



## Venezuela Economic Outlook

By Arca Análisis Económico

Here is our monthly summary of recent economic developments in Venezuela:

- The Venezuelan economy maintained 27 consecutive quarters of decline, starting in the fourth quarter of 2014 and ending in the third quarter of 2021. Thus, as of the second quarter of 2022, the size of the Venezuelan economy was only 21 percent of what it was in the second quarter of 2012. However, since the end of 2021, Venezuela has registered a slight economic recovery and the outlook of different agencies forecasts growth between 9 percent and 12 percent by 2022. Bank of America<sup>1</sup> joins this group, estimating that growth would be above 10 percent in 2022, projecting a more moderate growth in 2023 and the following years, always subject to the strategic management of the state's policy.
- According to the Venezuelan Finance Observatory (OVF) measurement, using the Monthly Economic Activity Indicator (IMAE), during the first semester of 2022, the economic activity registered an annualized increase of 12 percent.
- In the second quarter of 2022, the increase was 16.6 percent, mainly explained by the upswing in oil production, higher government spending and the end of hyperinflation. This is modest growth when considering the large declines in the production of goods and services that occurred in 2019 and 2020. Regarding the second quarter of 2022, the increase in oil production – by 36.3 percent – is worth mentioning as the barrels produced stabilized around 700,000 barrels per day.
- Another sector that has grown significantly has been remittances. According to the private consulting firm Anova Policy and Consulting, 28 percent of the remittances entering the country come from the U.S. via Western Union. On the other hand, the president of Casa de Cambio Zoom, pointed out that between US\$4 billion to US\$5 billion per year is entering Venezuela via remittances. Indicating that through this exchange house, the average amount of tickets received in the country is US\$157. Most of the money is received from the U.S., Spain, Ecuador, Peru and Chile; while from Venezuela, the majority (50 percent) goes to Colombia, followed by Peru, Chile and Spain.
- On the other hand, the Central Bank of Venezuela (BCV) doses its foreign exchange intervention to save reserves for weeks of greater monetary pressure, as will be the case this month. This is conclusion after an analysis of the performance of the intervention policy recently. The BCV considerably reduced its intervention from US\$100 million to US\$60 million and also split it in two parts.
- The National Assembly approved the Law of Special Economic Zones (ZEE), which had been defined as one of the key regulatory instruments within the investment promotion strategy that the National Executive has been announcing. The Law is a general instrument that establishes a general principle that these will be areas in which the government will create, according to the economic potential of the zone, incentives of various types to promote the arrival of international capital and also the investment of Venezuelans. For the time being, the creation of the ZEE Paraguaná in Falcón; ZEE Puerto Cabello Morón in Carabobo; ZEE of La Guaira; ZEE of



Margarita, Nueva Esparta State and the ZEE of the development project of La Tortuga Island have been authorized.

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<sup>1</sup> Interview conducted in *Bloomberg Online* with the Director of Latam Economy & FI Strategy of Bank of America, Sebastian Rondeau.

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## National Assembly Issues Criminal Record Law

### By Holland & Knight

By means of *Official Gazette* No. 6.712 of July 20, 2022, the National Assembly of Venezuela issued the Law of Registration of Criminal Records (hereinafter the Law), which regulates in a general manner the registration of criminal records, establishing its content, the entity in charge of its administration, and the citizens' rights associated to it in order to guarantee its suitability and veracity.

It establishes the general principles and rights that must be respected within the registry, among which are equality and nondiscrimination, gender equality approach, rights to information and habeas data, and right to confidentiality. Specifically, with respect to the contents of the registry, Article 10 provides the basic data that must be included for each person and all the details related to the crime, process and penalty. The registry consists of only those crimes for which the person has been convicted. It will not contain information related to ongoing criminal proceedings.

The registry will be both physical and virtual. It is the responsibility of the Ministry of Popular Power, with competence in the interior, justice and peace matters, to maintain the registry and define its organization and operation. Additionally, the Law includes a general prohibition for legal and natural persons that are employers to demand the presentation of a criminal record as a requirement to apply for a job offer.

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## Venezuela Publishes New Organic Law on Special Economic Zones

By Tinoco Travieso Planchart & Nuñez

The Organic Law of Special Economic Zones (Law) was published in the *Official Gazette* No. 6,710 Extraordinary, dated July 20, 2022, the essential aspects of which are summarized below.

**Objective:** The purpose of this Law is to regulate the creation, organization, operation, administration and development of the Special Economic Zones (hereinafter SEZs), as well as the economic, tax and other incentives that may be applicable.

**Scope of Application:** This Law is applicable to legal entities, public, private, mixed and communal, national or foreign, that participate in SEZs, as well as state bodies and entities, directly and indirectly linked to their development.

**Purposes:** The purposes of the SEZs are to: 1. develop a new national production model; 2. promote national and foreign productive economic activity in the national territory; 3. diversify and increase exports; 4. participate in innovations, productive chains and international markets; 5. boost the industrial development of the nation; 6. promote the selective substitution of imports; 7. contribute to the diversification of the country's economy; 8. guarantee technology transfer; 9. ensure the full use of comparative advantages; 10. promote the development of competitive advantages; 11. create new sources of employment; 12. increase the generation of income for its fair distribution in the nation; and 13. ensure environmental sustainability in production processes.

**Creation or Suppression:** The creation and suppression of SEZs is the exclusive competence of the Presidency of the Republic, through a Decree approved by the Council of Ministers, following a report presented by the Ministry of People's Power with competence in matters of economy and finance, and others as the case may be.

**Items and Activities of the SEZ:** The SEZ will be limited to the development of the following sectors and activities:

- **Industrial:** includes the sectors of production of goods, manufacturing, strategic agro-industry, export and re-export, aeronautics and energy in any of their categories
- **Technological:** includes the installation of technological parks for the development and production of systems, parts, components and pieces of telecommunications, information technology and telematics, applications and computer systems, recycling of solid and technological waste, research activities and scientific development for the matter of outer space, development of military science and technology
- **Financial Services:** includes the installation of banking and financial services under the preferential tax regime modality
- **Non-Financial Services:** includes the installation and production of the logistics sectors for the provision and export of tourist, hotel, recreation and entertainment services



- **Primary Agrifood Production:** includes primary production activities in the agricultural, livestock, fishing and aquaculture sectors for export purposes and to achieve the country's food sovereignty

**National Superintendence of SEZs:** The National Superintendency of SEZs is created as a public institute of a technical and specialized nature, with legal personality and its own assets, attached to the Office Vice Presidency of the Republic. It will have the authority, privileges and exonerations granted by the law to the Republic and shall be headquartered in the city of Caracas.

**Beneficiaries of Incentives:** The beneficiaries of incentives are considered to be legal entities that carry out participation projects in SEZs and that have signed the respective Economic Activity Agreement.

**Tax and Customs Incentives:** Persons operating in SEZs may benefit from the tax and customs incentives described below:

1. The Import Tax Refund (*draw back*), according to the criteria determined by the National Executive in the Decree of Creation, whose procedure for determination, verification, certification, payment and competent authority to perform it, shall be governed in accordance with the provisions of the legislation on customs matters, the regulation on Regimes of Release and other Special Customs Regimes, as well as the resolutions governing the matter issued by the Ministry of People's Power with competence in economy, finance and foreign trade.
2. The Tax Refund on other national taxes, according to the criteria determined by the National Executive in the Decree of Creation, whose procedure for determination, verification, certification and payment shall be made in accordance with the provisions of the Organic Tax Code, as well as the resolutions that, for such purposes, are issued by the Ministry of People's Power with competence in matters of economy, finance and foreign trade, for tax refunds of the SEZs.

**Single Window for SEZ:** The management of the procedures required by the competent authorities related to the functioning and operation of the SEZ will be carried out through a system integrated to the Single Window. The Ministry of People's Power with competence in matters of economy, finance and foreign trade, must incorporate, within the system of the Single Window for foreign trade, an exclusive technological platform for the SEZs.

**Temporary Admission for Inward Processing:** People who operate within the SEZ, at the time of importing into the national territory those inputs, raw materials, parts or pieces that, due to their nature or their duly justified urgency, are basic and indispensable to achieve the execution of their economic activity project, they will have the greatest benefits provided by the legislation on customs and its regulations regarding temporary admission for inward processing.

**Banking Entities and Financial System in the Zone:** The organization and operation of banking entities and financial system, whose installation is authorized in the SEZ, will be subject to an exceptional and preferential tax regime, in accordance with the regulations dictated by the Ministry of People's Power with competence in matters of economy, finance and foreign trade.



**Free Convertibility:** The economic activity that takes place in the SEZ, without prejudice to guaranteeing the monetary unit of the Bolivarian Republic of Venezuela, will be governed by a system of free convertibility, as well as by financing plans offered by specialized banking institutions for the development of the real and productive economy, in accordance with the regulations issued by the Central Bank of Venezuela (BCV) and the Ministry of People's Power with competence in matters of economy, finance and foreign trade.

**Future of the Current SEZs:** The SEZs created prior to the entry into force of this Law must be evaluated by the National Executive in order to determine their viability and, if applicable, suppress or adapt them, through successive decrees to the system of organization, administration and operation provided for in this Law, within a period not exceeding 180 days.

**Validity:** This Law entered into force as of its publication in the *Official Gazette* of the Bolivarian Republic of Venezuela on July 20, 2022.

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