

IMPORT AND EXPORT REQUIREMENTS AND PROCEDURES

VENEZUELA-UNITED STATES

By

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ABSTRACT

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IMPORT AND EXPORT REQUIREMENTS AND PROCEDURES
VENEZUELA-UNITED STATES

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The main objective of this paper is to present a general information on the issues involved in exporting and importing fresh vegetables from Venezuela to United States or vice versa. This paper provides an easy manual to be used for understanding the procedures and regulations established in both countries for importing and exporting vegetables. Also, it offers an economic study of the export of green pepper from Venezuela to United States.

The Venezuelan population is 23.9 million and a growing population of 1.56% (CIA, 2001). Venezuela is located in South America continent. Its extraordinary geographic location and closeness to Miami Beach, a United States port, lets Venezuela keep an important market opportunity for exporting

and importing products from United States, as well as with European and African markets. The Venezuelan tropical climate permits Venezuela to grow fresh vegetables without inconvenient temperatures.

The United States population is 278.05 million people and a growing population of 0.9% (CIA, 2001). The United States is located in the entire midsection of the North American continent. The dramatic temperature changes and, in some areas of the United States the winter season have affected the fresh vegetables production.

The United States is leading the demand for vegetables with tomatoes at 35%, 17% for peppers and onions 7%. Even though United States green peppers production is increasing over the last decade, the demand for green pepper still remains.

The main competition for the export of green peppers from Venezuela to the United States is Mexico, who is leading the import market of vegetables in the United States.

Among the production and competition, there are some others issues to consider when entering a market in Venezuela. Those issues are corruption and long processing times at the Venezuelan ports and the current political situation. The long times in port is a normal process in Venezuela. Venezuela has been scored a 2.8 on a scale of 0 to 10 by the International Transparency Corruption Perception Index of 2001. In the scale of corruption 10 represents an uncorrupted country. The political situation is the most important factor. Venezuela has been over uncertainty since 1998, when President Hugo Chavez

won the election. The political situation is unknown, as well as the currency devaluation.

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Jose Lanz

DEDICATION

To my mother Nancy, my sister Maria Isabel and brother Gustavo Jose.

A special dedication in memory of my father Gustavo Lanz Lopez.

And my love Andreina.

Thanks to all of you.

Nacho

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Executive Summary

This paper presents a general information at the issues involved in exporting and importing fresh vegetables from Venezuela to United States or vice versa. Provide an economy study to export green pepper from Venezuela to United States.

Venezuela, with a population of 23.9 million people and a growing rate of 1.56% annually, is a country that represents a market opportunity to export or import products from United States as well as Europe and Africa. United States, with a population of 278.05 million people and a growing rate of 0.9% annually, is the most important exporter and importer country for Venezuela.

Venezuela is economy dependent of oil; it represents around 80% of GPA while the agriculture sector in Venezuela represents only 6% of the GPA. After the discovery of oil around 1930, the Venezuela agriculture sector represented 70% of GPA. Now the agriculture sector only meets the internal demand. The oil industry modified the structure of Venezuela and it also made population migrate from agricultures areas to the industrial sector. Right now the labor force in the agriculture sector only represents 11% and every single day it is harder to find employees for this sector. New agriculture Venezuelans policies have been in progress in order to increase production and increase agriculture sector.

The United States climate and temperature changes have made a possible decrease in vegetable production. The vegetable production is still negative and more of the vegetables are exported from Mexico. Tomatoes represent the highest demanded vegetable, followed by pepper.

The main competitor for Venezuela in the export market of vegetables is Mexico. Mexico represents the most important vegetable exporter of The United States.

There are some issues to be considered before entering into business with Venezuela. Those issues are corruption, long processing times at the Venezuelan ports, and the current political situation. Those issues are particularly important and have to be taken into consideration. The uncertain political situation is the most important issue, as it has negatively affected the country and devaluated the currency.

Recommendations and suggestions have been made to use an exporter and importer trade company to avoid corruption conflicts in the Venezuela market.

Chapter I

INTRODUCTION

Venezuela is a country located at the northern end of the South America continent. By its extremely good geographic location, Venezuela represents an important market opportunity for the import and export of products to the United States as well as Europe and Africa.

This paper presents a general information at the issues involved in exporting and importing products from Venezuela to United States and vice versa. It provides regulation, label, sanitation, transportation, international relationship, trades and product requirements for export or import in both Venezuela and the United States.

Information describing the Venezuelan population, age distribution, vegetable production, economy situation and currency devaluation is presented in this report. The same information is also presented for the United States.

Vegetable production, demand in both Venezuela and the United States is also presented. The report presents an economic study of the export of green pepper from Venezuela to the United States. The economy study is based on labor cost, salary cost, transportation cost and Venezuela production cost. The economic study is compared with Mexico, which represents the most important vegetable exporter to the United States.

Specify the advantages and disadvantages to export green pepper from Venezuela to the United States.

Finally, recommendations and conclusions as well as key contacts are given at the end of the report.

The Purpose of the Study

The purpose of the study is to present general information on issues involved in exporting and importing products from Venezuela to the United States and vice versa. It provides regulation, label, sanitation, transportation, international relationship, trades and product requirements for export or import in both Venezuela and the United States.

The report presents an economic study of the export of green pepper from Venezuela to the United States. The economy study is based on labor cost, salary cost, transportation cost and Venezuela production cost. The economic study is compared with Mexico, which represents the most important vegetable exporter to the United States.

A Sub Problems

1. Sub problem- to analysis and determine the possibility to export green pepper from Venezuela to the United States.

The Hypotheses

The hypothesis is to determine and provide, in detail, the common aspect of exporting and importing laws for both countries, Venezuela and the United Sates.

The Objectives

The objectives of this study are to:

1. Evaluate export opportunity of green pepper from Venezuela to the United States.
2. Determine requirements and laws for exporting and importing products from Venezuela to the United States or vice versa.

The Limitations

The analysis will only evaluate the requirements of exporting and importing of Venezuela and the United States. The cost analysis will only be compared with Mexico, which represents the most important vegetable exporter

to the United States. The analysis will not cover other cost related to exporting and importing.

Assumptions

1. The first assumption- Venezuelan product meets the United States quality standards.
2. The second assumption- export green pepper in a refrigerator container because of their shelf life.

The Definition of Terms

GDP: Growth Domestic Product.

OFAC: The Official of Foreign Assets Control

FDA: The U.S. Food and Drug Administration

CIA: Central Intelligent Agency

NFTA: North America Free Trade Agreement

FTA: Free Trade Agreement

CBERA: Caribbean Basin Economic Recovery Act

EAR: Export Administration Regulation

BXA: Bureau of Export Administration

COINDUSTRIA: Department of Agriculture-Industry of Venezuela

CORDIPLAN: Ministry of Commerce and Pacification of Venezuela

COVENIN: Venezuela Standards

OAS: The Organization for American States

IMF: International Monetary Fund

IDB: The Inter-American Development Bank

OPEC: The Organization of Petroleum Exporting Countries

WTO: The World Trade Organization

GTTA: The General Agreement on Tariffs and Trade

MERCOSUR: South America Free Trade

CARICOM: Caribbean Community

Chapter II

Literature and Review

Venezuela Background Information

Venezuela is located in the South American continent; it is one of the most northerly countries of South America. Venezuela borders Brazil to the south, Guyana and Atlantic Ocean in the east, the Caribbean Sea to the north and Colombia at the west. Venezuela has an extraordinary strategy position for trade relation with the rest of the American continent, Europe, Africa and the rest of the world due to the closeness of the Panama Canal. Due to its location and proximity to the United States, Venezuela represents an important market

opportunity to export and import products. Caracas is the capital of Venezuela and is located at the north end of the country.

Topography

Venezuela has a total area of 912,050 sq km divided into 882,050 sq km in land and 30,000 sq km in water. Geographically, Venezuela is divided into four main geographical regions. The coastal mountain chain (the north western region), the central region covering over 100,000 square miles, the Guayana region (southeast) with thick jungles and many rivers, and the most northern coastal region including the Caribbean islands, which are comprised of white sandy beaches and warm water.

Climate

Venezuela is mostly tropical and varies from warm white beaches to the snowy peaks. Venezuela experiences two seasons: raining and dry season. The raining season is from June to November and the dry season is from December to May. The average temperature is between 70F and 85F, even though some Andes peaks are snowcapped all year round.

Population

The population of Venezuela is currently estimated at 23,916,810 (CIA, July 2001 est.), with a population growth of 1.56% (CIA, 2001 est.). Caracas, the

capital and the largest city, is home of approximately 3,300,000 people. The population composition is divided by the following characteristics, according with CIA estimation 2001:

- 0-14 years: 32.11% (male 3,962,517; female 3,716,880)
- 15-64 years: 63.17% (male 7,581,589; female 7,526,467)
- 65 years and over: 4.72% (male 515,687; female 613,670)

Language

Spanish is the official language, but the indigenous dialects are also the official amount of the Indian population's language.

Religion

The religions are as followed: Roman Catholic 96%, Protestant 2% and other 2% (CIA, July 2001).

Political Situation

Venezuela is a federal republic with an active democratic system, a unicameral National Assembly and a popularity elected president every six years. It has a long-standing commitment to democracy.

Currency

The Bolivar is the actual currency of Venezuela. On February 12, 2002, the Venezuelan currency band was abandoned. Now the Bolivar has a free float which is driven by offer and demand. After the band liberation the currency is worth about 20% less than it was before the float.

Economy Overview

The Venezuelan economy is extremely oil-dependent. The petroleum is the principal income of the country and dominates the economy. Petroleum accounts for one-third of GDP, around 80% of export earnings and more than half of government operating revenues.

Relations with the U. S.

Venezuela and the United States have traditionally enjoyed strong trading ties. Despite Venezuela's current economic difficulties, The United States exports and imports continue to grow. The U.S. represents to Venezuela the largest trading partner and largest single investor. Venezuela and the United States have long shared a cordial bilateral relationship.

Venezuela Trade Regulation and Standards

Venezuela imports products from many countries. The three major import countries to Venezuela are the United States, Colombia and Germany. The three major export countries are the United States, Brazil and Colombia (Venezuela Agri-Food Export Market).

According to the United States trade representatives, by the year 2000 the export and import of products had increased by the percent shown in the Table#1.

Table#1

Trade (USD Billion)

	1998	1999	2000
Total Venezuela Exports	17.6	20.9	31
Total Venezuela Imports	14.8	11.8	13.5
Exports to the US	9.3	11.3	16.8
Imports to the US	6.5	5.4	6.2

Resource: U.S. Trade Representative 2000.

Standards

The Venezuela standard agency COVENIN has established around 300 obligatory standards that apply to both the import and export of products. Some of the COVENIN standards are related to the United States standards, while others are not.

COVENIN standards can be searched in the foreign Commercial Service at the United States Embassy in Caracas or COVENIN Appendix E.

Venezuela Import

Venezuela Import License

The Ministry of Production and Commerce is designed to enforce the laws and supply license for import and export.

Some documents are generally required for imports to Venezuela. These documents include:

- Customs Declaration
- Certificate of Origin
- Commercial Invoice

- Bill of Lading
- Packaging List
- Special Certificate when required.

Almost all the food and agricultural imports must have sanitary import certification. Medicines, foods and cosmetics require registration with the Ministry of Health. The Ministry of the Interior is the only one who can only import arms and explosives.

In the case of alcoholic beverages, the tax band must be affixed across the bottle.

Venezuela Import Documentation

Because Spanish is the official language, Venezuelan Customs require that documents be in Spanish.

Photocopies of the commercial invoice are not permitted as a document; the commercial invoice must be typewritten. It has to be duplicated and it must contain a list of value per units and the total value of the shipment. The Custom Declaration of value must be quadruplicated.

Venezuela Labeling/Marking Requirements

Because Spanish is the official language of Venezuela, all labels must be written in Spanish, and the only official measuring system is metric. Labels must indicate a list of ingredients and must have the registration number of the Ministry of Health.

For animal feed or veterinary medicines a registration number of the Ministry of Agriculture must be indicated. All operating instructions and other text must be in Spanish. Stickers are allowed for imported items but must indicate the importer.

Prohibited Imports

At this time used products such as cars, clothing and tires are prohibited. Pork from most of the countries is prohibited as well as poultry from the United States.

Some products can only be imported by government agencies, such as cigarettes paper, bank notes, weapons of war and explosives. Personal weapons for private use or sport and commercial explosives can only be imported with an authorization from both the Interior Ministry and a company owned by the Ministry of Defense named CAVIM.

Sanitary

The Venezuelan Ministry of Agriculture has the authority to reproduce sanitary import permits to prohibit the importation of certain agricultural products. Pork and poultry are the most notable products prohibited for import by the

Ministry of Agriculture. This has not happened for the process of nutritional products.

Warehouse and Free Trades Zones

The warehouse system in Venezuela is similar to that of the United States. Basically there are two systems of warehouse: public and private. There are also distribution centers, which are designed to speed the flow of goods and avoid unnecessary storage costs.

Venezuela has two free trade zones. One is located on the Paraguana Peninsula, located west of Venezuela. It is used only for industrial purposes. The other one is located in Margarita Island and it is a duty free area. Margarita is located north west of Caracas.

Venezuelan Banking System, Currency

Venezuela Currency

The Bolivar is the actual currency of Venezuela. On February 12, 2002, the Venezuelan currency band was abandoned. Now the Bolivar moves in a free float according to the offer and demand. After the band liberation the currency is worth about 20% less than it was before the float.

Venezuelan Banking System

During last years the banking sector in Venezuela has passed for difficult situation. This crisis has resulted from the economic situation, the devaluation of the currency and the political uncertainty.

Although foreign banks maintain an important presence in Venezuela, Citibank is the only U.S. Bank with a banking operation in Venezuela. Other U.S banks such as Chase Manhattan Bank and the Bank of America National Trust & Saving Association have only recently received permission to open branches. Along with Citibank there are other international banks operating, such as International Nederland Group (ING) (Netherlands), Bank Do Brazil (Brazil) and Bank Tequendama (Colombia).

Financial

Financing is available but it is expensive. Current agriculture interest short-term borrowing rates are around 46% percent annually (Banco Caracas, 2002). It is more difficult to obtain long-term rates because of the inflation.

Export financing is available and the U.S. Export-Import Bank (Eximbank) is active in Venezuela, providing guarantee and insurance for exports to Venezuela.

Venezuela International Relations and Free-Trade Association

Venezuela is a founding member of the Organization for American States (OAS), a member of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (The World Bank) and the Inter-American Development Bank (IDB). The country is also a charter member of the Organization of Petroleum Exporting Countries (OPEC).

Venezuela joined The General Agreement on Tariffs and Trade

(GATT) in 1990, and is a founding member of the World Trade Organization (WTO).

Agreements with Latin American and Caribbean Countries

Venezuela is a member of the Andean Pact. The Andean Pact consists of Bolivia, Colombia, Ecuador, Venezuela and Peru.

Venezuela is also a member of the Group of Three. The Group of Three became effective on January 1, 1995. Mexico, Colombia and Venezuela are the members of this group.

A year later 1994, Venezuela signed an Agreement of Economic Reciprocity with Chile. The same year a similar agreement was established with Brazil.

Mercosur, created in 1991, consists of Argentina, Brazil, Paraguay and Uruguay, and is the largest common market agreement in Latin America. Negotiations between Venezuela and Mercosur have suffered a delay.

Other areas of Venezuela also have partial free trade agreements with countries of Central America, and with the Caribbean Community (Caricom).

Additional Agreements

Venezuela has expressed some interest in become a member in the North American Free Trade Agreement (NAFTA), but discussions on this are not likely

to be advanced in the next few years. Venezuela, along with the rest of the countries in the region, is part of the goods and services committees, aimed at the creation of the Association of Free Trade in the Americas by the year 2005.

Venezuela Export

Export Papers

The Ministry of Production and Commerce is designed to enforce the laws and supply license for import and export. To export product from Venezuela three documents are required. They are:

- Customs Declaration
- Bill of Lading
- Commercial Invoice

According to the Regulation of the Organic Law of Customs, to show those documents is necessary to contract the service of specialized personnel. In this case, only previously authorized customs agents enrolled and authorized by the Ministry of Finances have authorization to carry out the customs operations. Also, depending on the characteristic of the product and its destination, the following documents could be needed:

- Export License
- Certification of Origin
- Sanitary Certificate: it is obligatory for products such as food, drinks, medicines and cosmetics to be subject to some degree of processing. The ministry of Health and Social Attendance is responsible for this documentation.
- Phytosanitary Certificate: it is demanded for products of vegetable origin and is obtained in the Ministry of Agriculture.

The United States Back Ground Information

The United States of America is located in North America. It covers the entire midsection of North America. North America, borders both the North Atlantic Ocean and the North Pacific Ocean between Canada and Mexico.

The United States is the third largest country in the world in population and the fourth largest country in area. Alaska and Hawaii also are part of the U.S. territory.

Topography

The United States terrain is plain in the central, mountains in the west, hills and low mountains at the east; rugged mountains and broad river valleys in Alaska; rugged, volcanic topography in Hawaii.

Area

The United States has a total area of 9,629,091 sq km. The total area is divided into 9,158,960 sq km of land and 470,131 sq km of water.

Climate

Many different temperatures can be found throughout the United States. Tropical in Hawaii and Florida, arctic in Alaska, semiarid west of the Mississippi River, arid in the Great Basin of the southwest and low winter temperatures in the northwest.

Population

The population of the United States is currently estimated at 278,058,881 people (CIA, July 2001 est.), with a population growth of 0.9% (CIA, 2001 est.).

Washington, D.C. is the capital and it is located on the eastern side of the United States.

According to the last estimate in 2001 by the Center Of Intelligence of the United States (CIA), the population composition is divided by the following characteristics:

- 0-14 years: 21.12% (male 30,034,674; female 28,681,253)
- 15-64 years: 66.27% (male 91,371,753; female 92,907,199)
- 65 years and over: 12.61% (male 14,608,948; female 20,455,054)

Language

English is the official language, although some of the population speaks Spanish.

Religion

The religions are as follows: Protestant 56%, Roman Catholic 28%, Jewish 2%, other 2% and none 10% (CIA, 1989).

Political Situation

United States is a federal republic with a strong democratic tradition.

Currency

The Dollar is the actual currency of the United States.

Economy Overview

The United States has the largest and most technologically powerful economy in the world (CIA).

Relations with Venezuela

The United States and Venezuela have traditionally enjoyed strong trading ties. Despite Venezuela's current economic difficulties, U.S. exports and imports continue to grow. The U.S. is both Venezuela's largest trading partner and largest single investor. Venezuela and the United States have long shared a cordial bilateral relationship.

United States Trade Regulations and Standards

The United States represents one of the largest importer and exporter country in the world. According to the United States Department of Agriculture

Foreign Agricultural Service, in the area of vegetables, Mexico dominated by far as a supplier to the United States. Other important suppliers include Canada and the Netherlands. However, the U.S. trade balance of vegetables continues to be negative.

According with the Department Of Commerce, in 1997 in the area of exportation, the manufacturing industry led export value by 69%, followed by wholesalers at 14%, other companies at 13% and unclassified companies at 4%. The major export markets were Canada, United Kingdom, Japan and Mexico.

Venezuela was the 22nd largest exporter in 1998 (Foreign Trade Barrier). According to the Foreign Trade Barrier, the U.S. merchandise exports to Venezuela totaled more than \$6.5 million and U.S imports from Venezuela were approximately \$9.3 billions in 1998.

Standards

The Food and Drug Administration (FDA) is designed to enforce the laws in order to protect consumer's health, safety and pocketbook. These laws apply equally to domestic product as well as imported products. FDA has the obligation to examine all foods, drugs, biologics, cosmetics, medicinal devices and electronic product that emit radiation.

Meet and poultry products are under the regulation of the U.S Department of Agriculture. The imported products are required to have the same quality and standards as domestic products. Imported food must be pure, safe and be

produced under safety procedures. Because English is the official language, all products must contain information and trustful labeling in English.

United States Import

The United States Import License

Importers must require the following documents:

- Bill of Lading
- Commercial Invoice
- Customs Declaration
- Certificate of Origin
- Packaging List
- Special Certificate when required.

FDA must be notified for all regulated products imported into the United States. Therefore, importers must notify the U.S. Customs Service with an entry note in order to ensure that FDA is notified. FDA is notified by Customs of the entry and makes the decision regarding whether or not to examine the products.

Documents

The documents required by the U.S. Customs are a formal entry and to making the conception of entry (See below)

- A Bill of Lading, airway bill, or carrier's certificate
- A Commercial Invoice
- Entry Manifest
- Packing List

Labeling

Under regulations from the Food and Drug Administration (FDA), the Department of Health and Human Services and the U.S. Department of Agriculture, a nutrition label is required for most prepared food, such as bread, cereal, canned and frozen foods, desserts, drinks, etc. and must be in English. Although green pepper is considered fresh food or raw material, as well as fruits, vegetable and fish, the nutrition label is optional.

Nutrition labels are required to provide information on certain nutrients, some are mandatory and others are voluntary. Both mandatory nutrients and the voluntaries are shown in Tables#2 and #3 below.

Table #2

Mandatory Nutrients Information

Total Calories	Dietary Fiber
Calories From Fat	Protein
Total Fat	Sugars
Saturated Fat	Cholesterol
Total Carbohydrate	Sodium
Vitamin A	Vitamin C
Calcium	Iron

Resources: U.S. Food and Drug Administration

Table #3

Optional Nutrient Information

Nutrients	
Calories from saturated fat	Insoluble fiber
Percent of vitamin A	Present as beta-carotene
Polyunsaturated fat	Soluble fiber
Monounsaturated fat	Potassium
Miscellaneous	
Other essential vitamins and minerals	
Sugar alcohol (for example, the sugar substitutes xylitol, mannitol and sorbitol)	
Other carbohydrate (the difference between total carbohydrate and the sum of dietary fiber, sugars, and sugar alcohol if declared)	

Resources: U.S. Food and Drug Administration

The overseas specification for export and import are:

- Shipper's Mark
- Country of Origin
- Weight Marking (in pound and kilograms)
- Handling Marks (international pictorial symbols)
- Caution Marking such as "this side up"
- Port of Entry
- Labels of Hazardous Materials (universal symbols adapted)
- Ingredients

Prohibited Imports

The U.S. Food and Drug Administration regulate the law for examination. All food, drugs, biologics, cosmetics, medical devices, and electronic products that emit radiation, as defined in the Federal Food, Drug, and Cosmetic Act, are subject to an examination by the U.S. Food Drug and Administration when imported into the United States. Vegetables are considered raw material, however; if raw material contains residues of pesticides they are considered illegal and they are not permitted entry into the United States. Also, a food is illegal if it has been prepared or packaged under unsanitary conditions.

Most goods, technologies and services are prohibited by The Official of Foreign Assets Control (OFAC) to be imported into the United States when products are originally from Cuba, Iran, Iraq, Libya, North Korea, Serbia, Sudan or Taliban or areas dominated by the Taliban in Afghanistan.

Sanitary

The U.S. Food and Drug Administration (FDA) and U.S. Department of Agriculture are responsible for the health of the American consumer. Both departments ensure the safety of imported as well as domestic fruits and vegetables, proving that products grown domestically or imported meet the highest health and safety standards.

Warehouse and Free Trades Zones

United States has more than 300 ports of entry around its territory. Basically there are two types of warehouse: public and private. Among these types of warehouse there are nine different types of warehouses authorized by U.S. Customs Regulation.

Types of Warehouses:

1. Premises owned or leased by the government and used for the storage of merchandise that is undergoing Customs examination
2. Private Bonded Warehouses
3. Public Bonded Warehouses
4. Bonded yards for the storage of heavy merchandise
5. Bonded bins to be used for the storage of grain
6. Warehouses for the manufacture of bond, solely for exportation
7. Warehouses bonded for smelting and refining imported metal-bearing materials for exportation or domestic consumption
8. Warehouses established for the cleaning, sorting, repacking or otherwise changing the condition of products
9. Bonded warehouses, known as “duty-free stores”

Foreign trade zones are located in or near ports of entry at warehouse facilities. Foreign zones must be located within 60 miles or 90 minutes driving time of any port entry. It is important to note that, although foreign trade zones

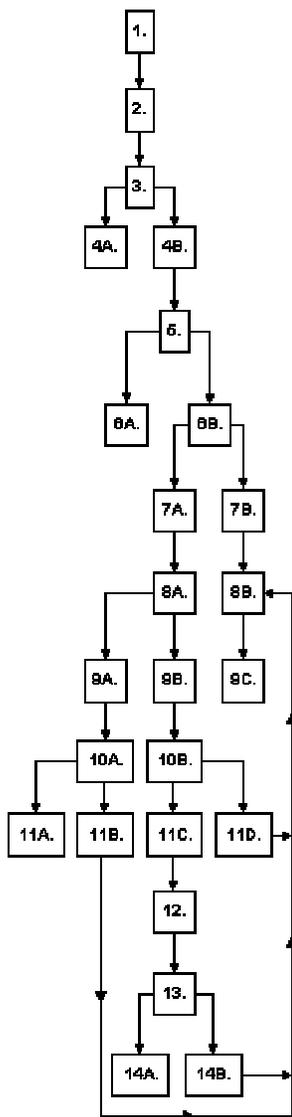
are treated as being outside the customs territory of the United States for tariff and customs entry purposes, all other federal laws, such as the Federal Food, Drug, and Cosmetic Act, are applicable to products and establishments within such zones.

United States Import Procedure

FDA Import Procedures

The following procedure is a copyright of the FDA Procedures for Import.

Figure#1



1. Importer or agent files entry documents with U.S. Customs Service within five working days of the date of arrival of a shipment at a port of entry.

2. FDA is notified of an entry of a regulated food through:

- Duplicate copies of Customs Entry Documents (CF 3461, CF 3461 ALT, CF 7501 or alternative),
- Copy of commercial invoice, and,
- Surety to cover potential duties, taxes and penalties.

3. FDA reviews Importer's Entry Documents to determine if a physical examination, wharf examination, sample examination should be made.

Source: U.S. Food and Drug Administration

- 4A. Decision is made not to collect a sample. FDA sends a "May Proceed Notice" to U.S. Customs and the importer of record. The shipment is released as far as FDA is concerned.
- 4B. Decision is made to collect a sample based on:

- Nature of the product,
 - FDA priorities, and,
 - Past history of the commodity.
- FDA sends a "Notice of Sampling" to U.S. Customs and the importer of record. The shipment must be held intact pending further notice. A sample will be collected from the shipment. The importer of record may move the shipment from the dock to another port or warehouse (contact U.S. Customs for details).
- 5. FDA obtains a physical sample. The sample is sent to an FDA District Laboratory for analysis.
- 6A. FDA analysis finds the sample to be in compliance with requirements. FDA sends a Release Notice to U.S. Customs and the importer of record.
- 6B. FDA analysis determines that the sample "appears to be in violation of the FD&C Act and other related Acts." FDA sends U.S. Customs and the importer of record a Notice of Detention and Hearing which:
 - Specifies the nature of the violation, and,
 - Gives the importer of record 10 working days to introduce testimony as to the admissibility of the shipment.
 - The hearing is the importer's only opportunity to present a defense of the importation and/or to present evidence as to how the shipment may be made eligible for entry
- 7A. Consignee, true owner, importer of record, or a designated representative responds to the Notice of Detention and Hearing. The

response permits the introduction of testimony, either orally or written, as to the admissibility of the shipment

- 7B. Consignee, true owner, importer of record, or a designated representative neither responds to the Notice of Detention and Hearing nor requests an extension of the hearing period
- 8A. FDA conducts a hearing concerning the admissibility of the product. The hearing is an opportunity to present relevant matters and is confined to the submission of pertinent evidence
- 8B. FDA issues a Notice of Refusal of Admission to the importer of record. This is the same person or firm who was sent a Notice of Sampling. All recipients of the Notice of Sampling and the Notice of Detention and Hearing are sent a copy of the Notice of Refusal.
- 9A. Importer of record presents evidence indicating that the product is in compliance. Certified analytical results of samples, examined by a reliable laboratory and which are within the published guidelines for levels of contaminants and defects in food for human use, may be presented.
- 9B. Importer of record submits an Application for Authorization to recondition or to Perform Other Action (FDA Form FD 766). The form requests permission to try to bring a food that is adulterated or misbranded into compliance by relabel or other action, or by converting to a non-food use. A detailed method to bring the food into compliance must be given.

- 9C. FDA receives verification of the exportation or destruction of the shipment from U.S. Customs. The exportation or destruction of the merchandise listed on the Notice of Refusal of Admission is carried out under the direction of U.S. Customs
- 10A. FDA collects follow-up sample to determine compliance with guidelines.
- 10B. FDA evaluates the reconditioning procedure proposed by the importer. A bond is required for payment of liquidated damages.
- 11A. FDA finds that the sample is "in compliance." A Release Notice with the statement "Originally Detained and Now Released" is sent to U.S. Customs and the importer.
- 11B. FDA finds that the sample is not in compliance. The importer may either submit an Application for Authorization to Recondition or to Perform Other Action (see 9B), or, FDA will issue a Notice of Refusal of Admission (see 8B).
- 11C. FDA approves importer's reconditioning procedures. The approved application contains the statement "Merchandise Should Be Held Intact Pending the Receipt of FDA's Release Notice."
- 11D. FDA disapproves applicant's reconditioning procedure if past experience shows that the proposed method will not succeed. A second and final request will not be considered unless it contains meaningful changes in the reconditioning operation to ensure a reasonable chance of success. The applicant is informed on FDA Form FD 766.

- 12. Importer completes all reconditioning procedures and advises FDA that the goods are ready for inspection/sample collection.
- 13. FDA conducts follow-up inspection/sample collection to determine compliance with the terms of the reconditioning authorization
- 14A. FDA analysis finds that the sample is in compliance. A Release Notice is sent to the importer and to U.S. Customs. The charges for FDA supervision are assessed on FDA Form FD 790. Copies are sent to U.S. Customs, which is responsible for obtaining total payment including any expenses incurred by their personnel.
- 14B. FDA analysis finds that the sample is still not in compliance. Charges for FDA supervision are assessed on FDA Form FD 790. Copies are sent to U.S. Customs, which is responsible for obtaining total payment including expenses incurred by their personnel. 1

¹ U.S. Food and Drug Administration (<http://www.cfsan.fda.gov/~lrd/import.html>)

United States Banking System, Currency

The United States Currency

The dollar is the actual currency of the United States. The conversion of any foreign currency must be made in agreement based and certified by the Federal Reserve of New York.

Agreements with Latin American and Caribbean Countries

The United States keeps strong relationships with many different countries, thereby maintaining a free trade agreement among them. In North America, the United States belongs to the North America Free Trade Agreement (NAFTA). The result of this agreement is the elimination of tariffs between Canada, Mexico and the United States on nearly all-qualifying goods. As a result of an important agreement in the South American continent, the United States keeps a free trade agreement (FTA) with Chile, as this is one of the biggest steps toward other Latin American markets.

The United States also keeps a unilateral, duty free treatment with the Caribbean Basin Economic through the Caribbean Basin Economic Recovery Act (CBERA).

United States Export

The Export Administration Regulation (EAR) is in charge of regulating export items for national security. However, the Department of Commerce, Bureau of Export Administration (BXA) is the one in charge of providing national security. BXA has the capacity to regulate the export of sensitive goods and technology in an efficient manner. Also, the Department of Commerce, Bureau of Export Administration (BXA) is the primary agency for dual use exports.

BXA has helped to liberate many products exported by the U.S.A., simplifying the EAR regulations. Controls for export products have been released by the security of foreign countries. Just a small percentage of exports products require a license. License requirements are dependent upon the characteristic of items, the destination, the end use and the end user.

Venezuela Production

Venezuela most important resource is petroleum, and it accounts for 81% of all exports. However, Venezuela has a new agricultural plan that is projected to cause an increase of more than 100% in agriculture production by the year 2004 (Latin Sector Watch). Even though Venezuela imports products to many countries, the three most important countries are the United States, Colombia and Germany. The three most important countries for Venezuela exports are the United States, Brazil and Colombia (see Table#4 below).

Table #4

Importing and Exporting Countries 1995 – Venezuela

(Value in Thousand US Dollars)

Imports			Exports		
Country	Volume	Percent	Country	Volume	Percent
	355,477,766	100%		43,551,160	100%
1 USA	4,594,521	12.90%	1 USA	9,645,719	22.24%
2 Colombia	808,801	2.27%	2 Brazil	1,683,907	3.88%
3 Germany	521,295	1.46%	3 Colombia	1,423,147	3.28%
4 Japan	473,707	1.33%	4 Nether Antilles	927,279	2.14%

Percent is rounded to nearest (0.00)

Source: Agri-Food Trade Service, Agriculture and Agri-Food Canada.

Although Venezuela most important resource is petroleum, the agricultural sector offers comparative advantages because of its tropical conditions, which allows for great flexibility in potential food production. The Venezuelan agricultural exports fundamentally constitute coffee, cacao and banana, but the

agricultural trade balance for several years has been showing a deficit (Ministry of Production and Commerce). The total amount of harvest hectares in Venezuela through the years of 1995 and 1999 is shown in Table #5 and Figure#2. The agricultural production during the same period of time is shown in Table#6 and Figure #3.

Table #5

Hectares Harvested in Venezuela 1995/1999. (Hectares)

Products	1995	1996	1997	1998	1999
----------	------	------	------	------	------

Rice	177.430	173.312	172.952	151.899	149.480
Corn	415.207	365.990	423.557	354.958	364.568
Sorghum	222.527	201.627	185.492	182.749	163.232
Black beans	26.083	22.389	22.166	22.545	23.819
Sesame	29.952	41.348	44.549	45.621	48.252
Cotton	38.893	32.432	48.106	37.191	38.211
Coco	25.477	24.582	24.532	23.695	18.046
Potato	17.799	18.553	17.902	17.842	15.044
Yucca	30.110	32.083	39.479	43.196	42.397
Avocado	12.321	10.785	4.196	5.019	8.998
Banana	54.677	50.113	51.947	51.749	51.609
Mango	8.971	9.171	9.329	8.972	8.650
Melon	7.475	8.195	8.473	8.120	10.511
Orange	38.648	35.577	35.523	29.955	22.618
Watermelon	16.533	17.732	14.124	13.439	16.874
Male Banana	62.120	63.280	61.304	60.864	64.744
Pineapple	8.643	9.317	9.977	10.300	9.559
Onion	3.869	4.874	6.307	6.847	7.173
Green Pepper	4.083	4.795	4.917	5.612	5.663
Tomato	11.403	12.106	12.535	8.680	9.147
Carrots	4.856	5.954	7.449	6.187	8.262
Coffee	179.353	183.583	179.367	203.683	164.101
Cacao	60.899	61.332	62.085	61.648	65.053
Sugar cane	101.207	104.404	104.214	109.856	125.567
Tobacco	8.287	8.733	8.580	8.889	6.934

Source: Venezuela Ministry of Production and Commerce (<http://www.mpc.gov.ve/agri>)

Table #6

Venezuela Agricultural Production 1995/1999. (Tons)

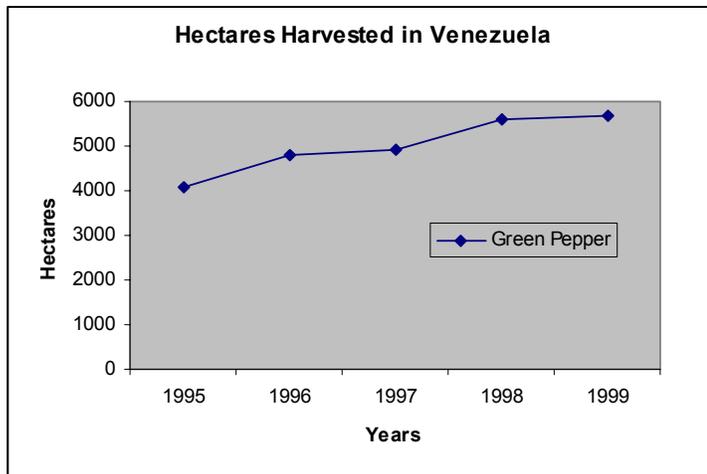
Products	1995	1996	1997	1998	1999
----------	------	------	------	------	------

Rice	756.950	779.239	792.239	699.368	669.970
Corn	1.166.732	1.033.292	1.199.219	983.121	1.024.435
Sorghum	504.018	436.320	420.996	448.871	401.713
Black Beans	19.677	17.099	18.633	17.454	18.627
Sesame	17.249	26.149	28.054	27.306	28.372
Cotton	33.082	42.348	59.291	43.066	43.369
Coco	151.736	153.600	131.158	133.078	104.576
Palma	172.393	255.054	316.022	338.714	336.261
Potato	294.800	320.708	322.141	271.883	252.387
Yucca	299.233	336.342	408.992	487.685	448.432
Avocado	41.449	36.282	38.560	48.483	45.853
Banana	944.773	1.026.134	1.122.693	947.651	1.000394
Mango	134.582	137.584	143.403	132.853	130.180
Melon	59.120	64.812	70.230	87.693	91.821
Orange	593.497	542.936	513.709	398.462	331.757
Watermelon	232.010	234.284	236.580	251.995	260.605
Male Banana	516.086	525.723	504.109	577.615	550.906
Pineapple	163.034	175.745	189.453	200.296	182.153
Onion	82.991	104.244	136.456	175.534	163.542
Green Pepper	53.468	61.381	62.009	71.587	72.526
Tomato	234.865	248.174	261.476	174.039	187.861
Carrots	131.758	155.744	217.858	229.340	238.630
Coffee	65.088	73.026	63.000	66.679	67.281
Cacao	16.978	17.124	18.529	17.203	18.865
Sugar cane	6.146.912	6.423.819	6.428.958	7.700.918	7.988.580
Tobacco	14.751	14.412	13.866	13.129	11.288

Source: Venezuela Ministry of Production and Commerce (<http://www.mpc.gov.ve/agri>)

Figure #2

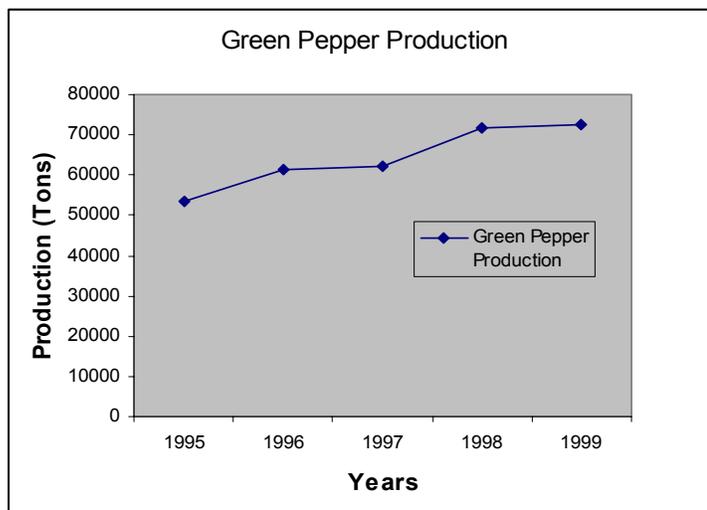
Hectares Harvested in Venezuela



Source Data: Venezuela Ministry of Production and Commerce (<http://www.mpc.gov.ve/agri>)

Figure #3

Production of Green Pepper in Venezuela



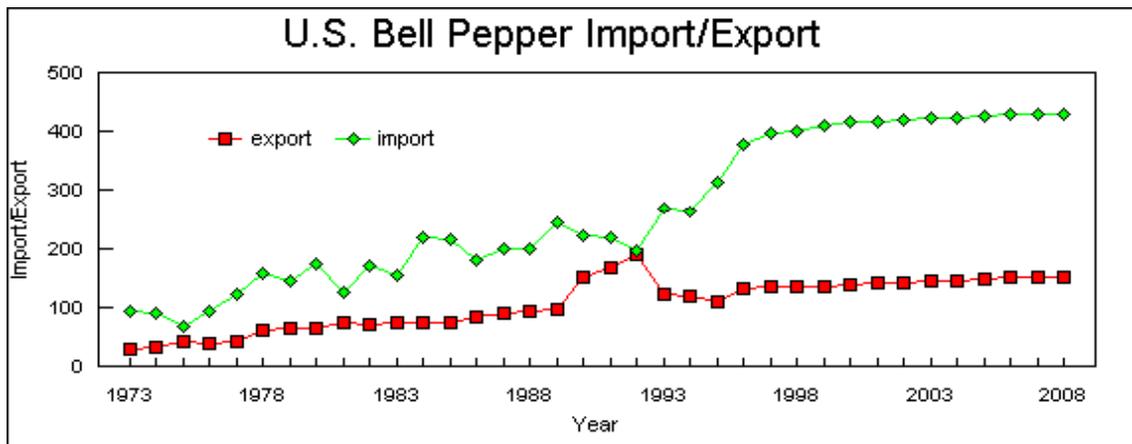
Source Data: Venezuela Ministry of Production and Commerce (<http://www.mpc.gov.ve/agri>)

United States Production

The dramatic temperatures change occurs in United States have particularly affected the fruit and vegetables. In some regions of the United States the climate makes it impossible to meet the year round needs with only local production. Products from the United States come from California, Florida, North Carolina, New Jersey and Texas. To cover the demand for vegetables it is necessary to export from other countries such as Mexico, Peru, Netherlands and Costa Rica. However, in the area of green pepper the total production increased by more than 900 million lbs. during the last decade and it has been projected to keep increasing throughout the coming years (National Food Agricultural Policy Project, Arizona State University) (see Figure#4 and Table#7 above).

Figure#4

U.S Bell Pepper Production and Price



Source: National Food Agricultural Policy Project, Arizona States University.

Table#7

U.S Bell Pepper Production and Utilization

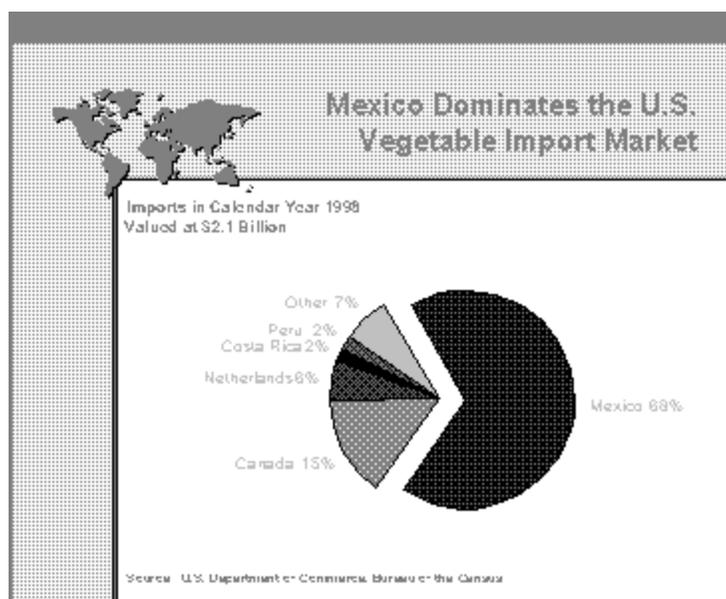
Source: National Food Agricultural Policy Project, Arizona State University.

According to the U.S. Bureau of the Census, Mexico is the country that dominates the U.S import market as shown in the Figure#5 below. Most of the

exportation from U.S. is to Canada. Tomatoes lead the demand by 35%, followed by pepper at 17% (see Figure#6 above).

Figure#5

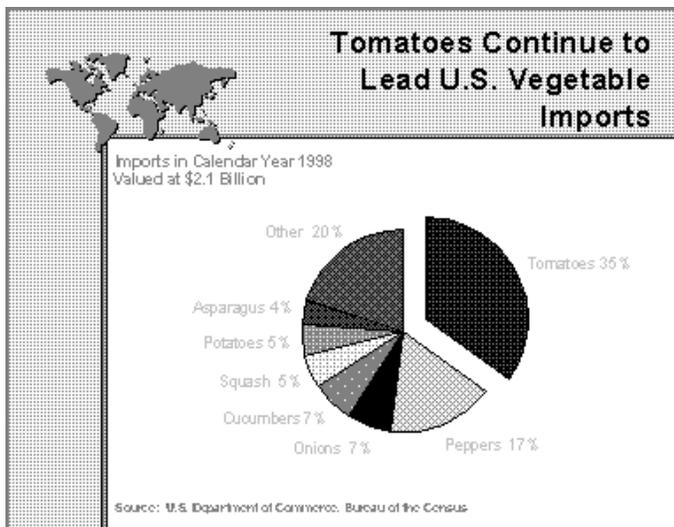
Mexico Dominates the U.S. Vegetable Import Market



Source: U.S. Bureau of the Census (<http://www.fas.usda.gov/htp2/highlights/1999/99-04/fvimp98/fvimpCY98.html>)

Figure#6

Tomatoes Continue to Lead U.S. Vegetable Imports

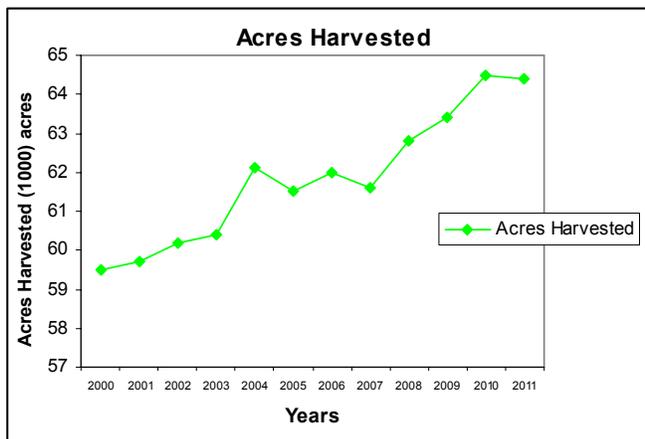


Source: U.S. Bureau of the Census (<http://www.fas.usda.gov/htp2/highlights/1999/99-04/fvimp98/fvimpCY98.html>)

As export and import increases the harvest acres increase as well as shown in Figure#7 below. Use and production increase, also, as shown in Figure#6 below and the relation of production-price is show in Figure#9.

Figure#7

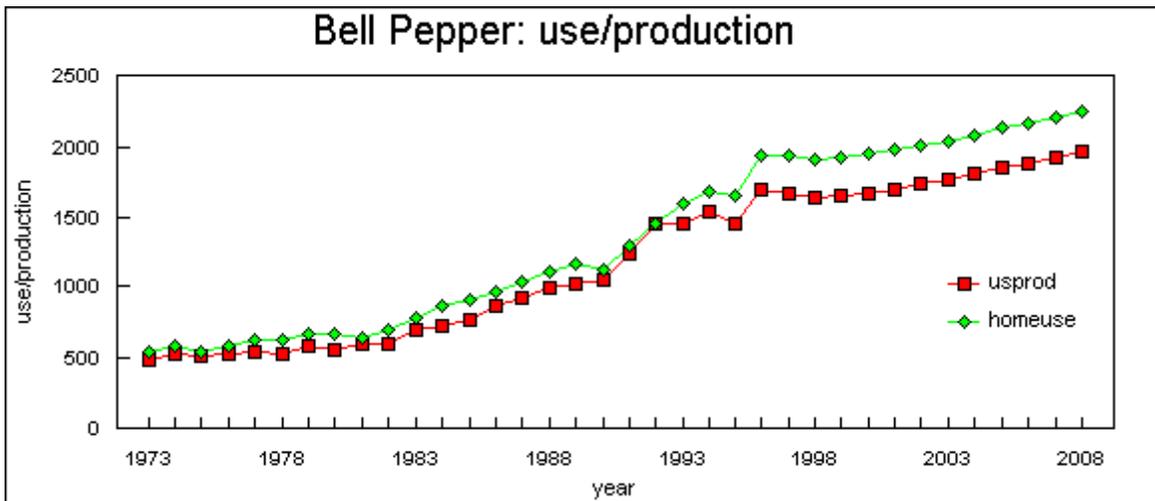
Acres Harvest in U.S.



Source: National Food Agricultural Policy Project, Arizona State University.

Figure #8

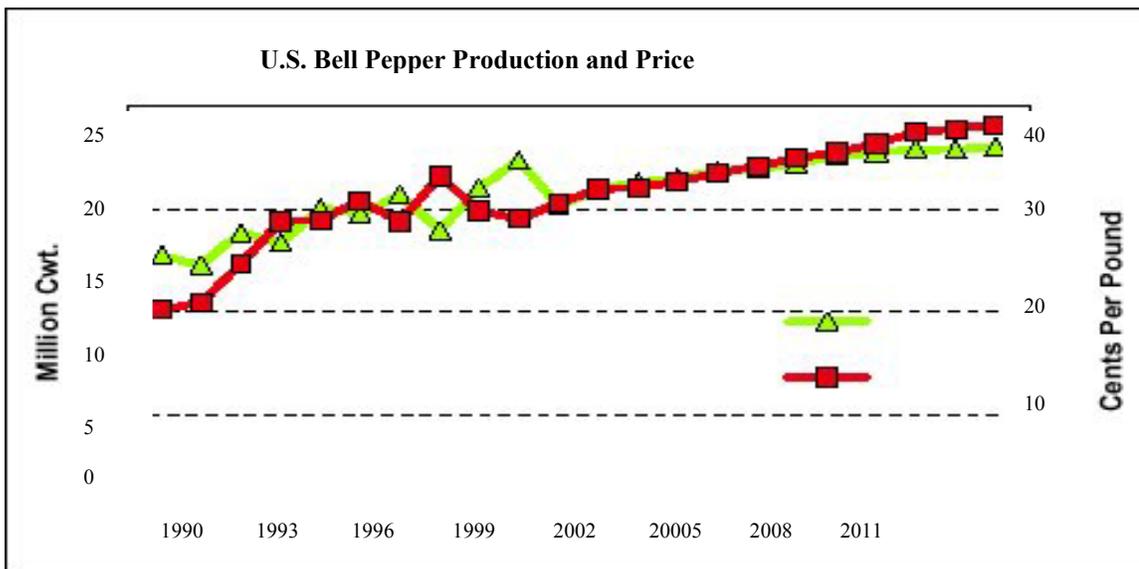
U.S Bell Pepper: Use/Production



Source: National Food Agricultural Policy Project, Arizona States University.

Figure#9

U.S. Green Pepper Consumption and Retail Price



Source: National Food Agricultural Policy Project, Arizona States University.

Venezuela Exportation Cost

Export Green Peppers from Venezuela

Agricultural production in Venezuela is recovering due to the introduction of revenue generated by oil in the last two years. However, the agricultural sector only represents 6% of the Growth Domestic Product (GDP), even though it has been a subsidized sector. Agriculture still needs a strong agricultural policy that helps to improve this sector. Although Venezuela land and climate allows for appropriate agriculture year round, Venezuela is just as self sufficient in beef, poultry and vegetables. The agricultural sector has changed from 70% GPD to currently 6% since the discovery of oil. And only 11% of the labor force is employed in the agricultural sector.

According to the Department of Agriculture-Industry of Venezuela (COINDUSTRIA) the direct labor cost, as well as monthly salary in Venezuela is the highest in Latin America. While an employee in Venezuela makes \$3.90 per hour, a Mexico employee makes \$2.30 per hour (see Figure#10 and Figure#11 below).

Figure#10

Labor Cost per Hour in U.S. Dollars Year 2000



Source: COINDUSTRIA

Figure#11

Minimum Monthly Salary Year 2000 in U.S. Dollars



Source: COINDUSTRIA

Transportation Cost

Transportation is one of the key elements in the export business, but not only is transportation overseas important. Because Venezuela is not involved in railway freight, most of the transportation is done by ground and this cost is important to take care in consideration for the study of exportation. According to ELV Multimodal Trade Company the ideal rate from Laguaira-Venezuela to Miami-U.S. is\$ 3000 for 23 tons. In the ground transportation Venezuela also leads the cost for tolls, in this way incrementing the cost of production and decreasing profit (see Figure#12 above).

Figure#12

Tolls Cost Year 2000



Source: COINDUSTRIA

Additional Cost

Venezuela taxes are relatively high, 14.5% for product, 5% federal tax, 0.75% banking tax and 1% of production for importing and exporting goods (Kuhne & Nagel, S.A Trade Company).

Chapter III

Methodology

This chapter is based upon issues of literature and review. The previous review of literature provides support for the cost analysis and the possibility of exporting green pepper from Venezuela to the United States. The analysis focuses on the possibility for the export of green pepper from Venezuela to the United States, providing information of the exporting and importing issues for both countries.

In order to do so, Venezuela green pepper production, labor cost, minimum salary cost, and transportation cost was compared with Mexican green pepper production, labor cost, minimum salary cost and transportation cost.

The data provided in the literature and review was used to compare and determine the cost to export product from Venezuela to the United States, comparing these cost with Mexico.

The following data was used to gather relevant information pertinent to the purpose of the study and to meet the objective of the study:

1. Venezuela
 - a. Background Information
 - b. Trade regulation and Standard
 - c. Banking System and Currency

- d. International Relation and Free Trade
 - e. Production
2. United States
- a. Background Information
 - b. Trade Regulation and Standard
 - c. Import Procedures
 - d. Banking System and Currency
 - e. Production
3. Mexico
- a. Export Cost

An informal interview was conducted with trade companies in Venezuela. The interview was used to obtain data concerning planning, process and export cost. The analysis of cost was compared with Mexico's cost.

Chapter IV

Advantages to Export Green Pepper from Venezuela

Venezuela provides an excellent climate and land condition for agriculture. Venezuela agricultural industry infrastructure is among the best in Latin America, and the programs implemented by the Ministry of Agriculture to increase productivity encourage growth and investment. Some of the benefits for the Agro-Industry in Venezuela are:

- Tax Reductions for new investment
- Financial assistance
- Preferential interests can be found by Ministry of Agriculture
- Price bands for agricultural products
- A 10% export subsidy on Education Programs

Venezuela has an enviable geography proximity to the United States (Florida and New York) and also favorable import policies due to Venezuela membership in GATT/WTO. Venezuela also keeps a strong trade relation with the United States.

Disadvantages to Export Green Pepper from Venezuela

Venezuela is no longer an agricultural country as it was before the oil discovery; Venezuela is dependent only on the oil industry. The oil industry also caused population to migrate from agricultural areas to industrial areas. This created a decline in the labor force to 11% in the agricultural sector making it more difficult to find employees to work in this area. After the arrival of the oil industry, Venezuela's fresh vegetable production only meets the internal demand.

Although Venezuela has the advantages of climate and temperature for agriculture, there are more disadvantages, with regards to business of export, because of the actual political situation, the constant devaluation of Venezuela currency, oil dependency, education and cost.

Currently political situation is one of the most important factors on the Venezuela's economy. This situation has made international companies move to other countries in Latin America in order to protect their benefits. Hugo Chavez, president of Venezuela won the election in 1998 and again in 2000. Since his election he has been governing Venezuela by implementing new principles of social movement incrementing the eager of all Venezuelans for his new social movements. Since December 2001 the opposition to President Chavez has grown greatly, with a large march and the first strike protest-taking place. Today business, organization and opposition are making contributions to defend the democracy and protest against government. The conflict between opponent and

government are the principle reasons for raising fear for a possible investment solution in the country.

Devaluation is another important factor to take into consideration in the export business. Since President Chavez abandoned the old exchange rate control the actual currency has fallen 25% against the U.S. dollar, causing the Bolivar to become a free flotation.

Venezuelan economy is most dependent on oil. Therefore, the persistent increase and decrease of oil in the international market causes many problems for the Venezuelan economy as well as the currency.

Education is also an important issue in the export and import business in Venezuela. The lack of education, as well as the corruption and long processing time, makes Venezuela a considerable port. The corruption and long process time are the principle causes of consideration in Venezuelan ports. Payoff or influences in the port are the only mechanism to speed up the processing and thereby reduce time. Corruption is an important issue according to the Transparency International Corruption Perception Index 2001; Venezuela scored 2.8 on a scale of 10 in a Corruption Perception Index 2001, with 10 being an uncorrupt country. For this reason it is logical to think that there is a lot of corruption in Venezuela. The recommendation made to any businessperson wishing to invest in the export or import business with Venezuela, is to use an import and export trade agency. The U.S. Embassy in Venezuela has a list of trade companies approved for both countries that can be a support for businesses.

Cost represents the final and most important issue in establishing a business of export or import to any country. Although Venezuela presents an extraordinary characteristic of climate and land, the labor cost, the monthly salary and transportation cost are relative higher than Mexico, which is the most important exporter vegetable country for The United States.

Venezuela and Mexico

Venezuela and Mexico are going to be compared as possibilities to export product from Venezuela to the United States.

- Venezuela labor cost, minimum monthly salary and transportation cost are higher than Mexico. According with CORDIPLAN, the labor cost in Venezuela is 70% higher than Mexico's labor cost, while the minimum monthly salary is 88% higher than Mexico.
- Both Venezuela and Mexico are dependent on ground transportation. However, the Venezuela cost of \$17.99 of transportation is much higher than Mexico's cost of \$3.2, representing 450% more (CORDIPLAN). Also, the cost for exporting increases from Venezuela to the United States because products must be transported by overseas or air. In the case of vegetables without taking into consideration the shelf life of the product, the transportation of 23 tons increases by \$3,000 the cost from Lagunaira-Venezuela to Miami-U.S. (Kuhne & Nagel, S.A Trade Company)
- Although Venezuela has expressed interest in being a member of the North American Free Trade Agreement (NAFTA), the discussions are likely to be advanced in the next few years. NAFTA is a free agreement between Mexico, the United States and Canada, making the importing and exporting process much easier and less expensive. Even Chile, the most important exporter vegetables country in South America of has a free agreement with the United States.

- Venezuela has a high taxation which increment cost of importing or exporting products to the United States. The taxes are: 14.5% for products, 5% federal tax, 0.75% banking tax and 1% for any import or export product (Kuhne & Nagel, S.A Trade Company).

Chapter V

Conclusions and Recommendations

Conclusion

The oil industry has allowed Venezuela to develop into a wealthy nation, while at the same time changing it from an agricultural country to an oil dependent country. For many years the United States and Venezuela have traded, creating a strong market business. Although the Venezuelan agricultural sector only represents 6% of GPA, Venezuela has a lot of potential to grow in this sector. Green peppers probably may not represent a good market of exporting according to its low production. The production of other vegetables, for which there has also increase in demand for years, such as carrots, yucca, cacao, coffee, banana or sugar cane can be more considerable for exporting than green peppers. Further research regarding other products as well as other niches is recommended.

Currently the United States has such a high demand for fresh vegetables that it is a possibility for any country to import products. However, not having a Free Trade Agreement (FTA) with the United States makes more difficult to import green pepper or any vegetable from Venezuela to the United States. Comparing opportunities with agricultural countries such as Chile and Mexico, the biggest countries to import fresh vegetables to the United States, Venezuela

has extreme disadvantages by no having a Free Trades Agreement and by the transportation costs.

The current political situations in Venezuela, as well as the currency devaluation, are important factors to consider. The increase and decrease of oil value only gives disadvantages of the production cost, while at the same time giving an advantage to the importer.

The proximity from Laguaira, Venezuela port to Miami Beach Florida port makes shipping less expensive, but import and export agents should be used to eliminate further inconvenience, avoid payoff and corruption in any Venezuelan port. The shipping of fresh vegetable must be done overseas in a 40 feet refrigerated container allows to shipped 23 tons. Otherwise the product will not be profitable.

Recommendations

1. That other niches and products be researched for export
2. That trade with Venezuela may be lucrative, but political and traditional business practices should be examined for problems and cultural issues which may conflict with United States interest.
3. That trade companies be used as an effective interface for business transactions.

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