



## Venezuela: U.S. Businesses Not Welcome Here

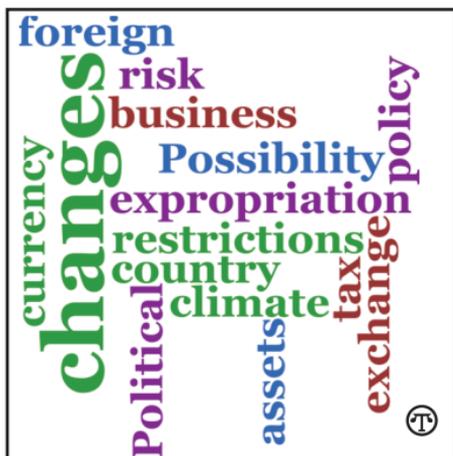
(NAPSA)—American businesses in Venezuela have become one of President Hugo Chávez's favorite targets. U.S. staple brands operate under very difficult conditions in Venezuela, including high government taxes, price controls and the always-present threat of expropriation.

An analysis of nationalized companies found significant operational problems and, in some cases, a complete halt in operations in the state-run companies. The study, "Management in the Red: An Evaluation of the Performance of 16 State Companies and General Results of the Socialist Production Model," was conducted by experts from the Institute for Higher Studies in Management (IESA) in Caracas.

"Government ownership of companies is often accompanied by deficit problems and lack of incentives to be effective and efficient," said economist Richard K. Obuchi.

One case study shows that the Venezuelan operation of a Pennsylvania-based aluminum company has been paralyzed for months since it was expropriated by Chávez.

Another case study addresses the evolution of a giant, productive, U.S.-based food company into an inefficient and unproductive version of its former self. In the case of local paper producer Invepal, the study shows a decline in production from 15 to 12 percent in one year, resulting in the production of only 5 million books instead of the 30 million that were forecasted.



Venezuela faces at least 18 arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID). Claimants include major U.S. brands. Experts agree it's highly unlikely that these companies will receive fair or timely compensation for their seized assets, especially now that Chávez has taken the initial steps to pull out of ICSID.

The Chávez government has taken over 988 foreign and domestic companies, according to the Venezuelan Confederation of Industries (Conindustria). Venezuela's policy of expropriations "only creates legal uncertainty; drives investments away; and reduces the possibility of increasing production," said Conindustria.

Data from the Central Bank of Venezuela show that in the second quarter of 2011, investment fell to 3.6 percent, its lowest level in five years. It remains to be seen what the future holds for U.S. companies in Caracas. In the meantime, it may be time for some U.S. firms to consider saying *adiós* to Venezuela.