République Bolivariana de Venezuela Trade Brief

Trade Policy

The République Bolivariana de Venezuela’s latest MFN Tariff Trade Restrictiveness Index (TTRI), 1 was 6.5 percent, indicating that its tariff regime is more open than that of an average Latin America and Caribbean (LAC) or upper-middle-income country (with TTRIs of 8 and 7.4 percent, respectively). It ranks 72nd of 125 countries (where 1st is least restrictive). The 2008 simple average of the MFN applied tariff is a high 13.3 percent, and when taking into account the preferences, it is slightly lower at 12.7 percent. This is somewhat higher than the average for both LAC and upper-middle-income countries of 9.3 and 9 percent, respectively. The République Bolivariana de Venezuela’s maximum tariff on all goods (excluding alcohol and tobacco) is 40 percent. The trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), has remained stable at 23.2, with all tariff lines bound. Broad foreign exchange controls are often used as a tool to restrict imports. Regarding the extent of its commitment to trade liberalization in services, the country ranked 74th out of 148 countries according to the GATS Commitment Index. In the last few years, the it has nationalized many industries including oil, oil services and other hydrocarbons, telecoms, electricity, mining, and steel.

In response to rising food prices and domestic scarcity, the government banned exports of rice and corn in September 2007, and extended the ban to other products in 2008. 2 In September 2008, in order to strengthen ties between itself and the Russian Federation, the government removed anti-dumping duties that it had placed on Russian steel imports a decade earlier. 3 Geopolitical disagreements have strained the country’s trading relationship with Colombia. In April 2009, the government restricted annual imports of vehicles from Colombia to a quota of 10,000 cars. 4 More recently, the Venezuelan government announced its intention to further reduce imports from Colombia, through greater trade with Argentina and Brazil. 5

External Environment

The République Bolivariana de Venezuela’s latest Market Access TTRI 6 (including preferences) was 0.4 percent, indicating that its exports (which are mostly oil products) faced very low tariff barriers abroad. The weighted average of the rest of the world tariff faced by the country’s exports was 0.5 percent in 2008. Over the course of 2008, the real effective exchange rate of the bolivar appreciated by 18.9 percent. The official fixed exchange rate is 2.15 bolivars to the U.S. dollar, but parallel markets indicate a weakening currency as oil income has dropped significantly.

A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, The République Bolivariana de Venezuela is also a member of regional organizations such as the Association of Caribbean States and the Latin American Integration Association (ALADI). It left the Andean Community of Nations (CAN), but its effort to become a MERCOSUR member is still pending ratification by the Brazilian and Paraguay legislatures. The République Bolivariana de Venezuela launched the Bolivarian Alliance for the Americas (ALBA) as an integration initiative which includes Bolivia, Cuba, Nicaragua, Ecuador, Honduras, St. Vincent and the Grenadines, Antigua and Barbuda, and Dominica. 7

Behind the Border Constraints

In terms of the conducive environment to business, The République Bolivariana de Venezuela ranked 177th out of 183 countries in the 2010 Ease of Doing Business Index, reflecting a cumbersome business environment. It performs better in the Logistics Performance Index, a measure of the ease of trade facilitation, in which the country scores 2.62 on a scale from 1 to 5 with 5 being the highest performance. This is compared with 2.57 for the LAC

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/hti.

region and 2.85 for countries in the upper-middle-income group. It ranked 69th in the world and 8th in the LAC region (with Chile leading the regional group). The area in which it performed the best was the timeliness of shipments and it needs most improvement in increasing the efficiency and effectiveness of customs procedures.

### Trade Outcomes

The República Bolivariana de Venezuela’s real growth (in constant 2000 U.S. dollars) in total trade of goods and services slowed down to 11.1 percent in 2008, and is expected to shrink by 3.8 percent in 2009. Having fallen in 2007 by 5.6 percent, real exports grew by 5.3 percent in 2008. Imports decreased by 14.5 percent in 2008. Both real exports and imports of goods and services are expected to decline in 2009.

The country’s economy remains highly dependent on oil revenues, which account for over 90 percent of total goods exports. Other exports include aluminum, iron powders, petrol coke, iron ores, and chemical products, but these account for a small percentage of the export basket. In nominal U.S. dollar terms, goods exports increased by 37.9 percent in 2008. This is largely due to increases in the price of fuel in the early part of 2008. However, fuel prices fell as did world demand, leading to a drop in total goods exports of 46.1 percent for the fourth quarter over the same quarter 2007. National statistics show that exports in the first two quarters of 2009 were less than half their volume compared to 2008, dropping by 56 percent and 51 percent respectively. The República Bolivariana de Venezuela’s main destination markets include the United States, which buys one-fourth of all exports, Colombia, China, and Mexico. The slowdown in these economies has impacted both oil prices and quantities demanded. As a result the dollar value of total exports is expected to drop by 41.9 percent. As the economy slows and oil export revenues (and foreign exchange inflows) drop, import growth rates are expected to decelerate from 7.5 percent in 2008. Goods import growth stayed low but positive in the preceding two quarters, but in the second quarter 2009, as the economy registered negative GDP growth, imports also declined by 11.9 percent. Foreign direct investment inflows increased but remained low, at 0.6 percent of GDP in 2008, compared to 0.3 percent of GDP in 2007.

### Notes

1. TTRI calculates the equivalent uniform tariff that would keep domestic welfare constant. It is weighted by import shares and import demand elasticity.
2. United States Trade Representative, 2009.
6. MA-TTRI calculates the equivalent uniform tariff of trading partners that would keep their level of imports constant. It is weighted by import values and import demand elasticities of trading partners.

### References


