

VENEZUELA



•• GENERAL INFORMATION

The Bolivarian Republic of Venezuela lies in the northern part of South America, including in its territory the Andean mountains, the Amazonian forest and Caribbean coasts. The country shares borders with Colombia to the west and south, Brazil to the south and Guyana to the east. With a population of 27 million, Venezuela is the sixth most populous nation in Latin America. Venezuela is a federal republic divided into 23 states, a Capital District (that includes the city of Caracas), 72 federal territories (islands, islets and keys, most unpopulated) and a region called Guayana Esequiba, which is still disputed between Venezuela and Guyana. Because of its tropical location, Venezuela enjoys a warm climate with more moderate temperatures than other neighbouring countries thanks to the presence of two mountain chains, the Andes and the Coastal chain.

The northern part of the country hosts about 80% of the population, mostly in urban areas, while the remaining 20% is scattered in the wild area south of the Orinoco River. The ethnic origins of most Venezuelans go up to Spaniards, native Indians and Africans from the colonial era, who were later joined by immigrants by Germany, Croatia, Italy, Spain, Portugal, Syria and Lebanon, as well as many Latin Americans, during the 20th century. Although the official language is Spanish, thirty native languages are officially used in the respective communities. English is the second language for most professionals, scholars

Main economic indicators:

GDP (official exchange rate)	\$236.4 billion(2007est.)
GDP - real growth rate	8.4% (2007 est.)
Unemployment rate	8.5% (2007 est.)
Investment (gross fixed)	23.7% of GDP (2007 est.)
Public debt	19.3% of GDP (2007 est.)
Inflation rate (consumer prices)	18.7% (2007 est.)
Industrial production growth rate	3.9% (2007 est.)
Stock of direct foreign investment - at home	\$43.96 billion (2007 est.)
Petroleum Industry (est. 2006)	15% of GDP
Official Exchange Rate	1 Bolivar Fuerte = 2.15 US\$

and Venezuelans belonging to the middle and upper classes. In the most populated immigrant communities (Arabs, Portuguese and Italian, mainly) the native tongues are still widely used.

•• ECONOMY

The economy relies strongly on mineral resources and hydrocarbons, as Venezuela ranks seventh in the world chart for oil reserves and ninth in natural gas, according to the Venezuela Energy Profile 2008 released by the Energy Information Administration. The country is also very rich in minerals such as iron, bauxite, coal, gold and diamonds, especially in the Guayana region. The basic industries and the oil sector are of strategic importance: oil revenues alone account for about 90% of export earnings, more than 50% of the federal budget revenues, and around 30% of GDP.

The services sector accounts for 46% of the non-oil GDP, with trade and real estate at the top, while the production of goods is led by manufacturing activities, contributing 15%, followed by construction with 6% and agriculture with 5%. President Hugo Chavez nationalized firms in the petroleum, communications, and electricity sectors, which reduced foreign influence in the economy.

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Fuelled by high oil prices, record government spending boosted GDP in 2006 by about 9% and in 2007 by about 8%. This spending, combined with recent minimum wage hikes and improved access to domestic credit, has created a consumption boom but has also caused higher inflation, which rose up to nearly 20% in 2007, and it has at the same time increased imports.

The Venezuelan coast is an important touristic attraction and source of income. Other famous locations are: Angel Falls, the highest waterfall in the world; Lake Maracaibo, the largest in South America; the Orinoco River, the third largest in the world, plus 43 national parks and 21 natural monuments.

•• FOREIGN TRADE

The sectors that are traditionally attractive for foreign capital are those related to natural resources and especially to hydrocarbons. Investment in non-oil activities accounts for just 2% of the GDP, according to figures released by the Central Bank of Venezuela (BCV) for the 1990-2004 period. Over the past fifteen years a number of opening-up programs have attracted flows of foreign currency into Venezuela especially in manufacturing, telecommunications and banking, with United States, Japan, Spain, the Netherlands, France, Italy and Colombia as main investing countries.

Venezuela belongs to the Andean Community (CAN), the Southern Common Market (Mercosur), the Association of Caribbean States (ACS) and the Latin American Integration Association (Aladi); in addition, the country has signed free-trade agreements with Mexico and Colombia (G-3) as well as Chile. Venezuela's main trading partners are the United States, Colombia, Mexico and Brazil.

The principal exports are metals and minerals (bauxite, aluminium, steel), chemicals, agricultural products and basic manufactures, with an increase in non-traditional exports (excluding oil and iron) in recent years, that reached an yearly average of US\$ 5,6 billion. Venezuela's growth is largely related to high petroleum earnings and government spending, which play a relevant role in stimulating demand. Leading sectors for exporters include: oil & gas machinery, IT equipment and services, telecommunications equipment and services, auto parts/service equipment, electrical power generation systems and electrical equipment, medical equipment, chemicals, travel and tourism, agricultural commodities, aircraft/parts and aviation services, educational services, safety and security equipment, and transportation equipment. Since the government has planned the nationalization of several core sectors of the Venezuelan economy, some commercial uncertainties may arise from on-going reforms.

On January 1st, 2008, the "bolívar fuerte" started to circulate in Venezuela, under a currency redenomination process which is part of the price stability policy undertaken by the Central Bank of Venezuela and the Government, on an attempt to recover the purchasing power of the currency and to pursue economic stabil-

Venezuelan import - export by country in 2007

Country	Imports (m. US\$)	%
United States	8,205	26
Colombia	4,663	14.8
Brazil	2,953	9.4
China	2,861	9.1
Mexico	1,510	4.8
Germany	1,045	3.3
Italy	817	2.6
Argentina	781	2.5
Chile	770	2.4
Panama	650	2.1
Peru	648	2.1
Spain	644	2
Rest of the world	5,987	19

Country	Exports (m.US\$)	%
United States	8,877	54.8
Colombia	1,175	7.3
China	2,879	9.8
Netherl. Antilles	595	3.7
Ecuador	494	3
The Netherlands	424	2.6
United Kingdom	416	2.6
Mexico	368	2.3
Cuba	351	2.2
Spain	327	2
Italy	275	1.7
Trinidad & Tobago	266	1.6
Peru	203	1.3
Japan	196	1.2
Rest of the world	2,233	13.8

Source: www.ine.gov.ve

ity. The implementation of the new currency implies the revision of the nominal prices of goods and services, wages and salaries, loans and debts, adjustments in accounting processes and in calculation systems, among others. These policies aim to foster the socio-economic development of the country.

•• DENTAL MARKET

In Venezuela, about 15% of the population is estimated to make frequent use of dental care services, with 22,000 licensed dentists operating, out of which about 60% work in the private sector. The general need for dental care remains quite constant, and the market for dental supplies, equipment and services is expected to be supported by an increased diffusion of more modern technology. Moreover, the government is allocating increasing resources to enhance the public access to essential healthcare, with potential opportunities for the dental sector in several applications, such as portable low-cost units, which can be used in mobile units in rural zones of the country where there are few hospi-



tals or facilities. Since the public health programs cover only basic procedures, patients are charged any further treatments, but their cost is relatively high compared to the average salaries. As a consequence, the number of procedures covered by most insurance policies is limited, but, on the other hand, this creates opportunities for the private sector.

The market for equipment and materials, such as dental units, aesthetic dentistry implant products, laser dentistry, endodontic materials, prostheses and micro-prostheses, orthodontics, x-ray equipment and supplies, filling materials and small tools, enjoys an averagely high demand, especially for consumables and disposable products, but also technologically advanced and high quality products are growing in importance because of the increasing interest in cutting edge equipment.

Imports dominate the Venezuelan market for dental equipment and supplies, with a prevalence of US, German and Brazilian manufacturers, while local production is limited because, beyond basic items, most manufacturers in Venezuela require significant imported inputs, which makes it rather difficult for the few local manufacturers to maintain high levels of production. However, an increase in local production of resins, amalgams, cements, disposables, aspirators, mirrors, anaesthetics, disinfectants and furniture has been registered.

The market share of other manufacturing countries such as Colombia, Argentina and Pakistan is rising as a result of their lower prices and financing, but many hospital and clinics still prefer to resort to U.S. or European suppliers. Regional trade agreements create favourable conditions for Latin American producers, such as the exemption from the exchange application procedures that affect importers of U.S. and European products, which applies to imports of regionally made products. To give an example, according to a local industry estimate, a dentist beginning his activity who chooses American dental equipment would need an average of \$20,000 for his initial purchases, while Brazilian or Colombian equipment

would take an expenditure of about \$8,000.

In order to import dental products into Venezuela, the Ministry of Health requires a registration that can take considerable time. Dental imports are subject to an ad valorem CIF tariff duty ranging from 5% to 15%. Local clinics often purchase dental supplies through an agent who registers the devices with the Ministry of Health, and who provides after-sales service, then many international companies appoint a local representative with contacts in the industry and after-sales services capability.

Since January 2003, foreign exchange transactions are forbidden and Venezuela remains subject to comprehensive foreign exchange controls and an official exchange rate. A range of transactions including foreign investment and private debt, remittances, imports, exports, insurance/reinsurance and some industries, are submitted to special regulations. Exporters should therefore keep themselves up-to-date with changes in legislation concerning foreign investment and sales.

Sources:

- www.conapri.org (Venezuelan Council for Investment Promotion)
- www.ine.gov.ve (National Institute of Statistics)
- www.buyusa.gov (USA Commercial Service)
- un.comtrade.org (UN Statistics Division)

Venezuelan imports of dental equipment in US\$ (2006)

Dental cements and other fillings, bone reconstruction cements	2,223,983
Dental floss	640,686
Preparations for oral hygiene, including denture fixative pastes and powders	7,165,020
Dental drill engines	401,918
Instruments and appliances used in dental sciences	6,006,592
Dental fittings	708,837
X-ray apparatus for dental uses	249,242
Tooth brushes	8,002,379

Source: un.comtrade.org