

foreign trade

SEPTEMBER 6, 1952



OTTAWA
CANADA



Venezuela: a Dollar Market

Oil . . . Dollars . . . and Opportunities

Forty years ago, Venezuela was an agricultural country, raising cattle, cultivating coffee, cacao and tobacco in an atmosphere surviving from colonial days. Today it is a growing, forward-looking nation of five million people, busy building up industries, improving living standards, and tackling its transportation problems.

Oil made the new Venezuela. The early Spanish settlers saw oil seeping through the soil but not until 1917 did the first commercial well begin to flow.

The industry expanded slowly . . . but the pace quickened with war and postwar demands from oil-hungry countries. Now over 1½ million barrels a day of crude petroleum come gushing from its wells. Venezuela has become the world's second largest producer and the leading exporter of petroleum products.

Oil means money . . . hard currency . . . dollars. Venezuela is one of the half-dozen countries to escape that crippling economic malady, the dollar shortage. It has the money to buy what it desires in the markets of the world. It erects no import barriers, imposes no currency restrictions. Soon the growing iron ore production will boost its dollar income further.

Those dollars spell sales opportunities . . . opportunities for the Canadian exporter. Venezuela needs, and can pay for, hundreds of products that Canada can supply.

This issue of "Foreign Trade" is designed to bridge the gap between would-be seller and potential buyer. Prepared largely by the Canadian Government Trade Commissioner at Caracas and his staff, it reviews the possibilities and peculiarities of this Venezuelan market. We have tried to make it concise, practical, helpful . . . and we present it in the hope that enterprising businessmen will find in it a guide to greater sales.

—The Editor.



foreign trade

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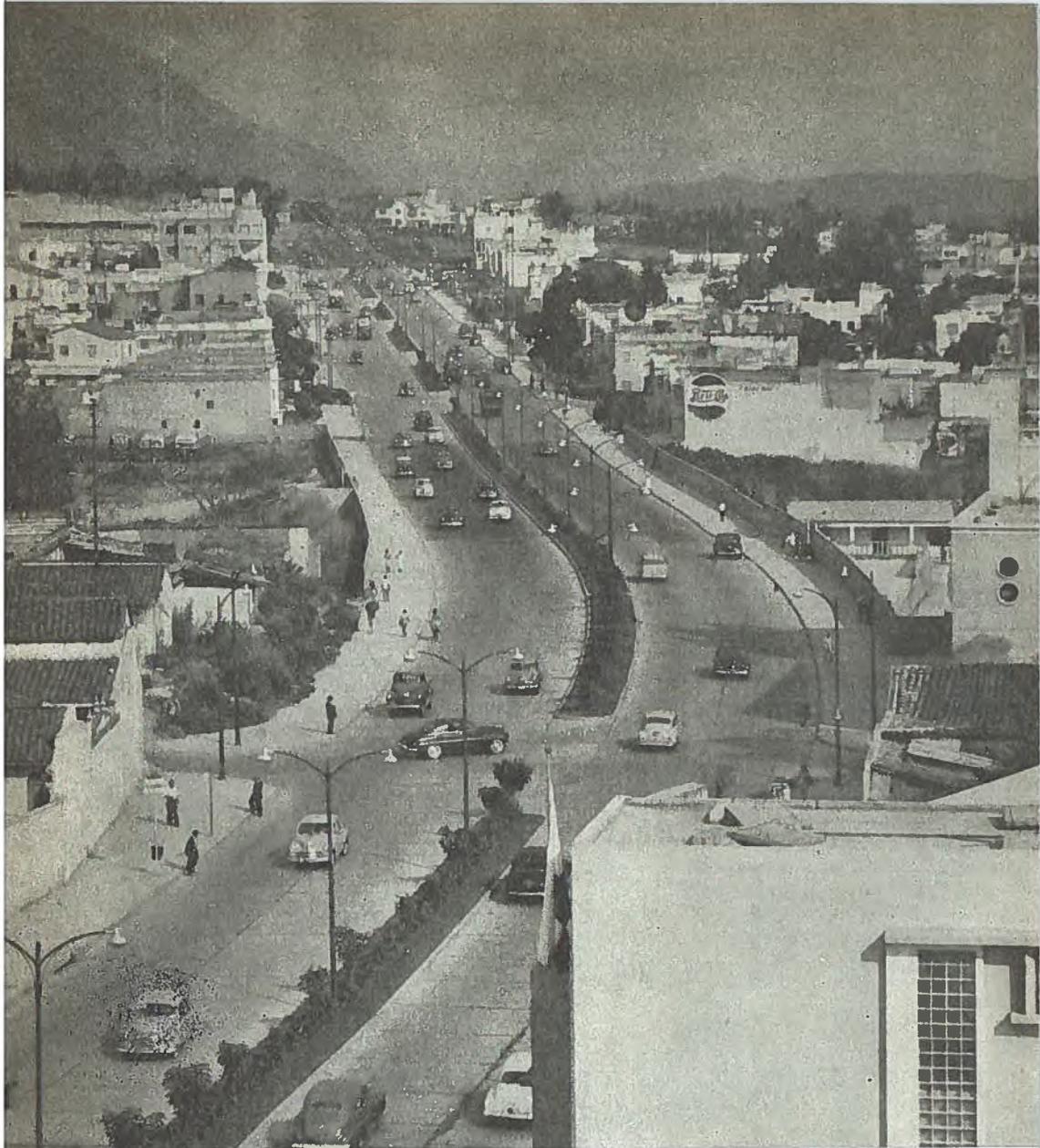
COVER . . . An oil worker at one of the great refineries near Maracaibo symbolizes the industry on which Venezuela's prosperity is founded. Oil royalties provide some 37 per cent of the national income; sales of petroleum products bring in the dollars to be spent in world markets.

—Photo by Standard Oil Co., N I

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—Venezuelan Ministry of Education

THERE'S BUSINESS IN VENEZUELA

World traders are turning their eyes towards Venezuela—both as a source of strategic raw materials and as a lucrative market. Bustling Caracas, the capital, reflects the modern tempo characteristic of Venezuela today.

CARACAS—Venezuela offers an attractive yet highly competitive dollar market for Canadian exporters. Though it is only the eighth largest of the 20 Latin American Republics and has a population of just five million, it is quickly becoming more and more important to Canada both as a market and as a source of supply. In 1951, Canadian sales to Venezuela totalled approximately \$27 million. Canadian purchases, mostly of crude petroleum, reached the unprecedented total of \$136 million.

Canadian exporters can gauge the importance of this market by the fact that, during this same year, United States firms supplied Venezuela with goods to the value of \$435 million, covering more than 2,700 different commodities. Venezuela is currently Canada's third best customer in Latin America and occupies second place in U.S.-Latin American export trade. It gives both Canada and the United States most-favoured-nation tariff preference.

Inquiries Received

Venezuela is gradually recognizing Canada as a dependable source of supply. This is evidenced by the number of inquiries received by the office of the Canadian Trade Commissioner in Caracas. The following is a partial list of products recently requested: aluminum products—corrugated sheeting and kitchenware; animal feeds; apples; asbestos; automotive parts and accessories; soft-drink bottles and caps; cardboard; chemicals; codfish; construction materials; canvas duck; shell eggs (mediums); electrical fixtures and fans, electric cables and fittings, electric generating plants; fertilizers; canned foods; canned hams; workmen's gloves; light hardware; hospital equipment; lard; imitation plastic leather; double-boiled linseed oil; office equipment (adding machines, steel filing cabinets, safes, cash boxes); all types of paper products; dried peas and beans; table potatoes; radios; synthetic rubber; cotton textiles; tin containers; toys; fibre and steel conduit tubing; seine twine; wallboard, and wood pulp.

Dollar Exchange Available

As the world's biggest exporter of petroleum products, largely to hard currency areas, Venezuela has an ample supply of dollars to meet import requirements. With local oil production rising steadily in response to a constantly increasing demand from abroad, the country should maintain this fortunate position easily.

Although certain Venezuelan industries such as cement, rayon textiles, brewing and sugar refining have made substantial progress in recent years, Venezuela can still be considered only lightly industrialized. A relatively large percentage of her requirements of finished products must still be imported and only a few commodities are on the restricted list.

The economic policy of the Venezuelan Government in recent years has been called "sowing the oil"—that is, using income from the petroleum

industry to subsidize infant industries. This has encouraged ambitious development plans which are augmenting the demand for foreign products, especially imported machinery and construction materials. Present indications are that, regardless of political changes, these projects will be completed because there is widespread recognition of their importance to the national economy.

Imports in 1951

Venezuelan imports from all sources during 1951 reached a total of approximately \$645 million, an increase of 20 per cent over 1950 and nearly seven times the value of 1939 imports. Foodstuffs, machinery, and metals and their manufactures were the leading groups. This is shown in the table below, which also points up the heavy increase in Venezuelan purchases during the last few years.

Venezuelan Imports by Commodity Groups

(1 Bolivar=Canadian \$0.2937)

| | Millions of Bolivares | | | |
|---|-----------------------|----------------|----------------|----------------|
| | 1939 | 1949 | 1950 | 1951 |
| Foodstuffs and beverages | 45.3 | 375.9 | 383.3 | 398.4 |
| Textiles | 34.9 | 136.7 | 138.8 | 166.6 |
| Animals and their by-products | 4.9 | 13.7 | 15.1 | 9.9 |
| Vegetables and industrial derivatives | 2.9 | 20.6 | 35.4 | 43.5 |
| Wood, paper, cardboard and manufactures.. | 5.4 | 44.6 | 43.0 | 59.8 |
| Minerals, glass and pottery | 9.3 | 117.0 | 86.6 | 99.8 |
| Metals and manufactures | 19.9 | 445.0 | 232.4 | 362.2 |
| Machines, instruments and apparatus | 46.9 | 705.6 | 522.9 | 614.2 |
| Chemicals and pharmaceutical preparations | 16.8 | 98.6 | 105.0 | 119.0 |
| All other commodities | 140.2 | 283.3 | 235.6 | 276.6 |
| Totals | 326.4 | 2,241.0 | 1,798.4 | 2,150.2 |

Note: During the period 1938 to 1951, the Venezuelan price index of imported commodities rose from 100 to 176.31.

Market Characteristics

During World War II and the years immediately following, the United States supplied over 70 per cent of all Venezuelan imports. A definite preference for modern and in many cases ultra-modern American-type goods has thus been built up. The Venezuelan importer has a distinct antipathy to foreign suppliers who regard this market as a dumping ground for inferior merchandise.

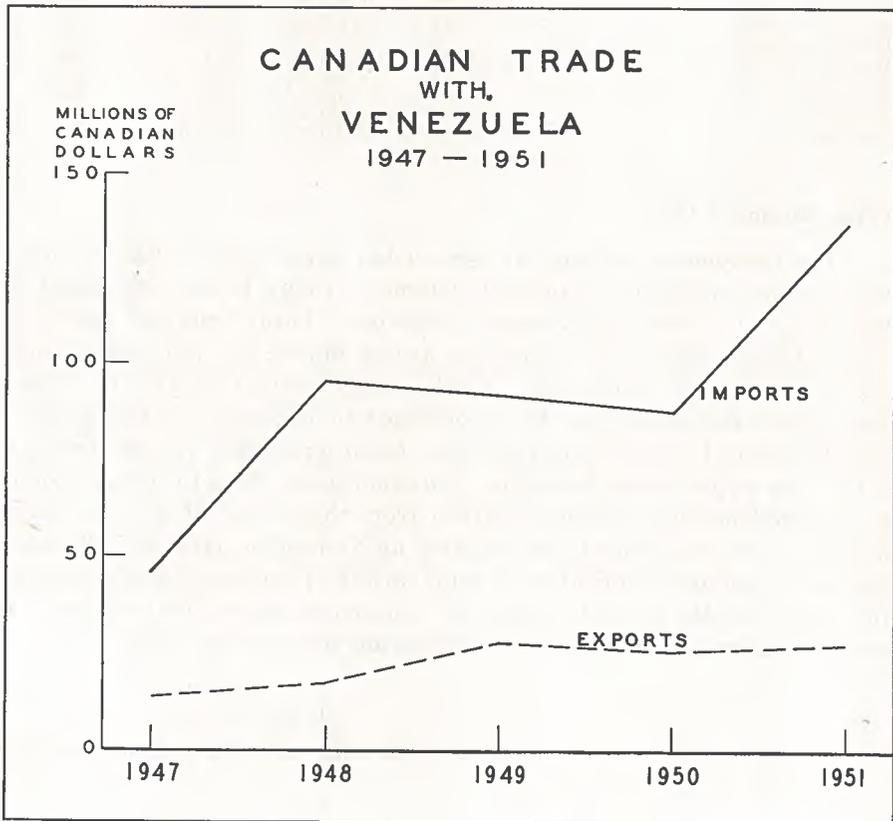
The question of continuity of supply is also most important. Venezuelan firms are reluctant to purchase from foreign suppliers who are prepared to serve them only when the domestic demand in the supplying country cannot absorb the output.

A large percentage of the Venezuelan import trade is handled through commission agents. Topography and concentration of the population divide Venezuela into three marketing areas. Western Venezuela includes the states of Zulia, Falcon, Trujillo, Merida, and Tachira. Agents covering this region generally reside in the city of Maracaibo, the capital of Zulia State. The central marketing area, with the Venezuelan capital city of Caracas as its focal point, includes the Federal District and the

states of Miranda, Aragua, Carabobo, Yaracuy, Cojedes Portuguesa, Lara, Barinas, and Guarico. In Eastern Venezuela the area includes the states of Anzoategui, Bolivar, Monagas, Sucre, Nueva Esparta, Apure, and the territories of Amazonas and Delta Amacuro. Agents covering this latter region usually reside in Ciudad Bolivar or Puerto La Cruz.

The relative importance of these three marketing areas may be judged from the fact that 50 per cent of the Venezuelan population lives in the Central area, 30 per cent in the Western, and 20 per cent in the Eastern area. To sell consumer goods, it is necessary for agents appointed by Canadian firms to cover at least the central and western marketing areas. For products not requiring frequent calls, an agent located in Caracas may prove satisfactory but an additional agent in Maracaibo is desirable.

Another notable characteristic of the Venezuelan market is the exceptionally strong competition. The much-valued dollar exchange readily available in this market has not gone unnoticed by manufacturers throughout the world. Venezuela has, as a result, become a definite buyers' market, able to demand and receive liberal selling terms. Except for very scarce or custom-made merchandise, sight draft, documents on payment is general, with many commodities sold on a 60- or 90-day sight draft basis.



SELECTED LIST VENEZUELAN IMPORTS, 1951

(using approximate rate 1 Bolivar = 30 cents Canadian)

| COMMODITY | Metric Tons | Value in Canadian Dollars | Principal Supplier | Import Controls |
|-------------------------------|-------------|---------------------------|--------------------|------------------------------|
| Oats, all types..... | 8,960 | 1,525,192 | Canada | No |
| Codfish, dried or salted..... | 461 | 252,772 | Norway | No |
| Canned meats..... | 524 | 344,931 | Argentina | No |
| Malted barley..... | 18,398 | 3,333,905 | U.S. | No |
| Other canned foods..... | 10,858 | 6,773,775 | U.S. | No |
| Fresh fruits..... | 15,774 | 4,063,689 | U.S. | No |
| Canned fruits..... | 2,247 | 711,026 | U.S. | No |
| Peas, beans, lentils..... | 15,556 | 2,470,619 | U.S. | No |
| Wheat flour..... | 127,921 | 14,813,880 | U.S. | Prior licence against quota. |
| Shell eggs..... | 8,691 | 5,933,565 | U.S. | No |
| Canned ham..... | 2,225 | 2,848,012 | U.S. | No |
| Canned fruit juices..... | 11,400 | 2,292,774 | U.S. | No |
| Preserved milk..... | 32,144 | 24,839,274 | U.S. | Prior licence |
| Lard..... | 3,881 | 1,563,491 | U.S. | Prior licence against quota. |
| Butter..... | 1,833 | 2,183,213 | Denmark | Prior licence |
| Table potatoes..... | 39,044 | 2,035,969 | U.S. | Seasonal prior licence. |
| Whiskey..... | 1,936 | 2,241,135 | U.K. | No |
| Cardboard boxes..... | 3,072 | 1,055,243 | U.S. | No |
| Cardboard..... | 7,646 | 1,794,546 | U.S. | No |
| Lumber..... | 33,001 | 1,989,524 | U.S. | No |
| Glass bottles or flasks..... | 26,304 | 4,013,362 | U.S. | No |
| Glass, plain..... | 6,122 | 1,089,748 | Belgium | No |
| Aluminum products..... | 8,467 | 5,560,630 | U.K. | No |
| Steel filing cabinets..... | 858 | 607,239 | U.K. | No |
| Nails and tacks..... | 1,149 | 360,139 | Germany | No |
| Copper, bronze, brass..... | 7,755 | 8,134,186 | U.S. | No |
| Lead..... | 1,304 | 586,009 | U.S. | No |
| Iron tubing..... | 254,536 | 46,264,001 | U.S. | No |
| Radios, pickups..... | 1,041 | 3,785,204 | U.S. | No |
| Adding machines..... | 91 | 917,416 | U.S. | No |
| Auto accessories..... | 3,514 | 3,999,807 | U.S. | No |
| Refrigerators..... | 5,488 | 5,920,272 | U.S. | No |
| Caustic soda..... | 5,950 | 578,245 | U.S. | No |
| Electric plants..... | 1,332 | 2,206,603 | U.S. | No |
| Newsprint..... | 13,235 | 1,943,064 | Canada | No |

Future Prospects Good

The tremendous increase in Venezuelan imports from 1945-51 raises the question whether the present volume is likely to be maintained in the future. It is true that Venezuela, like other Latin American countries, accumulated a backlog of purchasing power during the war years which was not expended until 1949. Unlike many other countries, however, Venezuela's dollar earnings have continued high because of the growing world demand for petroleum products. Local authorities realize that now is the time to put forward a major industrialization effort to reduce economic dependence upon income derived from the export of a single commodity. The requirements for building up Venezuelan national industries, plus the continuing demand for a wide variety of consumer goods, support the belief that the present volume of Venezuelan imports will not only be maintained but will actually increase during the next few years.

—J. A. STILES

Consul of Canada and Trade Commissioner

MARKETS

PAPER PRODUCTS

In demand: newsprint; no. 1 cement-sack kraft, no. 2 wrapping kraft; fine papers; glassine, waxed and greaseproof papers, cellophane; one and two-side coated boards; toilet paper, paper cups and towels.

VENEZUELAN paper production is confined to the output of two mills which manufacture sulphite wrapping paper and a small amount of kraft. Present production is approximately 6,000 metric tons a year, far below national requirements. In addition, there is one factory producing 4,000 metric tons a year of gray and corrugated cardboard. There is no local production of wood pulp and the mills depend on imports, which are currently averaging 350 metric tons of sulphite and 150 tons of sulphate a month.

Approximately fifty Venezuelan firms are manufacturing paper bags, boxes, cardboard cartons, copybooks and other products from local and imported paper. Despite an increasing trend towards local manufacture, however, production of most paper products does not satisfy the domestic demand.

Imports

In 1951 Venezuelan imports of paper products amounted to \$12.6 million Canadian, compared with \$7.4 million in 1950. The table gives a partial breakdown of these imports:

Venezuelan Imports of Paper Products*

| Commodity | 1950 | | 1951 | |
|--------------------------|---------------------------|------------------------|---------------------------|------------------------|
| | Quantity (metric tons) | Value ('000 Cdn.\$) | Quantity (metric tons) | Value ('000 Cdn.\$) |
| Paper towels, serviettes | 804 | 317 | 989 | 428 |
| Cardboard cartons | 2,311 | 535 | 3,072 | 1,055 |
| Cardboard | 4,887 | 954 | 7,646 | 1,795 |
| Paper, kraft, wrapping.. | 2,251 | 824 | 2,466 | 1,450 |
| Paper, toilet | 1,782 | 508 | 2,066 | 727 |
| Newsprint | 10,525 | 1,214 | 13,235 | 1,943 |
| Other paper products .. | 11,971 | 3,074 | 14,260 | 5,249 |
| Total | 34,531 | 7,426 | 43,734 | 12,647 |

*Provisional figures—Venezuelan Ministry of Development.

The Venezuelan market for newsprint has been expanding and in 1951 imports amounted to 13,235 metric tons compared with 10,917 tons in 1947. Canada supplied 80 per cent of Venezuelan newsprint imports in 1951, with the remainder coming from the United States and Sweden.

The rapid development of certain Venezuelan industries such as beer, cement, sugar and food processing, is augmenting the need for kraft paper. The types in greatest demand are the No. 1 cement-sack kraft, and the No. 2 wrapping kraft, both bleached and unbleached. Machine-glazed paper is preferred.

Special Papers

Fine papers are also imported in substantial quantities, with the most popular bond writing paper being the No. 4 base 16 lbs. Smaller quantities of 14, 18, 20, and 24 lb. base are also being used. School copybooks and office correspondence paper are made locally from 14 and 16 lb. base material which is ordered in sheets of 66 cms. by 96 cms. There is also a demand for manifold paper, airmail onion skin paper, and coated book paper. Imports of boxed and printed stationery are limited by a high duty and most of the letterhead used by Venezuelan commercial firms is printed locally on imported paper.

Glassine, waxed and greaseproof papers, and cellophane are becoming more widely used for packaging foodstuffs and making bags.

There is a small market for ledger paper, tag-board for the manufacture of price tags and visiting cards, etc., and manila paper for envelopes. Venezuelans seldom use wallpaper because of the humid tropical climate and the prevalence of insects.

Although there is some local manufacture of corrugated and gray cardboard, the Venezuelan market still requires substantial imports of both one and two-side coated boards, either machine or patent-coated. Newsback boards are imported principally for making shoe cartons but also for packaging foodstuffs, detergents, and pharmaceutical products. Venezuelan importers prefer to receive gray and newsback boards in sheets 70 cms. by 100 cms.

The use of soft and hardboards and roofing papers for construction purposes is increasing. Imports have come principally from Scandinavian countries, with smaller amounts from North America.

Other important Venezuelan imports are toilet paper, shipped in cartons of 100 5-oz. rolls, paper napkins, towels and cups. Paper cups are a heavy volume line in Venezuela and local consumption continues to increase. Restaurants, bars, offices and street vendors of ice cream and beverages are the principal users. Government health authorities are insisting more and more on the use of paper napkins for the serving of food products by street pedlars, bakeries, and restaurants, in an effort to improve local health conditions.

Market Prospects Good

At the present time, the Venezuelan paper products market is well stocked because of heavy purchasing in recent months. However, inventories should soon diminish because of the greater demand created by higher living standards and the post-war prosperity. This demand has not only increased traditional paper imports but has developed a market for many new luxury lines. In fact, the outlook for increased sales of paper products in Venezuela appears most promising.

—J. A. STILES

DRIED SALT CODFISH

Preferred: as thick and white a product as possible, trimmed of skin, and shipped in tin-lined wooden cases.

THE postwar years have seen the demand for imported salt codfish rise rapidly. In 1938, Venezuela imported 93,134 kilograms; in 1951, 460,112 kgs. Figures for the first four months of 1952 show imports still climbing, at 278,656 kgs. The year 1952 should see a record made.

Most persons attribute this market trend to the coming of thousands of immigrants from southern Europe since 1945. Venezuelans do not often eat imported salt codfish and the present market is limited mainly to Spanish and Portuguese expatriates, estimated at approximately 50 thousand families. Some varieties of fish caught in Venezuelan waters are salted and dried—approximately 10 million kgs. annually. The quality, however, is not sufficiently high to compete with the imported product.

Nearly 50 per cent of Venezuelan codfish imports are made two to three months before Easter Week because Lent is by far the heaviest consuming period.

Venezuelan Imports of Dried Salt Codfish

| Country | 1938 | | 1951 | | 1952 (4 mos) | |
|---------------|--------|----------|---------|-----------|--------------|-----------|
| | Kgs. | Cdn.\$ | Kgs. | Cdn.\$ | Kgs. | Cdn.\$ |
| Norway | 6,421 | \$ 1,059 | 359,986 | \$197,351 | 223,848 | \$121,979 |
| U.S.A. | 35,139 | 7,038 | 42,805 | 32,894 | 41,718 | 31,744 |
| Canada ..... | ..... | ..... | 30,036 | 9,345 | 12,281 | 5,376 |
| Holland | 49,726 | 8,147 | 750 | 305 | ..... | ..... |
| Denmark | 1,848 | 460 | 20,935 | 9,694 | 809 | 642 |
| France ..... | ..... | ..... | 3,125 | 1,706 | ..... | ..... |
| Iceland ..... | ..... | ..... | 2,475 | 1,271 | ..... | ..... |
| Totals | 93,134 | \$16,704 | 460,112 | \$252,566 | 278,656 | \$159,741 |

The table clearly shows that Norwegian suppliers have dominated this trade during the past few years. They have shipped principally "choice" quality codfish but also some "standard" grade, with a low moisture content ranging from 35 to 40 per cent. Venezuelan importers definitely prefer the large-size cod, although a few medium sizes have been sold. They like as thick and as white a product as possible, with the nape and shoulders of the fish trimmed of all inedible skin. Trimming not only improves the appearance of the fish but also reduces the dutiable weight; the Venezuelan import tax is approximately 60 cents Canadian per gross kilo.

The customary Norwegian selling term is letter of credit, but shippers from Iceland, Denmark and the United States have been granting sight draft, documents on payment, in order to become established in this market.

Although the tin-lined wooden case is preferred, some members of the trade believe that it is not absolutely necessary. Wooden cases have proved more suitable than wooden barrels.

Because the high Venezuelan duty makes imported salt codfish more expensive than all types of local fish, it is most unlikely that the size of the Venezuelan market will ever approach that of Cuba or Puerto Rico. Nevertheless, since Canadian suppliers are competing successfully in nearby Caribbean centres, they should be able to obtain a greater share of this small but discriminating market by a determined effort to match existing Norwegian quality and selling prices.

—J. A. STILES

CANNED MEATS

Preferred: pear-shaped whole hams, spiced pork meats, pork-beef combinations, corned beef.

THE demand for canned meats in Venezuela comes primarily from three sources: the high-income group which considers quality first and then price; the armed forces and the institutional trade, where quality and price are equally important; and the large low-income group which can seldom afford canned meats and where price is the sole criterion.

Although Venezuela is self-sufficient in fresh meat, there are no meat-canning plants and the country imports its entire supply at a cost of approximately \$4 million a year.

Canned Hams Lead

Hams are by far the most important type of canned meat used in Venezuela and in 1951 imports amounted to almost five million lbs. valued at \$2.9 million. The pear-shaped whole ham is the preferred pack but the two and three lb. pear-shaped tin is becoming more popular. The rectangular can is seldom used and efforts to introduce it have not been successful. Because the refrigerated transport usually needed for canned hams is not available to interior points, most of the sales are in the principal cities of Caracas and Maracaibo and, to a much lesser extent, Valencia, Maracay, and Barquisimeto. In all these centres ham usually appears on the menu of popular restaurants and can be bought at retail stores either ready-sliced or in the tin. The commissaries of the permanent oil camps are also important outlets for this product.

Canadian canned hams enjoy an excellent reputation in Venezuela and if prices became more competitive and distribution better, there is little doubt that sales could rise considerably.

The next most popular items are various types of spiced pork meats, pork/beef combinations and corned beef. These are sold throughout the country in all types of outlets, from modern supermarkets to small corner stores. The rectangular type pack is preferred. The trade advises that sales of specialty products such as canned beef stew, meat balls, sausages

and hamburgers are improving each year but the volume is still so low that many retailers are reluctant to carry complete lines. Meat pastes and sandwich spreads make up the remaining canned meat imports, but here again the demand is small.

Canada Ranks Third

Until recent years the United States was the predominant supplier of canned pork products, including hams, but this situation is changing rapidly and 1951 sales barely exceeded those of the Netherlands. Canada is the third largest supplier but the volume of her shipments declined 40 per cent in 1951, largely because of unfavourable prices. Argentina continues to be the principal source of supply for canned beef products but apparently has a less dominant position today, although verifying statistics are not at hand.

Estimated Venezuelan Canned Ham Imports*

| Country | (gross metric tons) | | |
|---------------------|---------------------|-------|-------|
| | 1949 | 1950 | 1951 |
| United States | 1,444 | 1,189 | 835 |
| Netherlands | 234 | 404 | 784 |
| Canada | 369 | 518 | 230 |
| Denmark | 269 | 208 | 187 |
| Poland ..... | .... | 36 | 87 |
| Argentina | 89 | 39 | 83 |
| Others | 16 | 114 | 19 |
| Total | 2,421 | 2,508 | 2,225 |

* Based on provisional data from the Venezuelan Ministry of Development.

Outlook Favourable

Both the immediate and future outlook for canned meat imports to Venezuela is good. The overall demand is gradually improving; there is little prospect of a local supply, and the dollars to cover imports should be no problem. The strength and prospects of the market are also reflected in the intense competition, particularly from Western Europe. Canada, however, has the advantage of better shipping services and well-established brands, and it appears that if Canadian exporters could offer more competitive quotations, they could obtain a larger share of the market.

—D. B. LAUGHTON

Vice-Consul and Acting Agricultural Trade Commissioner

Indigo to Oil

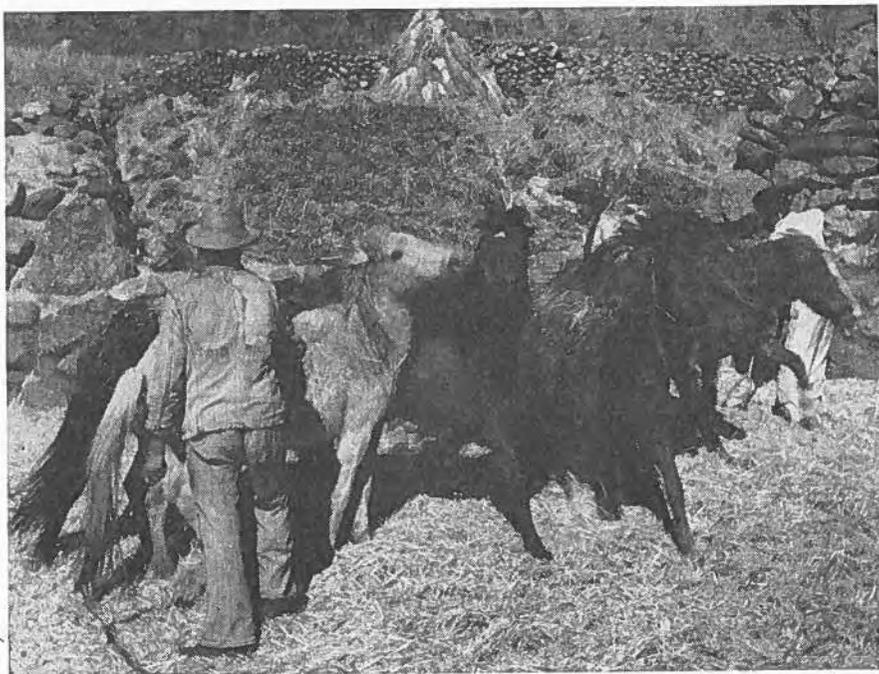
Before oil was discovered, Venezuela's main industries were the growing of coffee, cacao, indigo, tobacco—and the raising of cattle and horses. Time was when its great plains supported nearly 12 million head of cattle; today there are only about 5.3 million. Coffee and cacao still remain important exports; tobacco-growers supply a thriving domestic cigarette-making industry; indigo cultivation has almost completely disappeared.

ANIMAL FEEDS

In demand: concentrated ready-mixed feeds; heavyweight feed oats, milling-grade wheat.

DURING the post-war years in Venezuela, both the production and import of animal feeds have expanded constantly and the outlook for further development is excellent. The dairy and beef industries have been receiving substantial government aid in the form of tariff protection, low-interest-rate loans, and technical information and advice. The poultry industry has recently been granted similar assistance. The Government's overall policy of expanding domestic production to reduce costly imports of finished agricultural products is evidently to continue.

The consumption of prepared feeds in Venezuela is still low on an animal-unit basis as compared with many countries, but the demand is increasing as farmers become more aware of the advantages. The climate largely limits local production of feed ingredients to adequate supplies of corn, very small quantities of wheat, some types of oilseed meal, and fishmeal. The country will therefore depend upon imported cereal grains and other constituent products for many years.



Creole Petroleum Corp.

Here a Venezuelan peasant threshes his grain in the ancient way—by hoof. The Government is working to raise the standards of agriculture in the country to help expand local food production, reduce imports.

Its substantial dollar income means that Venezuela has no exchange difficulties to restrict animal feed imports from North America. There is, however, a sizable customs duty. Canada enjoys most-favoured-nation treatment and this duty does not affect our competitive position as compared with other foreign suppliers. It does, of course, give a measure of protection to domestic manufacturers.

Concentrated Ready-Mixed Feeds

The domestic supply of this type of feed is dominated by one large Venezuelan company with modern equipment and excellent distribution facilities. This firm seldom purchases through local representatives, but places its orders directly with the supplier. He in turn cables the most favourable c.i.f. price and delivery terms in response to a detailed request. Several small manufacturers purchase through commission agents but these distribute only to producers in their immediate vicinity. In addition, several United States firms are shipping prepared formula foods, although they find it difficult to compete because of the tariff structure. Over 90 per cent of the total consumption of ready-mixed feeds in Venezuela is accounted for by dairy and poultry rations.

Venezuelan Ready-Mixed Animal Feed Production

| Year | Total Production | ('000 metric tons) | | | | Poultry | Misc. |
|------|---------------------|--------------------|---------|-------|----------------|---------|-------|
| | | Dairy Cattle | Horse | Pig | Type of Ration | | |
| 1944 | 999.8 | 902.6 | 34.1 | 26.4 | 25.8 | 1.9 | |
| 1949 | 13,697.7 | 9,816.0 | 987.5 | 232.0 | 2,443.7 | 218.5 | |
| 1950 | 15,792.6 | 9,980.3 | 1,231.0 | 231.2 | 4,120.9 | 229.2 | |
| 1951 | 18,117.8 | 10,074.8 | 935.7 | 173.6 | 6,669.5 | 264.2 | |
| | (100%) | (55½%) | (5%) | (1%) | (37%) | (1½%) | |

Source: Ministry of Development, Caracas, Venezuela.

Oats

In addition to the oats imported as an ingredient for ready-mixed feeds, a strong demand exists for specially selected, heavyweight feed oats for racehorse and riding-club stables and also for army cavalry units. Usually this trade is handled by local commission agents who will combine several orders into one shipment payable against sight draft. In many cases re-cleaned 44 to 46-lb. test oats in 7½ or 10-ounce new jute sacks is the specific request.

Barley

Annual imports of barley have not exceeded 50 tons in recent years and, because Venezuela produces adequate supplies of corn, an increase in demand seems unlikely.

Estimated Venezuelan Animal Feed Imports*

| | Concentrates | (short tons) | | Wheat | Mill Feeds | Hay |
|------|--------------|--------------|--------|-------|------------|-----|
| | | Oats | Barley | | | |
| 1949 | 2,200 | 2,800 | 12 | 200 | 500 | 400 |
| 1950 | 4,300 | 3,300 | 50 | 900 | 1,000 | 500 |
| 1951 | 5,300 | 5,000 | 50 | 2,100 | 600 | 400 |

* Estimates based primarily on export statistics of principal supplying countries (U.S. and Canada) in absence of Venezuelan data.

Quantities of wheat imported have gone up rapidly in the past three years, probably as a result of the expanding demand for prepared poultry

feeds. Another factor has been the declining wheat production in the Andean states. This has meant the import of 300 to 400 tons of milling-grade wheat annually to keep the few small mills operating.

Mill Feeds

The small volume of mill feeds imported by Venezuela consists largely of wheat bran and is taken principally by the feed manufacturers. One reason for the lack of demand is the high ocean freight charges applicable to bulky products.

Hay

All indigenous Venezuelan grasses are very low in protein, particularly in the dry season, when most varieties contain less than 1 per cent. During this period there is a limited demand from breeders of purebred cattle and racehorse owners for a top-quality alfalfa or mixed alfalfa/grass hays. These commodities are usually supplied through local commission agents representing exporters in the United States and Canada.*

—D. B. LAUGHTON

* Hay and straw imports to Venezuela are prohibited until Venezuela declares Canada free of foot and mouth disease.

DRIED PEAS AND BEANS

Preferred: black beans, whole green and yellow peas, split green and yellow peas, red or red-speckled kidney beans, peabeans, chickpeas, habas or lima beans.

THE annual production of peas and beans in Venezuela has increased from an estimated 18 thousand metric tons in 1947 to 40 thousand metric tons in 1951. Of this, approximately 90 per cent was black beans. Despite this marked expansion, demand has outpaced supply and Venezuelan statistics for 1951 show that imports of dried peas and beans amounted to 15,500 metric tons for a value of over \$2.5 million. The principal suppliers were the United States (71 per cent) and Brazil (16 per cent), with 15 other countries sharing the remainder. The trade estimates that whole and split peas account for possibly 80 per cent of the total volume of these imports.

In the absence of a detailed statistical breakdown, the Venezuelan demand, in order of preference, is estimated as follows: black peas, whole green and yellow peas, split green and yellow peas, red or red-speckled kidney beans, peabeans, chickpeas, and habas or lima beans. Black beans are the most popular throughout the country, but various marketing centres have developed individual preferences. For example, Caracas and the Federal District favour split green peas but Maracaibo and the surrounding district seem to prefer split yellow peas.

For most types of peas and beans, the age and tenderness of the produce is not important. The significant quality factor is the general appearance—homogeneous size and colour, lack of insect damage or broken pieces, and freedom from foreign material. This is not true for black beans, however, which in addition must be reasonably soft and capable of quick cooking.

Venezuelan Imports of Dried Peas and Beans

| Country | metric tons (2,204 lbs.) | | | |
|---------------------|--------------------------|---------|----------|----------|
| | 1948 | 1949 | 1950 | 1951 |
| United States | 1,903·4 | 1,987·1 | 6,196·8 | 11,249·4 |
| Brazil | 0·0 | 100·8 | 2,273·6 | 2,538·2 |
| Netherlands | 9·6 | 4·7 | 11·1 | 464·8 |
| Cuba | 0·0 | 0·0 | 0·0 | 453·6 |
| Chile | 766·7 | 580·1 | 927·1 | 167·1 |
| Portugal | 15·7 | 83·8 | 55·5 | 159·4 |
| Canada | 0·0 | 2·2 | 77·3 | 6·2 |
| Costa Rica | 141·1 | 1,101·0 | 1,799·1 | 0·0 |
| Others | 120·5 | 140·4 | 1,124·8 | 517·3 |
| Total | 2,957·0 | 4,000·1 | 12,465·3 | 15,556·0 |

Source: Ministry of Development—Statistical Bulletin, January 1952.

The food trade in Venezuela buys many foreign products on the basis of the exporting countries' grade standards. In peas and beans, however, it seems to prefer to purchase against samples forwarded with c.i.f. prices in U.S. dollars. To stand up to rough port handling, new 7½ or 10 ounce jute sacks are preferred, though good used sacks are often accepted. Sight draft is the invariable selling term and usually the agent's commission of 3 per cent is included in the quotation.

The United States is the predominant supplier of peas and beans partly because of the aggressive selling methods employed. One company in particular circulates to potential purchasers a weekly airmail bulletin in Spanish, listing the various types of peas and beans available, with both f.o.b. and c.i.f. prices in U.S. funds. When orders are placed, they are often acknowledged by a cable which, in addition, gives shipping details. The documents are carefully made out and forwarded by air to avoid delays in obtaining customs clearance.

The outlook for the sale of dried peas and beans in Venezuela appears most favourable. Domestic production cannot supply the varieties demanded, the products are essential in the diet of the low income groups, and dollars to buy them from North America are on hand. As long as these conditions prevail, aggressive Canadian firms should be able to obtain a larger share of this market.

—D. B. LAUGHTON

Columbus to Bolivar

Christopher Columbus discovered Venezuela in 1498, on his third western voyage; sailed along the coast and into the Orinoco delta. The name "Venezuela" was first given by a Spanish explorer, Alonzo de Ojeda, to an Indian village on the shores of the Gulf of Maracaibo. From 1550 until the revolt under Simon Bolivar, a native of Caracas, in 1810, Venezuela was a Spanish colony.

AUTOMOTIVE PARTS AND ACCESSORIES

In demand: batteries, ignition equipment, spark-plugs, brake linings and fluid, leaf and coil springs, universal joints, tie rods, clutch plates, king bolts, motor bearings, piston rings, window glass; accessories, such as chrome wheel rings, extra lights, seat covers, radios; cleaners.

THE number of automobiles and trucks in Venezuela has increased steadily since 1946 and the resulting market for spare parts and accessories depends almost completely on imports. In 1951 vehicle registrations were 139,300, including 74 thousand passenger cars, 3,800 buses, 34 thousand trucks and 23,700 panel deliveries. Many families now consider a private car a necessity and expensive models are a favourite possession of the wealthy. Most taxi-drivers can afford late-model cars because taxis are used extensively in the central sections of the cities to avoid traffic congestion and parking problems. Inadequate rail transportation means that freight haulage throughout the country is principally by truck. Over 130 fleets of ten or more trucks are in operation.

Canadian and American exporters of spare parts and accessories are in a favoured position to supply this market because approximately 85 per cent of all vehicles are imported from the United States and Canada. The remainder consists principally of English cars, although French and Italian models are on sale and a distributor was appointed in July 1952 for the German Volkswagon.

Spare Parts and Accessories

Venezuela's imports of spare parts and accessories amounted to \$4 million in 1951. This figure excludes tire and tube imports from traditional exporters which total over \$5 million a year. Tires and tubes are also produced locally by a subsidiary of an American company.

Batteries are an important replacement part because local driving conditions lower battery life considerably. Some Canadian brands are already well established in this market. Other spare parts, in order of importance, are: ignition equipment, sparkplugs, brake linings and fluid, leaf and coil springs, universal joints, tie rods, clutch plates, king bolts, motor bearings, piston rings and window glass. Parts are usually replaced rather than repaired; skilled mechanics are scarce and maintenance standards below those of North America.

Detailed import statistics are not available, but the trade advises that there is a good market for automotive accessories. De luxe models are preferred and any accessories that add to the style or distinction of a car are welcomed. Taxi-drivers are among the best customers for accessories. Chrome wheel rings, extra lights, grill guards, and mirrors are favourite exterior adornments, and seat covers, cushions, steering wheel covers and

radios are standard interior additions. The finish of a car needs protection from the tropical sun and cleaners and polishers of all types sell readily. Any attractive or useful accessory will find a good market in Venezuela.

Sales Methods

Although distributors of American auto manufacturers maintain stocks of spare parts and accessories purchased directly from their principals, business prospects for the independent exporter are good. The appointment of a commission agent in Caracas for central and eastern Venezuela, and another in Maracaibo for the western states, seems preferable to an exclusive distributor arrangement. Some wholesalers will act as distributors but only for a product which sells by its trade name and advertising, rather than by personal sales promotion.

The commission agent requires an up-to-date catalogue with simple installation instructions, preferably in Spanish. Cross-reference charts should be inserted for different makes and years. Agents may request various trade discounts because their clientele includes garages, trucking operators, wholesale and retail stores. Terms are usually sight draft with documents, acceptance of draft after arrival of shipment in port. Customers are careful to maintain their credit so that future orders will be accepted on these terms.

Prospects Are Promising

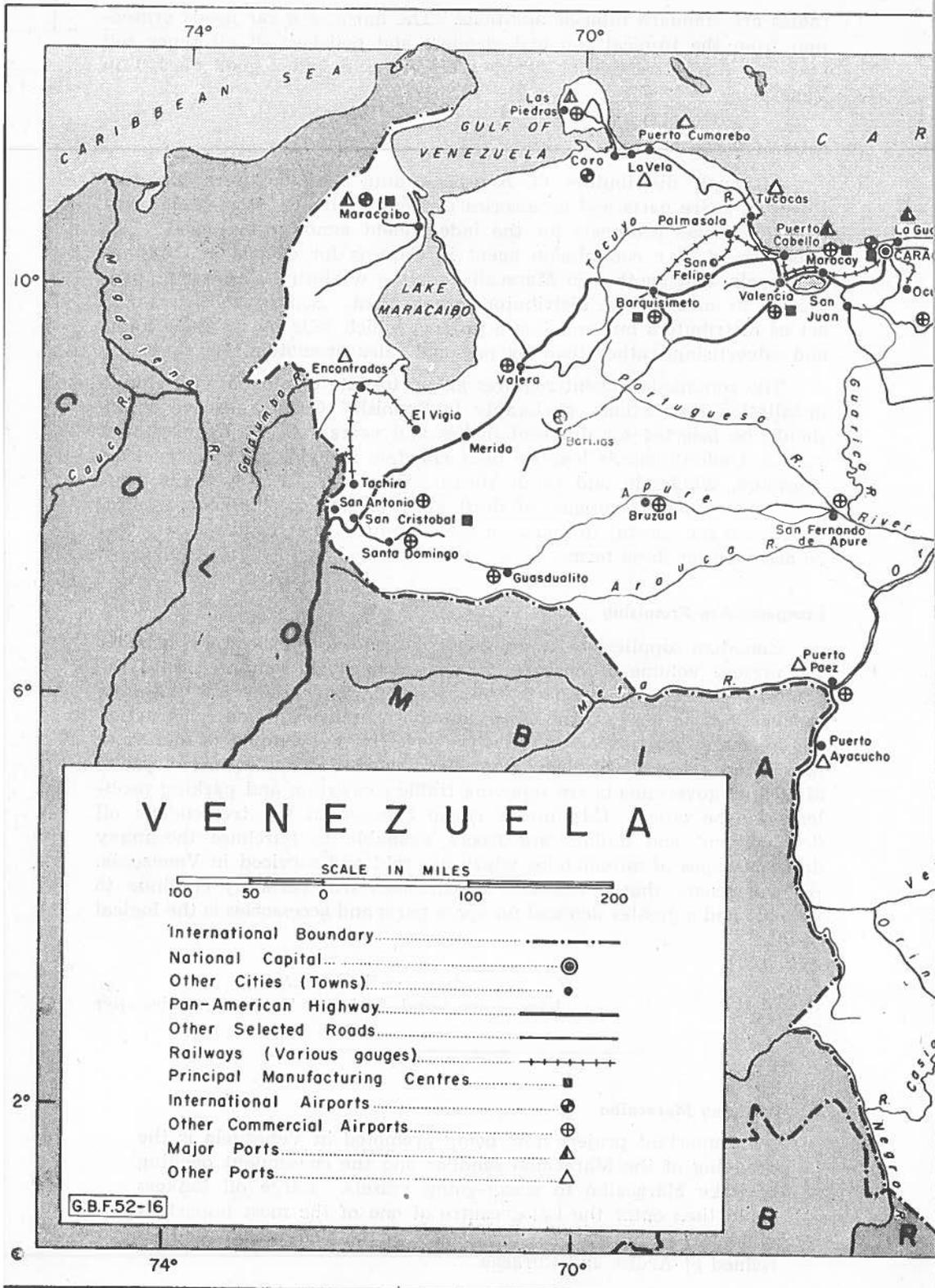
Canadian suppliers of automotive parts and accessories may consider the present volume of business in Venezuela small compared with the domestic market, but prospects are promising. Everything is being done in Venezuela to increase the use of automotive power. Road construction has for many years received priority over railway development and there have been extensive highway improvements during the last four years. Municipal governments are relieving traffic congestion and parking problems in the cities. Gasoline is cheap because of the tremendous oil development, and dollars are freely available to purchase the many different types of automobiles which are sold and serviced in Venezuela. All this means that automobile registrations will certainly continue to increase and a greater demand for spare parts and accessories is the logical result.

—F. B. CLARK

Vice-Consul and Assistant Trade Commissioner

Dredging Maracaibo

Important project now being promoted in Venezuela is the dredging of the Maracaibo sandbar and the consequent opening of Lake Maracaibo to ocean-going vessels. Large oil tankers could then enter the Lake, centre of one of the most important oilfields. At present, the larger part of the Venezuelan crude is refined at Aruba and Curacao.



74°

70°

10°

6°

2°

74°

70°

CARIBBEAN SEA

GULF OF VENEZUELA

C O R O

LAKE MARACAIBO

COUCA RIVER

COCHILA RIVER

LA VELA

Puerto Cumarebo

Las Piedras

Coro

La Vela

Tucacas

Palmasola

Sono Felipe

Barquisimeto

Valencia

San Juan

Maracaibo

Encontrados

Valera

Merido

BRIGAS

Portuguesa R.

GUARICORA R.

LA GUA

Oct

San Antonio

San Cristobal

Santa Domingo

Guasualito

Arauca R.

San Fernando de Apure

Bruzual

Apure

Puerto Paez

Puerto Ayacucho

Orinoco R.

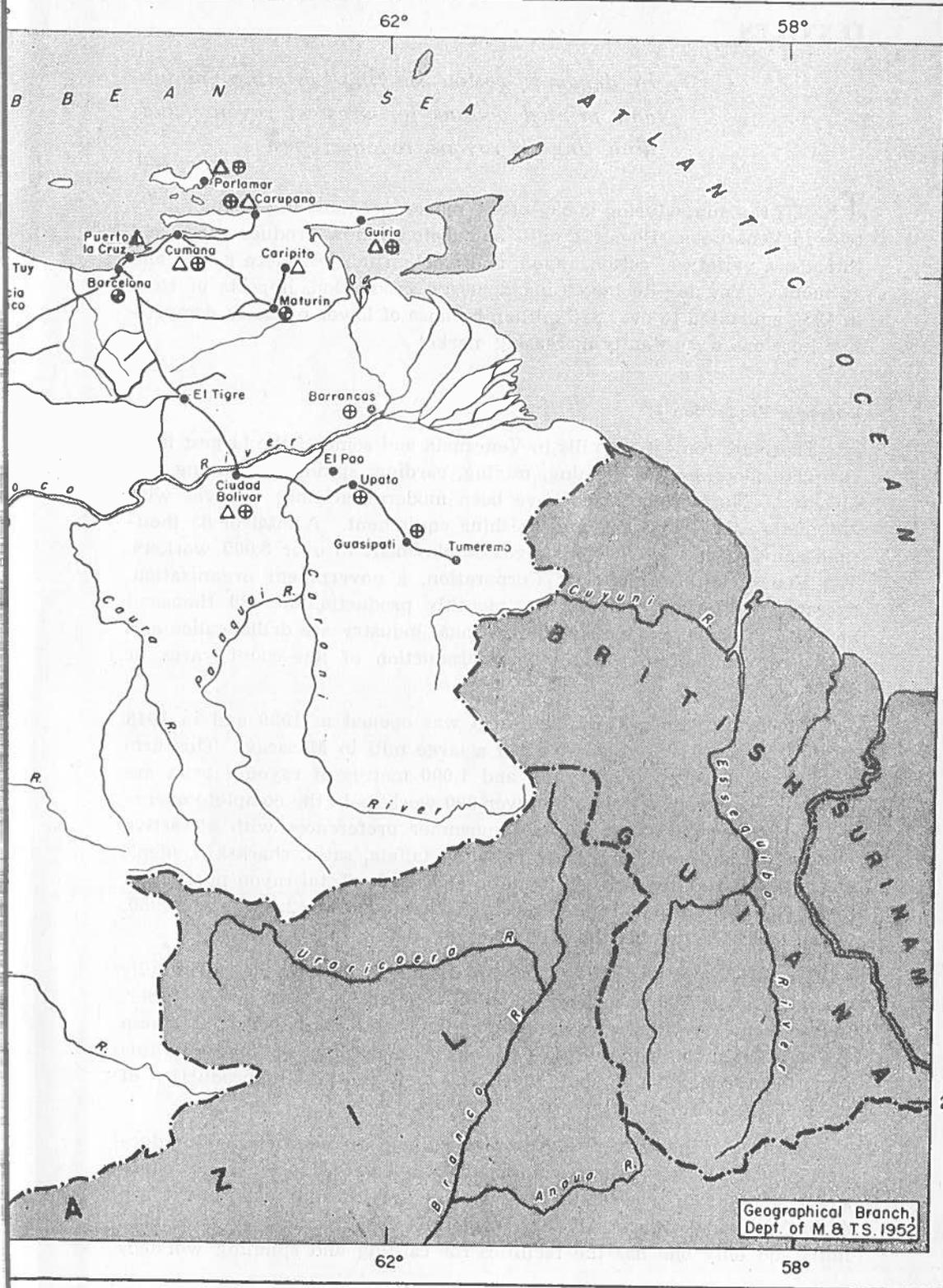
Casica R.

Negro R.

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Geographical Branch,
Dept. of M. & T.S. 1952

TEXTILES

In demand: cotton shirting, sheeting, piques, and printed cottons for dresses; rayon gabardine, lingerie rayons, rayon crepes.

TEXTILE manufacturing is one of the oldest and most important industries in Venezuela. Domestic mills and factories now produce yarns and threads; a variety of cotton, rayon, and woollen fabrics; piece goods, and garments. Yet despite increasing domestic production, imports of cloth in 1951 amounted to over \$25 million because of lower prices in competitive lines and a constantly increasing market.

Domestic Production

There are ten cotton mills in Venezuela and some of the largest have complete facilities for cleaning, mixing, carding, spinning, weaving and finishing. Most of the mills have been modernized since the war with automatic American looms and finishing equipment. A total of 63 thousand spindles and 2,500 looms gives employment to over 3,000 workers. The Venezuelan Development Corporation, a government organization, operates the largest mill with a monthly production of 380 thousand metres. Principal products of the national industry are drills, calico and coarse woven cotton. There is no production of fine-count yarns or canvas.

The first rayon mill in Venezuela was opened in 1939 and in 1948 an American subsidiary constructed a large mill in Maracay. This firm now has 230 looms in operation and 1,000 metres of rayon fabrics are produced each hour. It employs over 900 workers in the complete operation. Producers conform to local consumer preferences with attractive patterns of fine-quality rayons, including taffeta, satin, sharkskin, men's wear fabrics and mixtures with cotton and wool. Total rayon production in 1951 amounted to 20 million metres, compared with 12 million in 1950, which itself was double the production of 1949.

In 1951 imports of staple fibre and filament yarns for the rayon mills amounted to \$6,628,000. The United States was the principal supplier, followed by the Netherlands, Switzerland and Italy. The Celanese Corporation of the United States will open a new plant in Venezuela this year, to produce enough spun rayon to supply the present production of rayon fabrics.

Because of the temperate or tropical climate in Venezuela, the production of woollen textiles is confined to lightweight gabardines, worsteds, small amounts of wool cloth for women's dresses and coats, and black cloth for formal wear. All these materials are produced by two small mills and only one has the facilities for carding and spinning worsteds

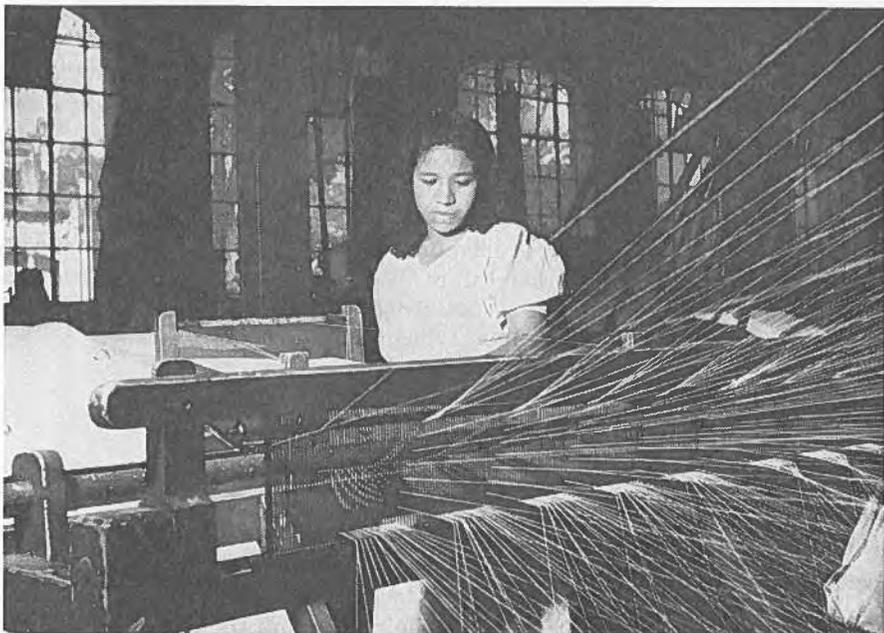
and woollen yarns from raw wool. The other mill is primarily a rayon producer but 120 thousand metres of woollen cloth are woven each year from Swiss and English-dyed yarn.

Nylon production is confined to one factory manufacturing some 6,000 dozen pairs of stockings a month. Another company will be operating before the end of the year and the combined production should be sufficient to supply the market.

Venezuelan Textile Production

| Product | 1946 | 1949 | 1950 | 1951 |
|-----------------------------|------------|-----------|------------|------------|
| Drill (metres) | 7,357,873 | 6,734,283 | 3,604,477 | 4,870,817 |
| Gray cloth (metres) | 2,879,942 | 1,096,728 | 1,436,445 | 2,794,659 |
| Fabrics, cotton (metres) .. | 11,801,044 | 5,975,633 | 4,179,162 | 3,387,478 |
| Fabrics, art silk (metres) | 1,520,198 | 6,373,059 | 12,472,309 | 19,910,437 |
| Cashmeres, wool (metres) | 111,641 | 111,045 | 97,102 | 124,115 |
| Fabrics, wool (metres) .. | 94,865 | 108,436 | 130,316 | 362,498 |
| Knitwear, cotton (kgs.) .. | 281,205 | 235,601 | 113,120 | 138,617 |
| Knitwear, silk (kgs.) | 36,539 | 178,592 | 144,374 | 142,074 |

Imported materials are considered more fashionable and of better quality for the luxury trade and, where price governs a purchase, local materials cannot compete because of high unit costs and small production runs. Imports of cotton fabrics, however, cannot exceed a quota of 3,500,000 kilos for the year ending December 31, 1952. Of this amount, 2,250,000 kilos is allocated to wholesalers and the remainder may be purchased directly by the garment manufacturers. This is a reduction of 1,500,000 kilos over 1951 but it is reported that this year's quota may be increased should the need arise. Since imports of a wide classification



Creole Petroleum Corp.

A Venezuelan girl at work in a rayon mill at Maracay, owned by a U.S. company. Textile manufacturing ranks as one of the most important and oldest Venezuelan industries, but textile imports are still needed.

of coarse cotton materials known as drills are prohibited, shirtings, sheeting, piques and printed cottons for dresses are the principal fabrics imported within the quota.

Despite the high level of national production for artificial silks, imports amounted to over \$5 million in 1951. The volume reflects the increased demand for this type of material, because duties are high and merchants must purchase one unit of local production before an import licence is granted for purchase of two units abroad. In imported rayon piece goods, the demand is primarily for gabardine, lingerie rayons and rayon crepes.

Worsteds receive the same protection as rayon and the decided preference for British worsteds has caused heavy wholesale and retail inventories of the necessary purchases from the two Venezuelan mills. Linen is not affected by quotas nor high duties and large quantities come in for making men's tropical suits.

Imports of Fabrics (Unmanufactured), 1951

| Description | Kilograms | Bolivares |
|------------------------------|-----------|------------|
| Cloth, cotton printed | 1,722,748 | 19,956,417 |
| Cloth, artificial silk | 1,132,143 | 17,712,128 |
| Cloth, cotton white | 1,176,839 | 12,270,641 |
| Cloth, cotton dyed | 1,026,669 | 11,762,317 |
| Cloth, wool | 280,732 | 10,563,727 |
| Cloth, linen or mixed | 375,557 | 4,881,668 |
| Canvas | 570,135 | 4,127,221 |
| Hemp, fabric | 447,338 | 1,371,772 |
| Felts | 96,985 | 956,142 |
| Fabric, pure silk | 2,186 | 143,765 |

Principal Suppliers

The United States supplies 75 per cent of the imported cotton fabrics; most of the rest is divided between Mexico, England and Japan. Seventy per cent of all rayon materials are received from United States, 15 per cent from Italy, and the rest from several countries. England is the traditional supplier of woollens and worsteds.

In 1951 Canadian exports of cotton and rayon fabrics to Venezuela amounted to \$268,160 and \$75,680, 2 per cent and 3.5 per cent respectively of the total imports. Imports from Canada of linen, canvas, woollens and worsteds were unimportant.

Venezuelan textile imports are almost exclusively sold by commission agents who supply the demand for fine quality materials, seconds at bargain prices, and end-runs of patterned fabrics. It is likely that the trade will continue to import these types for some years to come.

—F. B. CLARK

Transportation Note

Because the country is cut in two by the Andes and by the coastal chain of mountains, Venezuela has always faced a difficult transportation problem. The Orinoco River and its many tributaries offered the chief means of internal transport in early days; now the coming of the air age has helped to link the coastal cities with towns and villages in the interior. Roads connect the ports with most parts of the country but the railway has never been an important economic factor.

CONSTRUCTION MATERIALS

In demand: glass, plumbing fixtures, electric wiring, venetian blinds, awnings, air conditioning units, steel construction rods, asphalt roofing paper, aluminum and steel window frames.

VENEZUELA has experienced an amazing construction boom during the last seven years and building activity continues high. From the expanding oil industry come both private capital and government funds to finance an ambitious future construction program. Contractors must depend on imports for a wide variety of building materials not produced in Venezuela and also as a supplement to local production. Caracas, the capital, will remain the showplace of the nation but important structures are planned for other major cities throughout the country. Modern architecture predominates and the striking design of houses, schools, hospitals, public buildings and even the new university contrasts vividly with the Spanish colonial style, once universal. A wide range of architectural ideas is possible and practical because of the climate.

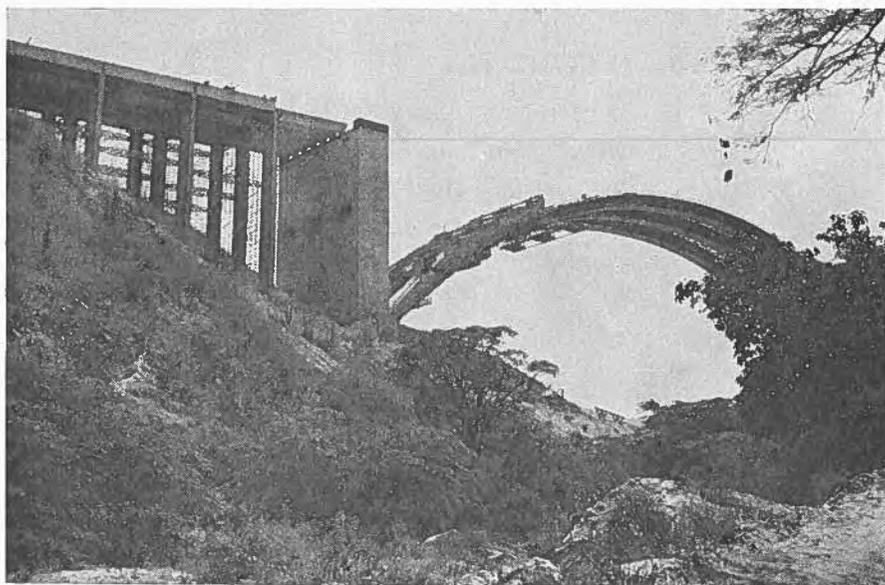
Government-Sponsored Enterprises

One of the principal government projects under construction is the "Avenida Bolivar", a main thoroughfare with clover-leaf intersections traversing the city of Caracas. Work commenced in 1949 and when completed in 1955, it will ease the traffic congestion considerably. Office buildings with stores at surface level are being erected on both sides of the thoroughfare and a 1,600-car parking lot is included in the overall plan.

Another important undertaking is the huge new University City in Caracas. It will consist of seven groups of buildings to house the various faculties, as well as a hospital, stadia and student residences. New public schools and other hospitals are also planned, and vast improvements to the airport terminal for Caracas and to the nearby port of La Guaira are already under way.

The Government has also authorized funds for construction projects in other Venezuelan cities. For the fiscal year ending June 30, 1953, over \$8 million is allocated to begin five important buildings in Maracaibo, the oil and trading centre of western Venezuela. These are a 600-bed hospital, a consolidated school for 1,100 students, a modern prison, a community health centre, and an office building to be used as a trade union headquarters. Two sanatoria are under construction in provincial cities and several schools and health clinics are planned for other interior centres.

Although the number of commercial buildings such as retail stores and office blocks will soon reach saturation point, ample investment capital still appears to be available for new construction because of the



—Venezuelan Ministry of Public Works.

This viaduct, in which Canadian Douglas fir is being used, is one of three on the breath-taking highway now being built between the port of La Guaira and Caracas. The road rises some 3,000 feet in 17.3 kilometres; has 395 curves and sharp bends. It cuts the time to Caracas to 12 minutes.

attractive returns which have been realized. The number of building permits decreased slightly in 1951 but the value was up because of higher building costs. Two modern hotels of 400 and 300 rooms are being constructed in Caracas and Maracaibo, and increased commercial travel and tourist trade promotion have fostered hotel projects for other cities, including Barquisimeto, Puerto Cabello, and Ciudad Bolivar, the trading centre for the iron ore area.

The Creole Petroleum Corporation, a Standard Oil Company subsidiary and the largest oil company operating in Venezuela, is awaiting assurance of structural steel supplies for a new office building in Caracas which is to cost approximately \$8 million. Business is moving eastward in the capital and many companies are selecting sites for more spacious and suitable headquarters. One private electric utility company has planned a new office building in eastern Caracas with sufficient space for 100 offices, a two-storey underground garage, and a cafeteria.

The postwar housing shortage has eased considerably for families who can afford to buy a house at the present high prices. Private speculators favour large, magnificent homes as a form of investment and eventually they realize profitable sales. New sub-divisions have been opened in Caracas and there are now over thirty suburban districts with picturesque homes and gardens, and many new houses building. The shortage of private housing for purchase is now more severe in the cities of Maracaibo, Barquisimeto, and Valencia than in Caracas, but houses for rent are still scarce and cost from \$300 to \$500 a month.

One of the public banks administers workers' housing projects for the Federal Government. Over 4,000 units are being built each year in various cities and five centres have already been completed. Each one is a self-contained suburb, including playgrounds, schools and theatres, and zoning of business sections. Building designs are modern and practical and the architecture varies with the style of the adjacent city. Initial and monthly payments for these houses are low, with a consequent demand far in excess of supply. Many families must still remain in small homes without any modern conveniences.

Materials Imported

The construction boom since the war and the many projects still to be carried out have encouraged local production of building materials. Where output shows signs of covering national requirements, there is usually government protection. Venezuela is now self-sufficient in bricks, floor and roof tiles, wooden doors and window frames. National production of cement will soon equal demand and, although steel construction rods, asphalt roofing paper, aluminum and steel window frames are available from local companies, imports are needed to satisfy the demand.

The remaining construction materials—a considerable range—and builders' hardware must be obtained from foreign suppliers. Glass is a major item because large windows and glass doors are popular and practical for the Venezuelan climate. Additional plumbing fixtures and connections have to be imported for the customary two or three bathrooms in private residences. The modern-type lighting fixtures and electrical appliances require extensive wiring with many outlets. Venetian blinds and awnings are normally installed to shut out the tropical sun. Sales of air conditioning units for homes and offices are increasing.

Conditions of Sale

Many exporters of building materials are competing for the available business in Venezuela, which has no currency restrictions nor import control. Canadian price quotations must compare favourably with the competition, even though a better quality product may be offered. Early delivery is sometimes the most important condition of a purchase order to prevent delay in a work contract.

The most satisfactory method for selling imported building materials in Venezuela depends on the type of product. Commission agents having samples, specifications, prices and trade discounts can sell builders' hardware most effectively. Other products such as venetian blinds, bathroom fixtures and kitchen equipment should be sold through an exclusive distributor who may request some assistance in local advertising. It is often difficult to trace the authorized purchaser of materials and equipment for big construction projects. Some building contractors are large foreign firms, and when they are responsible for purchasing, orders are frequently placed through their offices abroad.

The rapidly developing oil industry has expanded national income and more private capital is available for local investments. For the first time in many years, foreign capital may soon be used to assist government-sponsored projects. Canadian firms able to export building materials and construction machinery should certainly consider these very favourable business prospects.

—F. B. CLARK

SELLING IN VENEZUELA

Maracaibo as a Distributing Centre

THE city of Maracaibo, second largest in Venezuela, is the principal distributing centre for a distinct marketing area comprising the five Western Venezuelan states of Zulia, Falcon, Trujillo, Mérida, and Táchira. Geographically, this region is separated from the rest of the country by a range of the Andes mountains (with some peaks as high as 15,000 feet) which runs from the Colombian border northeast to the Caribbean Sea. The road transport systems and air services originating from Maracaibo and extending through the Andean States tend to foster this area's commercial independence, as do the shipping facilities serving this region.

The port of Maracaibo, located on the western side of the entrance to Lake Maracaibo, is the entry point for practically all imported merchandise for cities in western Venezuela and for certain Colombian towns on the Venezuelan border. Similarly, exports from this area generally pass through the port of Maracaibo. Another influential factor in the integration of this region has been the growing desire of the population to handle its own affairs.

According to the 1950 official census, the combined population of the states of Zulia, Falcon, Trujillo, Mérida, and Táchira is approximately 1½ million. Of this, some 254 thousand are concentrated in the city of Maracaibo and the immediately surrounding district, with the remainder distributed throughout the Andean States. Apart from Maracaibo, the principal centres are San Cristóbal (56,000), Coro (28,000), Mérida (25,000), Valera (21,000), and Trujillo (12,000). As San Cristóbal is close to the Colombian border city of Cucutá, there is considerable commercial traffic between these two centres.

Expanded with Oil Industry

The population of Maracaibo has doubled in the past ten years. The city itself has expanded rapidly to keep pace with the needs of the area stemming from the greatly increased oil production and refining capacity. This expansion has been particularly marked during the past five years, when imported materials have once again been freely available from abroad. New commercial buildings, hotels, supermarkets and private dwellings have been built at a surprising rate. There is no sign of this activity abating. The recent announcement by the Venezuelan Government of its intention to go ahead immediately with the dredging of the shallow channel which connects Lake Maracaibo and the Caribbean Sea to permit the passage of deep-draft vessels, and the continuing heavy export demand for Venezuelan oil, indicate that Maracaibo will continue its rapid development during the next few years.

A natural result of this expansion in the Maracaibo district is the desire of local firms to import directly or to purchase through Maracaibo

agents. In the past they relied heavily on the infrequent visits of representatives of foreign firms located in Caracas. Now, because of the expanded market, it is very difficult for resident Caracas agents selling food and consumer goods to cover this region thoroughly. It may, however, still be satisfactory for lines requiring only periodic calls. Other things being equal, Maracaibo importers are tending more and more to favour an agent who can be reached on short notice and whose own prosperity will assist in developing the community. Canadian firms exporting food and consumer goods would do well to consider dividing their Venezuelan representation with this point in mind.

Sales Opportunities

There are many current sales opportunities for Canadian firms in western Venezuela, provided a determined effort is made to meet price, quality, and delivery date competition from the United States. There is an important market for automotive spare parts because truck traffic is the only means of freight transportation, excluding a small amount of air cargo, and the difficult mountainous terrain in the Andean district means extraordinary wear and tear on vehicles. There is also a propensity among the local populace for accessories such as fancy horns, fog lights, and chrome decorations. Lack of an appreciation of the value of maintenance and inadequate servicing facilities add to the need for new automotive spare parts and accessories.

There is a steady demand for a great variety of imported food products, although the city of Maracaibo and district must be distinguished from the rest of the western Venezuelan states. Because there is a strong American and European influence in Maracaibo, luxury items can be sold. In the Andean region, only essential foodstuffs find a market because the majority of the population, particularly the rural dwellers, live at a subsistence level with a very low cash income. For example, whereas in Maracaibo almost every important foodstuff dealer handles canned hams, this product is little used in San Cristóbal. Flour, rolled oats, powdered milk, and the cheapest forms of canned meats are sold throughout western

One of the principal streets in Maracaibo, the oil and trading centre of western Venezuela. Expanding oil production in the area has doubled the city's population in the last ten years.



Venezuela. So are many varieties of dried beans and peas. Soft drinks and local beer are the principal beverages sold in the Andes and there is a small per capita market for imported liquors. On the other hand, liquor consumption in Maracaibo corresponds to the demand in Caracas on a per capita basis. Other imported food items which sell well and which Canadian firms could supply are apples, table potatoes, bran, lard, and medium eggs.

In construction materials, there is a constantly increasing demand for corrugated aluminum sheeting. This product has a variety of uses in Venezuela, including fencing, roofing for even the poorest homes, and general construction work. Imported iron reinforcing rods are widely used, so are galvanized iron pipes, electric wires and cables, hard and soft wallboard. Almost all exterior construction is of locally-made brick, tile and cement. Little lumber is used except for doors and window frames which are made from local timber. There is a small demand for imported plywood.

Other products currently in demand and of interest to Canadian suppliers are light hardware, soft drink bottles and caps, low-priced crockery, electrical fixtures, lamps and fans, unassembled aluminum venetian blinds, double-boiled linseed oil, and paper products such as towels, napkins, cups, toilet paper, wrapping paper, bond paper, milk containers, and cardboard food cartons.

Competition Keen

Because dollars are readily available in Venezuela and there are comparatively few import restrictions, competition among foreign suppliers is exceptionally keen. Firms contemplating entering this market should therefore be prepared to quote their lowest prices and most liberal selling terms to achieve a volume of sales. Canadian exporters prepared to consider these trading conditions should take advantage of the many business opportunities today in western Venezuela.

—J. A. STILES

Mining Story

Gold and copper were among the first metals worked in Venezuela; production of copper has practically ceased and gold production has dropped sharply. Mining spotlight falls now on the iron ore developments south of the Orinoco River. The Iron Mines Co. of Venezuela, a Bethlehem Steel Corp. subsidiary, has since 1945 been exploiting some 19 concessions situated near El Pao; hopes eventually to produce about two million metric tons a year.

April 1947 saw the discovery of a new field at Sierra la Parida, 60 miles south of Ciudad Bolivar. Here engineers have drilled 100 holes into the two mountains, La Frontera and Cerro Bolivar. They have proved existence of reserves of 500 million metric tons of ore; are preparing to undertake large-scale mining in 1953. Work is proceeding on mining facilities and the building of a highway to Puerto Ordaz, 98 miles away at the junction of the Caroni and Orinoco Rivers. Puerto Ordaz will become a thriving town and main shipping point.

Financing Exports to Venezuela

The exporter just entering the Venezuelan market should not offer open account terms but stick to sight draft with documents on payment.

CASH with the order or letter of credit terms are now extremely difficult to obtain for payment of export sales to Venezuela. The cost of short-term capital is high and the keen competition among foreign suppliers in this market makes it easy for the importer to insist on more liberal selling terms. This is particularly true for quotations on items regularly delivered, such as foodstuffs and consumer goods. Made-to-order equipment and heavy machinery in short supply are possible exceptions.

Open account terms as an alternative to cash in advance or letter of credit are not customary because of the risk. After a trial period of business with reputable Venezuelan firms an open account may be considered. But new exporters to Venezuela should maintain some control over their goods until they receive payment by sight draft, documents on payment.

Four important points must be carefully considered in sales to Venezuela made by sight draft, documents on payment:

- The Customs Law prohibits bills of lading made out to the order of the shipper; a definite consignee in Venezuela must be named.

- According to Venezuelan law, the consignee becomes the owner of the goods once they have entered Venezuelan waters.

- Only six days, excluding Sundays and holidays, and including the day that port authorities board the ship, are allowed for the presentation of documents to initiate customs clearance. After this, fines accrue at the rate of ten bolivares for the first day and five bolivares for each succeeding day up to two months. Customs storage charges also begin to accumulate after the free six-day period at the rate of 2 per cent per month on the invoice value for the first four days. After that time, 10 per cent per month is assessed on the number of days before clearance, including the first six, up to a total of two months. At the end of this period the goods are by law subject to seizure and sale at public auction by the customs authorities. Exporters can petition the Government for any balance realized after deduction of duties, storage, fines and auction expenses.

- It is the trade custom of Venezuelan importers to consider that a sight draft is not payable until the shipment has actually arrived in port. Although this interpretation is not in accordance with the generally accepted meaning of sight draft terms in most countries, it is accepted by commercial banks and traditional exporters to Venezuela.

Avoiding Risks

Exporters will realize the risks involved in the above laws and trade customs and the common practice of naming a bank as consignee cannot be suggested as a remedy. With the exception of air freight and parcel

post shipments, banks in Caracas and interior commercial centres are reluctant to act as consignees. They do not have the facilities for exercising necessary control and avoid it by charging high rates for this service and asking for a guarantee of all possible charges. Banks in Maracaibo occasionally act as consignees because customs agents are not as widely used there as in other Venezuelan centres.

Usual Protection Absent

When a sight draft with documents attached is forwarded to a Venezuelan bank, the exporter does not receive the protection which these terms ordinarily provide. Delivery of the merchandise without payment of the draft is actually possible because the consignee can receive the merchandise by instructing his customs broker at the port of entry to place a bond with the customs authorities equal to the invoice value, and pay a small fee for a copy of the consular invoice. The customs broker must produce the original documents within 90 days or forfeit the value of the bond. The exporter can then apply for this amount to the Director of Customs through his agent or lawyer in Venezuela and, though payment is assured, the process usually requires six months.

Clearing shipments by posting a bond was formerly used by some firms as a means of obtaining an extra three months' credit. The Venezuelan Government therefore introduced a law in October 1950 which forbade customs officials releasing shipments without the presentation of original documents, provided that the shipper had clearly marked in red on the consular and commercial invoice: "*Embarque contra documentos mediante pago giro a la vista enviado al Banco.....*" (*Shipment against documents, payment by means of sight draft sent to Bank.*)

This procedure is considered unnecessary by Venezuelan companies of good commercial standing and, although importers without funds to pay the draft cannot receive the merchandise by posting a bond, charges accumulate until clearance is arranged through some other firm at the expense of the exporter. For these reasons the new law is not too effective in practice.

Broker as Consignee

One frequently used alternative is to designate a customs broker in the port of entry as consignee, indicating this clearly on the controlling documents, as well as showing the actual purchaser as the "ultimate consignee". The documents are then sent to the broker airmail (the carrying steamer is often too slow because of internal mail delays), and a clean draft is drawn on the "ultimate consignee", not the customs broker, and sent to the bank for collection. The broker is instructed to clear the goods through customs and to withhold delivery pending advice from the bank that the draft has been paid.

Before accepting this responsibility, the broker may insist that the exporter guarantee reimbursement for duties and other clearance expenses in case the importer cannot pay the draft or refuses delivery of the merchandise. Since the customs broker has a preferred claim on each shipment cleared, this is usually sufficient security. Venezuelan customs

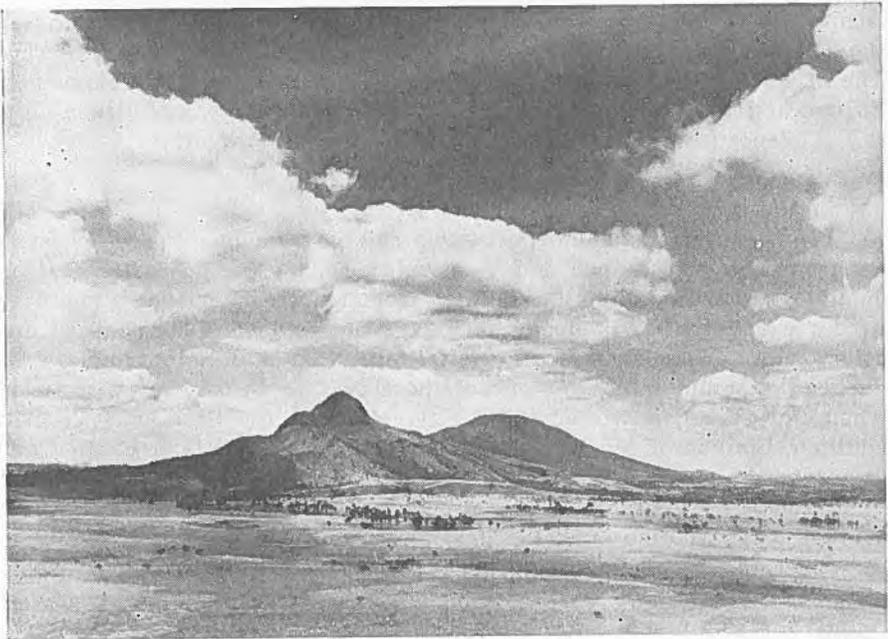
brokers are generally highly ethical and can be relied upon to carry out the shipper's instructions, provided such arrangements have been made and agreed on before shipment. This system is the most practical for shipments under sight draft, documents on payment, unless the customer has established a satisfactory record of payment with the exporter.

Another alternative, which has come into limited use recently and which imposes some financial responsibility on the importer, is to have the customer establish a letter of credit for 25 per cent of the value of the shipment, with the remainder paid by sight draft, documents on payment.

It is very important to select an agent who has a record of selling only to responsible firms and assisting in collections whenever necessary. Agents aware of these responsibilities reduce the need for independent credit investigations. Thus the exporter can realize a profitable volume of business in Venezuela with a minimum of credit loss.

The Canadian Trade Commissioner in Caracas maintains a classified directory of suitable agents for the principal commercial centres in Venezuela. Credit information is also available from the branches of the Canadian bank operating in Venezuela or from the local correspondents of other Canadian banks.

—F. B. CLARK



—U.S. Steel Corp.

The famous iron ore mountains, 60 miles south of Ciudad Bolivar, where a U.S. Steel subsidiary is undertaking mining operations. Company engineers have estimated the reserves at 500 million metric tons of ore.

Transportation to Venezuela

Several shipping companies provide regular services between Canadian and Venezuelan ports; well-known airlines offer speedier transit for visitors or some types of goods.

TRANSPORTATION does not present any obstacles to the free flow of trade between Canada and Venezuela. A number of shipping companies provide direct sailings to Venezuelan ports from both the east and west coasts.

From Vancouver, five shipping lines offer a service to Venezuela. These are:

Independence Line (reefer and general cargo) to Maracaibo.

Grace Line (passengers, reefer and general cargo) to Maracaibo.

French Line (passengers, reefer and general cargo) to La Guaira.

Pacific Republic Line (passenger, reefer and general cargo) to La Guaira and Puerto Cabello.

Pacific Argentine Brazil Line (passengers, reefer and general cargo) to La Guaira and Puerto Cabello.

Sailings are maintained on a regular schedule and there are few weeks in the year when a vessel flying the house flag of one of these shipping lines does not clear Vancouver for a Venezuelan port. Venezuela is practically on the trade routes between the Pacific coast through the Panama Canal to Europe, and to the east coast of South America. The French Line schedules a call at La Guaira on its service to Northwest Europe and the Pacific Republic Line and Pacific Argentine Brazil Line call at Venezuelan ports on the run to Brazil and Argentina.

From Eastern Canada

From eastern Canadian ports, two shipping companies are active in the trade between Canada and Venezuela. During the navigation season on the St. Lawrence, regular sailings from Montreal, Quebec and Three Rivers are offered by Saguenay Terminals Ltd. and Flota Mercante Gran-colombiana. Vessels also call at Halifax, N.S., and Saint John, N.B., during the summer months. From these two ports, service is provided when the Canadian winter closes navigation on the St. Lawrence. In addition, Lunham & Moore Shipping operates a regular bulk cargo trade in barytes from Nova Scotia to the various oil companies in Trinidad and Venezuela. Normally they make twenty to thirty sailings each year; average cargo volume is about 3,000 tons a voyage.

Saguenay Terminals have been active in trade to the Caribbean area for a number of years. Their service to Venezuela forms one part of their shipping schedules on the Caribbean trade routes. The Venezuelan service is combined with that to Puerto Rico, Trinidad and Demerara; the principal Venezuelan ports of call are La Guaira and Puerto Cabello. Two sailings a month are scheduled to these ports.

Flota Mercante Grancolombiana was jointly formed by the Governments of Venezuela, Colombia and Ecuador in 1946, when steamship services to U.S. ports were established. In early 1950 the increasing trade between Canada and northern South America influenced the company to extend its service to eastern Canadian ports. Monthly sailings were scheduled. Early this year, frequency of sailings was stepped up and a fortnightly service is now offered to La Guaira, Puerto Cabello and Maracaibo. Grancolombiana is currently studying the establishing of a service from Pacific coast ports to Venezuela, and Vancouver will probably be a port of call. Three of the ships in the Grancolombiana fleet were built in Canada, though none of these is in the Canadian service at the present time. One or more of the four ships now under construction at Canadian Vickers, Montreal, for this company may be placed on berth for Canada, either to the Pacific or Atlantic coast, when they are completed.

Air Services

Although Venezuela is in another continent, air transport has shortened the time to this foreign market dramatically. For a business trip or an urgent shipment of products adapted to air carriage, Venezuela can be called a next-door neighbour.

Air cargo and passenger services between the two countries are fast and frequent. Royal Dutch Airlines (KLM) have two flights each week from Montreal, departing mid-afternoon and arriving at Caracas the next morning. Trans-Canada Air Lines do not have a direct service to Venezuela but good connections can be made at Kingston, Jamaica, with KLM



—Pan American World Airways.

Thanks to excellent air services, North American travellers can reach Venezuela in a day's journey. Three airlines maintain services, including Pan American Airways, whose Maiquetia terminal, near Caracas, is seen above.

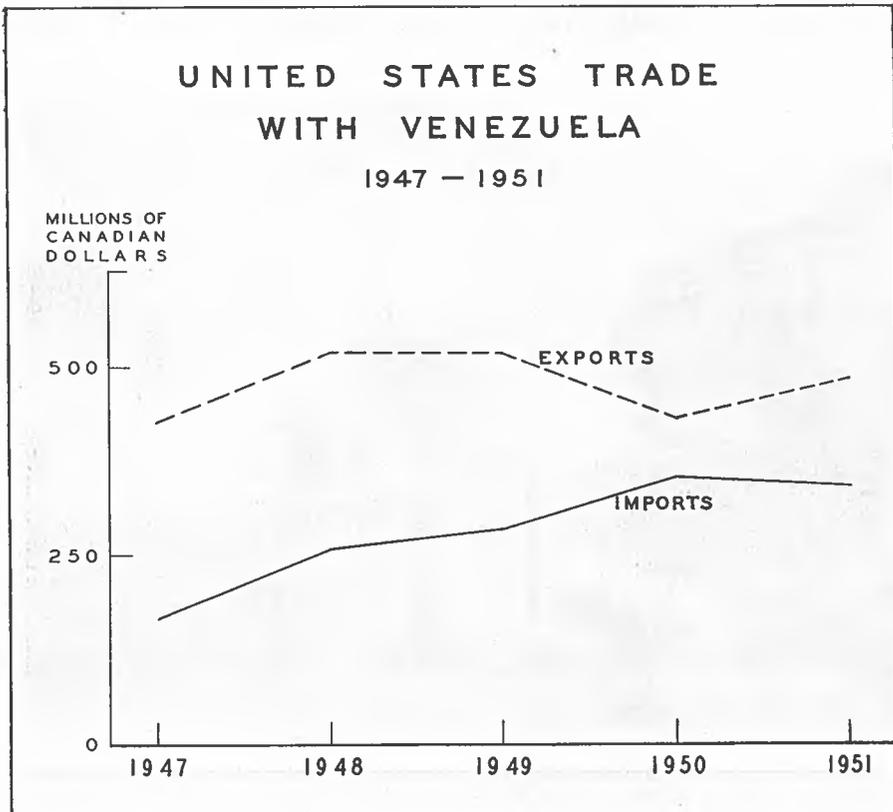
to arrive at Caracas in the afternoon of the following day. New York is a focal point for direct and fast air services to Venezuela and air connections to New York from most industrial and business centres in Canada are provided by TCA's trans-Canada network. Pan American Airways have daily flights from New York, departing late evening and arriving the following morning. Linea Aeropostal Venezolana, the Venezuelan Airline (LAV) also schedules daily flights, except Monday, 7½ hours non-stop from New York to Caracas. Chicago and Southern Air Lines, Inc., offer a regular air service to Caracas via Houston.

The approximate travelling time from practically all of Canada to Venezuela, depending upon point of departure and routing, is only 10 to 18 hours. The Venezuelan Airline operates a domestic service to all areas of Venezuela and thus enables cargo or business visitors to reach most Venezuelan cities quickly.

Air travel has bound the North and South American continents together. No longer is it necessary for business executives to spend lengthy periods away from the home office or factory to explore personally market possibilities and make contacts with customers in Venezuela. Air travel makes this possible in days, not weeks.

—H. A. HADSKIS

Transportation and Communications Division



TREATY RELATIONS WITH VENEZUELA

ON October 11, 1950, a commercial modus vivendi between Canada and Venezuela was signed by a Canadian delegation which visited several Latin American countries. This agreement was renewed on October 11, 1951, and is renewable each year.

It provides for the exchange of most-favoured-nation treatment between the two countries in customs duties and import charges, as well as in all matters relating to the granting of foreign exchange for commercial transactions and the allocation of exchange and import quotas.

As a result of this agreement, Canadian exports to Venezuela are subject to the same customs duties and other charges which are levied on goods from other countries enjoying most-favoured-nation treatment, such as the United Kingdom and the United States.

Any tariff reductions which either Canada or Venezuela may grant to a third country will automatically be extended to the other. For example, Venezuela reduced its tariff rates to various countries on the following products which are of interest to Canada: canned salmon; canned fruits and vegetables; cigarettes; hosiery of pure silk or mixture; Douglas fir timber and lumber; lanterns, both wick and pressure.

Concessions which Venezuela has granted to the United States as a result of the negotiations recently concluded by these two countries will apply equally to Canadian exports.

—MAURICE SCHWARZMANN
International Trade Relations Branch

Trade and Tariff Regulations

United States-Venezuela Conclude Trade Agreement

On August 29 the United States Department of State announced the conclusion of a supplementary trade agreement with Venezuela. This agreement will enter into force thirty days after ratification. Provision is made for substantial tariff concessions by both countries.

Among the concessions by the United States are a reduction in the rate applicable to crude petroleum to 5½ cents per barrel, if testing less than 25 degrees A.P.I., and 10½ cents if testing 25 degrees or more.

Concessions were made by Venezuela on apples, pears, rolled oats, wheat flour, barley malt, baby and dietetic foods, wrapping paper, builders' hardware, table flatware, unassembled trucks and passenger cars, radio and television receivers, refrigerators, electric motors, transformers, generators, and many other products. By virtue of existing trade agreements with the United States and Venezuela, Canada automatically benefits from all the concessions.

Pakistan Revises Open General Licence

Karachi, August 13—FTS—The Government of Pakistan announced on August 11 changes in its import policy affecting items which may be imported freely under Open General Licence. A new Open General Licence XIV replaces O.G.L. No. XIII, which has been in effect since July 1, 1951. Goods no longer accorded Open General Licence status include cotton piece goods and yarns, cycles, tires and tubes, motor trucks and vans, jute manufactures, paper, timber, matches, crockery and spices. This change in policy will have a pronounced effect on Pakistan trade with the United Kingdom, Japan, India and Continental countries.

In so far as the American Account Area, which includes Canada, is concerned, only one item has been removed from the schedule of Open General Licence goods, namely, small machinery for domestic and office use. This includes domestic sewing and knitting machines and parts; used and rebuilt typewriters; typewriters and parts; typewriter ribbons; office machinery such as adding machines, addressograph machines, drafting machines, duplicating machines, numbering machines, tabulating machines, and spare parts of such machines.

(The complete schedule of goods admitted under Open General Licence on importation from the American Account area was announced on page 272 of *Foreign Trade* of February 17, 1951.)

United Kingdom Resale of Dollar Raw Materials

In *Foreign Trade* of August 23, it was announced that the Bank of England would permit United Kingdom residents to purchase raw materials in the dollar area for resale to countries which are members of the European Payments Union.

After one week of these operations, the Bank of England has announced that no new applications will be considered for one month. One month is the time required to complete existing approved transactions. Thus the authorities will have time to determine what effect the approved transactions have had upon the sterling area's external financial accounts.

New Zealand's 1953 Import Licensing Policy

Wellington, August 4—FTS—The import licensing schedule for 1953 was released today, and it is much like that of 1952.

Hon. J. T. Watts, Minister in Charge of Import Licensing, stated that the licensing policy would continue to be principally concerned with protecting New Zealand industries, notable exceptions being licensing of goods from dollar countries and licensing of motor vehicles from all sources to save exchange.

Licences for these two classes of imports will be carefully screened in relation to the supply of overseas funds, and the Reserve Bank will provide the full amount of exchange under current licences, subject to the right of the Reserve Bank to spread allocations at its discretion. Other licences will not carry an assurance that exchange will be provided and allocations will, therefore, be made only if and to the extent that exchange is available.

DATA FOR EXPORTERS

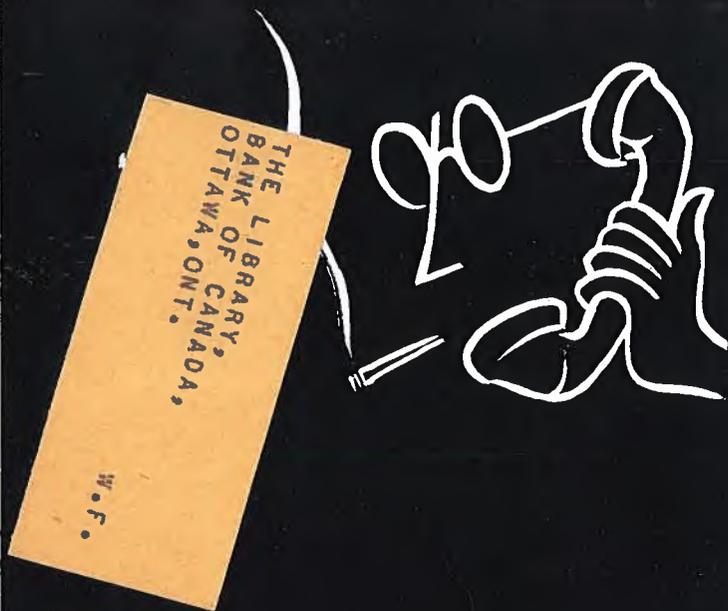
A detailed pamphlet containing information on shipping documents and customs regulations of Venezuela has been compiled by the International Trade Relations Branch of the Department of Trade and Commerce, Ottawa. Interested firms may procure copies by writing to this branch.

The attention of exporters desiring information on current business conditions in Venezuela is directed to the following issues of *Foreign Trade*:

February 16, 1952; February 23, 1952; March 8, 1952;
March 22, 1952; April 19, 1952.

The postal address of the Canadian Consul and Trade Commissioner in Caracas is: Apartado 3306, Caracas, Venezuela.

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