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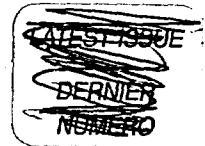
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Venezuela: A Market of Value to Canadian Exporters

By Georges Lemieux, Counsellor (Commercial) and Consul, Canadian Embassy, Caracas

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The importance of Venezuela as a trade partner with Canada tends to be eclipsed by discussions concerning Chile's accession to a free trade arrangement, the popularity of traditional markets (Brazil, Mexico) and new markets (Peru, Colombia). The fact is Venezuela remains Canada's third-largest trading partner in Latin America, with two-way trade close to \$1 billion, including Canadian exports reaching \$600 million in 1995.

Perception and Reality

The perception in Canada on doing business in Venezuela may be less than favourable -- but not among the more than 150 Canadian exporters already selling to Venezuela. Do they know something other Canadian businesses don't?

Yes, there are difficulties in this market: inflation is high (officially 57 per cent in 1995 but probably higher at around 70 per cent); Government deficit is large (almost 50 per cent of GDP goes towards debt servicing); and

exchange controls -- a major irritant -- force Venezuelan importers and major exporters to apply to the Government for hard currency to pay for essential commodities, or use the parallel market in Brady Bonds (a financial instrument whereby Venezuelan debt is publicly traded).

Steps in the Right Direction

Still, the Government of President Rafael Caldera is slowly coming to grips with the situation through the implementation of "Agenda Venezuela".

CHILE SUPPLEMENT

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This includes: accelerated privatization (telephone company, aluminium, steel, electricity, coffee); removal of price subsidies on remaining basic commodities (food, medicine) by the end of April 1996; assistance to exporters through a newly organized Foreign Trade Ministry; and, more importantly, the easing of exchange controls, announced for May 1996. The preceding are an indication of steps in the right direction, but the test will be the successful negotiations with the International Monetary Fund (IMF) to

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— Steps

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