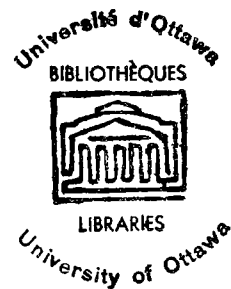


ECONOMIC DEVELOPMENT OF VENEZUELA WITH  
SPECIAL REFERENCE TO HER TRADE WITH CANADA

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## INTRODUCTION

Tierra Firme, "The Mainland", as the Spaniards called the northern coast -Venezuela- of the continent of South America, once a Spanish plantation, has begun to develop only in the past thirty years. Canadians will be interested to learn that Venezuela is now producing over ten per cent of the world's oil, that she possesses 12 per cent of the world's oil reserves, and her production is only exceeded by that of the United States of America.

Furthermore, it should be remembered that South Venezuelan plains were once the breeding grounds for twelve million head of cattle, and that the country is still an important grower of fine coffee and cocoa; that the iron ore fields in Cerro Bolivar are among the most important sources of iron ore in the world, with an approximate output of 13 million metric tons a year, so that if agriculture is the dusty base, and oil the jambs, iron ore will become the lintel of Venezuelan economy; that the gold backing of the currency in circulation is 146 per cent; that the total national debt is less than the equivalent of \$5.3 millions; that the national income in 1953 was 9.158.000.000 bolivares; that Venezuela is Canada's first customer in South America.

In this thesis the reader will get acquainted with the history of Venezuela's trade with Canada, from the year 1918 to 1953 inclusive, wherein one can appreciate the growing trade of the two nations which, after World War II

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has been very important both in amounts and values; but this in the case of Venezuela, as will be seen, is mainly due to the outstanding importance of her oil output which, in the exports to Canada, accounts for 10 per cent of Venezuela's world total exports.

These figures show that Canada is an important market for Venezuela. Nevertheless, the prospects of Venezuela's oil exports to Canada in the future are uncertain, because Canada herself is becoming an outstanding oil producer in the world market. However, the opinion of the writer is that Venezuela could keep this important market for about five more years, and this favourable advantage is due to the comparative cost of Venezuela's oil exports in Canada. A detailed study of the potentiality of this precious item will be presented in Chapter IV.

In order to give a better illustration of the Venezuelan-Canadian trade relations, the writer has considered it necessary to write a special chapter on Venezuela, where her general situation and economic development is studied in detail.

Following the main chapter, which is the history of trade between the two countries under study, we shall discuss in Chapter III some aspects of the trade between the two countries, and this will include Venezuela's customs

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duties applied to Canadian goods because of the limited items that are exported by Venezuela to Canada. Then, the import and export licenses will be carefully considered, wherein will appear all the exportable items which require a license. This is an economic measure adopted by the Venezuelan Government for the expressed purpose of assisting local agriculture and industry of the country. Later on, transportation and investments will be discussed, in which will be included first the main outgoing and incoming cargo of the trade values, as well as of the calling ports of both countries; and secondly, investments will be discussed according to real Canadian investment in Venezuela; and to a lesser extent, the main economic reasons for the paucity of Canadian investments in Venezuelan territory.

To conclude this research, it is of vital importance in my opinion, to discuss the potentiality of these two growing nations, whose future trade relations are mainly concerned with their two valuable export items -oil and iron ore-; and even though the reader will observe that at the moment iron ore is not an item involved in the trade relations, it is nevertheless important to discuss it, as at the present Venezuela is leading in the exports of this mineral to the United States of America. But what will happen to Venezuela's iron ore when, in the foreseeable

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future, the St. Lawrence Sea-way project will be completed? Then Canada most probably will compete with this Venezuelan mineral in the economic factors of cost and transportation. However, the quality of this mineral is of great advantage to Venezuela because of its super quality and higher content of iron.

Before going into the matter of this research, I would like to mention that, economically speaking, Venezuela cannot but be to some extent at the mercy of forces over which she has little control. The prices of her principal products -petroleum, coffee, iron ore and cocoa- are world prices, in the determining of which Venezuelan cost of production, level of supply, and internal demand have little influence. For it is not <sup>she</sup> who determines the price of the goods she imports. For all her wealth, she is a comparatively small consumer in the framework of world demand.

The result of the last census taken in November 1950 shows that Venezuela has achieved rapid growth and economic progress. It has certainly been notable, and Venezuela's importance is out of all proportion to her still small population. Today's atmosphere is enlivening; the mellow traditional ways have been cast off in the quest for modernity. In the past years much has been solidly and quietly accomplished.

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The reason why we choose this topic as the subject of our thesis, is on account of the enlarging and growing trade of the two nations, which during the post world war period has increased considerably, moreover, we should mention that because of the outstanding importance of both countries in their main export items -oil and iron ore-, in which for Venezuela's position related to Canada, oil is the precious key to her increasing bulk of exports to Canada. However, Canada, in the last years has achieved great importance in the world's oil production. Nevertheless, Venezuela and other foreign countries are competing with Canada because of the play of comparative economic costs.

## CHAPTER I

### ECONOMIC DEVELOPMENT OF VENEZUELA

Though formerly an essentially agricultural and pastoral country, Venezuela is not so today. Oil production and the mining of iron ore and other minerals have taken place since the end of the second decade of the present century.

Petroleum has been the major factor in Venezuelan development for the last three decades, and iron ore for the last five years, both of them supplanting the historic triumvirate of coffee, cocoa and cattle. Revenues from petroleum enabled the country to pay off its entire external debt and to undertake a vast public works program. Petroleum has paid for highways and port improvements, stimulated industrial development and attracted immigrants from many lands. Under its stimulus, population and foreign trade have expanded at one of the highest rates in the whole world.

Oil has been found all across the top of Venezuela, but most of it comes from in and around Lake Maracaibo, an arm of the Caribbean Sea. One of the sights of the American Continent is Maracaibo's 2,012 derricks, set on piles in the lake, busily sucking up the black crude oil from 2,000 to

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4,000 feet down. A tenth of the world's oil is produced there; and there is plenty left, proven reserves for fifteen years at the present rate. New concessions are expected soon (the Government has received offers totalling a reported \$150 million), and will probably bring the store of buried riches up to one shrewd oil executive's guess, "Enough for one hundred years".

By themselves, great oil reserves do not guarantee great oil wealth. The happy secret of Venezuela's prosperity lies in the partnership between the country and the foreign companies (Jersey, Standard, Shell, Texas, Gulf, Socony, Sinclair, etc.) which have provided the investment capital - \$3 billion - and the know-how necessary to develop the potential resources.

Agriculture has declined relatively since the advent of petroleum. Until recently, the course of agriculture was stagnant and its unchanging methods had become outmoded. This decline in agriculture was partly due to the lure of the oil industry.

At the present time in Venezuela, most activities other than those related to petroleum require Government support or protection in varying degrees. In the near future, the relative importance of the oil industry is expected to

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increase; not only on account of the steady rising volume of exports of crude petroleum and derivatives: gasoline, kerosene, naphtha, etc., but also because of the greater domestic uses of liquid fuel in transportation, power generation, and industry as well as added industrial gains (construction of refineries in large scales subjects Venezuelan petroleum to be refined within the country) from local refining.

Another factor affecting the economic development of Venezuela is iron ore, which in the short run will be a main pillar in the country's economy. The Venezuelan Government plans a domestic steel plant which will make the country self sufficient as regards its steel requirements, presently being imported. This plant will use some of the rich Orinoco River iron ore now being mined by United States Steel Corporation and Bethlehem Steel Company. These companies are shipping five million tons of iron ore a year, and Venezuela at the present is the world's biggest iron ore exporter to the United States of America. But, nevertheless, iron ore is no oil-like fountain of wealth to Venezuela; it is a low profit business which pays Venezuela only \$3,500,000 a year. Lacking blast furnace coal, the Venezuelan Government decided to dam the great Caroni River, an Orinoco tributary, and generate 300,000 kW for an electric steel making process.

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But Venezuela's plans for the future are bold. Using oilfield gas, now 75 per cent wasted, the Government wants to build a petro-chemical industry and produce fertilizer, explosives and chlorine.

To conclude this introduction, it is worthwhile to point out that Venezuela is overly dependent on oil. Petroleum forms 96 per cent of Venezuela's exports to foreign countries. A bill, perennially proposed by Pennsylvania's Congressman Richard Simpson, to cut United States of America imports of foreign oil could cost Venezuela a shattering loss of \$350 million a year. This remains to be seen, however, since it would cause a great decrease to the United States of America in Venezuela's imports from that country, and Venezuela is the best trading partner of the U.S.A. in Latin America.

The possible adoption of Mr. Simpson's bill would probably receive a severe reaction from the automobile and machinery centres in the United States, because Venezuela is the world's second importer of those goods, Canada being the first.

## Geography and Resources

On the map of South America, Venezuela is a wedge

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set in the northern coast, its base stretching 1,870 miles along the Caribbean Sea, and its southern point resting near the Equator.

Venezuela is bounded on the North by the Caribbean Sea and the Atlantic Ocean, on the West by Colombia, on the East by the Atlantic Ocean and British Guiana, and on the South by Brasil. Venezuela extends about 900 miles from east to west and nearly 800 miles from north to south at its widest point. Its area is 352,143 square miles (912,050 sq. kilometers), and is approximately one forty-fifth of the American Continent, and one five-hundred-fifty-ninth part of the earth's globe. Venezuela's area is about twice as large as Germany. Among the Latin American countries, she is the sixth largest country.

Venezuela is strategically situated with references to the principal trading areas of North America and Western Europe, because of her possession of natural ports along the Caribbean coast and by the accessibility of some of its chief riches to inland waterways, such as Maracaibo Lake and the Orinoco River, both of which are now being dredged to improve shipping. Communications across Venezuela's frontier are rendered difficult on account of mountainous ranges or swamps. Since the tributaries of the Amazonas River flow

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through the Casiquiare Canal, there is the possibility of a through commercial route between these two great waterways, should future traffic justify the cost of locking and dredging.

Venezuela has four main geographic regions:

(1) The Andean Highlands, extending in an arc from the Colombian border in the southwest, across the northern coast and terminating in the Paria Peninsula, which points a bony finger at the island of Trinidad;

(2) The Maracaibo Basin, a V-shaped lowland surrounded, except at its northern outlet, by two spurs of the Andes;

(3) The Llanos (Plains), a low, gently sloping terrain that extends from the Andes on the west and north to the Orinoco River, and

(4) The sparsely inhabited Guiana Highlands, lying south and east of the Orinoco.

Four fifths of the population are concentrated in the northern Highlands and coastal regions. Most of the remaining fifth lives in the Llanos, with concentrations along the Orinoco River and its tributaries. Although nearly half of the national territory lies south of the Orinoco, this region has only 129,000 inhabitants (2.6 per cent of the total population), the majority of whom are in riverside communities.

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Venezuela is a Federal Republic, divided into a Federal District (Caracas as the capital), twenty states, two Federal Territories (Amazonas and Delta Amacuro), and the Federal Dependencies that are constituted by all the adjacent islands of the Caribbean Sea, with the exception of Margarita and Coche (North East), which form the state of Nueva Esparta.

The location of the States is in the following way, Western part: Tachira, Merida, Trujillo, Zulia, Falcon, Lara, Barinas and Portuguesa; Southern part: Bolivar and Apure; Central part: Cojedes, Yaracuy, Carabobo, Guarico, Aragua, Miranda, and the Eastern part: Monagas, Sucre, Nueva Esparta and Anzoategui.

As regards the general economic geography, four zones are to be distinguished; these being the agricultural, the cattle, the virgin, and the mining zone.

**Agricultural zone.** - The region producing vegetable products, such as coffee, cocoa, sugar cane, cotton, tobacco, and other agricultural products, such as rice, corn, wheat, etc. This zone comprises the States of Tachira, Merida, Trujillo, Lara, Yaracuy, Carabobo, Aragua, Federal District, Miranda and Sucre.

**Cattle zone.** - This is the region where pasture is abundant in its staircase landing and extensive plains for

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the grazing of cattle. This region comprises the plains of the State of Monagas, Anzoategui, Guarico, Cojedes, Portuguesa, Barinas and Apure.

Virgin zone. - This zone is where the human race has not yet penetrated. The great jungles of this area have never been exploited. The region is bountiful in every kind of wood and products such as balata, rubber, sarrapia, quinine and vanilla, which are extracted directly from the vegetables. This zone embraces the Guiana Territories and the States of Zulia, Barinas, Portuguesa, Cojedes, Monagas and Sucre.

Mining zone. - This zone comprises the petroleum regions and contains diamonds, gold, and iron ore. The petroleum region consists of the States of Zulia, Falcon, Tachira, Trujillo, Barinas, Portuguesa, Sucre, Guarico, Monagas, Anzoategui and the Territory of Delta Amacuro. The diamond and gold regions are well known in that wide area east of the Caroni River which extends to British Guiana, and contains the same oro-Hydrographic system as Venezuela's Guiana.

The iron ore region is primarily located in the Imataca Saw, which lies between Bolivar State and Delta Amacuro Territory.

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Having discussed the geography of Venezuela, it is now pertinent to point out that under present world economic and technological conditions, Venezuela's mineral riches are clearly its chief asset. The petroleum reserves appear to be such that, given favorable operating conditions, exports of crude petroleum and derivatives may be expected to remain the chief dynamic factor for many years. Regarding minerals, gold is found mainly in the regions of El Callao in Guiana, where it has been mined since the early times. There were two periods when gold mining was of great importance in Venezuela, and which make El Callao mines known the world over. From 1870 to 1890, more than 1,320,300 ounces of fine gold were mined. In the period 1939-1945, another 973,448<sup>1</sup> ounces were extracted<sup>1</sup>. But after this date production dropped sharply, (because of the partial exhaustion of the mines), until an all time low was reached in 1951, when 88,947 grams were extracted. Now, El Callao represents eighty per cent of the Venezuelan gold production. Besides the El Callao centre, there are others of secondary importance, such as the mining centre of Cicapra, Botamano and the ones at the Alto Cuyuni and Caroni.

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<sup>1</sup>  
U.S. Department of Commerce, Investments in Venezuela, Washington, U.S. Government Printing Office, 1953, p. 46.

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Diamonds. - The diamond zone is the same as the gold one, with the additional regions of Bajo Caroni, the Pao River at the confluences south of the Alto Caroni, the Alto Paragua, and the Alto Cuyuni. But of all these, the most important are the Caroni and the Pao areas. The exploitation of diamonds started in the Lagoon of Puruchein in 1911, and was confined to the vicinities of the Pao River. In that year the production realized was 13,000 carats. In the following years the results were very profitable and in 1948, 75,513 carats were obtained<sup>2</sup>. The record production was reached in 1952 with 98,280 carats.

Coal. - Numerous deposits of coal are known to exist, although the country's total reserves have not been computed. Probably the largest are located to the west and south of Maracaibo Lake in the States of Zulia and Tachira. Production of coal in Venezuela has been rather small because of a number of adverse factors, including limited domestic demand, the availability of oil and natural gas, lack of cheap transportation, high production costs, and the low quality of coal deposits.

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<sup>2</sup>  
Ibid., p. 45.

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Asbestos. - The recognized major asbestos reserves of Venezuela are in an area some ten to fifteen kilometers west of the town of Tinaquillo, in the State of Cojedes. There are also in existence some other smaller areas where asbestos is to be found. Venezuela's production of asbestos up to 1946 was negligible.

Bauxite. - The discovery in 1951 of significant deposits of bauxite has brought about much discussion as to the feasibility of an aluminum industry in Venezuela. This mineral has been reported in several places in the Guiana Shield in Venezuela, including El Pao, but whether it is present in commercial quantities, and in a quality suitable for economic exploitation has not been determined. The Venezuelan Government has, however, seen fit to set aside certain areas as reserved zones for bauxite exploration and exploitation.

Copper. - Deposits in the States of Yaracuy, particularly in Aroa, have been worked at different times but now appear to be exhausted. On May 18, 1951, the Government declared the States of Merida and Tachira to be reserved zones for the exploitation and exploration of copper as a result of deposits having been found in the area. This action will enable the Government to determine, without private in-

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terference, whether such deposits are suitable for commercial use. Other copper deposits have been reported in the States of Aragua, Miranda and Sucre, but there is no indication that ore bodies exist in commercially exploitable quality and quantities.

Total copper production to date at Aroa is estimated at about 1,500,000 metric tons of ore averaging eight per cent copper<sup>3</sup>.

Gypsum. - Venezuela has large reserves of gypsum in several sections of the country, including the States of Falcon, Yaracuy and Sucre, as well as small deposits in the States of Tachira and Merida. Production, however, especially in the State of Sucre, is rather small because of high costs.

Other mineral resources that are found in Venezuela are the following:

Limestone. - Although limestone deposits are widely distributed in Venezuela, high production costs have served to retard quarrying. At present the most important operations are conducted in connection with limestone requirements for the manufacture of cement. As a result, the largest production

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<sup>3</sup> Ibid., p. 47.

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is in the Federal District, at Pertigalete (near Puerto La Cruz), at Maracaibo, at Barquisimeto, and at other places such as Valencia and San Cristobal.

Manganese. - The presence of manganese ore has been reported in the State of Carabobo in the region of Guigue, in the State of Miranda near Tacata, (District of Guaicai-puro), and in the north-west section of the Guiana Shield in Venezuela, particularly near Upata, southwest of Ciudad Bolivar.

Mercury. - It is found in various section of the State of Bolivar and Monagas. The only locality in which mercury ore has been mined is at San Jacinto in the State of Lara.

Nickel. - Extensive deposits of rather low grade nickel, in the form of silicate, have been proven in both Miranda and Aragua States.

Salt. - The production of salt is a Government monopoly. Salt is produced by the Ministry of Finance or by private companies under lease; salt refining is done privately. The largest output is on the Araya Peninsula, in the State of Sucre, where it is obtained from salt water by solar evaporation.

Sulphur. - Extensive deposits of sulphur are located at El Pilar. These deposits, including some 1,900 acres, have

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been estimated to contain at least 600,000 metric tons of sulphur and have a relatively high sulphur content. Sulphur up to now has never been exported. The main deposits are situated about eleven miles from the port of Carupano, which is served by large ocean going vessels.

Clay. - Deposits are found in many sections of the country. About the only place where they are being exploited extensively, however, is in the State of Tachira.

Magnesite. - Known deposits are located on the island of Margarita, in the State of Nueva Esparta.

Phosphate Rock. - Phosphate Rock reserves have been found in two principal zones in Venezuela. The more important is the Cerro Riecito, District Acosta, in the State of Falcon where, according to estimates, there are ten to fifteen million metric tons, varying from 64 to 82 per cent of tri-calcium phosphate<sup>4</sup>. The other reserve is in Gran Roque island and several small islands of Los Roques Archipelago.

Radioactive minerals. - Exploration for radioactive minerals has been subject, for several years, to special Government control. Some prospecting for uranium has been

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<sup>4</sup> Banco Central de Venezuela, Desarrollo y Perspectiva Economica General, Caracas, Departamento de Investigaciones Economicas y Estadisticas, 1954, p. 40.

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done, and uranium minerals have been found in Venezuelan pegmatites, though commercial quantities have not been proved.

One of the most important developments in recent years and one of the great world discoveries in this century was the iron ore mountain found in Cerro Bolivar (Bolivar State). That is known to contain some five hundred million metric tons of high-grade ore. This mineral has been exported since 1951, and the main market has been the United States of America.

Having completed the section on minerals, only the livestock, agricultural and forestry resources of Venezuela, remain.

During the colonial times and up until recent times, the grazing of cattle and goats was the main support of the economy. The grazing of cattle is important in every State, but the principal cattle concentrations is in Apure and adjacent Llano States. Goats are found chiefly in the semiarid coastal regions and in the Andean Highlands, especially in the States of Lara and Falcon. The State of Zulia and the Valencia Basin are important as cattle and dairying centres.

Despite the current prosperity of the livestock industry, there has been some reaction against the once-popular hopes for this branch of the economy. The amount of planted

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pasture is very limited. The soil and climatic conditions in the Llanos are not such as to give expectations of any great increase in the production.

As regards crops, Venezuela cannot be said to have outstanding advantages in connection with any produce. Once, Venezuela was the leading source of supply for cocoa beans. Their crop is still valued for its flavor characteristics. However, other areas outside Venezuela have far surpassed it in quantity of production and furthermore, the market demand for fine grades has declined. Despite the high prices of recent years, there has been virtually no new planting of either coffee or cocoa trees, although some old plantations have been improved. The Government has undertaken a policy of subsidies in order to aid the planters, financially and technically.

The composition of the soil in Venezuela, together with the fact that a large part of the cultivated area has considerable slopes, have hastened erosion. In most sections there are marked wet and dry seasons, which mean that drought is followed by damaging downpours. A considerable area receives insufficient or irregular rainfall, with the result that a fairly high proportion requires irrigation.

There are limited areas of flat, well-watered lands suitable for cultivation. Recent surveys indicate that some

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good lands are unavailable for cultivation because they are held mostly by large landowners, whose wealth allows them to neglect, almost entirely, the cultivation or improvement of their "Haciendas" - a shocking survival of the feudalism of the Middle Ages. These landowners consider the possibilities of greater immediate production or profits as secondary, due to the fact that they have other sources of income. A more intensive use of the existing cultivated area would also yield important results.

Venezuelan climatic conditions are totally unsuited to wheat or oats, and are only moderately favorable for such industrial crops as cotton, sisal, and vegetable oils.

There are large forested areas, especially in the Guiana Highlands. In the past, the wild products, fruits, gathered in a primitive manner, have been more valuable than the lumber produced, but the latter industry is of growing importance.

#### Periods of Economic History

The periods of Venezuela's economic history could be considered under four main divisions, namely: the Conquerors' period, from 1498 up to 1520; the Colonial period, from 1520 up to Independence in 1810; the Independence period in the

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political and economic aspects, from 1810 up to the World War I, and the period covering the time from the World War I to the present. The distinction of these two last periods is due to the preponderance of Venezuela as an agricultural and cattle-raising country up to World War I, after which the advent of the petroleum and mining industries in the economy of the country transformed it to such a radical extent, that these periods require separate consideration and analysis.

The next step now is to review the main features that occurred in each of these periods and their influence in Venezuela's economic life.

(1) Conquerors' period: Although the economic history of Venezuela had its beginning long before the arrival of the Spaniards, very little is known about the details. However, it is known that the aborigenes carried on mercantile transactions; as a proof of this, the existence of currency in the form of gold and cotton tangles suffices. It is also known that the industrial establishment of the Andean Indians was based on the ceramic industry and manufacture of cotton yarn. It is worthy of mention that the Indians recognized the principle of private property, as exemplified by their inheritance customs.

Much more is known about the economic activities of the region in the period immediately following the discovery

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of Venezuela. Captain Alonso de Ojeda, the explorer, brought as a member of his expedition the famous Americo Vespucci, who had the specific function of trader. With the expedition of Pedro Alonso Nino, formal commercial operations had their beginnings in Venezuela (incidentally also in all South America).

(2) Colonial period: Intensive commercial operations began only after the Spanish colonization had been more advanced. Thus, the exploitation of pearl beds in Cubagua Island represents the first large scale commercial enterprise in Venezuela. As could be expected, this brought on an influx of adventures, and consequently a community came into being. Due to this, the King, Carlos V, in 1527 found it necessary to constitute the settlement into a corporation. In that way the town of Nueva Cadiz with mayor, aldermen, etc., was established. Similarly several other towns were established along the coast.

In 1517, the first restrictions on commerce were promulgated. This was due to the influx of adventurers who brought about the contraband commerce. The Crown assumed the right of carrying traffic along the Venezuelan coast. Thus, shipping came under the Government control. The next major development was the establishment in 1517, of a cotton in-

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dustry at El Tocuyo; this was the first industrial enterprise in all the American Continent.

In the second part of the sixteenth century three important events make their appearance: the African slave trade, the sea thieves (pirates), and the formal initiation of contraband commerce.

As a result of slave labor, agriculture became extremely important and the Venezuelan foreign trade increased accordingly. The pirates were the ones to open the doors to Venezuela's exports.

Because of the Spanish Crown's restrictions on shipment, contraband commerce appeared in a large scale, and this illicit commerce was in the hands of the English and French pirates.

The proper initial phase of Venezuela's colonial history had its beginnings with the foundation of Santiago de Leon de Caracas in 1520. Seventy years afterwards, an Act was promulgated on April 14, 1590, wherein the tribute of entry of slaves into the country was established at one fine gold peso per capita. This and the excise taxes were the main foundation stones of the municipal public finance.

Shortly after this time, an important economic event occurred, and this was the discovery of a virgin mountain of

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cocoa (dietitic used by the Indians called "chorote") in the limits of Merida and Trujillo.

Because of the Contraband commerce, tobacco growing was expanded along the Venezuelan seabord. The tobacco leaves were illicitly bought by foreigners at a low price and smuggled into Europe, where they were sold at extravagant prices. In order to cut down on contraband, the Government forbade the cultivation of tobacco. This was an anti-economical measure and had fatal consequences along the seabord regions.

The economy did not fail altogether because other exportable products, such as wheat flour, leather, honey, and other miscellaneous products filled the vacuum left by tobacco restrictions.

Venezuela now arrived at an important stage in her economic history. The capture of Curacao by the Dutch in 1634 started an economic revolution within the country, and this was due to those capable Dutch merchants, who gave an impulse to the barter of those desirable European commodities for the products from Venezuela's soil. The result of this was the intensification of agriculture, cattle breeding, and commercial traffic in general.

In the eighteenth century a more vigorous economic structure came into being. The cocoa, basic fruit of the colony, had acquired favor in the European markets and the

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net result was increased prosperity in the plantations. In 1728, the Royal Guizpocoana Company of Caracas was established by King Felipe V. This company marketed cocoa into Spain, from where it found its way into the various European markets. This company was responsible for the great development in the cocoa business.

As in the other Caribbean colonies, sugar cane had an important place in the economy of the colony. Sugar cane had been brought by some Canarian farmers. The exploitation of sugar cane was carried on in the fertile valleys of Aragua and vicinities of Caracas.

This economic revolution did not last very long, because it was interrupted in 1739, when England declared war on Spain. The war lasted until 1751, and during all these years maritime traffic between Europe and America was blocked by the English squadrons. This war crippled the Guizpocoana Company, and its commercial status was reduced when hostilities ended. With the crippling of this company a change came about, as it had been a mainstay of Venezuelan economic development.

In 1762 there was a new episode in the long Anglo-Spanish dispute. Fortunately, the hostilities this time were brief, but definitely fatal to the "Mother Country", as in that year only one ship arrived at Venezuelan coasts.

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As a resuscitating measure, in 1766 the Guizpocoana Company started to develop new indigo plantations in Venezuela, which was a considerable contribution to the agriculture. However, the production of the indigo did not start until 1784.

On December 8, 1776, Carlos III signed a royal certificate ordering the creation of Provincial Governors for the provinces of Venezuela, Cumana, Guyana, Maracaibo, Trinidad and Margarita, territories which six months later were merged into Venezuela's General Capitancy. The jurisdiction of these Provincial Governors included finance, justice, politics and war.

In 1772 the Franciscan missionaries arrived on the shores of the Orinoco River and brought with them cattle. This year marked the initiation of the cattle and livestock industries in the interior of Venezuela, lasting up to 1777.

In October 1778, some statutes were issued by order of King Carlos III. These statutes were in order to regulate free trade and tariffs between Spain and the Indies.

Unfortunately, in 1779 Spain again went to war with England, and as a consequence of this the Spanish commerce was in an abnormal condition once more and the Guizpocoana Company could not recover and finally crashed. Although the Basque Company (Guizpocoana) no longer existed, nevertheless

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it certainly did leave its imprint in Venezuela, especially as regards commercial organization and creative business imagination.

Coffee was introduced into America by French colonists, and its propagation in Venezuela was promoted by the Jesuits. Although coffee had been grown in a colony since 1730, it was not until 1789 that the gigantic coffee production began to be exported.

Besides those already mentioned, other important crops were rice, cocoanut, bananas, assorted fruits, etc., which formed the basis of the colonial diet.

(3) Independence period: In 1810 Venezuela declared itself an independent nation. However, for the first years of independence, the Venezuelan economy was in a chaotic condition. This can be explained with the knowledge of Venezuelan history. Different regions in the country were in constant revolt against the established government. The revolutionary army continuously drained the labor force. Fields were laid waste, transportation was at times interrupted, and numerous other restrictions effected.

After a time the political situation of the new nation became stabilized and the ground was laid for normal economic development.

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From the post-revolutionary period up to World War I, the Venezuelan economy was based on three main sources, namely: coffee, cocoa and cattle. Each one of these main exportable products had their beginning under the Spanish regime, and they continued their progress under the patriotic Government. However, the Venezuelan economy benefited both directly and indirectly from these main sources of income and revenue, now that Spain could not control any phase of the national economy and was no longer the "middle man" for Venezuelan exports.

Now, cocoa and coffee were exported directly to the European markets, especially Germany and Belgium. Both of these products were highly regarded in Europe. Cattle, however, were mainly exported to nearby countries in Latin America. At the end of the century the Venezuelan economy received a shot in the arm with the discovery of gold at El Callao. The consequent gold rush for these famous mines induced a greater development in Venezuela. The opening up of the country ensued, and the economic frontier of the nation was continuously expanding.

(4) The period from World War I to the present: The gold fever gradually declined due to the exhausting of the mines, and the former triumvirate of cocoa, coffee, and

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cattle reigned supreme through World War I and up until the 1920's.

A momentous occasion in Venezuela was the discovery of the oil fields in the western part of the country. Tremendously rich wells were dug under the waters of the famous Maracaibo Lake. The new wells brought sudden wealth to a great number of Venezuelans. It seemed that Venezuela was on the verge of an era of great prosperity. However, there was a real danger that agriculture and cattle breeding would be neglected and it was for a time. Up to 1938 the main role was played by coffee and cocoa, with an average of 85 per cent of the total annual exports.

With the rise of the oil industry, this proportion fell to 13.5 per cent in 1938, the year in which began the great development of the petroleum industry. Petroleum now accounts for between 96 and 97 per cent of the total exports.

From these figures the reader will understand the severe shock that Venezuela received in 1929 when depression hit the United States of America, Venezuela's largest customer. One of the results was the break in coffee prices at the end of 1929. To a lesser extent the decreased demand for world petroleum contributed to a critical situation within the country.

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In 1934 Venezuela was threatened with a serious collapse, because of the departure of the United States of America from the gold standard, which involved the devaluation of the United States dollar to the equivalent of three bolivars in place of five bolivars.

At the present, Venezuela's rank in the world oil market is second in production, and it is also the world's largest exporter of petroleum.

In 1951 the greatest discovery of the century in Venezuela took place. This was the finding of the high grade (65 per cent) iron ore mountain - amounting to five hundred million metric tons - at Cerro Bolivar, Bolivar State.

In order to supplement the exportation of Venezuela's products it has become necessary to operate a merchant fleet which is owned by the Venezuelan Government under the name of Compania Anonima Venezolana de Navegacion. The creation of this fleet was due to the great importance acquired by Venezuela in the world market.

The present policy of the Government and economic institutions of the country is to provide for a greater industrialization, which now is in an intermediate stage, in order to become more self-sufficient.

Presently the Venezuelan economy is based on oil and to a lesser extent on iron ore. Nevertheless, efforts have

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been made with the purpose of diversifying the sources of the national income. As an example of this the Mines and Hydrocarbons Ministry is projecting the building of a siderurgic plant in order to supply part of the local demand for steel requirements.

### Industries

Oil production and refining are of course the backbone of the Venezuelan economy and must be expected to occupy a leading place for many years to come. Considerable effort has been made, however, to diversify the country's general economy and on this point the writer records the progress that has been made in individual industries, and some of the plans for the near future.

To date most of the overseas investments in Venezuelan industry have been made by United States of America firms and groups. Such industries as textiles, cement, pharmaceuticals, paint, cigarettes, motor vehicles assembly, and rubber tires and tubes have been assisted by the investment of overseas capital, mainly U.S.A.

Of the more important Venezuelan industries which form the core of the present day industrial activity, the following deserve mention:

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Aluminum goods. - There is as yet no basic Venezuelan aluminum industry. There is considerable interest in the prospects of a plentiful supply of power from the projected Caroni hydro-electric scheme. Meanwhile some factories are producing aluminum goods from imported materials as, cans, cooking utensils, doors, furniture, light fittings, venetian blinds and window frames.

Chemicals. - Venezuela has no basic chemical industry at present. The authorities are planning, however, to take advantage of the vast natural gas resources by employing them in a petro-chemical industry which will produce important chemicals for use in various branches of local industry. Meanwhile Venezuela's chemical industry is limited to some firms which, amongst them, produce calcium, insecticides, floor polishes, hydrochloric, cleaning fluids and solvents.

Motor vehicles assembly. - The assembly of U.S. cars and commercial vehicles in Venezuela from imported components has become an important industry in relation to the total number of vehicles put on the roads each year. There are two companies, of which the first, a subsidiary of the GM group, commenced production in 1948, and the second, which is entirely owned by Venezuelan distributors of the Chrysler group, in November 1950.

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Textiles. - Since the war, the Venezuelan textile industry has developed rapidly. Cotton is in general the most important branch of Venezuelan textile industry and has been the subject of protection for some years past. A fairly wide range of materials and manufactures are produced from the coarse quality cottons grown in the country.

Cigarettes. - The manufacture of cigarettes is a well established industry in Venezuela. There are two large companies with factories in Caracas, in one of which the principal share holders are one of the leading U.S. and U.K. manufacturers, while the second is entirely Venezuelan. These two firms, which are of about equal size, account between them for 85 to 90 per cent of total Venezuelan output, (2,725,000 cigarettes in 1953)<sup>5</sup>. The balance is shared among seven other smaller factories.

Matches. - This industry is a Government monopoly and sole production rights are at present vested in one factory.

Cement. - One of the industries which has developed in Venezuela more quickly than expected is cement manufacture, and the output has increased steeply during the last five

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<sup>5</sup> Ministerio de Fomento, Boletín de Estadística, Caracas, Departamento de Estadísticas, 1954, p. 25.

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years. The reason for the rapid growth of cement production can be found in the tremendous upswing of the building industry all over the country, partly due to private enterprise and partly to the public works program of the Venezuelan Government.

Paints, varnishes and lacquers. - From a very small beginning in 1945, when the first factory was established, this industry has grown to be one of the most important in the country. By the middle of 1954 there were ten established manufacturers, six in the Caracas area, three in Maracaibo, and one in Valencia.

Tires and inner tubes. - This is an industry which, since inception in 1941, has made more progress than perhaps any other Venezuelan industry. The first factory was installed by a well known U.S. manufacturer - General Tires - with Venezuelan participation.

Retreading. - Apart from new tires, there were in 1954 five major firms, connected with foreign tire manufacturers, engaged in retreading all popular sizes of tires.

Paper and cardboard. - Early in 1954 a company was formed with capital entirely subscribed from Venezuelan sources with the purpose of establishing a factory to produce paper bags and paper for the cement and sugar industries,

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from sugar cane residues (baggasse), waste paper and imported pulp. On the converting side of the industry there were in Caracas, at the end of 1953, at least thirty firms producing various paper and cardboard articles as well as many firms engaged in making of envelopes.

Brewing. - The production of beer has risen continuously in recent years, the increase being greatest between 1948 and 1952. Effective protection has been one of the main reasons for the rapid development of the brewing industry. The duty on imported beer is Bs. 1.10 per kilogram<sup>6</sup>, which is too heavy to allow much competition.

Soft drinks. - Among the industries which have shown extensive gains in the course of the past ten years, the making and bottling of soft drinks figures prominently. In 1946 the output of soft drinks was a mere thirty million liters; two years later this figure had been tripled and by 1950 production had reached 132 million liters<sup>7</sup>.

Fisheries. - The fishing industry in Venezuela has undergone a great modernization in the last few years and its

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<sup>6</sup> Banco Central de Venezuela, Desarrollo y Perspectiva Económica General, Caracas, Departamento de Investigaciones Económicas y Estadísticas, 1954, p. 31.

<sup>7</sup> Ibid., p. 33.

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future appears to be promising. Catches of fish reached their highest level in 1948 when 53,000 tons were caught<sup>8</sup>. Of this amount, at least one-third consisted of sardines and it is of interest to note that the Gulf of Cariaco is said to contain the biggest reserve of that fish in the world. There are in Venezuela ten factories which can fish and their products constitute one of the few items of manufactured goods exported.

Carbonic gas. - There are about ten producers, of which the principal are situated at Caracas, Maracaibo and Maracay. Production is fairly substantial because of the requirements of the important carbonated beverages industry, as well as being a source of supply of refrigerants for industrial purpose, for the catering trades, for food transportation and for the maintenance of fire extinguishing equipment.

## Venezuela as a Trading Nation

Venezuela's foreign trade has expanded tremendously in recent years. According to an index based on trade values

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A.C. Maby, Venezuela - Economic and Commercial Conditions in Venezuela, London, Board of Trade, Commercial Relations and Export Department, His Majesty's Stationery Office, 1951, p. 111.

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adjusted to 1938 prices, the increases between 1938 and 1952, the latest year for which such data are available, amounted to 170 per cent in the case of exports and to 210 per cent in the case of imports<sup>9</sup>. At the 1952 level, Venezuela's foreign trade was the third largest in Latin America, being exceeded only by that of Brazil and Argentina. On the basis of value-per-capita, Venezuela's exports in 1952 were the second largest in the world. They were exceeded only by the per capita exports of New Zealand.

The key factor in Venezuela's foreign trade and balance of payments situation is the petroleum industry, which comprises a great percentage of the total value of exports, and the remaining percentage is shared by the iron ore, coffee and cocoa commodities, which altogether represent about four per cent of the total export values.

Exports: Of the three major commodities, only the volume of petroleum exports was higher in 1952 than in the pre-war year 1938. The increase in volume of petroleum exports was 240 per cent. In addition the recent expansion of refining capacity enabled Venezuela to increase the share of

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<sup>9</sup> United Nations, Economic Survey of Latin America, New York, Department of Economic Affairs, 1953, p. 62, 178 and 236.

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refined petroleum products in the total. In 1952 refined petroleum products accounted for 19 per cent by volume of petroleum exports; in 1938 they had accounted for only four per cent<sup>10</sup>.

Contrasted with this sharp increase in petroleum exports was a drop in exports of coffee and cocoa. In 1952 coffee exports were 47 per cent less than in 1938 and cocoa exports were 23 per cent less.

Several commodities being exported in moderately important quantities in 1938 were exported in smaller amount by 1949, the latest year for which detailed export statistics are available. Among these were cattle, cattle hides, divi-divi, and gold; the latter was more important than cocoa in 1938. However, the exports of some commodities were greater than in pre-war years. Among those were diamonds, exported in substantially greater values in 1949 than in 1938, and bananas<sup>11</sup>.

Venezuela's principal customer is the United States of America. Although official statistics show a larger share

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U.S. Department of Commerce, Investments in Venezuela, Washington, U.S. Government Printing Office, 1953, p. 75-79.

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Ministerio de Fomento, Revista Economica, Caracas, Seccion de Investigaciones Economicas, 1950, p. 22-24.

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of total exports to the Netherlands Antilles, Aruba and Curacao, exports to that area are almost entirely accounted for by petroleum for refining and transshipment. A substantial part of the products refined there are transshipped later to the United States of America.

To show the actual destination of petroleum exports from Venezuela, the Central Bank of Venezuela has combined Venezuela's petroleum exports with those of the Netherlands Antilles. As shown in Table I, on the following page, the percentage share of these exports taken by the United States of America increased in each year from 1947 through 1950 but declined in 1951. In quantity, exports to the U.S.A. rose steadily from 144 million barrels in 1947 to 223 million in 1950, but in 1951 they dropped slightly to 219 million barrels despite a continuing upward trend in exports to all countries.

Exports of coffee and cocoa have also shown a marked post-war shift toward the United States. In 1938, U.S.A. accounted for only 24 per cent of all coffee and 13 per cent of all cocoa exported from Venezuela<sup>12</sup>.

By 1949, the United States shares had increased to 89 per cent for coffee and to 65 per cent for cocoa. In the

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<sup>12</sup> Banco Central de Venezuela, Memoria 1949, Caracas, p. 37-38.

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TABLE I.-

Venezuela, Aruba and Curacao<sup>1</sup>:Combined exports of petroleum and refined products to principal markets, 1947-1951<sup>2</sup>.

(Percentages shares based on quantity)

Country of destination	1947	1948	1949	1950	1951
United States	39.3	39.8	43.0	44.9	38.8
Canada	3.2	3.5	7.2	7.6	9.2
United Kingdom	11.7	13.7	10.0	6.1	8.5
Brazil	4.3	4.7	5.7	5.6	6.1
Antilles	5.6	4.5	5.3	7.8	5.9
Argentina	6.1	6.2	5.0	4.4	4.1
France	5.0	3.5	2.7	2.6	2.0
All others	24.8	24.1	21.1	21.0	25.4
Total	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Banco Central de Venezuela, Memoria 1949, Caracas, p. 34; Memoria 1950, p. 40, and Memoria 1951, p. 39.

<sup>2</sup> 1951 is the latest year for which the percentages shares of these exports are available.

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case of cocoa, for which subsequent data on quantities are available, the share rose in 1950 to eighty per cent. Statistics for 1951, based on values show that 84 per cent of coffee exports and 71 per cent of the cocoa went to the United States of America<sup>13</sup>.

The increased importance of the U.S.A. as a post-war market for Venezuelan coffee and cocoa was gained at the expense of the European markets, particularly Germany. In 1938, Germany accounted for 56 per cent of all coffee and 51 per cent of all cocoa exported from Venezuela. During the World War II Germany like the rest of Continental Europe was cut off from Venezuela. In 1951, on the basis of value statistics Germany accounted for less than one per cent of Venezuela's coffee exports and for 2.4 per cent of the cocoa export. Among other European countries, France took eleven per cent of the coffee exports, a substantially greater share than in 1938, and 2.5 per cent of the cocoa; Belgium, 0.6 and 2.8 per cent; Italy, 0.3 per cent of the coffee; the Netherlands, only negligible amounts of coffee and cocoa. Japan and Canada

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Ministerio de Fomento, Estadística Mercantil y Marítima, Caracas, Departamento de Estadísticas, 1938, 1949, 1950-51, p. 20-30.

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each took only 0.3 per cent of the cocoa in 1951 and Trinidad and Colombia each took 2.2 per cent of the coffee.<sup>14</sup>

Imports: Despite the sharp increases in the quantity and value of the Venezuelan imports in post-war years, only moderate changes have occurred in their relative composition. There have been some increases in the shares of such group of products as capital goods; food, drink and tobacco; stone, glass, and their manufactures; and durable consumer goods. Offsetting these, were declines in imports of textile fibers and manufactures, chemicals, and to a smaller extent, in imports of fuels and lubricants.

Venezuela imported \$97 million of goods in 1938. The total increased to a peak of \$839 million in 1948, but dropped to \$642 million in 1951, latest year for which these statistics are available to the writer.<sup>15</sup> Although imports embraced a wide range of products, fifteen categories accounted for half of the total in most recent years. In 1951, the large import categories in terms of value included various types of industrial machinery, apparatus and parts; iron and

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<sup>14</sup> Banco Central de Venezuela, Memoria 1949 and 1950, Caracas, p. 37-38 and 44.

<sup>15</sup> Ministerio de Fomento, Estadísticas del Comercio Mundial de Venezuela, Caracas, 1951, p. 15-45.

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steel goods; passenger cars, trucks and chassis; cotton  
peace goods; paper and cardboard; pharmaceuticals, glass and  
manufactures; tires and tubes; cement and such agricultural  
products as preserved milk, wheat flour, and milled rice.

Quantity increases in the major import categories in  
1951, compared with 1938, were the largest in the case of  
preserved milk, which rose 852 per cent; refrigerators which  
rose 474 per cent; and paper and cardboard, which rose 412  
per cent. Other large increases occurred in the case of iron  
semi-manufactures, 356 per cent; wheat flour, 336 per cent;  
glass manufactures, 333 per cent; and passenger cars, trucks  
and chassis, 317 per cent<sup>16</sup>.

Only the U.S.A. and Canada, among Venezuela's major  
suppliers, accounted for the larger share of the Venezuelan  
market in 1953 than in pre-war years. The United Kingdom in  
1949 and 1950 slightly exceeded its pre-war share, but was  
down again in 1951. Germany, the second largest pre-war sup-  
plier, twelve per cent in 1938, was cut off during the war,  
but has been gaining steadily since 1948, and in 1951 account-  
ed for more than four per cent<sup>17</sup>.

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<sup>16</sup> Ministerio de Fomento, Boletín de Estadística, Enero 1950-52, Caracas, Departamento de Estadísticas, p.23-5 and 45.

<sup>17</sup> Ibid., Enero 1953, p. 12-16.

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The United States of America is by far the most important supplier of Venezuelan imports. In 1938 about 56 per cent by value of the total was obtained from that source, and in 1948 about 78 per cent. However, the United States of America share declined slightly after 1948, amounting to 67 per cent in 1951. The decline was due largely to revived competition from several European countries, particularly Germany and Belgium, France and the Netherlands. In addition Canada was becoming an important supplier for the first time.

Venezuelan imports from the United States includes almost the full range of American production, but they are especially important in the case of such industrial products as machinery and apparatus, automobiles and parts, and iron and steel tubes. Also, Venezuela is the United States of America largest customer for powdered milk; other imports of agricultural products from the U.S.A. include wheat flour, various fresh and canned fruits, potatoes and eggs.

Imports from the United Kingdom, the second largest supplier in the post-war period, likewise include a wide range of goods. Some of the most important are iron and steel tubing and other manufactures, textiles, and automobile parts.

Imports from Canada include numerous industrial products such as machinery, automobiles, copper and aluminum.

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The largest single import is that of wheat flour. Other large food imports include preserved milk, potatoes, and eggs. Newsprint is also a major import from Canada.

Present Venezuelan trade relations with other nations are generally governed by commercial modus vivendi or by more formal agreements. Venezuela has two commercial treaties properly speaking at the present time; that with the United States of America dated from November 1939, while a treaty with France was signed in Caracas in July 1950. In addition to these two treaties there are modus vivendi agreements or treaty clauses granting most - favored - nation treatment, on the basis of reciprocity, with Belgium, Bolivia, Brasil, Canada, Switzerland, Chile, El Salvador, Spain, United Kingdom, Haiti, Italy and Norway. These countries benefit, in accordance with the principle of the most-favored-nation, from the relevant parts of the treaty with France and the United States of America. The above mentioned agreements are negotiated for one year, subject to renewal, but may be terminated upon thirty days notice.

Venezuela is a member of the International Wheat Agreement under which that country agrees to import 170,000 metric tons of wheat flour in each agreement year from the exporting Agreement members, at specified prices which are

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currently substantially below the world market price. Venezuela is not a member of the GATT but, nevertheless, she follows closely all the legal procedures of that agreement. Besides, she is a member of the International Bank for Reconstruction and Development, and also of the International Monetary Fund, as well as of some other international organizations which are under the United Nations Organization.

## CHAPTER II

## HISTORY OF TRADE BETWEEN VENEZUELA AND CANADA

The purpose of this chapter is to give a general view of the history of trade between Venezuela and Canada, with the help of some statistical tables. The main objective is to show the different trends and, at the same time, to indicate the solid trade relationship linking the two countries at the present time.

The history of trade between Venezuela and Canada can be conveniently divided into three periods: (1) The period between World War I and World War II (with two subdivision, covering the years 1918 to 1928 that are considered the prosperity years, and the years 1929 to 1938, which includes the depression phase); (2) World War II, and finally, (3) Post World War period.

## Period between the Two World Wars

## Years 1918-1928

Venezuelan trade suffered no serious setback during World War I, though it was carried on more and more with the United States of America, which became the principle market for Venezuelan produce, and also furnished the greater part

## HISTORY OF TRADE BETWEEN VENEZUELA AND CANADA

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of Venezuela's imports. The United Kingdom succeeded in supplying, throughout the hostilities, considerable quantities of merchandise.

During this period, textile machinery and agricultural machinery came mostly from Great Britain and Germany; drugs and patent medicines from France, Germany and U.S. Porcelain was imported from Holland and Great Britain, the wheat imported was Canadian or American, foodstuffs came mostly from the U.S.

The order of importance of Venezuelan exports during this part was: coffee, cocoa, petroleum, balata gum, hides and skins, sugar, asphalt, corn, pearls, divi-divi, copper ore, fertilizers, tonka beans and tobacco leaf.

With the armistice, stagnation set in as prices of Venezuela's exports began to fall. But the world scarcity of goods soon caused prices again to rise rapidly, and during the last half of 1919 and the first half of 1920 the principal exports of Venezuela - coffee, cocoa and hides - were selling at record prices. A wave of prosperity swept over the country, and as prices of imported goods were also rising, trade became extraordinarily active. Money was plentiful and people bought and sold as if prices would continue to rise indefinitely. The summer of 1920 saw a sudden check and

## HISTORY OF TRADE BETWEEN VENEZUELA AND CANADA

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prices began to fall again and the demand for coffee, cocoa, etc., fell away. Coffee fell from Bs. 130 per hundred pounds at the beginning of 1920 to Bs. 70. Cocoa also fell from Bs. 90 per hundred pounds to below Bs. 40, which is about equal corresponding to the cost of production. The result was a complete paralysis of business, which up to August 1921, had shown but few signs of recovery.

After 1921, there had been a noticeable improvement in trade, the briskness of trade was due mainly to the excellent coffee crop of 1924 which fetched very high prices; the cocoa and sugar crops during that year were also good. To all of this it is necessary to add that, from 1925 through 1928, the trade in general had improved considerably, which, not counting the coffee and cocoa that represented during this part some two-thirds of the value of the exports of the country, principally resulted from part of the development of the petroleum industry, although the state of the agricultural industry of the country has also continued in a satisfactory way.

After having discussed in a general way Venezuela's total trade during this period, it is appropriate now to investigate particularly the trade between Canada and Venezuela, which will be analysed with the aid of various statis-

## HISTORY OF TRADE BETWEEN VENEZUELA AND CANADA

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tical tables in which are included all the main details concerning the exports and imports of commodities of both countries.

The essence of Venezuela's exports to Canada by main groups, and the values of such exports via the U.S., in the part under consideration, is outlined in Table II.

As is shown in this table nearly the whole value of goods exported to Canada was in the form of agricultural and vegetable products. The values of these goods showed an upward and downward trend, and this was due first to the rise in prices of Venezuela's export goods up to the year 1921, when they suffered a great setback. The record value of these goods exported to Canada was in 1921.

The group of agricultural and vegetable products was followed by exportations of animals and animal products, the average value of which is rather insignificant as compared with the value of total exports; except for 1919, during which the values of goods exported was relatively high. The remainder of Venezuela's export commodities is also without importance.

Considering the total share of Venezuelan exports to Canada, it is necessary to mention that they are comparatively unimportant if one takes the whole value of goods that Canada imported from the rest of the world.

TABLE II.-  
 Venezuela's Exports by Main Groups to Canada, and Venezuela's Exports  
 to Canada via the United States of America<sup>1</sup>

Years	Agricultural and Vegetable Products (except che- micals, fibres)	Animals and animal pro- ducts (except chemicals and fibres)	Chemicals and Allied Products	Miscellaneous Commodities	Total Exports	Exports to Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$
1918.....	300,949	120		223	301,292	212,889
1919.....	125,122	24,031		2	149,155	73,590
1920.....	299,584	131		525	299,240	144,878
1921.....	449,329	1,916		112	451,357	395,070
1922.....	286,618			7,687	295,305	47,324
1923.....	341,555	190		11,150	352,895	37,540
1924.....	169,962			627	170,589	108,928
1925.....	171,332			4,162	175,494	152,759
1926.....	188,761				188,761	99,060
1927.....	190,778				190,778	196,762
1928.....	206,421	5,275	1,096	746	213,538	158,979

<sup>1</sup> Department of Trade and Commerce, Annual Trade Report, 1918-1928, Ottawa, Dominion Bureau of Statistics.  
 , Trade of Canada, 1926-1928, Ottawa, Dominion Bureau of Statistics.

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In analysing Venezuela's exports to Canada via the United States during this part, it is found that from 1918 to 1928 the exports amount to the value of \$1,627,779 out of total exportations of \$2,837,404 were shipped via the U.S., representing 46.18 per cent of the total export values. The reason why these goods are exported by Venezuela to Canada via the U.S., is that the facilities of transportation are obtained at much lower cost. For instance, in considering Venezuela's exports to Canada, it is more economical to ship these goods from Venezuela via the U.S. if they are going to supply the central part of Canada, and also it influences the seasonal navigation in the non-accessibility of the central Canadian ports due to the atmospheric phenomena.

Turning now to the question of Venezuela's imports from Canada by main groups and that of transit through the U.S., Table III shows the more diversified aspect of the trade involved and also a similarity in the importance of shipments via the U.S., but with a much greater percentage.

This table shows that the leading group of Venezuelan imports from Canada is made up of agricultural and vegetable products, such as wheat, canned goods, and miscellaneous agricultural products. A constant upward trend of the importation of these products is observed, with the exception of

TABLE III.-

Venezuela's Imports by Main Groups from Canada and Venezuela's Imports  
<sup>1</sup>  
 from Canada via the United States of America

Years	Agricultural and vegetable products (except chemicals, fibres and wood)	Animals and animal products (except chemicals and fibres)	Fibres, textiles and textile products	Wood, wood Products and paper	Iron and its products	Non-ferrous metals and their products	Non-metallic minerals and their products except chemicals	Chemicals and Allied products	Miscellaneous commodities	Total imports	Imports from Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1918.....	83,335		8,477	10,880	75				1,168	103,935	96,088
1919.....	10,124		14,330	8,372	5,170			239	2,172	40,407	33,221
1920.....	338,470	217	27,682	21,321	14			4,932	1,955	404,007	403,568
1921.....	193,470	10,489	28,640	32,731	8,032	785	134	1,198	3,062	278,541	278,447
1922.....	467,429		4,789	12,186	24,824	1,470	13	970	818	512,499	508,341
1923.....	647,729		12,852	6,042	56,259	1,948	1,333	19,354	1,554	747,071	711,939
1924.....	727,278	2,192	19,027	17,070	76,735	8,477	245	21,009	766	872,799	864,451
1925.....	824,927	31,864	42,938	26,296	81,616	36,830	22	19,626	1,134	1,065,253	1,000,103
1926.....	978,865	59,551	51,350	6,706	345,748	6,028	411	30,780	3,894	1,483,333	1,446,006
1927.....	1,448,466	63,276	9,548	5,582	630,075	8,369	1,552	41,868	85,140	2,293,876	2,227,747
1928.....;	882,563	82,476	11,528	22,196	381,994	6,342	2,479	86,708	21,258	1,497,544	1,389,146

<sup>1</sup>  
 Department of Trade and Commerce, Annual Trade Report, 1918-1928, Ottawa, Dominion Bureau of Statistics.  
 , Trade of Canada; 1926-1928, Ottawa, Dominion Bureau of Statistics.

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the year 1928. That upward trend is also noticeable in other groups, namely: fibers, textiles and textile products, wood, wood products and paper. It is interesting to notice that the importation of iron and its products increased by approximately four hundred per cent in 1926, and this trend was accentuated the following year. However, in 1928 a remarkable decrease in Venezuela's imports from Canada was intensified in this group. While, on the other hand, in the remaining groups, accounting for relatively small proportion of the trade involved, that trend of increasing trade followed by the drop in 1928, is not as evident.

So it is that generally one may say that the total imports from Canada during these years show a constant increase from 1922 up to 1927, at which time the highest value was recorded, followed in the year 1928 by a great decrease in the total imports value. This decrease was due to economic conditions in Venezuela, brought about by a bad harvest in the middle of 1928.

Comparing Venezuela's total imports share from Canada with the rest of the world, it cannot be considered as a large percentage due to the insignificant values as compared to the rest of the world.

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In the column of Venezuelan imports from Canada via the U.S., one notices that the value of these goods amounted to \$8,959,057, which is a proportion of 83.31 per cent of the total imports value.

In order to bring out in a more simplified form the motive of the commercial transactions that are involved in the period under study, it will now be appropriate to discuss the yearly figures of Venezuela's total trade with Canada; balance of trade and exports to Canada (dutiable, duty collected and total exports). (See Table IV.)

In the analysis of this table, under the total trade column appears the total trade of Venezuela with Canada, that is, the sum of the values of goods either exported or imported by both countries. Further details concerning this total trade are not necessary due to the analysis previously made when the exports and imports were discussed.

Under the column of balance of trade, indicated are the values which were favorable to both countries either in exports or imports. Under the exports heading, one can observe that the balance of trade was positive to Venezuela during the years 1918, 1919 and 1921. This advantage on the part of Venezuela was mainly due to the great value of agricultural goods which were exported to Canada during those years,

TABLE IV.-  
 Venezuela's Total Trade with Canada;  
 Balance-of-Trade and Exports to Canada  
 (Dutiable, duty collected and total exports).<sup>1</sup>

Years	Balance of Trade			Exports		Total Exports
	Total Trade	Exports	Imports	Dutiable	Duty Collected	
	\$	\$	\$	\$	\$	\$
1918.....	405,227	197,357	-0-	301,292		301,292
1919.....	189,596	108,714	-0-	104,831		149,155
1920.....	703,247	-0-	104,908	291,879	39,054.03	299,240
1921.....	729,898	172,816	-0-	449,519	57,366.92	451,357
1922.....	806,804	-0-	218,194	294,305	137,203.72	295,305
1923.....	1,099,966	-0-	394,280	352,895	136,304.00	352,895
1924.....	1,043,388	-0-	702,338	169,962	30,481.09	170,589
1925.....	1,237,747	-0-	890,104	175,494	22,894.00	175,494
1926.....	2,446,016	-0-	1,294,761	188,761	21,488.46	188,761
1927.....	1,778,676	-0-	2,103,396	190,778	22,784.68	190,778
1928.....	1,992,528	-0-	1,284,131	206,421	28,351.14	213,538

<sup>1</sup> Department of Trade and Commerce, Annual Trade Report, 1918-1928, Ottawa, Dominion Bureau of Statistics.

, Trade of Canada, 1926-1928, Ottawa, Dominion Bureau of Statistics.

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mostly coffee and cocoa, and also indirectly because of the great prosperity reigning in Venezuela as a result of the high selling prices of the two commodities previously mentioned.

Meanwhile, Venezuela's imports from Canada were very profitable to the latter country due to the favorable balance of trade that Canada had in 1920, and from 1922 to 1928 inclusive. A great percentage of the value of those goods that were imported by Venezuela was mainly agricultural and vegetable products; fibers, textiles and textile products; wood and wood products, and paper; and iron and its products. The demand for these increased as a result of the above-mentioned reigning prosperity.

It is proper to remark that the invisible items concerning the balance of payments are not included in this table, as a detailed analysis was not available, due to the fact that all of them referring to Venezuela's balance of payments with Canada are not detailed, but appear in a global way with all the other South American countries in statistical tables.

The next column in the table under the heading of exports shows the values of dutiable goods which were exported by Venezuela to Canada, and the duty collected on the value

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of dutiable export goods. Under the column of duty collected, statistics for the years 1918 and 1919 were not available. As it can be seen, during this part, most of the Venezuelan exports to Canada were subject to duty. Although it must be borne in mind that for the years 1918, and from 1918 through 1927 inclusive, all the total exports to Canada were on dutiable basis. This leaves the remaining years (1919 to 1922 and 1928) with slight percentages on the values of goods which were not subject to duty; all those duty free goods exports to Canada are rather unimportant due to their small values. Nevertheless, the year 1919 could be considered as an exception, because its values cover over thirty percent of the total percent of the total exports, due to the type of goods which were involved in that year and on part of which Canadian tariff did not apply. The levy on those dutiable exports was mainly applied by the Canadian Government to the coffee and cocoa commodities. The highest value recorded in those dutiable goods was for the years 1922 and 1923.

Before concluding this period, it is proper to mention that nearly all of the Venezuelan exports to Canada were in the form of raw materials, and by 1928, 99.14 per cent of her total exports to Canada were in that form, and the remaining percentage was left to the partly and fully manufactured

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forms. On the other hand, Venezuela's imports of manufactured goods from Canada made up nearly the whole percentage of the total imports values, which in 1928, for instance, amounted to 99.13 per cent of her total imports from Canada.

## Years 1929-1938

At this point it would be fitting to give a general introduction to the depression period which in part, was felt with less severity than in other parts of the world.

With the world slump that shortly afterwards set in, Venezuela perhaps suffered less than most countries and, the financial position of the Government was quite sound. Nevertheless, the effect on general trade had been sharply felt. The principal causes for the depression in Venezuela were first, the break in coffee prices at the end of 1929, when the year's crop was brought in, and secondly, - to a lesser extent - the decreased world demand for petroleum.

It would be somewhat erroneous to assume that the prosperity of Venezuela depends mainly on the oil fields. It is true of course that a very large income is derived from oil, but, despite that portion which went to the Government in the form of taxation, etc., a goodly portion tended to remain in the hands of a few. Oil gave a considerable amount

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of employment, but owing to the shortage of labor in Venezuela it was necessary to draw from the exterior, and to take men away from agriculture. These men earned high wages in the oil fields, and when work finished they were naturally not inclined to go back to their former labor at lower wages. The money paid to the Government was to a great extent expended on public works, such as national highways, etc., and the worker benefited in the form of higher wages for a time. These works, however, were apt to be spasmodic and depended to a great extent on the Government bank balance. Now that the income from oil is less, it is not unreasonable to assume that less will be spent on public works. Much more depends on the coffee crop. Coffee has always been a more national industry than petroleum, and the benefits accruing from a bountiful crop and the good prices were much more widely diffused than the receipts from petroleum. In 1929-30, coffee was fetching as much as Bs. 140 a bag and the prosperity radiated. In 1932 the grower considered himself lucky to get Bs. 70. The effect was quickly felt in Venezuela; both the planter and the peon immediately felt the pinch, which was to be communicated shortly to the commercial houses.

Venezuela was threatened in the middle of 1934 with a serious collapse. This was due to the departure of the U.S.

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from the Gold Standard, involving the devaluation of the dollar to the equivalent of three bolivares in place of five, and the consequent fall in the prices received by growers for coffee and cocoa. The real foundation of the economic structure of Venezuela was on the point of collapse. Every bag of coffee sold meant a serious loss, and it appeared that widespread bankruptcy, unemployment and even starvation were imminent. Trade in the interior of the country was reduced to barter as no one had any money even for immediate needs. Faced by a situation which required immediate action, the Government announced a bounty of ten million bolivares to be distributed among growers in proportion to their production and to their needs. The mere announcement delayed the crisis and extended the credit of producers, although when the distribution was made towards the end of the year, it had very little real effect on the movement of trade. The respite given was, however, used by the Government to study some more permanent method of relieving the situation. This took the form of a request to the banks, in August 1934, to refuse to sell dollars at less than Bs. 3.93 to the dollar. The instruction was naturally obeyed with the immediate result that all exchange transactions through the banks ceased for a time. The Government then concluded an arrangement with the oil

companies by which the latter agreed to sell to the banks only so many dollars as were required to meet the normal demand for exchange, and to sell all their remaining dollars to the Government at the rate of Bs. 3.04 (the gold point), these to be used for the purchase and import of gold to replace the silver reserve which would then be put into circulation. Considerable amounts of gold had to be purchased under the scheme, which had worked fairly well in spite of a good deal of unofficial exchange dealing. The banks lost rather heavily over the deal, but the increased price received for coffee added to the slight relief afforded by the subsidy, and had undoubtedly, at least temporarily, averted disaster.

Customs duties which were already very high, were further increased, practically under every heading, no doubt with the view towards maintaining the national revenue which, if petroleum royalties were left out of account, depended almost wholly on those duties.

Luxurious tastes were acquired during the days of prosperity, and those habits were hard to change in times of stress. The peon was unable to buy, the village stores were overstocked, collections were difficult, and on all sides one heard complaints of heavy losses. The big exporters and im-

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porters in Caracas or Maracaibo suffered severely, and even the strongest were feeling strain. Of the others, many became insolvent, but some executed drastic economies and struggled along.

From 1935 on the situation started to recover again, and as a result an era of prosperity radiated throughout the country, and this was reflected in the pattern of trade with increase in exports coupled with increasing imports.

In the light of these economic developments taking place in Venezuela, it will be seen that Canada's trade relations with that country reflected particularly the adjustments that underwent Venezuela's economy during this period, namely, a shift in the nature of exports from agricultural and vegetable products to the more remunerative exports of non-metallic minerals and their products.

The essence of Venezuela's exports by main groups to Canada and exports via the United States bring this out very clearly in Table V.

In the analysis of this table the picture is quite different as compared with the period previously discussed.

This as it can be seen, is: The group of agricultural and vegetable products which shows an increase from 1929 to 1930, which year is the highest peak in this period. From

TABLE V.-

Venezuela's Exports by Main Groups to Canada and Exports via the United States of America<sup>1</sup>

Years	Agricultural and vegeta- ble products (except che- micals, fibres and wood)	Fibres textiles and textile products	Iron and its products	Non- ferrous metals and their products	Non-metallic minerals and their products (except chemicals)	Miscellaneous commodities	Total Exports	Exports via U.S.A. to Canada
	\$	\$	\$	\$	\$	\$	\$	\$
1929.....	156,078				545,847	10	701,935	97,728
1930.....	203,254				324,781	927	528,962	78,849
1931.....	197,230				2,827,108	246	3,024,584	60,668
1932.....	72,617			2,132	254,277		329,026	49,577
1933.....	39,318				822,517		861,835	30,970
1934.....	32,104				364,429		396,533	18,744
1935.....	34,637				800,211		834,848	18,916
1936.....	33,487				1,236,950		1,270,437	20,070
1937.....	33,209	57			973,361		1,006,627	8,570
1938.....	16,752		4		2,586,836	12	2,603,604	6,919

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1929-1938, Ottawa, Dominion Bureau of Statistics.  
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1932 up to 1938, agricultural and vegetable products show a continuous decline in the values exported, and this is due, first: to the break in coffee prices which was caused by the world slump, and secondly: to the departure of the U.S. from the Gold Standard. The remainder (77.7 per cent) was grouped in the non-metallic minerals and their products. It is worthwhile to mention that a peculiar characteristic was noticeable during this period, and this was the great change in Venezuela's exports in the fields of non-metallic minerals and their products (mainly oil), which gives the first figures as exports are concerned for the year 1929. During 1930, once again the leading group was non-metallic minerals and their products, though there is a noticeable decrease in their values as compared to the previous year. By 1931, the same group shows a very considerable value which is the highest during this period. Afterwards, in 1932, a noticeable decrease was evident, and this was only due to the decreased world demand for petroleum and in this case the decrease was also evident in the quantities of Venezuela's petroleum exports to Canada. After this decrease, the following years show some fluctuations which were mainly due to the factors already mentioned. These occurred up to 1936 when they amounted to nearly fifty per cent of the high value of goods ex-

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ported in 1931. After 1936 a slight decrease is noticeable, but 1938 brought a great increase of over a hundred per cent of the values exported, where over 90 per cent of the exports were included in the group of non-metallic minerals and their products.

Besides, the other groups are without importance due to their small percentage of their values exported.

Under the column of Venezuela's exports to Canada via the U.S., it is indicated that a very small percentage of the values were exported to Canada through that country, and from 1929 to 1938 only \$ 391,011 out of \$ 11,558,391 were exported via the U.S. which gives a percentage of 0.03 of the values exported during that period.

In considering the total exports value during this part (1929-1938), the writer found that the percentages of exports to Canada are <sup>N</sup>significant as compared to Venezuela's exports to other parts of the world.

Turning now to the question of Venezuela's imports from Canada by main groups, and imports of Canadian produce via the United States, the essence of this will be shown in Table VI.

In the analysis of this table, in nearly every one of the groups an upward and downward trend is noticeable in

TABLE VI.-  
Venezuela's Imports by Main Groups from Canada and Imports  
1  
via the United States of America

Years	Agricultural and vegeta- ble products (except che- micals, fibres and wood)	Animals and ani- mal pro- ducts(ex- cept che- micals and fibres)	Fibres, textiles and textile products	Wood, Products and paper	Iron and its products	Non- ferrous metals and their products	Non- metallic minerals and their products (except chemicals)	Chemicals and allied products	Miscela- neous Commodi- ties	Total imports	Imports from Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1929.....	854,246	138,259	14,630	31,799	626,267	10,402	635	110,028	6,283	1,792,549	1,670,032
1930.....	480,953	116,674	16,698	18,374	526,501	21,851	131	94,990	10,771	1,286,943	1,199,797
1931.....	543,919	34,516	13,887	45,045	279,654	40,683	101	92,599	7,819	1,058,223	993,787
1932.....	335,573	32,236	5,211	38,742	44,881	6,555		81,229	5,400	549,827	518,827
1933.....	252,265	427	5,823	30,276	9,573	12,796	51	35,945	4,621	351,777	331,975
1934.....	264,242	1,634	11,174	36,844	3,629	6,805	342	73,567	3,069	401,306	354,414
1935.....	326,856	3,471	12,583	33,399	4,414	30,602	84	68,113	4,988	484,510	439,607
1936.....	351,641	21,198	4,798	60,944	16,753	40,051	1,310	70,490	4,502	571,687	533,277
1937.....	546,892	114,549	13,533	90,704	9,220	51,798	552	114,821	74,552	1,016,621	972,273
1938.....	645,350	315,108	24,955	166,262	26,268	52,972	240	115,096	41,051	1,387,302	1,363,602

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1929-1938, Ottawa, Dominion Bureau of Statistics.

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the values of goods which were imported by Venezuela from Canada. During the first three years great values were imported by Venezuela, followed by considerable decreases up to 1937, a year during which the imports came to a similar situation as compared with the year 1931. By 1938 imports were still increasing but they had not yet reached the level of the record year of 1929. These fluctuations were mainly due to all the external and internal facts which have been previously mentioned in the introductory paragraph, as for instance: the break in coffee prices due to the depression, decreased demand in world petroleum, devaluation of the bolivar due to the departure of the U.S. from the Gold Standard, and so forth.

In analysing every one of the groups, one notices that during the first three years the leading group was agricultural and vegetable products, which shows its highest amount in 1929. In considering others of the main groups, it is necessary to take into account iron ore and its products which during the first three years amounted to nearly forty percent of the imported total. Afterwards, very small amounts were imported by Venezuela because she was importing from other countries especially from the United States.

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Scatter amounts are seen on the rest of the importing groups, which are not as important as those already mentioned.

Nevertheless, it is proper to consider that at the year of the recovery (1937), and 1938, most of the imports excluding agricultural and vegetable products, were the animals and animal products which includes a high percentage of the total imports, especially in 1938. During these last two years, wood, wood products and paper, and chemicals and allied products also played an important role in the imports.

In considering the percentages of Venezuela's imports from Canada as compared with the rest of the world, it is without importance, due to the small values which were involved.

The last column of the table shows Venezuela's imports from Canada via the United States, which represents a great percentage of the goods that were imported from Venezuela through the U.S. An average of all the years included in this period shows that 94 per cent of the Venezuelan imports from Canada were via the U.S.

To give a clearer view of the nature of trade involved between the two countries during the period under study, the next step will be to describe with the help of Table VII, Venezuela's balance of trade with Canada, total trade, and exports to Canada (total exports), dutiable and duty collected.

TABLE VII  
 Venezuela's Balance of Trade with Canada,  
 Total Trade and Exports to Canada  
 (Total exports, dutiable and duty collected)<sup>1</sup>

Years	Balance of Trade		Total Trade	Total Exports	E x p o r t s	
	Exports <sup>2</sup>	Imports <sup>3</sup>			Dutiable	Duty Collected
	\$	\$	\$	\$	\$	\$
1929	o	1,090,750	2,238,067	701,935	155,335	19,804.77
1930	o	757,981	1,610,399	528,962	202,325	28,238.71
1931	1,966,361	- o -	3,625,346	3,024,584	183,722	44,944.20
1932	o -	220,261	699,877	329,026	67,119	14,653.44
1933	509,991	o -	1,213,212	861,835	39,318	9,927.74
1934	o -	5,290	1,297,839	896,533	31,088	7,681.08
1935	349,397	- o -	1,319,358	834,848	34,254	7,557.90
1936	698,124	o -	1,842,124	1,270,437	33,487	9,674.74
1937	- o -	10,526	2,023,248	1,006,627	33,266	8,721.50
1938	1,214,822	o	3,990,906	2,603,604	16,756	4,444.54

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1929-1938, Ottawa, Dominion Bureau of Statistics.

All figures for 1929-1938, are given by Fiscal Years ending March 31st.

<sup>2</sup> Author's Computations.

<sup>3</sup> Author's Computations.

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In the analysis of this table, under the column of balance of trade, indicated are all the positive and negative values which were recorded by both countries. Under the exports heading of this table one can see that the balance of trade was favorable to Venezuela during the years 1931, 1933, 1935, 1936 and 1938. This favorable situation on the part of Venezuela was mainly due to the great value of non-metallic minerals and their products (except chemicals) which were exported to Canada, that covered nearly the whole of the exported goods. Before going further it is convenient to mention that the favorable values on the part of Venezuela for the two last years were over fifty per cent of the total exports.

Meanwhile, under the imports column one notices a very advantageous situation for Canada, since in the first year fifty per cent of her exports to Venezuela were favorable to the former country. The years 1930, 1932, 1934 and 1937 show also favorable values to Canada, but these positive values were not very significant, especially for the last two years. As it was previously discussed the Venezuelan imports from Canada were mostly agricultural and its products.

Before going into a more detailed analysis, it should be mentioned that the invisible items, which form part of the balance of payments are not included in this table, as they

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are not available due to the fact that all figures referring to Venezuela's balance of payments with Canada are not broken down, but are included in the aggregate with all the other South American countries in statistical tables.

In the column of exports with three headings, total exports, dutiable exports and duty collected, one notes that under the heading of dutiable value of goods exported by Venezuela to Canada the figures are rather high during the first three years. In 1930 the dutiable value amounted to forty-five per cent of the total exports, but with the exception of the year 1932 where the percentage was twenty per cent, the remaining years until 1937 show that approximately only four per cent of the total exports were on a dutiable basis. In 1938 this figure was down to three quarters of one per cent. It must be mentioned, however, that the free goods covered a great percentage of the total exports and this was mainly due to the petroleum exports which entered Canada under the classification of free goods after 1930. Under the heading of duty collected one can see that during the first two years of this period the duty applied was rather low (in 1929 twelve per cent of dutiable value of goods, and in 1930 eleven per cent) as compared with the following years where that duty covers between twenty and thirty per cent of the dutiable value of goods.

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The levy on those dutiable exports was applied by the Canadian Government to such goods as coffee, cocoa, hides, leather and other miscellaneous commodities.

Before concluding the analysis of this period, it is appropriate to make a detailed study of the percentages of Venezuela's exports to Canada and imports from Canada according to the degree of manufacture of the goods involved. This will be shown in Table VIII.

This table shows that first, nearly all the Venezuelan exports to Canada were in the form of raw material, with a very small percentage of the manufactured goods for the years from 1929 to 1933, and for 1937 and 1938. As it can be seen all the exports were in the form of raw materials from 1934 through 1936 inclusive. However, it should be mentioned that in view of the great need that Canada had for oil, this item represents the greatest proportion of the raw materials imported during those years.

Venezuela's imports from Canada show an entirely different situation, and this is that an average of this part indicates that 98.54 per cent of these imports were in the form of fully manufactured goods, as compared with an average of .77 per cent for the partly manufactured and .68 per cent for the raw materials.

TABLE VIII  
 Percentages of Venezuela's Exports to Canada and Imports  
 from Canada According to their Degree of Manufactures<sup>1</sup>

Years	Exports <sup>2</sup>		Exports <sup>4</sup>			Imports <sup>5</sup>		
	\$	\$	Raw Materials %	Partly Manufactured %	Fully Manufactured %	Raw Materials %	Partly Manufactured %	Fully Manufactured %
1929.....	701,935	1,792,549	99.9		0.1		.51	99.49
1930.....	528,962	1,286,943	99.82		0.18	0.01	.52	99.47
1931.....	3,024,584	1,058,223	99.53	.46	.01m	3.33	.71	95.95
1932.....	329,26	549,827	99.35	-	.65		1.39	98.61
1933.....	861,835	351,777	99.99		0.1	.02	3.39	96.59
1934.....	396,533	401,306	100.0	-		.31	.55	99.13
1935.....	834,848	484,510	100.0		-	.58	.51	98.90
1936.....	1,270,437	571,687	100.0	-		.37	.03	99.60
1937.....	1,006,627	1,016,621	99.99	-	0.01	1.02	.08	98.90
1938.....	2,603,604	1,387,302	99.99	-	0.01	1.11	.07	98.82

<sup>1</sup>Department of Trade and Commerce, Trade of Canada, 1929-1938, Ottawa, Dominion Bureau of Statistics.

<sup>2</sup>Author's Computations.

<sup>3</sup>Author's Computations.

<sup>4</sup>Author's Computations.

<sup>5</sup>Author's Computations.

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## Second World War

During the Second World War one of the characteristics of Venezuela's foreign trade was the limited number of articles which constituted her exports to other countries, as compared with the diversified number of goods that she imported from foreign countries.

As regards the direction of Venezuelan foreign trade, it is proper to mention that during the pre-war period, most of Venezuelan exports excluding petroleum had as principal destination Europe, and in second place the United States, while the latter country was at that time the most important supplier of Venezuela's imports. At the beginning of the war, Europe was practically out as a market for Venezuelan exports, which were guided by circumstantial forces towards the U.S., and in minor degree to some countries of Latin America and Canada. During the Second World War, the United States kept her position as the first consumer market of Venezuelan petroleum and the agricultural fruits that Venezuela exported.

Regarding the imports, the United States was still the principal supplier of Venezuelan requirements. However, the economic relations of Venezuela experienced an increase with some Latin American countries. During 1943, for instance, Venezuelan imports amounted to a value of Bs. 226.06 million,

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of which Bs. 148.05 million came from the U.S., Bs. 21.55 million from Argentina, and Bs. 12.34 million from Brazil. At the end of the war (1945), the total value of Venezuelan imports was of Bs. 804.85 million, of which Bs. 649.77, 80.72 per cent of the total, corresponded to the importations<sup>1</sup> from the United States of America .

When the war broke out, the National Government was obliged to put into practice a series of emergency measures, one of them being the creation of a control of importations, because of the shortages of foreign reserves which the country experienced as a result of the decrease of her exportation of petroleum, coffee and cocoa. Afterwards, when oil shipments towards the U.S. were increased, the problem that faced the Government was totally different. Then there was a great abundance of foreign reserves, but these could not all be used for importations due to the maintenance of control referred to above. To these regulations of the Venezuelan Government was added the control of exportations imposed by the North American authorities with the primordial aim of extending "necessity certificates" required in order

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Banco Central de Venezuela, Desarrollo y Perspectiva Economica General, Caracas, Departamento de Investigaciones Economicas, 1954, p. 54-55.

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to allow the exportations. These certificates were issued in order to control the goods that were needed by North America to carry on the war. In these circumstances of a restricted economy, the direction of the private economy to a certain extent was left in the hands of the Government which could only act according to the change in time and conditions.

After having discussed in general the main factors corresponding to Venezuela's foreign trade with all the countries during this period, it is well now to go into a detailed study of the trade matters involved between Canada and Venezuela. This, as was done in the previous periods, will be done with the aid of some statistical tables, which offer a better illustration of the trade patterns of both countries. It will be seen that the importance of this bilateral trade has continuously enlarged during the years of the Second World War.

The pattern of Venezuela's exports to Canada by main groups and the value of such exports via the United States will be illustrated in the period under study, in Table IX.

The analysis of this table shows that in the group of agricultural and vegetable products, a great variation in values has occurred as compared with the decade previously discussed. Those fluctuations are due to the decline in ex-

TABLE IX.-  
Venezuela's Exports by Main Groups to Canada and Venezuela's Exports  
to Canada via the United States of America<sup>1</sup>

Years	Agricultural and vegetable products (ex- cept chemicals, fibres and wood)	Animals and animal pro- ducts (except chemicals and fibres)	Wood, wood products and paper	Non- ferrous metals and their products	Non- metallic minerals and their products (ex- cept chemicals)	Chemicals and allied products	Miscel- laneous Commodi- ties	Total Exports	Exports to Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1939.....	35,657				1,906,435		1,011	1,943,103	75
1940.....	44,197				3,072,769		1,343	3,118,309	17,219
1941.....	38,071				6,488,413		300	6,526,784	393,351
1942.....	47,023	7,096			9,218,625		1,000	9,273,744	1,837,222
1943.....	96,997	22,336	67		5,882,486		1,940	6,003,826	1,771,392
1944.....	11,098		184		13,811,468	490	3,001	13,826,241	6,374,462
1945.....	427			7,363	17,256,502		3,011	17,267,303	8,729,210

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1939-1945, Ottawa, Dominion Bureau of Statistics, Vol. I and II.

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ports of the two main items - coffee and cocoa - resulting mainly from a decline in their production, this being a reflection of the complete change in economic structure of the country. The highest figure during this period is the one that corresponds to the year 1943 which is still a comparatively small portion of the total exports for that year. Before 1943 the figures are insignificant and the same applies to the years immediately following.

On the other hand, the great shift that has taken place in the economy of the country from an agricultural and pastoral to a mining country is noticeable. This is reflected in the exportation of non-metallic minerals and their products, which lead all groups during this period, and represent over ninety per cent of the total exports to Canada. The decline suffered by the "regular" export items, i.e. cocoa and coffee, left a gap that was filled by petroleum. One can see that the trend in exportation of petroleum shows a constant upward movement, and the yearly increases are of considerable size. Nevertheless, a marked decrease is observable in 1943, due in part to the limited quantity of petroleum sent to Canada from Venezuela, as a result of the great demand for Venezuelan petroleum from other countries at war.

As it can be seen, on and from this period the export situation of Venezuela changed completely as a result of the

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importance acquired by petroleum. The development of that industry was spectacular. Petroleum was needed desperately in order to provide all requirements for war purposes.

The other groups of products which were exported during this period were not important because of their small quantities and the low percentages of the total exports that they represent.

The column of Venezuela's exports to Canada via the United States shows that from 1939 to 1945 inclusive these amounted to \$ 19,122,931, which represents an average of over thirty per cent of the total value of goods exported by Venezuela to Canada during this period.

The nature of Venezuela's imports by main groups from Canada and imports of Canadian produce via the U.S. will now be analysed in Table X.

This table shows that the leading group of Venezuelan imports from Canada is made up of agricultural and vegetable products, a group which keeps a fair stability as compared with the previous period. During the first three years the value of these imports was practically the same, but there occurred a considerable decrease in the next two years, followed in 1944 and 1945 by a return to the normal trend of high values. One of the reasons for the increase in import-

TABLE X.-  
Venezuela's Imports by Main Groups from Canada and Venezuela's Imports  
of Canadian Produce via the United States of America<sup>1</sup>

Years	Agricultural and vege- table pro- ducts (except chemicals, fibres and wood)	Animals and ani- mal pro- ducts (except chemicals and fibres)	Fibres, Textiles and textile products	Wood, wood products and paper	Iron and its products	Non- ferrous metals and their products	Non- metallic minerals and their products (except chemicals)	Chemicals and allied products	Miscel- laneous commodi- ties	Total Exports	Imports from Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1939...	698,244	506,473	32,288	179,260	128,751	61,908	2,125	77,215	16,003	1,702,267	1,659,807
1940...	672,572	345,435	23,897	186,727	261,145	99,210	3,727	113,888	12,910	1,719,511	1,688,375
1941...	674,391	237,629	32,246	293,905	85,352	198,891	40,819	140,111	30,608	1,733,952	1,698,297
1942...	326,832	77,041	15,451	130,576	30,662	98,485	23,107	77,100	18,130	797,384	791,746
1943...	353,362	26,360	6,362	124,375	35,721	67,171	3,755	112,613	5,730	735,449	733,453
1944...	813,408	60,107	45,658	220,439	70,886	175,580	291,678	110,874	21,709	1,810,339	1,381,397
1945...	1,035,407	180,781	163,744	250,298	1,085,237	431,114	177,823	225,123	103,515	4,053,042	2,433,985

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1939-1945, Ottawa, Dominion Bureau of Statistics, Vol. I and III.

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ations of agricultural and vegetable products as compared with the total imports is the shift in the Venezuelan economy and the more favorable position she acquires selling in her trade with Canada.

The group previously mentioned was followed by that of animals and animal products, a group which shows great values during the first three years, but afterwards decreases, as the smallest value of goods was imported in 1943. Another group of significant importance is that of wood, wood products and paper, which shows some small variations, but as a whole is fairly stable and also makes for a sizeable percentage of the total imports. One remarkable feature of this table is the fact that iron and its products, the importance of which was an insignificant factor until 1945, represented in that year over twenty-five per cent of the total imports values from Canada.

One thing stands out from the table as a whole: the imports from Canada for the first three years show a constant increase. This is followed by considerable decreases in the next two years, resulting from the restrictions on imports which were put into action by the Canadian Government as a consequence of its needs for the war. These decreases were compensated for in 1944-45 by proportionate increases.

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Meanwhile, under the column of Venezuelan imports from Canada via the United States, one notices a different situation as compared with the exports side. It shows that out of \$ 12,551,944 which is the total imports value during this period, \$ 10,367,070 were through the U.S., and as a percentage this means an average of 82 per cent of all the total value imported by Venezuela from Canada.

In order to give a more accurate study about the commercial relation between the two countries in this period, it will now be appropriate to discuss all the figures which correspond to the total trade of both countries, balance of trade, and Venezuela's exports to Canada (dutiable, duty collected and total). All of this will be shown in Table XI.

In the analysis of this table, under the balance of trade column one can observe the values which were favorable to both countries, either in exports or imports. Under the exports heading, one notices a very peculiar characteristic in the trade situation of the two countries in this period, and this is that Venezuela had in every year a favorable balance of trade with Canada. All these positive values to Venezuela were rather considerable if one takes into account the total trade of the two countries, but with the exception of 1939 when the positive balance was not a very significant

TABLE XI  
Venezuela's Balance of Trade with Canada<sup>1</sup>

Years	Balance of Trade			E x p o r t s		
	Exports <sup>2</sup>	Imports <sup>3</sup>	Total Trade	Total Exports	Dutiable	Duty Collected
	\$	\$	\$	\$	\$	\$
1939.....	240,552	o -	3,645,654	1,943,103	53,857	17,374
1940.....	1,398,238	o -	4,838,380	3,118,309	46,532	13,195
1941.....	4,789,953	o	8,263,615	6,526,784	96,673	20,629
1942.....	8,448,759	o	10,098,729	9,273,744	46,104	11,570
1943.....	5,267,572	o	6,740,080	6,003,826	96,397	19,627
1944.....	12,015,276	- o -	15,637,206	13,826,241	44,594	5,977
1945.....	13,205,275	o	21,329,331	17,267,303	32,758	3,827

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1939-1945, Ottawa, Dominion Bureau of Statistics, Vol. I, II, and III.

<sup>2</sup> Author's Computations.

<sup>3</sup> Author's Computations.

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percentage. As for the rest of the period: 1939-1945, the trade was favorable to Venezuela to the average tune of needs (sixty per cent of the total trade). This satisfactory situation of Venezuela, as it was already mentioned in the previous analysis, is mainly due to the exportation of petroleum products, which was remarkable during this period. Also, it is worth noticing that during this period the highest figures in the trade history between Venezuela and Canada were recorded.

The imports column is without importance because of the absence of favorable values to Canada during this period.

As was mentioned previously, the invisible items concerning the balance of payments are not included in this chart, because a detailed analysis of these items was not available.

The next column of the table is that of the exports under which is the heading of the value of goods that were submitted to duty (dutiabale) and the duty collected on the value of dutiabale export goods. As it can be seen, under the dutiabale heading the trend already observed in Table VII covering the years 1929 to 1938 continuous. That is the small percentage of dutiabale goods compared to the total exports, mainly because of petroleum still entering Canada on a duty

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free basis. The small values which are dutiable were mainly applied to Venezuela's exports of agricultural goods (coffee, cocoa, and other miscellaneous commodities) where a levy was fixed by the Canadian Government.

The average of the duty collected on the basis of the value of dutiable goods over the years of this period was about 22 per cent.

Prior to the end of the detailed study of the Second World War, it is fitting to show the percentages of Venezuelan exports to Canada and imports from the latter according to their degree of manufacture. This will be included in Table XII.

In this table it is shown that nearly all the Venezuelan exports to Canada were in the form of raw materials, and more accurately, 97.41 per cent of all the values that were exported. The remaining percentage of 2.59 represents fully manufactured goods. This of course shows the great need that Canada has for the Venezuelan raw materials, (which in this part was a considerable factor in the nature of trade).

Under the imports column the situation is entirely different. Indeed only 10.6 per cent of the goods from Canada were in the form of raw materials; 3.8 per cent in the partly manufactured form, and 85.6 per cent in the form

TABLE XII.-  
 Percentages of Venezuela's Exports to Canada and Venezuela's Imports  
 from Canada According to their Degree of Manufacture<sup>1</sup>

Years	E x p o r t s <sup>2</sup>					I m p o r t s <sup>3</sup>		
	Exports	Imports	Raw Materials	Partly Manufactured	Fully Manufactured	Raw Materials	Partly Manufactured	Fully Manufactured
	\$	\$	%	%	%	%	%	%
1939.....	1,943,103	1,702,267	99.01	-	.99	5.3	.4	94.3
1940.....	3,118,309	1,719,511	95.9		4.1	3.5	1.2	95.3
1941.....	6,526,784	1,733,952	96.1	-	3.9	5.5	8.0	86.5
1942.....	9,273,744	797,384	97.0		3.0	12.5	9.1	78.4
1943.....	6,003,826	735,449	97.7		2.3	7.9	3.4	88.7
1944.....	13,826,241	1,810,339	98.0		2.0	22.8	2.9	74.3
1945.....	17,267,303	4,053,042	98.2	-	1.8	16.7	1.9	81.9

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1939-1945, Ottawa, Dominion Bureau of Statistics, Vol. I, II and III.

<sup>2</sup> Author's Computations.

<sup>3</sup> Author's Computations.

of fully manufactured. Venezuela's requirements from Canada were still mainly machinery and to a lesser extent other finished goods.

#### Post-World War

During the years of the post-World War, the characteristics of Venezuelan foreign trade had been similar to those of the war period, and this is due to the reduced number of articles which constituted Venezuelan exports as compared to the diversified number of products which comprise her imports. Another factor which characterizes Venezuelan foreign trade in this period is the continuous increase in the volume of her international transactions.

For the first five years of this period (1946-1950) the main items in Venezuelan exports were petroleum, cocoa and coffee, but in the subsequent years an addition was made to Venezuela's exports, and another important basic item was iron ore. Yet petroleum still remains the main pillar in Venezuela's exports. This mineral has contributed in giving a character of extreme dependency to Venezuela's exports. However, from 1951 to 1953 the shipments of Venezuelan iron ore to foreign countries have increased in such a proportion that this item has reduced that of cocoa to the third place

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among the major exporting items. The addition of this new product will no doubt boost in the years to come the export trade of the country, assuming a normal world demand. It will also help diversify Venezuela's foreign trade and hence give it more stability.

As regards the importations, the Venezuelan case is unique in Latin America and perhaps in the world. The absence of import restrictions, the abundance of foreign reserve to buy in foreign lands, the increase in the real income of the Venezuelans, and the high external purchasing power of the bolivar are factors which have contributed to increase the importation in a similar rythm to that of the exports. But besides the values of Venezuelan imports, these also have been characterized by the diversity of products which are entering the country. Only in the last few years has the entrance of some foreign products been limited in quantities with the purpose of protecting the domestic production of similar articles.

Nevertheless, it is proper to assume that Venezuela's imports have been constituted mainly of articles which make a contribution to increase the resources of the capital of the country, and to a lesser extent of consumption goods.

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Venezuela has signed a series of modus-vivendi and commercial treaties in order to regulate her transactions with individual countries on the basis of mutual concessions. One of the most important of these agreements is the Commercial Reciprocity Treaty negotiated by Venezuela with the United States in 1939, and which was renewed in 1952. Besides that treaty, others have been negotiated in the last few years by Venezuela with the following countries: Belgium, Bolivia, Brazil, Canada, El Salvador, France, Great Britain, Italy, The Netherlands, Spain and Switzerland. All these treaties included the "most favored nation" clause in an unconditional form, except that which was negotiated with the Netherlands in which the clause is conditional.

Having discussed the main factors which are involved in Venezuela's foreign trade during the post-world war, it is now in order to go into a detailed study of the trade pattern of Venezuelan-Canadian trade relations. The post-war period has witnessed a tremendous growth in both Venezuelan and Canadian trade. Reciprocal trade between the two countries alone has multiplied several times. One point stands out clearly. During this same period, both countries have enjoyed unparalleled domestic prosperity, higher productivity and rising real wages. International trade has

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served to stimulate both economies. Canada's share of Venezuelan foreign trade increased tremendously, and today Canada is Venezuela's second best customer. During this part a far reaching event took place between the two countries, and this was the commercial modus-vivendi which was signed on October 11<sup>2</sup>th, 1950, by a Canadian delegation which visited Venezuela. This agreement is renewable each year, and it provides for the exchange of "most favored 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 custom duties and other charges which are levied on goods from other countries enjoying "most favored nation" treatment, such as the United States and the United Kingdom.

In order to show in a more detailed way the solid commercial relations between Canada and Venezuela, and the tremendous increase in the trade between the two countries,

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<sup>2</sup>  
See Appendix A, p. 150.

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the use of statistical tables is indispensable. These tables will show all the different trends occurring in the period under study.

The essence of Venezuela's exports to Canada by main groups and the value of such exports via the United States will be shown in Table XIII.

As is shown in this table the non-metallic minerals and their products account for over ninety-five per cent of the total exports to Canada, a group which shows considerable increases in every one of the years, but these considerable rises are followed with slight decreases in the years 1949, 1950 and 1952, reductions which in the first two years were mainly due to the economic recession that occurred during those years and in the last year because of the Korean War, as a result of the need for Venezuelan petroleum by other countries to carry on the war. This great development in the exports field of Venezuela as related to Canada is due to petroleum and its products, goods which are indispensable to Canada, because of the economic development that has been taking place. There the high values achieved in this group during the period under study reveal without doubt the most important part in the history of trade between the two countries. It portrays the great need of Venezuela's petrol-

TABLE XIII.-  
Venezuela's Exports by Main Groups to Canada and Venezuela's Exports  
to Canada via the United States of America<sup>1</sup>

Years	Agricultural and vege- table pro- ducts (except chemicals, fibres and wood)	Animals and ani- mal pro- ducts (except chemicals and fibres)	Fibres, Textiles and textile products	Wood, wood products and paper	Iron and its products	Non- ferrous metals and their pro- ducts	Non- metallic minerals and their products (except chemicals)	Chemicals and allied products	Miscel- laneous commodi- ties	Total Exports	Exports to Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1946.....	1,636	1,696			20,645	10,061	26,849,580	496	1,760	26,885,874	10,778,647
1947.....	128,072	28,015		226			46,498,880		32,778	46,687,971	11,357,139
1948.....	512,695	4,016					94,195,218		46,350	94,758,279	19,564,955
1949.....	736,405	3,980		28			90,932,100		23,957	91,697,470	15,927,873
1950...	1,007,594		7,095	59			86,226,242		23,087	87,264,077	35,135,880
1951...	565,474		29,693	913	96		136,069,604		51,977	136,717,759	52,215,595
1952...	943,972		273,044	634			134,476,350		64,225	135,758,225	57,014,348
1953...	1,490,275				852		153,601,077		54,402	155,146,606	79,888,173

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1946-1953, Ottawa, Dominion Bureau of Statistics, Vol. I and II.

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eum as a source of supply to Canada. The record figure in this part and in the trade relations between the two countries was registered in 1953.

Considering the percentage that Venezuela's export to Canada represents of the latter's total imports, we can say that in 1946 it was 1.4 per cent of the total Canadian imports; in 1947, 1.8 per cent; in 1948, 3.0 per cent; in 1949, 3.0 per cent; in 1950, 2.7 per cent; in 1952, 3.0 per cent; and in 1953, 3.0 per cent. This means that Venezuela's exports during this period represented an average of 2.6 per cent of the total Canadian imports.

The column of Venezuela's exports to Canada via the U.S. shows that from 1946 to 1953 inclusive, the value of goods that were exported by Venezuela through that country was \$ 281,882,607, a value which represents 37 per cent of the total exports value (\$ 774,916,259).

Turning now to the nature of Venezuela's imports from Canada by main groups and imports of Canadian produce via the U.S., the essence of this will be shown in Table XIV.

This table shows that Venezuela's imports from Canada are of considerable importance in view of the diversified number of commodities which were imported and the high values, as well as the continuous increase which were recorded.

TABLE XIV.-  
Venezuela's Imports by Main Groups from Canada and Venezuela's Imports  
from Canada via the United States of America<sup>1</sup>

Years	Agricultural and vegetable products (except chemicals, fibres and wood)	Animals and animal products (except chemicals and fibres)	Fibres, Textiles and textile products	Wood, wood products and paper	Iron and its products	Non-ferrous metals and their products	Non-metallic minerals and their products (except chemicals)	Chemicals and allied products	Miscellaneous commodities	Total Exports	Imports from Canada via the U.S.A.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1946...	4,121,832	233,788	602,617	421,290	4,004,072	616,785	241,992	185,530	657,952	11,085,858	4,356,830
1947...	5,488,736	495,794	1,000,075	738,967	2,115,331	1,719,028	503,912	278,071	648,711	12,988,625	3,777,581
1948...	5,724,187	1,913,386	857,653	1,284,487	3,373,588	2,435,993	450,700	268,470	626,099	16,934,563	8,903,143
1949...	7,282,160	1,985,484	334,171	1,230,360	3,902,532	2,664,151	198,778	345,415	9,745,586	27,688,637	10,929,565
1950...	9,711,050	3,376,142	530,906	1,886,463	3,085,407	3,822,385	304,421	508,136	2,231,831	25,456,741	11,793,584
1951...	10,391,737	3,819,567	729,091	2,555,364	4,428,527	3,034,789	501,895	864,191	657,082	26,982,243	11,620,457
1952...	10,757,241	5,139,049	297,390	2,589,331	8,702,217	6,607,835	568,924	699,980	312,054	35,683,021	17,829,169
1953...	10,268,927	4,675,953	131,244	2,206,677	7,942,088	3,574,450	796,583	779,673	6,109,137	36,484,732	13,491,401

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1946-1953, Ottawa, Dominion Bureau of Statistics, Vol. I and III.

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The leading group of Venezuelan imports from Canada is made up of agricultural and vegetable products, the need of which was occasioned by the economic channel of the country in mineral development. This group shows a constant upward trend, and in some years considerable increases were registered, as for instance in 1949 and 1950 where tremendous increases are shown. The only disturbance of the trend was in 1953 when a slight decrease in the imports values occurred. An average of this group during the period under consideration shows that 32 per cent of the total import values were included in this group. The commodities included in agricultural and vegetable products were canned goods, eggs, potatoes, wheat, flour, rye, oats, etc.

The group just mentioned was followed by that of iron and its products, a group which shows much fluctuation in the imported values. For instance, a high figure is observable in 1946. This is followed in 1947 by an almost fifty per cent decrease. However, the upward trend is resumed in 1948 and in 1949. Again in 1950, a drop followed remarkable increases, the highest value registered being again in 1952; this was followed by a decrease in 1953. An average of this group for the years which are included in this period shows that iron and its products represent 19 per cent of Venezuela's total import values from Canada.

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The third group in importance is that of non-ferrous metals and their products, which shows a continuous upward trend in every one of the years of the post-war period, with the exception of 1951 when a small decrease was recorded. During this period an average of this group shows that it represents twelve per cent of Venezuela's imports value from Canada.

Another group which reveals a considerable importance is that of animals and animal products, a group which shows a constant upward trend up to 1953, when a considerable decrease occurred. This trend was coupled with significant increases in the years 1950 and 1952. This group during this period represents an average of eleven per cent of the total import values of Venezuela from Canada.

The group just mentioned was followed by that of wood, wood products and paper, a group which shows the same upward trend that was noticed in the previous groups. The upward trend of this group was interrupted by slight decreases in the years 1949 and 1953. This group represents 6.6 per cent of Venezuela's import values from Canada during this period.

Venezuela's imports from Canada as compared with Canada's total exports, represented 0.4 per cent in 1946; 0.4

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per cent in 1947; 0.5 per cent in 1948; 0.9 per cent in 1949; and 0.8 per cent in 1953; the average of all these percentages will indicate that 0.6 per cent of Canadian export values went to Venezuela during the post-war years.

On the other hand, Venezuela's imports from Canada represented 1.9 per cent in 1947; 2.0 per cent in 1948; 2.7 per cent in 1949; 3.8 per cent in 1950, and 4.0 per cent in 1951<sup>3</sup>. For the years 1952 and 1953, the statistical data was not available.

The column of Venezuela's imports from Canada via the U.S. shows a very different situation as compared to the exports, and this is because large values of goods were imported by Venezuela through that country. This amounted to \$ 82,701,730, which was 42 per cent of the total of Venezuela's imports from Canada (\$ 193,304,420).

In order to bring out in a more detailed way Venezuela's trade situation with Canada, the use of Table XV, where are included Venezuela's balance of trade with Canada, total trade, and exports to Canada (total exports, dutiable and duty collected), will be made.

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<sup>3</sup> Ministerio de Fomento, Estadística Mercantil y Marítima and Boletín de Estadísticas, Caracas, 1947 and 1948, and January 1950-52, p. 35-45 and 100-110.

TABLE XV  
 Venezuela's Balance of Trade with Canada,  
 Total Trade, and Venezuelan Exports to Canada  
 (Total exports, dutiable and duty collected)<sup>1</sup>

Years	Balance of Trade		Total Trade	Total Exports	E x p o r t s	
	Exports <sup>2</sup>	Imports <sup>3</sup>			Dutiable	Duty Collected
	\$	\$	\$	\$	\$	\$
1946.....	15,742,590	o -	37,971,732	26,885,874	110,614	11,228
1947.....	33,607,897	- o -	59,676,596	46,687,971	345,531	29,997
1948.....	77,795,673	- o -	111,692,842	94,758,279	516,711	32,761
1949.....	63,857,250	o	119,386,107	91,697,470	740,385	46,077
1950.....	61,732,581	- o -	112,720,818	87,264,077	6,860,063	319,197
1951.....	109,632,004	o -	163,700,000	136,717,757	11,001,443	454,954
1952.....	99,888,052	o	171,441,246	135,758,225	8,630,665	361,502
1953.....	118,518,998	- o -	191,631,338	155,146,606	10,199,344	399,799

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1946-1953, Ottawa, Dominion Bureau of Statistics, Vol. I and III.

<sup>2</sup> Author's Computations.

<sup>3</sup> Author's Computations.

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Here, under the balance of trade column one can see that the situation is very similar to that shown for the years of the Second World War, in that for every year of this period the balance of trade was in favor of Venezuela, and this is represented by the positive values that appear under the heading "exports". All these favorable values to Venezuela indicate that during this period Venezuela sold for over 24 per cent more in value to Canada than she bought from her. This shows that Canada is in a rather unfavorable situation as regards her trade with Venezuela, and this is mainly because she buys more from the latter than she sells to her. This, as it is known, is essentially due to the great preponderance acquired by petroleum in Venezuela's exports, and the fact that this product is a main item in Canada's requirements.

Regarding Venezuela's balance of payments with Canada, it is necessary to remark that the invisible items which are included in that balance and all the statistics pertaining to this matter were not available to the writer. As it was mentioned in the previous periods, Venezuela's balance of payments with Canada is included in a global way with all the other South American countries.

Under the dutiable heading, the continuance of the trend of the Second World War is also observable. For 1946

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the percentage of the dutiable values was rather low, and the same applies to the three following years. An average of these years shows that only .5 per cent of the goods exported by Venezuela to Canada were on dutiable basis. For the remaining years the trend changed slightly and an average of six per cent of the goods was on dutiable basis. This leads one to the conclusion that the goods which were entering Canada were mainly under the duty free classification.

The column of duty collected also shows very small values as compared with the total value of dutiable goods. For instance, an average of the eight years amounts to only 5.6 per cent. This low percentage is mainly due to the small exportations of agricultural and vegetable products which were entering Canada under dutiable basis, those goods being mainly coffee, cocoa, tonka beans, etc. The group of non-metallic minerals and their products (mainly petroleum and its products) were exported to Canada on a duty free basis.

Before concluding this study of the post-world war and the completion of this chapter, it is appropriate to show the percentages of Venezuela's exports to Canada and imports from the latter country according to their degree of manufacture. These percentages will be shown in Table XVI.

TABLE XVI  
 Percentages of Venezuela's Exports  
 to Canada and Imports from the Latter According to their Degree of Manufacture<sup>1</sup>

Years	E x p o r t s <sup>2</sup>			I m p o r t s <sup>3</sup>		
	Raw Materials	Partly Manufactured	Fully Manufactured	Raw Materials	Partly Manufactured	Fully Manufactured
	%	%	%	%	%	%
1946.....	99.51	.07	.4	5.09	1.5	93.3
1947.....	99.46	.04	.5	6.9	3.8	89.2
1948.....	99.94		.05	5.6	4.4	89.7
1949.....	99.96	.01	.03	3.2	2.69	94.01
1950.....	93.26	.01	6.73	7.3	5.0	87.5
1951.....	92.32	.07	7.6	6.7	3.9	89.3
1952.....	94.13	.06	5.8	7.8	4.1	87.95
1953.....	94.28		5.72	8.4	2.54	89.07

<sup>1</sup> Department of Trade and Commerce, Trade of Canada, 1946-1953, Ottawa, Dominion Bureau of Statistics, Vol. I, II and III.

<sup>2</sup> Author's Computations.

<sup>3</sup> Author's Computations.

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As is shown in this table under the column of exports the situation has not varied as compared with previous periods, in that for the first four years over 99.0 per cent of the goods that were exported by Venezuela to Canada were in the form of raw materials, with the rest in the form of partly and fully manufactured goods. An average of the exports indicates that 96.6 per cent of the goods that were exported were raw materials. Of the remaining percentages, 3.35 per cent were fully manufactured goods and 0.05 per cent partly manufactured. In other words, this explains why mainly all the exports were petroleum and its products which contributed in a very important way to Canada's development.

The imports column shows an entirely different situation to that of the exports and this is because ninety per cent of Venezuela's imports from Canada are in the fully manufactured class; 3.49 per cent are in the partly manufactured, and 6.37 per cent in the form of raw materials. This, of course, is explained by the fact that Venezuela's imports from Canada were mainly machinery, implements, and finished goods were in a secondary place.

As a conclusion to this analysis of the history of trade between Venezuela and Canada it may be said that while the amount of trade involved between the two countries is

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relatively a small proportion of the total exports of the two countries, some very significant transformations in the nature of the trade occurred during the period under study.

However, there were constant factors which contributed in keeping this bilateral trade very advantageous to both countries. Most significant here is the fact that Venezuela's exports of raw materials, especially staple agricultural products and petroleum in the later years were very beneficial to Canadian economic development before, during and after the war. Conversely, Canadian exports of manufactured products to Venezuela found there an accessible and mutually profitable market.

During the years 1918 to 1928 the trade was essentially made up of agricultural staples and products. As a result of a low tariff policy practiced by the two countries, trade was very active and increased yearly until 1928 when a recession in the international flow of goods began to set in and effected the volume of foreign trade of the two countries. The balance of trade over these years was more favorable to Canada especially after 1922.

The depression years, 1929-1938 saw a marked decline in the export values of agricultural products to Canada. While there was a decrease in oil exports, the decline in

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agricultural exports was, in fact, more the result of a price drop than a change in demand. The remarkable feature of this period was, however, the transformation that occurred in the type of goods exported by Venezuela to Canada. Non-metallic products and more specifically petroleum were replacing agricultural products as the most important group of goods sold to Canada. This latter product was entering Canada duty free and in such quantity that it contributed in giving a very favorable balance of trade to Venezuela.

The war period saw the accentuation of the pattern that had developed in the depression years. Trade increased between the two countries as petroleum was "exchanged" for agricultural and vegetable products. The transformation of Venezuela's economy from a pastoral to a mining country led to greater importation of iron ore from Canada. This was possible in view of a favorable balance of trade for Venezuela with Canada, as the former was then exporting twice as much to the latter as it was importing from her.

### CHAPTER III

#### SOME ASPECTS OF THE TRADE BETWEEN CANADA AND VENEZUELA

This chapter glances through some of the main factors which concern Canada and Venezuela in their trade relations, and it has been subdivided in four parts, each of which brings into a detailed study the main features and characteristics as of trade in both countries.

The first part deals with customs duties and other assessments, wherein are included the tariffs that are applied to imports and exports of both countries.

The second part concerns export and import licenses, including the restrictions and prohibitions that are taken by Venezuela's government and economic agencies, and they are of great importance to the trade pattern of both countries.

The third part deals with transportation, aiming to give a clear picture of shipping facilities for carrying the goods that are exported and imported by both countries and also the sailings from Canadian and Venezuelan ports.

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The fourth part concerns investment, wherein are discussed the foreign investments in Venezuela and their importance, as well as the Canadian investments in Venezuela's territory, their prospects and their necessity due to the light industrialization of the country.

## Customs Duties

Venezuela's commercial policy in recent years has followed a general trend providing maximum encouragement to domestic agriculture and industry. A large proportion of essential goods are imported from Canada duty-free, and in addition products required for national development may be exonerated from duty under certain circumstances. In contrast with this liberal treatment for essential and non-competitive goods, Venezuela imposes very high duties on products similar to those domestically produced.

In addition to imports duties Venezuela imposes numerous other types of trade controls on Canada and on other countries. On the imports side they include import license requirements, import quotas, regulations requiring the purchase of specified amounts of local products for each unit imported from Canada, import prohibitions and quarantine laws.

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Control over trade is also obtained by state trade activities. As a stimulus to trade Venezuela employs, to a limited extent both import and export subsidies. Unlike other Latin-American countries, Venezuela imposes no restrictions on the purpose for which foreign exchange may be used.

Venezuela is essentially to Canada an open dollar market, with no exchange or import restrictions, other than a high tariff and some import quotas to protect a few local industries. But this is only in a protective way from part of the Government, due to the light industrialization of the country and to the absence of protection.

Venezuela is one of the half dozen countries to escape that economic malady, the dollar shortage. It has the money to buy what it desires in the Canadian market, and this is because of the oil that means money ... hard currency ... dollars. Those dollars spell sales opportunities ... opportunities for the Canadian exporter. Venezuela needs, and can pay for, hundreds of products that Canada can supply.

The trade policy established by Venezuela and Canada is not discriminatory in any sense. It is based on the advantages that both countries have from their multilateral trade. Though this is not the same with other countries in which always the main aim is to follow the bilateral trade policy.

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Venezuela's trade relations with Canada are based on a most-favoured-nation agreement, which was signed by both countries. As a result of their increasing commercial activities a Canadian delegation visited Venezuela on October 11, 1950, the date in which was signed the mentioned agreement which is renewable each year. It provides for the exchange of most-favoured-nation treatment between Canada and Venezuela 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 and viceversa are subject to the same customs duties and other charges which are levied on goods from other countries enjoying the most-favoured-nation treatment, such as the United States of America and the United Kingdom.

Any tariff reduction 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;

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Douglas fir timber and lumber; lanterns, both wick and pressure.

However, it is worth mention that Venezuela is not a member of the GATT (General Agreements on Tariffs and Trade), but nevertheless she abides by the rules of that agreement. Also, she is a member of the IWA (International Wheat Agreement) under which she agrees to import 170,000 metric tons of wheat flour in each agreement year from the exporting agreement member, at specified prices currently substantially below the world market.

In order to conclude this part it will be appropriate now to discuss generally the customs duties applied to Canada and other assessments which are of considerable importance.

On Canadian goods subject to import duties specific rates are generally applied, although additional ad valorem rates are also imposed in a few instances, specific duties are assessed on gross kilograms (1 kilogram equals 2.2046 pounds avoirdupois). Ad valorem duties are based on values f.o.b. Canada's port of exportation, and Canadian values are converted at the current rate of exchange prevailing in Venezuela on the day of arrival of the vessel. Duties are payable in bolivares, and Canadian shipments to Venezuela must be obtained in strict conformity to Venezuelan customs

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and sanitary laws and regulations.

In addition to tariff duties certain customs surcharges and other taxes on Canadian exports to Venezuela are collected by customs officers. Customs surtaxes are assessed on Venezuela's imports from Canada of parcel post at the rate of 2 per cent of their invoice value (a brokerage fee of Bs. 0.50 is also levied on each package). Goods imported direct by Venezuela from the Colonial West Indies and the Guianas are subject to a tax of 30 per cent; however, the 30 per cent tax is not applicable to goods transhipped from the Colonial West Indies or the Guianas, provided said shipments are accompanied by a signed consular invoice issued elsewhere. Unused goods in travelers' baggages and ships' stores are subject to surtaxes of 20 per cent, in addition to the 30 per cent applicable to goods from the West Indies.

Excise taxes are levied on Canadian imported and domestically produced distilled liquors, beer, wines, cigarettes and on Canadian imported ethyl alcohol. There is also a consumption tax on Canadian imports from Venezuela into the State of Zulia, amounting to 2 per cent of the customs duties on raw materials for industry and to 5 per cent of the duty on other goods. Certain other excise taxes are levied by means of stamps and stamped paper. In addition to

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import duties, Canadian shipments to Venezuela are subject to consular fees, and these vary from 2 per cent to 3 1/2 per cent of the f.o.b. value, Canadian port of export, and are collected at the Venezuelan customs house of entry.

The following service charges are collected by the Venezuelan Consul in Canada<sup>1</sup>:-

For certifying each extra copy of consular invoice .....	\$ 1.25
For replacing consular invoice previously certified .....	\$ 6.25
For each set (7 copies) of official consular invoice forms .....	\$ 0.35

Beginning about 1944, Venezuela undertook to reduce the duty on a variety of industrial raw materials and non-competitive goods, including the reduction or suspension of duties on some food products. Since about 1950, however, the policy of relaxing import restrictions on food products has been greatly modified. Several of the special low-duty rates, particularly on foods, have been discontinued and in some cases tariffs have been increased in line with the

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<sup>1</sup> Consul General de Venezuela, Documentos de Embarque, Montreal, 1953, p. 7.

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Government's policy of promoting increased production of domestic agricultural and industrial products.

Authority for the imposition of export taxes is provided under articles 21 and 22 of Venezuela's Customs Tariff Law. At present, export taxes are confined to scrap metals, imposed on October 31, 1952, and coffee. Export taxes of Bs. 2 on 1.50 per bag of unwashed coffee were applied to shipments enjoying exchange rates subsidies by a decree of September 1949 for the purpose of creating a fund to aid coffee growers<sup>2</sup>. Collections have been small to date because high world coffee prices have minimized the use of exchange rates subsidies.

## Import and Export Licenses

Venezuelan foreign trade licensing system applies on a selective basis to both imports and exports. Imported goods from Canada by Venezuela require licenses, which are employed to assist local agriculture and industry. They apply to a small number of products. Venezuela's export

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<sup>2</sup> Ministry of Development, Venezuela's Customs Tariff Law, Caracas, 1953, p. 40.

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licenses to Canada and other countries were adopted to conserve goods which are in short supply and which are essential to the national economy.

The Ministry of Development issues import licenses in accordance with existing laws and policies promulgated by various other Government agencies. Sometimes two or more agencies publish joint licenses in resolutions.

Products subject to import licenses as of December 31, 1952, were as follows <sup>3</sup> :

Frozen poultry; refrigerated (chilled) poultry; frozen meats which are not specified; fresh or refrigerated chilled meats which are not specified; dry and salted meats; eggs; powdered milk; butter; potatoes (seed and table); rice in the grain (husked); wheat in the grain; flour (wheat); pure cotton fabrics; cotton fabrics with silk ornaments or mixed with silk; cotton fabrics mixed with hemp or jute; woollen or goat's hair fabrics; fabrics of artificial wool, pure or mixed; packing sacks of pita or henequen; tanned hides and skins, unmanufactured of animals of the bovine species (except calfskin, crust and polished, silvered or bronzed hides and skins); pneumatic tires; inner tubes;

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<sup>3</sup> Ibid., p. 90.

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footwear, finished or semi-finished; live animals; live baby chicks; hatching eggs; prefabricated buildings; onions.

In some instances import licenses may be obtained only if the applicant has first purchased a specified amount of the comparable local products. Woollen textiles may be imported from Canada only if an amount of the domestic production is purchased equal to at least one-half the quantity imported.

Import licenses applicable to wheat flour from Canada are imposed mainly as an accounting device of the IWA (International Wheat Agreement).

The list of prohibitive imports of Venezuela is as follows :<sup>4</sup>

Absinthe;

Apparatus to manufacture coins of copper, nickel  
or silver;

Cigarette paper;

Biological products not authorized by the Ministry  
of Health and Social Assistance;

Elements of war;

Matches;

Opium prepared;

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<sup>4</sup> Ibid., p. 95-96.

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Pearls, natural or false;

Gambling machines and equipment and foreign lottery tickets;

Indian hems, resins and preparations;

Literature and printed matter of any kind containing communist propaganda or of a pornographic nature;

Pharmaceuticals not authorized by the Ministry of Health and Social Assistance;

Poultry, frozen with entrails or accompanied by their respective entrails or the separate importation of poultry entrails;

Sea salt or rock salt, solid preparations with a base of sea or rock salt;

Sulfuric acid in metal containers which do not meet certain specifications;

Tomato sauce or paste and foods containing tomato sauce in metal containers not meeting certain specifications;

Used bags or sacks of burlap, canvas or other similar materials.

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Export licenses must be obtained from the Ministry of Development. The list of products subject to export licenses is as follows <sup>5</sup> :

Agricultural and cattle products, virtually all such products except coffee, cocoa and bananas (but not plantains);

Chemicals and preparations;

Charcoal from coconut shells;

Machinery, apparatus and instrument;

Medicinal products;

Neophrene and rotenone;

Metals of all classes and their alloys;

Oil and greases;

Scrap metal;

Synthetic rubber;

Raw materials for industrial use, virtually all;

Textile fibers, natural and artificial, and waste;

Tires and tubes, new, old, and unserviceable;

Vehicles and accessories, except models for sports;

Waste of cloth and other fabrics.

The exportation of gold is prohibited except under an export license issued by the Ministry of Finance.

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<sup>5</sup>

Ibid., p. 101-103.

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## Transportation

The overwhelming bulk of Venezuela's foreign trade is ocean borne. From 1949 to 1951 imports by sea averaged a little less than 2,000.000 metric tons annually, and exports, 75,600.000 tons, nearly all of which was petroleum. The principal ports for the accommodation of this traffic are La Guaira, Puerto Cabello, Maracaibo, Guanta-Puerto La Cruz, and Amuay.

La Guaira is the principal port of entry, followed by Puerto Cabello and Maracaibo, La Guaira annually handles an average of 40 percent of Venezuela's all imports, and the three ports of La Guaira, Puerto Cabello, and Maracaibo annually receives an average of 82 per cent of all inbound shipments from overseas - Maracaibo is the chief port of exit, followed by Amuay and Guanta - Puerto La Cruz. These ports are petroleum terminals, and together annually handle about two thirds of all exports. Although a larger volume of trade which percentage wise is nearly all tanker cargo, is channeled through the port of Maracaibo, La Guaira is regarded as the nation's leading port by virtue of its pre-eminent position in the dry-cargo traffic.

Transportation does not present any obstacle to the

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free flow of trade between Venezuelan and Canadian ports. Several shipping companies provide direct sailings to Canadian and Venezuelan ports from both the east and west coasts.

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. Sailings are maintained on a regular schedule by five shipping lines from Vancouver which offer a service to Venezuela's ports. These lines are as follows:- Independence Line, from Vancouver to Maracaibo; Pacific Argentine Brazil Line, call at La Guaira and Puerto Cabello; French Line, call at La Guaira; Pacific Republic Line, calls at La Guaira and Puerto Cabello, and Grace Line, call at La Guaira.

Meanwhile, from Eastern Canadian ports, two shipping companies are active in trade between the two countries. During the navigation season along the St. Lawrence River, regular sailings are offered by Saguenay Terminals Limited, and Compania Anonima Venezolana de Navegacion (Venezuelan Line). Vessels also call at Halifax, N.S., and Saint John, N.B., during the summer months. From these two ports, services are provided when the Canadian winter closes navigation on the St. Lawrence River. In addition, Lunham and Moore

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Shipping operates a regular bulk cargo trade in barytes from Nova Scotia to the various oil companies in Venezuela - Regularly they make 25 sailings a year as an average, and the average cargo volume is approximately 3,000 tons a voyage.

Sailings to the principal Venezuelan ports are scheduled at a rate of two each month. In early 1950, the increasing trade between Canada and Venezuela influenced the Venezuelan Line to enlarge her services by the addition of several vessels and as a result of this the Venezuelan Line has doubled its services between Canada and main Venezuela ports.

Due to this great bulk of trade between the two countries, a new sailing schedule went into effect on September 11, 1953, as follows:- Fortnightly sailings from Three Rivers, Quebec, Montreal, or from St. John's and Halifax when the St. Lawrence River is closed, to La Guaira, Puerto Cabello, and Maracaibo via San Juan, Puerto Rico.

Before completing this section on transportation it is appropriate to mention that most of the Venezuelan oil which is exported to Canada, and which is the main item in Venezuelan's Canadian trade relations, is transported from Venezuelan ports to Portland, Maine, U.S.A., from where it

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goes to Montreal through a pipe line. However, the transportation to Eastern Canadian ports is made by tankers, most of which are owned by the oil companies operating in Venezuela.

Investments

Venezuela's economic growth has coincided with a huge increase in foreign investment in that country, and along with it there has been a rapid growth of private and public Venezuelan capital formation.

At present 75 percent or more of the total foreign investments in Venezuela are held by the United States of America, but there are also some important holdings by British, Dutch, Canadian and French nationals, as well as smaller amounts by other nationals such as Italian, Danish, Swiss, and Cuban, in which the latter in recent years have made substantial investments in sugar mills and real estate. The French and German interests, once fairly large, have dwindled.

In considering the investment situation of Venezuela in regard to Canada, this is not of tremendous importance, and also they are not really Canadian investments but only branches of the Canadian economy.

When in January 1953, the Canadian Trade Mission headed by the Hon. C.D. Howe, visited Venezuela, the Govern-

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ment of that country and private business men asked the Canadian members if they would be willing to invest in Venezuelan territory, specially in industries which are of a great need and in other fields where there are some favourable prospects, where Venezuelan policy could facilitate the participation of Canadian capital. However, this means that Canadian investors should they wish, have an open field in such a country where a great prosperity and a tremendous expansion is noticeable, longing to take her place in an industrial age.

To a certain extent in Venezuela it is quite necessary to found industries, because she can still be considered as only lightly industrialized, a large percentage of her requirements of finished products must still be imported and only a few commodities placed 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 the infant industries. This has encouraged ambitious development plans which are augmenting the demand for Canadian products, especially machinery, construction materials, and as a result

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Canada has in Venezuela a considerable publicity of being a competent supplier of engineering and technical services.

However, considering all these factors a problem arises which is that related to the attitude of the Canadian investors who prefer to a certain extent to invest their capital in their own country, due to the great development of their country and to the vast expansion programs that are to be undertaken. But, also there are other points to be considered, as for instance the consideration of Canada and Venezuela as they are included in a hard currency area, and also as it is natural the economic factors of the high cost of labour, installations and so forth, seen to be an obvious barrier, but of course the gain of profits is compensated by the above mentioned.

It is worth pointing out that Venezuela has a great good will towards Canada as a growing nation and to her fair commercial policy throughout the world.

The Canadian investment in Venezuela as it was pointed out, is of a secondary importance, and it can not be compared with that of the United States of America, Great Britain and the Netherlands. Canada's investment covers a variety of fields and activities: banking, insurance, electric energy, petroleum, and miscellaneous. The book values of

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Canadian investments in Venezuela were not available to the writer, nor were the profits, dividends, etc., of the different companies.

Before concluding this part it is appropriate to specify the names of the Canadian investments in Venezuela in their different fields. These are: The International Power Commission of Canada, owning the Electric Energy of Barquisimeto, Lara State, and the one of Maracaibo, Zulia State; the Aluminum Co. Limited (Montreal) having a sales office in Caracas.

In the petroleum investments the International Petroleum Company, which is a Canadian Corporation associated with the Standard Oil Co. of New Jersey, in Venezuela is associated with the Mene Grande Oil Company, in which Canadians have important portfolio holdings.

In banking, there is the Royal Bank of Canada which has four branches, one in Caracas, Federal District, and the rest in Maracaibo, Zulia State; Ciudad Bolivar, Bolivar State; and in Puerto La Cruz, Anzoategui State, a branch which was opened recently.

In insurance companies, there are the Confederation Life Insurance Company, Crown Life Insurance Company, Canada Home Assurance Company, and Western Assurance Company.

## CHAPTER IV

## WHAT OF THE FUTURE ?

In order to conclude this work, the main objective now is to discuss and give a general outlook of the main commodities which are linking the two countries in matters of trade. Before going further it will be essential to make an outline of these two commodities, their importance at the present time and the possibilities of their future outlets.

Let us start with oil, which is the most important item of the Venezuelan-Canadian commercial relations. It is a current problem for the two countries, due first to the Canadian oil which is entering into an era of great prosperity.

Secondly, on the Canadian side there are very hypothetical points to be considered in the long run effects, as for instance the St. Lawrence Sea-Way project; competition from some of the eastern oil producers in the Canadian market, etc. All of this will be discussed further on.

Naturally, as it has been already mentioned, there are or could be some barriers that would bring certain disturbances to the Venezuelan oil in the Canadian market. Unfortunately, this forecast is impossible to make, because

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of so many problems which are related to each other.

The item iron ore, is without importance to Canada, because of the large reserves that she possesses and to the absence of this mineral in the trade relations embracing the two countries. Nevertheless, there are some points which are essential to discuss according to the long run effects.

Coffee, is a commodity which is exported to Canada in very small quantities; because the main absorption of Venezuela's coffee exports is the United States of America. But considering the policy undertaken by the Venezuelan government in order to protect the cultivation of such a precious and demanded grain in the world market the production is increasing largely in the latest years and as well the exports to Canada are enlarging year after year.

Cocoa, that aromatic drink so famous and so anxiously asked for on the European markets in past centuries, is suffering today a great decline in production. The trade items of this delicious nut are of secondary importance in the list of Venezuela's exports to Canada.

## Oil

This product of the earth has so many thousand uses that it can well be called man's most versatile servant. Commonly known as "oil", its correct name petroleum comes

from Latin roots and means "rock oil".

Venezuela, outstanding exponent of the open door policy toward foreign oil investments, is the world greatest oil exporter and second largest producer, leading all other Latin American countries by a sizeable margin. Its proved reserves in the Lake Maracaibo Basin represents the second largest single crude oil reserve in the world, exceeded only by the fields of the Persian Gulf. Venezuela holds an estimated 12 percent of the world's known oil reserves. Commercial production in Venezuela began in 1917 and increased rapidly during the 1920's. In 1954 its output was approximately 1.9 million barrels a day <sup>1</sup>.

Most of this output comes from the Maracaibo Basin which covers a water and land area of about 40,000 square miles. Forest oil derricks stud stretches of the Lake shore, some reach far out into the waters. Producing wells run for thirty -odd miles along the lake. Out in the lake, huge cement blocks sunk firmly in the silt form the foundation for the drilling derricks. Within the plains of the Orinoco Basin

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<sup>1</sup> Banco Central de Venezuela, Desarrollo y Perspectiva Economica General, Caracas, Departamento de Investigaciones Economicas y Estadisticas, 1954, p. 70, 72 and 75.

lies a very productive area, second only to the Maracaibo Basin in production and reserves. The promising Apure Basin is in the process of being developed.

The first petroleum Ordinance of Venezuela enacted in 1918, provided the rights for the exploration and exploitation of asphalt, petroleum and other hydrocarbons could be acquired only through special contracts granted by the Federal Executive. The 1943 Hydrocarbons Law, based on the principle of ownership of subsoil mineral resources by the nation, governs exploitation, exploration, refining and other operations relative to petroleum. These laws, and other decrees and ordinances, have served to promote the expansion of Venezuela's petroleum industry. Numerous foreign oil companies, supplying needed development capital, operate successfully in Venezuela. United States of America businessmen have invested more money in Venezuela than in any other foreign country except Canada. Largely as a result of its petroleum exports, Venezuela has achieved a balanced budget, favourable balance of trade, a low income tax rate, an enormous foreign trade, rapid industrial growth and broad national development with social benefits.

Having completed this general introduction about the oil origin in Venezuela, the purpose now is to illustrate by the following table, Venezuela's oil production in the last years.

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TABLE XVII

1  
Venezuela's Oil Production .  
(Daily average production in barrels)

Companies	1950	1951	1952	1953
Creole.....	685,839	773,663	810,587	795,990
Shell.....	461,601	527,321	551,740	507,489
M.G.O. ....	202,211	245,273	270,532	279,502
Socony.....	37,003	49,319	58,059	64,555
Texas.....	25,711	23,625	18,975	19,153
Las Mercedes..	18,706	23,177	25,038	24,198
Atlantic.....	20,944	18,932	17,365	18,372
Richmond.....	12,502	13,489	19,531	20,313
Sinclair.....	12,598	12,481	12,958	16,230
Pantepec.....	12,318	10,042	8,601	9,516
Phillips.....	7,492	6,371	9,586	8,129
Talon.....	995	949	938	975
Coro.....	-	-	-	525
Guasare.....	65	1	-	-
Caracas.....	-	-	-	41
<b>Total</b>	<b>1,497,985</b>	<b>1,704,643</b>	<b>1,803,910</b>	<b>1,764,988</b>

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Embassy of Venezuela, Venezuela Up-to-date,  
Washington, Venezuelan Information Service, Vol. IV No. V,  
May 1955, p. 4.

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As is shown in this table, it is noticeable from part of the different operating companies a great increase in the petroleum output, and this is considered year by year.

Having all the details concerning the production, the point now is to give a general emphasis to the potential market of Canada and Venezuela as petroleum is concerned.

The potential market of both countries is very hypothetical, due to the fact that there are many points linking the two countries in the long run effects. First of all it will be necessary to give a general picture of the current oil situation in Canada, as follows: as it is known, the main production centre of Canada is in Alberta, in the general vicinity of Edmonton, where all the oil that is produced goes to supply not only the three prairie provinces of Alberta, Saskatchewan and Manitoba, but also Ontario's main refining centre at Sarnia and the British Columbia refining centres at Vancouver and Kamloops. In addition, Canadian crude is delivered to two refineries in Minnesota, United States of America, and a third refinery in this state will soon be using Canadian crude.

Before going further it will be appropriate to give some details about the transportation, production, prices, refineries, etc. To start with, the actual production of Canada's oil is 275,000 barrels a day, this low production

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being due to the lack of market and to the competition of foreign oil. In the event of finding markets in Canada and meeting the competition from abroad, the potential production will be of 445,000 barrels a day, and this will be in full capacity. The opinion of Canadian oil exports is that Canada will be self-sufficient by 1960. In 1946 Canada was less than 10 percent self-sufficient in crude oil; in 1954 it was approximately 50 percent self-sufficient<sup>2</sup>. This indicates the rapid growth of the Canadian industry in the past years and this rate of growth is continuing undiminished.

Considering now the transportation aspect, one notices the following: a pipeline was built from Edmonton, Alberta, under the name of Interprovincial Pipe Line, this goes from Edmonton, Alberta, to Gretna, Manitoba, and its American subsidiary Lake Head Pipe Line Co. Inc. goes from Gretna, Manitoba, through North Dakota State, United States of America, and from here it goes through Duluth, Minnesota State, United States of America, and then through Michigan State, United States of America, up to St. Ignace and crossing Lake Michigan at Mackinaw, it goes to Sarnia. At Sarnia the oil is refined by the Imperial Oil Company which alone refines 71,000 barrels a day; the Sun Oil Company with

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<sup>2</sup> Verbal information received from the Department of Mines and Technical Surveys, Ottawa, Ontario, March, 1954.

## WHAT OF THE FUTURE ?

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a daily refining capacity of 15,000 barrels, and other Canadian Oil Companies refined about 20,000 barrels a day<sup>3</sup>.

The cost of transportation of this oil that comes by pipeline from Edmonton to Sarnia is of CAN \$0.64 and to this amount it is necessary to add the cost of Alberta well that is of \$2.70 (as an average); this makes as a total of \$3.34 a barrel at Sarnia ready to be refined. This refined oil at Sarnia supplies entirely the areas of London, Toronto and Kingston. Now, the question arises: why does this oil not go to supply the Montreal market, which could be considered as the largest consumers' area. The answer to a certain extent is quite logical and simple, as follows: since the Venezuelan oil could compete with the Canadian oil at a large difference in prices (of nearly 20 cts.) it is quite obvious to assume, that economically for Canada it is more convenient to import Venezuelan oil in order to supply the Montreal area. Venezuela was the source of 72 percent of the crude oil imports into this area for 1953; with 18 percent from the United States of America, and the remainder from Trinidad, Lebanon, Arabia and Ecuador.

The question now will be by what route does that oil go when it comes from Venezuela? Venezuela's oil lands at

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<sup>3</sup>  
Ibid.

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Portland, Maine, United States of America whence it flows by a pipeline to Montreal, where the crude oil is refined by the General Petroleum Refinery Co. with a capacity of 300 barrels a day; McCall Frontenac with a refining capacity of 40,000 barrels a day; Imperial Oil Ltd. with 46,000; British American Limited with 40,000 and Shell Oil Company Ltd. with 25,000 barrels a day. This Montreal area represents 25 per cent of the total Canadian refinery market. But to get Canadian oil to this market competitively with Venezuelan crude, would mean a wellhead cut (today it would have to be around 20-30 cts. a bbl.- about the extra pipe line extension charges to bring oil from Sarnia to Montreal)<sup>4</sup>.

Before going further our own opinion is that Venezuela's oil could compete for another five years or more with the Canadian oil, because the main factor involved is transportation, which is the principal economic factor, that brings differences in prices. Considering the project of the St. Lawrence Sea-way, it is necessary to mention that this project will not be any obstacle to Venezuelan oil, because as is proven by forecasts made about this matter, transportation by pipe lines will be cheaper than transportation by tankers along the St. Lawrence River, when inefficiencies in water

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<sup>4</sup>  
Ibid.

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transportation due to the winter freeze-up are considered. Its effect will be nil.

Having considered these facts, one can only conclude that the market for Venezuelan oil in Canada will remain strong for some years to come.

Another current problem for Canadian oil is the Western market of United States of America. Before going deeply into this point it is appropriate to give an introduction about the western oil, means of transportation, etc. Construction of a pipe line called Trans Mountain Oil Pipe Line Company, was completed last October. The laying of this pipe line across the mountainous Cordillera Region is considered to be one of the great achievements in pipe lines construction.

With three pumping stations, the initial capacity for transporting oil from Edmonton, Alberta, to Vancouver, British Columbia, is 120,000 bbls. per day. The Edmonton terminal has a storage capacity of about 1,500,000 bbls. a day, and receives oil via five pipe lines from most of the principal oil fields of Alberta. The Burnaby storage facilities near Vancouver have a capacity of 1,200,000 bbls. The pipe line tariff from Edmonton to Vancouver is 45 cents per barrel.<sup>5</sup>

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<sup>5</sup>Ibid.

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As it has been mentioned, the price of well head in Edmonton is \$2.70 as an average; this price plus the cost of transportation from Edmonton to Vancouver gives a result of \$3.15 at the refinery in Vancouver, ready to be refined. In this part of Canada it is a problem which could bring transcendental results, as for instance the competition from part of the Colombian, Middle East and Venezuelan oil in the western states of the United States of America, particularly in Oregon and Washington States. All these countries make their shipments by tankers in order to supply the Seattle Refinery, Washington State, United States of America, and the Portland Refinery, Oregon, United States of America. In the states just mentioned the oil that comes from Colombia, the Middle East and Venezuela is competing with the Canadian oil with a difference of 15 cents<sup>6</sup>. This is due to the lower rates of the tankers which makes the competition easy from the other countries, and in this way is displacing to some extent the Canadian oil in the Western part of the United States of America. Due to all of this the situation of Canada is very dark in that respect at present.

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Ibid.

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Another factor which it is necessary to mention is that of the United States of America tariffs; which could be a further barrier for the Canadian oil to enter into the American territory, because of the large oil output of California State, which will be carried to supply Washington and Oregon States.

Because of all of this, Canada for the future will have to find some other markets, as for instance the Montreal area; but it is quite difficult to make a forecast, due to the competition from abroad. It appears obvious that when looking further into the future, additional markets when they develop for Canadian crude, will be in those areas contiguous to the present transportation facilities, namely the West Coast and the Great Lakes areas. Such potential markets are constantly being studied by the industry.

It is fundamental that Canadian crude must be prepared to meet all competitive situations in such areas before it is acceptable to refineries. Just when these markets are going to be reached and in what volume, it is not possible to say at this time. It is one of the big problems challenging the oil industry, and three of the essential conditions required to solve this problem are:-

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first:- Ample supplies of acceptable quality.

second:- Transportation facilities which provide efficient movement without interruption.

third:- The ability to compete with supplies from other areas.

These conditions to a certain extent do exist in Western Canada. It is quite right to assume that there are many points to consider because of the strong economic factor of transportation, which makes easier competition from foreign countries.

Although the Canadian oil industry had always considered the Montreal market beyond the economic reach of Alberta oil, and many oil executives still do, the events of recent months which have caused Western Canada's oil to be barred from the California market and possibly in part from other west coast states, are leading some people to believe that field prices reduction to meet foreign oil prices in Montreal may be necessary in the foreseeable future. Thus, the whole outlook regarding supply of the Montreal market is, to say the least, one of considerable uncertainty. One can only conclude that, for the next five years or more, Venezuela will continue to be the main source of oil for Montreal refineries. Beyond that time, forecasting is a matter of great speculation, indeed.

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## Iron ore

The existence of iron ore in Venezuela south of the Orinoco River and on both sides of the Caroni River has been known since Spanish colonial times, but the inaccessibility of the deposits defeated several attempts to exploit them. Several American companies explored the region between the two world wars, but it was not until 1941 that Bethlehem Steel Company took the plunge and launched a development program estimated to have cost \$65 million. To bring out ore from its main holding at El Pao, east of the Caroni River, the Company had to build a 34 mile railway through thick jungle to Palua on the Orinoco where loading and storage facilities were built. At Palua the ore is loaded on barges and taken to the new port on the Paria Peninsula, Puerto de Hierro. There it is transferred from the barges, which brought it through the Orinoco delta, into ocean-going ships. Most of the ore goes to Bethlehem's plant at Sparrows Point, near Baltimore, Maryland, over 2,300 miles from the mines at El Pao. Ten years passed before the first shipload from El Pao came out in March 1951, but by the end of that year 715,000 tons had been shipped and a further 750,000 tons mined. Exports to the United States of America rose to 2,067,269 in 1952. When full mine production is reached

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shipments are expected to be over 3,000,000 tons a year. El Pao is estimated to hold 75 millions tons of mineral ore containing from 58 to 68 percent iron<sup>7</sup>. Neighboring deposits can be expected to supplement this, now that the primary job of opening up the area has been done.

An even more ambitious operation is being carried out west of the Caroni, 50 miles due south of Ciudad Bolivar (Bolivar State), where in 1947 the United States Steel Corporation found the 1,800-foot hill now known as Cerro Bolivar. Some 500 million tons of ore, averaging 63 percent iron, have since been proven in, or rather on, this steep, hog-backed ridge. Other ore showings in the Cerro Bolivar area - Arimagua, Rondon and Altamira- have been estimated to hold equally large deposits of ore of 63 percent iron. Altogether, U.S. Steel has 18 concessions in the Cerro Bolivar area, with probable reserves of the highest grades of iron ore greatly in excess of one billion tons.

Despite the amazing richness of Cerro Bolivar ore, it presents an even more formidable transportation problem than El Pao. A 91-mile railway has been built from Cerro

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<sup>7</sup> Ministerio de Minas e Hidrocarburos, El Mineral de Hierro en Venezuela, Caracas, 1953, p. 12.

## WHAT OF THE FUTURE ?

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Bolivar to the junction of the Orinoco and the Caroni. In 1951 Puerto Ordaz was founded at that point and the Caroni, and facilities were built to take care of the storage and loading of the ore into ships. A channel 34 feet deep has been dredged for a distance of 170 miles down the Orinoco and out to sea through the Macareo River so that ocean-going vessels are able to call at Puerto Ordaz. In addition, power plants, the ore carriers themselves, highways and housing facilities have had to be built. The first shipments came out early in 1954. Since the river is open to ocean-going ships, it is hoped that Cerro Bolivar will yield some 15 million tons a year.

Having this in mind let us consider Venezuela's iron ore development and its effects on Canadian trade: Canada will soon be one of the leading producers and exporters of iron ore, thanks to discoveries of new deposits and mechanization programs being put into effect at existing mines. It is estimated that Canadian iron ore production will rise to between 30 and 40 million tons annually within 10 years. In 1954 iron ore production was 7.3 million tons<sup>8</sup>.

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<sup>8</sup>  
Verbal Information received by the Department of Mines and Technical Surveys, Ottawa, Ontario, November 1954.

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The biggest part of Canada's future iron ore output will come from the 2,400-square-mile tract called Ungava, which lies two-thirds in Quebec and one-third in Labrador. Production started in 1954 when 667,000 tons were produced from the new area of Quebec (two-thirds of Ungava mines); it is hoped to obtain 10 million tons annually later on. The ore is carried out of the wilderness on the 360-mile railroad which was built in the latter part of 1954, between the ore fields and Seven Islands, a town on the St. Lawrence River. During the summer months the ships carry the mineral from Seven Islands where it is stored, to the United States of America east coast ports and to the Great Lakes area. As for the winter time the transportation of the ore is done by railways, but in the near future, when the St. Lawrence Seaway project is completed all transportation will be by ships from Seven Islands to Great Lakes ports. Proven reserves of high grade ore (as high as 59 percent iron) already total more than 500 million tons--all close enough to the surface to be scooped out in operations. Many other deposits have been indicated there which may swell the ore reserves over the billion ton mark when they are developed further.

The second largest Canadian iron ore development is the expansion taking place at the Steep Rock Lake property in Southern Ontario, about 40 miles north of the United States

of America border. During World War II the horseshoe-shaped lake was drained and millions of cubic yards of clay were removed before open-pit operations could be started in the lake bottom. By 1954 ore production had reached 1,326,726 tons<sup>9</sup>.

Another big and expanding source of Canadian iron ore is the Wabana workings, which tunnel under the ocean floor from Belle Island, Newfoundland. The mine is approximately 2,000 feet below the surface of the sea. Output in 1954 totaled 2.4 million tons. The Wabana ore contains about 51.2 percent iron<sup>10</sup>.

The Michipicoten mines in southern Ontario, the open-pit operations on the east coast of Vancouver Island, and the Marmora iron ore body 100 miles east of Toronto and 30 miles from the Lake Ontario port of Trenton are also important sources of Canadian iron ore.

Having completed Canada's iron ore development, it will be appropriate to look at the potential market of both countries, and the fact that they will mutually compete in the American market. So far a bilateral trade on iron ore between Venezuela and Canada does not exist.

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<sup>9</sup>  
Ibid.

<sup>10</sup>  
Ibid.

## WHAT OF THE FUTURE ?

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Venezuela's iron ore, a comparative newcomer in the exports field, has been exported since 1951, and from March 1951 until November 1953 a total of 4.3 million tons were exported. So far all exports have been directed toward Bethlehem Steel Plant, Sparrows Point, Maryland, United States of America. In 1953 Venezuela supplied 19 percent of the total United States of America imports of this mineral and she rank third among the exporting countries of iron ore to that country. Recently it was announced in Caracas, that some shipments are to be made to England, Germany and other European countries<sup>11</sup>.

In the following table are included Venezuela's iron ore exports.

TABLE XVIII

Venezuelan Iron Ore Exports<sup>1</sup>  
(metric tons)

1951 .....	751,386
1952 .....	1,886,614
1953 .....	1,972,770
1954 .... 6 months .....	2,183,420

<sup>1</sup>U.S. Steel and Bethlehem Steel Company.

This table shows the trends of iron ore shipments;

<sup>11</sup>

Ministerio de Fomento, Revista Economica, Caracas, Departamento de Investigaciones Economicas, 1954, p. 19.

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exports in 1954 were running about four times above the 1953 daily rate. The significance of Venezuela's huge iron ore deposits, like the country's oil reserves, extends into the realm of national security and hemispheric defence.

Venezuela's iron ore quality is quite similar to that of Canada, Chile and Sweden. But, nevertheless, it has a competitive advantage over the mineral that comes from Sweden and Canada in regards to prices.

For the present it is rather difficult to make a forecast about the potentiality of both countries into the United States of America market, because in the long run there is one specific point to consider which in a way is bound to be favourable to Canada, namely the economic factor of transportation which it appears now will be solved when the St. Lawrence Sea-way project is completed.

Our own opinion in this respect is that Venezuela in the long run will not suffer much in her exports, from competitors of other countries, including Canada.

In order to bring out some more facts concerning this forecast, it is necessary to consider that in past years the Government and the North American Industrials have been alarmed by the rapid depletion of the high content (50 per cent) iron ore reserves in the Lake Superior area. This has had the effect of speeding the realization

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of a dual program; one aims to produce in the United States of America great quantities of "taconite", which is a mineral of a very low quality intended to substitute in a way the iron ore; and the other is to realize investments with the purpose of developing iron ore deposits in foreign countries, as for instance Canada, Venezuela and Liberia.

The average price of the United States of America iron ore has progressively increased in past years. The average value by ton of iron (FOB) was \$3.91 in 1948, and for 1952 it reached \$6.09. The same tendency has continued in the following years.<sup>12</sup>

To conclude with this matter one could judge in regard to the above-mentioned facts that the position of Canada and Venezuela in some respects is almost the same. Competition will come, but in our opinion it would not affect Venezuela because of her competitive advantages in prices over Canada, and also because of the United States of America shortages of this mineral, which during the post-war years has been urgently needed for steel production, which from the end of the war increased by 28 per cent and

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Banco Central de Venezuela, Desarrollo y  
Perspectiva Economica General. Caracas, Departamento de  
Investigaciones Economicas y Estadisticas, 1954 p. 77-78.

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resulted in an increase in the prices and in the iron ore production.

It is also worth mentioning that Venezuela's iron ore exports may expand not only to United States of America but also to her neighbour countries, in the market of which she could compete with the Chilean mineral, and also to European countries where she could easily compete with some of the native iron ore exporting countries.

Nevertheless, this forecast in a way it is not quite logical to be made due to the possibilities from part of Canada in competing with the main economic factors which are in favour of Venezuela, and that is why in this respect, nobody could tell.

Venezuela's economic policy regarding this mineral in the near future will be of great importance and this is according to the project which is under study by the Government and the economic institutions of the country, with the aim of building up a siderurgic in order to make Venezuela self-sufficient in steel production. This transformation will bring about a demand for home consumption of some of the country's iron. So, when this project is completed there will be a marked decrease in her imports of steel manufactured goods, at present all imported.

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APPENDIX A

MODUS VIVENDI

Agreement Sent to The Minister of External Affairs  
of Venezuela

Caracas, October 11, 1950.

I have the honour to inform Your Excellency that I have been authorized by the Government of Canada to conclude the following Modus Vivendi, in the terms of your note number E-5080 of October 11, 1950, which will regulate for a year the commercial relations between Canada and the United States of Venezuela.

Article I

Articles the growth, produce or manufacture originating in and proceeding from the territory of one of the High Contracting Parties shall not be subject, on importation into the territory of the other High Contracting Party, to the payment of duties or charges greater than those levied on the importation of products of the same category originating in and proceeding from any other foreign country. Consequently every advantage which may be accorded by one of the two Governments to articles produced or originating in a third country, other than

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those referred to in Sections (a) and (b) of Article IV of the present Agreement, shall be accorded immediately and unconditionally to like products originating in the other country.

## Article II

The Present Agreement shall be applied only to merchandise transported from a port of Venezuela to a port of Canada directly or in transit through a country which enjoys the benefits of the British Preferential Tariff or the Most-Favoured-Nation Tariff of Canada; and also to merchandise transported from a port of Canada to a port of Venezuela directly or in transit through a country which enjoys the benefits of the British Preferential Tariff or the Most-Favoured-Nation Tariff of Canada.

## Article III

The Government of each of the High Contracting Parties shall accord to the Government of the other High Contracting Party treatment no less favourable than that accorded to any other foreign country in all

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matters relating to the concession of foreign exchange for commercial transactions and to the assigning of quotas for the quantitative control of imports and exchange.

## Article IV

The provisions of this Agreement relating to most-favoured-nation treatment are not applicable to:

- a) advantages that have been accorded or may in future be accorded by Venezuela or by Canada exclusively to contiguous countries to facilitate frontier traffic, or to advantages that might result from a Customs Union in which Venezuela or Canada might take part, provided that such advantages be not extended to a third country;
- b) exclusive advantages that have been accorded or may in future be accorded by Canada to members of the British Commonwealth of Nations, including their dependent overseas territories, and to the Republic of Ireland; and by Venezuela to be Republics of Colombia, Ecuador and

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Panama;

- c) importations proceeding from the West Indies and other colonial possessions  
\* subject to special regulations prescribed by the laws of Venezuela.

## Article V

The Government of each of the High Contracting Parties shall give careful consideration to any representations which the Government of the other High Contracting Party may make in respect of the application of the provisions of this Agreement.

## Article VI

The present Agreement shall remain in effect for one year from this date and may be renewed for equal periods. It may be denounced by either of the High Contracting Parties before its normal expiration, on three months' prior notice to the other High Contracting Party.

Accept, Your Excellency, the assurance of my highest consideration.