



A brief overview of Venezuela's economy

The economy of Venezuela is highly dependent upon oil revenues, which account for roughly 95% of export earnings, about 45% of federal budget revenues, and around 12% of GDP. A sharp drop in oil prices caused an economic contraction in 2009-10. However, fueled by high international oil prices and consequent high export revenues, record government spending helped to boost GDP growth by 4.2% in 2011. On the other hand, high government spending, hikes in minimum wage, and improved access to domestic credit created an increase in aggregate consumption. This combined with domestic supply problems to cause high inflation – 26.1% in 2011 and 21.1% in 2012.

The Venezuelan govt. has taken various steps to support the economy in the face of currency weakening high inflation, a modest growth and a crippling energy crisis. Endeavors have been made to increase the government's control of the economy by nationalizing firms in the agribusiness, financial, construction, oil, and steel sectors. Since 2003 stringent currency controls have been imposed in an attempt to prevent capital flight including a series of currency devaluations. In May 2010, the govt. closed the unofficial foreign exchange market (the "parallel market") in an effort to stem inflation and slow the currency's depreciation, and created a system to replace the "parallel market". In December 2010, it eliminated the dual exchange rate system and unified the exchange rate at 4.3 Bolivars per dollar. In January 2011, the govt. announced another devaluation of the Bolivar, followed by subsequent devaluations till early 2013. The budget deficit for the entire government reached 17% of GDP in 2012, and public debt as a percent of GDP climbed steeply to 49%, despite record oil prices.

Key Industries of Venezuela

The largest industries of Venezuela are petroleum, construction materials, food processing, textiles, iron ore mining, steel, aluminum; motor vehicle assembly, chemical products and paper products. Main agricultural products include corn, sorghum, sugarcane, rice, bananas, vegetables, coffee, beef, pork, milk, eggs and fish.

Venezuela's major trading commodities and partners

Venezuela's main exports include petroleum, bauxite and aluminum, minerals, chemicals and agricultural products to major partners US, China, India, Netherlands Antilles and Cuba. The core items that Venezuela imports are agricultural products, livestock, raw materials, machinery and equipment, transport equipment, construction materials, medical equipment, pharmaceuticals, chemicals and iron and steel products from major partners US, China, Brazil and Colombia.

Relations between Pakistan and Venezuela

Pakistan and Venezuela have agreed to collaborate in the fields of trade and services for enhancing political, commercial and economic relations. In 2011, both countries have agreed to hold negotiations on a treaty for avoidance of double taxation applicable to trade, commerce and services between the two states.

Bilateral Trade Relations between Pakistan and Venezuela

Trade between the two countries is quite low as total trade in 2012 was valued at only \$ 24.19Mn and altogether one sided, and in favor of Pakistan. Exports to Venezuela were valued at \$ 24.06Mn in CY12, while imports amounted to \$ 0.13Mn during the year. Hence, much effort is needed to boost bilateral trade between the two nations.

Trading Commodities between Pakistan and Venezuela

Pakistan mostly exports cotton and textile products, man-made staple fibers and optical apparatus. Imports from Venezuela include pharmaceutical products mostly.

Potential for enhancing bilateral trade relations between Venezuela and Pakistan

-Venezuela can play a strategic role in improving Pakistan's position among developing nations of Latin America and provide Pakistani entrepreneurs with another destination to export their products.

-Venezuela intends to enhance direct linkages with Pakistan through shipping and direct flights which would stimulate mutual relations.

-Cooperation can be enhanced in petroleum, energy, tourism, surgical, sports goods, textile, agro and pharmaceutical sectors.

-Pakistani pharmaceutical companies can have joint ventures with the Venezuelan companies for the production of different types of medicines.

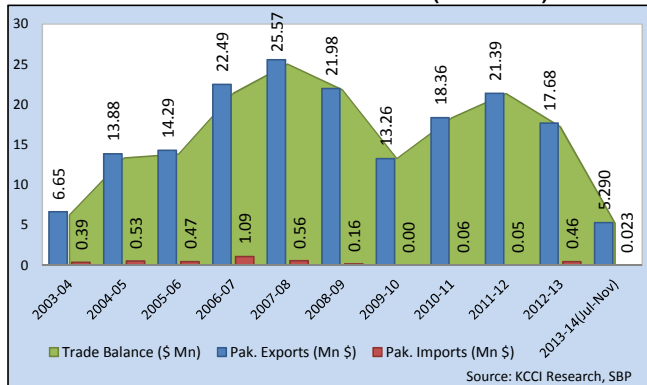
-To increase trade and investment, both countries should also look for reducing tariffs and removal of non-tariff barriers.

Economic Indicators

| Indicators | Unit | 2011 | 2012 | Change |
|-----------------|-------|--------|--------|---------|
| GDP (PPP) | \$ Bn | 387.10 | 408.50 | 5.53% |
| GDP per Capita | \$ | 13,300 | 13,800 | 3.76% |
| GDP growth | % | 4.2 | 5.5 | 1.30% |
| Forex Reserves | \$ Bn | 29.89 | 29.89 | 0.00% |
| External Debt | \$ Bn | 67.91 | 75.75 | 11.54% |
| Exports | \$ Bn | 92.81 | 97.34 | 4.88% |
| Imports | \$ Bn | 46.78 | 59.31 | 26.78% |
| Trade Balance | \$ Bn | 46.03 | 38.03 | -17.38% |
| Current Account | \$ Bn | 24.39 | 11.00 | -54.90% |
| CPI | % | 26.1 | 21.1 | -5.00% |
| Unemployment | % | 8.2 | 7.8 | -0.40% |
| Discount Rate | % | 29.50 | 29.50 | 0.00% |

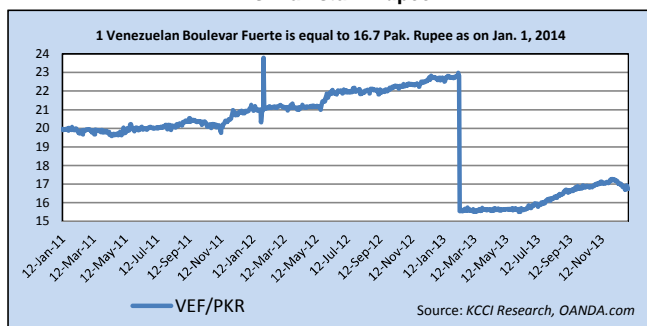
Sources: KCCI Research, CIA Factbook, TDAP, SBP

Pakistan's Trade with Venezuela (FY04-FY13)



Source: KCCI Research, SBP

Vs. Pakistani Rupee

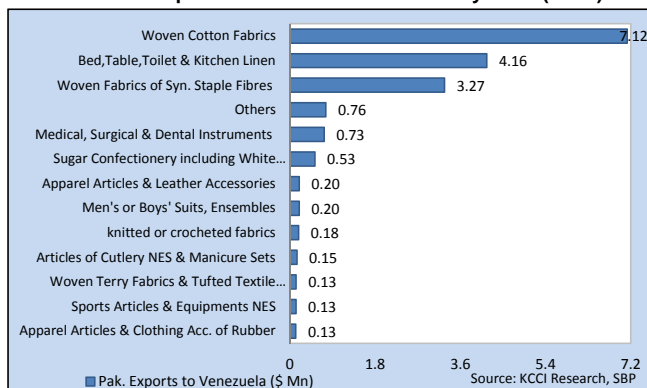


Source: KCCI Research, OANDA.com

Key Memberships

Venezuela belongs to a number international organizations, including Caricom (observer), CD, CDB, CELAC, FAO, G-15, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC (NGOs), ICCT, ICRM, IDA, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ITSO, ITU, ITUC (NGOs), LAES, LAIA, LAS (observer), Mercosur, MIGA, NAM, OAS, OPANAL, OPCW, OPEC, PCA, Petrocaribe, UN, UNASUR, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Pakistan Exports to Venezuela - Commodity Wise (FY13)



Source: KCCI Research, SBP

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