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Venezuela's free trade market

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VENEZUELA continues with its policy of market opening. Apart from being a member of the World Trade Organisation (WTO), The Andean Pact, G-3 (with Mexico and Colombia), we are active participants of the Summit of The Americas to establish a hemispheric free trade area by the year 2005. We have also established free trade agreements with Central America and the Caribbean Basin, Chile and Brazil and are also negotiating entrance in the Mercosur agreement.

Since joining General Agreement on Tariffs and Trade (GATT) in 1990, our tariffs have been reduced from an average of 100 per cent to an average of 10 per cent and our non-traditional exports have increased to an all time high of US\$4.5 billion (US\$1 = RM3.80).

In the case of the US, we are the second largest market in Latin America after Mexico for US products and 14th in the world. The US supplies about 47 per cent of all Venezuelan imports.

Venezuela was Malaysia's seventh largest trading partner in Latin America after Brazil, Mexico, Argentina, Chile, Panama and Peru with total trade amounting to US\$35.7 million (US\$1 = RM3.80) in 1996.

During the G-15 meeting in Jamaica in February 1999, Prime Minister Datuk Seri Dr Mahathir Mohamad met Venezuelan President Hugo Rafael Chavez Frias, where the latter agreed to visit Malaysia in October this year, together with a trade delegation.

Malaysia's main exports to Venezuela are natural rubber and latex, fixed vegetable oils and fats, radio broadcast receivers, sound recorders and heating and cooling equipments.

Venezuela's main exports to Malaysia are organic chemicals, aluminium, seafood and power generating machineries.

Malaysia and Venezuela signed 3 agreements, namely Bilateral Payments Arrangement, Economic and Technical Cooperation Agreement and Bilateral Trade Agreement in 1991.

The Embassy of Venezuela in Malaysia offers business entrepreneurs and general public more information and services, available through their recently established website, <http://www.venezuela.org.my/venezuela>.

To complement the stabilisation process, Venezuela is engaged in an aggressive privatization programme that will ultimately sell most of the governments assets to the private sector, national and foreign.

Last year, sale of the telephone company CANTV shares in local and foreign financial markets, and the re-privatization of Banco de Venezuela and Consolidado highlighted the Government's commitment to the privatization process.

The privatization of the plants belonging to the CVG consortium, which include enterprises in the aluminium, steel, bauxite, coal and ferrosilicon sectors are high on the agenda.

The privatization of the electric utilities, hotels in the tourism sector, the ports infrastructure and other banks, are also scheduled for 1999.

In Venezuela, private capital investment from both local and foreign sources is viewed as a means of economic development. Local and foreign investors get equal treatment from the Government and its agencies.

No limitation on investment of foreign capital is imposed, except in the case of the Spanish-language broadcasting media (20 per cent), certain professional services and some activities in the hydrocarbon and iron

industries, which are reserved for the state.

The Government also allows unrestricted repatriation of capital and profits, while remittance of dividend is free of income tax. There is also no official authorisation required for investment.

The maximum rate of income tax is only 34 per cent. New investments in agriculture, agro industry, manufacturing, fishing, fish farming, livestock and tourism receive a tax rebate of 20 per cent.

New investment in hydrocarbon production and related activities enjoy a tax rebate of 8 per cent.

Purchases of capital equipment and services, for new investment in oil, mining, agriculture and fisheries are excepted from the wholesale tax.

Capital gains tax is 1 per cent, while dividends are tax-free.

Our country offers some of the best investment opportunities in Latin America.

For instance, Venezuela has one of the largest mining reserves in the world and offers under-exploited resources. Through the legal and economic changes starting 1989, the country has become one of the important focuses for mining investment.

In Bolivar state, there are large reserves of iron, tungsten, tin, gold, tantalum, niobium, bauxite, kaolin and diamonds. There is also coal in Anzoategui state, nickel, cobalt, silver and coal in Aragua.

The Venezuelan Constitution states that mineral resources and hydrocarbons belong to the nation. Such resources can only be explored and exploited by individuals through concessions authorised by the Energy and Mines Ministry.

Only in the Bolivar State there are approximately 5,000 metric tons of gold to be exploited at surface level and another 3,000 tons in subterranean level.

In computer and telecommunications, Venezuela as one of the countries that have most rapidly incorporated the use of new technologies in communications. The widespread telephone service, popular use of cellular phones, intensive use of personal computers, high demand for cable and private satellite television, the Internet boom, prove how familiar is the audiovisual and computer technology to the Venezuelan population.

New services, wider markets and further investment are the expectation for the communications sector in 1999. With an accumulated investment of US\$6 billion between 1989 to 1996, the sector aspires to increase this sum to US\$30 billion by the year 2010.

In 1996, the petroleum sector invested US\$6.5 billion, of which US\$1.5 billion were from the private sector. Up until the year 2006, PDVSA hopes to invest, along with its new partners, nearly US\$65 billion.

During 1999, the opening to the private sector (national and international) of commercial activities of exploration and exploitation of the tested reserves of natural gas not-associated that reach to 13.4 billion cubic feet will begin.

These reserves of gas conform the 9 per cent of the total of the tested reserves of Venezuela, calculated in 146 billion cubic feet.

In the electricity sector, the country's enormous capacity for the generation of electricity is the mainspring for the expansion of both the domestic industry and production.

It is in this context that the electric power industry is being restructured. These changes imply an effort to define clear rules in order to fill the existing gaps in transfer of a block of electric utilities to the private sector.

The priority privatization projects in this sector are the state-owned utilities located in the major urban centres and industrial areas of the country.

The opening of the iron and steel basic industries to private capital offers exceptional possibilities for the development of the metallurgical and metal engineering industry.

It will bring a major advantage - the inflow of national and foreign capital, which will allow domestic production to be competitive within the new parameters of international markets.

The competitive advantages of the Venezuelan metal engineering industry is based upon abundant iron ore resources and the high production capacity of the domestic iron and steel industry.

In the tourism sector, Venezuela has become the third most attractive investment prospect in the Caribbean due to the expansion of the tourist industry, which is the highest economic achiever for the country.

Projections indicate that Venezuela should receive more than 1 million tourist in 1999. Most visitors are from Europe, particularly Germany, the Netherlands, Spain and most recently Denmark, and also from North America.

Margarita Island is the most popular destination. The main advantages that the country offers are a privileged geographical location which makes it an air hub linking the world's main cities as well as an ideal place for business trips; a large coastline and countless beaches for recreational activities, a broad cultural programme and gorgeous natural sites, which are great destinations for ecotourism and adventure tourism. Malaysians do not need a tourist visa to visit Venezuela.

As for our bilateral relations, there is still plenty of rooms to improve and enhance it, depending in how we manage them.

However, it is hoped that in the years to come, our cooperation in various aspects of life will attain a greater height and achievement.