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*Le chef de la délégation du commerce
au directeur par intérim de la Direction des Relations
internationales du commerce du ministère du Commerce*

*Head of Trade Delegation
to Acting Director, International Trade Relations Division,
Department of Trade and Commerce*

Caracas, October 13, 1950

RE PROPOSED TRADE AGREEMENT WITH VENEZUELA

1. As intimated to you in our cable of October 6th,† the conversations concerning the possibility of drafting a trade agreement between Venezuela and Canada, commenced on October 9th. In the previous week, we had submitted to the appropriate officials of the Ministry of External Affairs, a copy of the draft prepared before leaving Canada. They had studied this, and their three main observations may be summarized under A, B and C below:

2. (A) With reference to section 4 of Article I, they made the observation that, even though this article is limited more to products rather than shipping, they desire to preserve freedom of action in the event that it may be found necessary, from their point of view, to give concessions to their own national shipping, including vessels of the Grand Colombian Fleet, which is operated jointly by Venezuela with Colombia and Ecuador. They consider also that they need to retain liberty of action in the event that they wish to discriminate in favour of another country, of which Ecuador would be a good example. All in all, however, it was not anticipated that this section need be the cause of any great difficulty.

3. (B) One of the paragraphs in the Canadian draft trade agreement to which the Venezuelan officials have raised objections is that portion of Article IV, which, following the lines of Article III of GATT, specifies that Canadian goods imported into Venezuela shall not be subject, after their importation, to internal taxes higher than those applicable to similar products of national origin. In Venezuela, as in numerous other countries, it is the practice to extend protection to domestic products by exempting them in whole or in part from the internal taxes which are applied to imports.

4. The Venezuelans desire to maintain this form of protection for certain home industries, (e.g. alcoholic beverages and cigarettes) and think it unlikely that their government would consent to abandon it.

5. While the obvious way of meeting their difficulty might seem to be by increasing the tariff on brandy, cigarettes, etc., to compensate for the removal of discrimination in excise taxes, this course presents difficulties because the Venezuelan customs duty on cigarettes is bound under a trade agreement with the U.S.A. and that on brandy is bound under a trade agreement with France. Consequently, any increase in the Venezuelan tariff on these items, even to compensate for reduction in excise taxes, would necessitate the agreement of these two countries.