CANADA-VENEZUELA TRADE

Venezuela was among foremost Latin American countries in terms of economic performance in the last three years. After a recession in 1988-89, the Gross Domestic Product increased by 5.3% in 1990, 9.2% in 1991 and 7.3% in 1992. Local inflation remains high. Despite Venezuelan government's resolve in 1991 to lower the inflation rate to 15-20%, the rate remained at 30-35% in the last two years. The freely convertible currency, the bolivar, has appreciated by about 3% in 1992 despite continuing devaluations versus the US dollar.

The economy is fuelled mainly by heavy outlays in the petroleum sector. The oil sector accounts for 28% of the country's GDP (and 80% of its exports value), manufacturing for 15%, services for 45% and agriculture 5%. **Trade liberalization caused imports to explode in 1991 and 1992.** The balance of payment posted a US$ 3.7 billion deficit in 1992 caused by a US$ 0.8B decrease in exports and a US$ 2.3B increase in imports. However, Venezuela can easily finance its current-account deficit with a $1.5B net capital inflow in 1992.

The government's deficit, a record 7% of GDP in 1992, induced a reduction of government spending, firmer tax collection and financial constraints imposed on Petroleos de Venezuela (PDVSA). PDVSA's expansion plans valued at US$48 billion will spread over 7-8 years. These will be financed partly from external sources, in part by Canada's Export Development Corporation line of credit being doubled to $50 million. In 1992, PDVSA's external financing accounted for 80% of the country's borrowing of $US 2.75B.

During the 1970's, trade between Canada and Venezuela more than quadrupled due primarily to the global increase in petroleum prices. Total bilateral trade peaked in 1981 at $2.9 billion. The trade surplus, which Venezuela has traditionally enjoyed with Canada, declined during the past decade, from a high of $1.8 billion in 1982 to a low of $91 million in 1988. The trade balance in Venezuela's melted to $9.5 million in 1992.

Two-way trade between Canada and Venezuela amounted to $660 million in 1992, down from the $782 million posted in the previous year. Canada's exports which had ended 1991 with a strong 30% increase over 1990 to $300 million finished 1992 with a 8% increase to $325 million. Major Canadian exports include wheat, newsprint and wood pulp, parts of motor vehicles and of gas turbines, potatoes and pulses and products of iron and steel. Venezuelan exports to Canada continued their downslide, decreasing by 31% compared to the previous year. This was caused by serious downfalls in exports of petroleum and steel products.

Canada's penetration rate of Venezuela's import market is low at about 3%. The potential for Canadian primary materials remains important. However, the potential for enhanced trade of machinery and equipment, Venezuela's main import ticket sector valued at US$3 billion, is being targeted. Expert services also face a promising potential through joint ventures. Market penetration by Canadian goods and services in Venezuela has slightly improved but is still considered lagging compared to its major competitors.