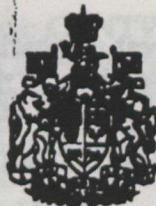


Canadian Embassy



Ambassade du Canada

VENEZUELA**1. ECONOMIC OVERVIEW**

Venezuela's economy is in the midst of a profound transformation. From 1989 to 1993 Venezuela had one of the fastest growing economies in the world, with an average real GDP growth of 8%. However, output declined in 1993 because of ongoing political uncertainty, labour unrest and tightened fiscal and monetary policies. After four consecutive years of significant growth, in 1993 GDP contracted to -1%; inflation reached 45,9%; and unemployment was approximately 8%. On the other hand, the trade balance was positive for the fifth consecutive year. Total exports rose to US\$ 14.2 billion, mainly due to the increase of the non-traditional exports while the oil exports were stable at US\$ 11 billion. These exports of goods and services were destined principally to United-States (50%) and Colombia (39%). Only 1% of Venezuela's exports go to Canada. As for imports, they declined 11% compared to 1992 reaching US\$ 11 billion. 46% of the imported goods and services come from United-States, 29% from Colombia and a small part is imported from Canada (2.2%). International reserves also held steady at about US\$ 12 billion at 1993 year end assisted greatly by the renegotiation of the external debt and the strict monetary policy adopted by the Banco Central de Venezuela. In other words, 1993 was characterized by a slowing down of activities during the interim Presidential period and the political uncertainties caused by the December Presidential elections.

The newly elected President, Dr. Rafael Caldera, assumed power on February 2, 1994. He heads the new political party Convergencia. Caldera won the Federal election with not quite 31% of the popular vote. At the present time, Caldera and his Cabinet (mostly "technocrats") are formulating new government economic and trade policy and nominating key personal within each Ministry. It is therefore difficult to predict the new policies and directions that Caldera will take. It is expected that by the June/July time-frame the situation will become more clear. Certainly, early