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# Venezuela: Business and Investment Opportunities



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# About the firm

Ponte Andrade Casanova (PAC) is a law firm focused on offering legal services of the highest quality to important national and multinational companies, leaders in their fields. PAC stands out above the crowd due to the experienced careers of our lawyers.

The firm's clients are leaders of their industries, and important players in their respective sectors of the Venezuelan economy, like banking, insurance, manufacturing, software, technology, construction, entertainment, television and subscription-based broadcasting as well as digital streaming platforms, agroindustry, natural resources, cosmetics, private security and advertising, among others. PAC's partners have decades of experience in commercial and business law in Venezuela, and are distinguished due to their participation on many boards of directors of important banks, insurance companies, and business organizations. They are also members of the Venezuelan-American Chamber of Commerce and Industry (VenAmCham), the Venezuelan Federation of Chambers of Commerce and Production (FEDECÁMARAS), and the Venezuelan Association for Private Capital. PAC maintains close relationships with law firms across Latin America, ensuring that Ponte Andrade Casanova can provide high-quality legal services in many different jurisdictions.

PAC has been highly involved with Tamanaco Consulting Group (TCG), a renowned Venezuelan consulting firm, in the execution of projects requested by Center for the International Private Enterprise (CIPE) of the United States Chamber of Commerce in Washington, D.C., with the purpose of strengthening the private sector in Venezuela.

In 2020, PAC joined IR Global, the world's largest professional service network, as the exclusive member in the areas of Corporate Law and Employment Law for Venezuela. We have participated in conferences and publications on trending topics regarding corporate and employment law, such as in the Employment Section of "The Art of Deal Making: Using External Expertise Effectively", a joint publication between IR Global and the Association of Corporate Counsel (ACC) and "Shock of the New: What is the impact of the gig economy on the traditional workplace".

Recently, PAC has established an alliance with Grupo FIVENCA, a financial services firm which resulted from the union of different companies specialized and focused on the development of client-tailored financial strategies. FIVENCA's team is research-oriented which, together with the over 30 years-worth of experience of its partners, has lead FIVENCA to the top of the national market, being one of the top structurers and allocators of debt in the Venezuelan market in the last few years.

The purpose of this alliance is to identify investment opportunities, as well as providing a multidisciplinary service for investors and clients. The alliance seeks to provide investors guidance along the entire investment process, with integral legal and financial assistance, of an excellent quality.



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## Why Venezuela is a good place to invest

Even considering the complex economic and social conditions, Venezuela still has many opportunities for investment in varying sectors, being a unique market with its own strengths and potential. The Venezuelan market is the result of a legal and regulatory process that has developed significantly since the 1970s, and maintains deep relations with investment firms and financial markets from around the world. Additionally, the market maintains all the top international standards and has adopted new technologies to ensure the betterment of national and international transactions.

Currently, Venezuela finds itself debating a possible reform of the Capital Markets Law, which will probably be sanctioned officially in the upcoming months. This debate will see the participation of all relevant actors from within the national market with the intention of keeping the legal framework up to date with international best practices and making it more attractive for issuers and investors.

Venezuela can count on the riches of many natural resources when compared to other Latin-American economies. For example, in addition to its massive oil reserves, Venezuela has one of the greatest reserves of natural gas in Latin America, which would allow for the development of an industry dedicated to exporting Liquefied Natural Gas (LNG).

The nation also has large reserves of various precious metals such as gold, coltan, iron and bauxite, which could allow for the processing of steel and aluminium due to the existing installed capacity.

Regarding transportation and infrastructure, Venezuela has thousands of kilometres of road that can be recovered. This, added to the high rate of urbanization, and a vast network of ports and airports that have been built or renewed over the last 25 years, turns Venezuela into a prime candidate for the efficient and effective transportation of commercial goods.



On top of that, Venezuela's geographical location, far away from severe global conflicts, close to the Panama Canal, and right on the Caribbean Sea, make the nation into a central point of tourism and sea and air trade between the Pacific Ocean, the Atlantic, the Caribbean Sea and the rest of South America. The nation's geographic advantages don't stop there. Venezuela also possesses vast waterways which could allow it to generate hydroelectric power at a much greater capacity than that of its neighbouring nations like Colombia, Ecuador, and Peru. All this without even mentioning the already installed capacity for the generation of thermoelectric power.

Venezuela's population is also highly specialized, being the result of a network of universities and technical institutes throughout the country that have contributed to the formation of workers prepared for fields such as medicine, research and engineering applied to oil, electricity, mining and capital markets.

Even considering the current economic sanctions imposed on Venezuela and the state-owned oil company *Petróleos de Venezuela* (PDVSA), we expect legislative modifications regarding hydrocarbons law and in other important sectors of the nation. In any case, the USA's sanctions do not forbid companies from dealing with private Venezuelan companies, which means many opportunities exist in sectors that aren't reserved to the state.

Similarly, Ali Moshiri, ex-president of *Chevron Venezuela*, and current director of *Amos Global Energy*, commented

during a forum of the Venezuelan Association for Private Capital, that Amos has issued an allocation memorandum that he estimates may result in the collection of over USD 400 million from investment firms in New York. According to Moshiri, Venezuela is capable of satisfying its own expenses by re-establishing the production of 1.5 million barrels of oil per day which would take an investment of some 5 to 8 billion US dollars, without the need to take out loans with the International Monetary Fund, the World Bank nor other countries. "[Venezuela] should look to the private and public sectors, they're willing to provide the necessary financing", said Moshiri.

Alongside these large-scale possibilities, smaller investors will try to restart talks about Venezuela, and the opportunities that may be found in the oil market before bigger investors finalize their stances. Independent firms in Venezuela have a lot to benefit from, given that many international oil companies will seek to ally local firms in order to get a foot in the Venezuelan market. A possible removal or easing of economic sanctions imposed by the USA may allow Venezuela to once again position itself at the forefront of the South American oil market.

Finally, during the first quarter of 2021, conversations between the Venezuelan government, the National Assembly, FEDECÁMARAS, banking institutions and private investors have begun once more. The goal is creating better conditions for investment in Venezuela, the proper communication of proposals and creating better debates surrounding the adoption of upcoming economic, social and labour measures.

"Conscious of our company's profile and confident that the Venezuelan Stock Market has become a real alternative for financing... we've decided to explore our possibilities in the market to raise capital.

Almost immediately, we began the structuring process, dealing with compliance of financial information, legal, organizational and commercial requirements that can be quite dense and even intimidating, but appealing to our resources and our great team, with FIVENCA, we managed to fulfil every requirement in a month and a half.

The Superintendence approved our first issue on March 24th 2020, right in the middle of quarantine. Likewise, in three weeks, FIVENCA completed the totality of the allocation."

#### TAUREL

Largest shipping service providers and customs agents in Venezuela

## Legal and political perspective

### Legal perspective

During the first quarter of 2021, the newly-elected National Assembly setup a Special Commission for Dialogue and Reconciliation. Among the organizations and sectors that the Commission has contacted, we find FEDECÁMARAS, which presented the Commission with a series of sector-wide measures that could ensure a structured re-start, as well as legislative proposals for sustained growth. These meetings may form the basis for the opening of the Venezuelan private investment sector.

A key element of a reopening would be a new legal framework for investments and the regulation, or deregulation, of certain sectors of the economy; changes which, among others, may provide investors with the safety guaranteed by the rule of law, the easing of the regime for private participation in economic sectors like mining and oil, and which would reduce the restrictions and unnecessary obstacles to investing in the nation. With reforms along this line, efforts to regain financing from interested investors in the development of Venezuelan industries due to their competitive advantages can begin in full.

Recently, and due to the aforementioned, the National Assembly is analysing a Draft Law of Special Economic Regions, with the objective of drawing national and international investments for the development of projects in specific regions of the country. A law of this nature could bring with it a series of new elements that may be attractive for foreign investors that go beyond trade and imports and could contribute to the growth of the services and manufacturing sectors.

This Draft Law is part of the 2021 National Legislative Plan, recently approved by the National Assembly, which contains 35 laws that have been declared priorities for the nation.

With the goal of creating an attractive framework for investment, we'll be seeing reforms of the laws that regulate Anti-Corruption efforts, Special Economic Regions, Mining, Hydrocarbons, Border Control, International Cooperation, Start-Ups, Cyberspace, Domestic Gas, and the Social Protection and Banking Deposits Funds. Other laws, such as those dedicated to regulating Health, Science, Technology and Innovation, Water and Causeways, the Simplification of Administrative Formalities and the Commercial Law Code, will all see modifications.

With the goal of incentivizing the development of projects and the growth of new companies, certain actions taken by the National Securities Superintendence have allowed companies of all sizes to obtain financing through the stock market where we find parties with surplus resources in the search for profitable investments. Some of the available methods are: (i) financing through fixed-rate debt instruments, and (ii) the issuance of shares or other variable-rate instruments. All of this, either in national or foreign currency.

In this sense, many business-owners have decided to obtain financing through the stock market, which brings transparency and allows for financing in either local or foreign currency which is something that the strained banking sector may not be able to provide. The Caracas Stock Index has gained 65% on its bolivar value, adjusting for exchange rates, that means a 26% gain in US Dollars. From September 2020 to February 2021, some stocks traded on the Caracas Stock Exchange (12 in particular) have outperformed the US Dollar. This has made investing in the Venezuelan stock market, for the time being, an effective way of protecting against devaluation due to hyperinflation. The Venezuela stock market is a possibility that local and foreign investors simply cannot ignore when looking for financing.

"I have known Ponte Andrade Casanova for more than 20 years, and I can attest to their professional and academic excellence, as well as their level of involvement with business and professional associations. They have participated in studies and work groups whose product has had an important legal impact in Venezuela. Beyond having a broad legal expertise, they are well versed in political, social and economic issues, which allows any project to go from 'possibility' to 'reality'."

#### Jorge Botti

Former President of the Venezuelan Federation of Chambers of Commerce and Production – FEDECAMARAS

## Legal and political perspective

### Political Perspective

Right now, there are positive changes occurring in Venezuela's political landscape. This is in part thanks to a greater alignment between the United States and the European Union in search of agreement on a political transition that will target the strengthening of the electoral authority in Venezuela and the betterment of conditions for free, fair and transparent elections. In the month of May 2021, the opposition and the government managed to name new members to the electoral authority with the purpose of organizing gubernatorial and mayoral elections set for November of the current year. These elections will be important in order to achieve political change through elections.

The government has held meetings with different economic sectors, like business-owners and labour unions, to contemplate possible actions needed to ease the burden of the COVID-19 pandemic. In any case, during 2021, we could see actions towards a negotiated political transition in the medium term. The realignment of the international community (principally the US and the European Union), to press for negotiations, including parties such as Russia, Turkey, China, and Cuba, as well as the community of Latin-American countries, will be a crucial element in the success of such a process.



## Economic perspective

Even when 2020 saw a new contraction in the Venezuelan economy, the first quarter of 2021 has seen official and de facto relaxations in government controls which has resulted in the gradual revival of certain sectors of the economy.

This has been helped by the non-official adoption of the US Dollar and other foreign currencies which has also resulted in the growth of domestic demand. The use of foreign currencies has deepened throughout the country, which has not happened with the Venezuelan bolivar, which has lost usefulness due to its devaluation as a result of hyperinflation and which has created a loss of confidence by Venezuelans.

An important statistic is that after years of contraction, the Venezuelan real estate industry closed 2019 out with 5% growth, and closed out 2020 with 9% growth<sup>1</sup>. Likewise, during the last 2 years, foreign investors have acquired local companies that are emblematic of the production and distribution of food and insurance products, at very low costs when compared to past prices.

The government has seen itself forced to loosen price controls and other regulations, at least unofficially, as well as the easing of industry-specific controls. Among the decisions that have been taken by the government we find the adjustment of electricity and garbage disposal service rates, and a more open attitude towards national and foreign investment in oil, gas and mining. Similarly, we've seen a

moderation in the production of inorganic money, avoiding the political cost that would bring in an election year.

In 2021, Venezuela might see a deceleration in the economic contraction rate with the possibility of growth. This trend will increase or decrease depending on the evolution of the COVID-19 pandemic and access to vaccination programs.

According to the distinguished Venezuelan company Tamanaco Consulting Group, productive sectors will continue adjusting to changes in consumption patterns and accelerating their adaptation of new digital technologies. We've also seen the rise of new markets, like the case of delivery services through digital platforms, as well as the increase of opportunities for the development of segments of the economy like retail, food, professional services, information tech and telecommunications, health (telehealth), virtual markets, sustainable development, among others. Every projection of the Venezuelan economy may vary considering local uncertainties such as political aspects and global occurrences that may affect the local economy, such as the advance of COVID-19, oil prices, geopolitical events, trade, and foreign direct investment trends.

“In July 2018, along with the accompaniment by the experts at Grupo Fivenca, we issued our first round of bonds with 3-year maturity. From that moment, market dynamics lead us to a reduction in the maturity period which saw us transition to notes, since then we've issued seven rounds with a 100% success rate.

The stock market has become an excellent space, allowing companies like ours to obtain financing in order to sustain acceptable production levels amid our inflationary environment.”

**Pasteurizadora Táchira**  
One of Venezuela's largest dairy products producers

1. Francisco López, President of the Venezuelan Real Estate Chamber, interviewed by Deutsche Welle on 22 March, 2021. Available in Spanish at: <https://www.dw.com/es/inciertas-oportunidades-para-la-inversi%C3%B3n-en-venezuela/a-56953546>.





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