IDB would ensure the follow-up of the Summit's decisions, while Trade Ministers developed the programme further in June 1995 at Denver and are scheduled to meet again on March 1996.

(iii) Bilateral agreements

50. Venezuela's Complementarity Agreement with Chile is to be modified in order to reduce the list of exempt products and accelerate the liberalization programme. The Partial-Scope Agreement with Cuba is to be renegotiated by the end of 1995 with the objective of improving preferential treatment for Venezuelan exports.

(iv) Other agreements or arrangements

51. Under the San José Pact of 1980 (*Acuerdo de San José*), Mexico and Venezuela supply oil to certain countries of Central America and the Caribbean on commercial terms.²⁷ However, part of the invoice value, ranging from 20 to 25 per cent of the amount depending on average oil price level, is reserved in favour of the importing countries and can be returned in the form of soft, tied loans. These must be directed to economic development projects containing a high degree (80 per cent or over) of Venezuelan components in goods and services. The terms of the agreement, renewed each year in August, were due to be revised in June 1995, but at the time of working (November 1995) still had to be approved by the General Assembly of the Investment Fund of Venezuela (FIV) and the relevant Congressional Committees. Among issues being discussed were the idea that funds would no longer be deposited with the central banks of the beneficiaries, interest would become variable and disbursements would be suspended whenever payments fall into arrears.²⁸ The FIV, discussed in Chapter III, is responsible for the operation of the agreement.

²⁶The Association of Caribbean States was established in 23 June 1993. Apart from Caribbean island States, other participants are Colombia, Costa Rica, El Salvador, Honduras, Mexico, Nicaragua and Suriname (*Journal of Commerce*, 6 December 1994).

²⁷More information on the operation of the Pact in Costa Rica can be found in its TPR reports (WT/TPR/S/1, 9 May 1995). See also Chapter V of this report.

²⁸Latin American Regional Reports-Andean Group Report, 22 December 1994.

52. Up to mid-1994, Venezuela had lent a total amount of US\$1.4 billion to finance 164 development projects under the agreement. The outstanding debt of the beneficiaries stood at US\$640 million; oil supplies to Panama were cut in 1989 because of an overdue debt of US\$131 million.²⁹ For the period 1993-1994 the beneficiaries of the pact purchased oil worth US\$336 million.

²⁹Latin American Weekly Report, 21 July 1994; Caribbean & Central America Report, 28 July 1994.