# VENEZUELA

## TRADE SUMMARY

The U.S. goods trade deficit with Venezuela was $28.2 billion in 2006, an increase of $596 million from $27.6 billion in 2005. U.S. goods exports in 2006 were $9.0 billion, up 40.4 percent from the previous year. Corresponding U.S. imports from Venezuela were $37.2 billion, up 9.4 percent. Venezuela is currently the 22nd largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Venezuela were $2.6 billion in 2005 (latest data available), and U.S. imports were $580 million. Sales of services in Venezuela by majority U.S.-owned affiliates were $3.9 billion in 2004 (latest data available), while sales of services in the United States by majority Venezuela-owned firms were $159 million.

The stock of U.S. foreign direct investment (FDI) in Venezuela in 2005 was $9.6 billion, up from $8.0 billion in 2004. U.S. FDI in Venezuela is concentrated largely in the manufacturing and mining sectors.

## IMPORT POLICIES

Venezuela officially withdrew from the Andean Community (CAN) in April 2006. President Chavez stated publicly that the reason for the withdrawal was the entry of other member countries into free trade agreements with the United States, which, according to the Venezuelan government, changed the essence of the pact and posed potential risks to local production through subsidized imports from the United States. Article 135 of the CAN stipulates that, with the exception of preferences related to the liberalization program of the union (which have a phase-out period of five years from the date of withdrawal from the treaty), all rights and obligations cease to exist after the formal withdrawal from the organization by any member country. The Venezuelan government has requested a reduction of the phase-out period from five to two years.

In August 2006, CAN and Venezuela formed a working group to establish a transitional mechanism for the application of rights and obligations for the phase-out period on issues relating to safeguards, rules of origin, dispute settlement, sanitary and phytosanitary measures, and technical barriers to trade. The signing of the agreement that incorporates the results of the working group had been postponed to November 2006 (originally set for October), and the technical group was broken into five different groups in search of specificity. As of mid-March 2007, the working group had not reached an agreement regarding the established five year phase-out period, as Venezuela has requested this period to be only two years. Andean Community members conduct intra-zone trade at zero percent while extra-zone trade is governed by a common external tariff (CET) that currently covers approximately 62 percent of all traded goods. CAN's average external tariff currently stands at approximately 13 percent.

Over the years, CAN norms, which cover a wide range of disciplines, have become local law. It remains unclear whether these will continue to apply following Venezuela's withdrawal from the pact, and the Venezuelan government has not pronounced on the matter. In November 2006, Venezuela's Supreme Court accepted a petition requesting interpretation of the current validity of CAN norms. As of March 2007, the Court had not issued a ruling on the matter.

**Tariffs**

In July 2006, Venezuela became a full member of the Southern Cone Common Market (MERCOSUR). Under the terms of accession, Venezuela has four years to adopt the MERCOSUR Common External Tariff (CET), and to provide duty-free treatment to its four MERCOSUR partners by January 2012 on all goods, with sensitive products allowed an extension to January 2014. Exceptions to the CET exist on a product-specific or sector-specific basis, mainly for goods not produced within the union or those which potentially affect the production capacity of the members. MERCOSUR's average external tariff is approximately 14 percent, except for capital goods, which were recently reduced to zero.

While CAN offers higher protection levels to fisheries, textiles and agriculture, MERCOSUR applies higher protection levels to vehicles, parts, leather, textiles and shoes. Under the Andean Community's Common Automotive Policy (CAP), assembled passenger vehicles constitute an exception to the 20 percent maximum tariff and are subject to 35 percent import duties. The CAP will remain effective until 2009 when a new agreement is sought.

On December 5, 2006, Venezuela imposed a new 15 percent luxury tax as part of broader currency control measures for goods considered "non-priority" items, including alcohol, rugs and carpeting, jewelry, and toilet paper. This new tax raises the tariff on most of these items to 35 percent.

Venezuela continues to apply the CET of the Andean Community for certain agricultural products, including feed grains, oilseeds, oilseed products, sugar, rice, wheat, milk, pork and poultry imports from third-party countries. While most agricultural products fall between the 5 percent to 20 percent tariff levels, Venezuela's average tariff for the sector currently stands at approximately 17 percent. *Ad valorem* rates for these products are adjusted according to the relationship between commodity market reference prices and established floor and ceiling prices. However, the adjustable levy applied under the Andean Price Band System can increase the actual duty significantly. The Andean Price Band system is designed to raise tariffs when world prices are low, and to lower them when international prices are high. However, in the case of Venezuela, tariffs are rarely the constraining factor on trade, as lack of access to the appropriate signed import documentation is the main barrier.

In addition to the traditionally high import tariffs of the Andean Community's price band system, Venezuela also protects its agricultural producers through a non-legislated system of guaranteed minimum prices and the restrictive use of import licenses and sanitary permits. For many years, the government and domestic producers have agreed – behind closed doors – to minimum prices for major crops such as corn, sorghum and rice. The government generally prohibits imports until the entire local crop has been purchased at the set price, resulting in a *de facto* import ban.

Under its World Trade Organization (WTO) commitments, Venezuela is entitled to maintain tariff-rate quotas (TRQs) for up to 62 Harmonized System code headings, but issuance of import licenses for opened TRQs is neither transparent nor automatic and has negatively affected trade in basic agricultural commodities, as well as processed products. The issuance of import licenses and sanitary permits has become very restrictive. Animal feed importers as well as vegetable oil processors have commented on cumbersome procedures and discretionary issuance of import licenses. The Venezuelan government has denied import licenses for both in-quota and over-quota quantities, even though importers are often willing to pay the over-quota tariff for additional quantities of some products. Automatic issuance of licenses of over-quota quantities has not occurred. Furthermore, for some products eligible for TRQs, the Venezuelan government has not taken the necessary steps to publish regulations establishing the TRQ mechanism. For other products, such as pork, the government has refused to activate the quota at all.

**Non-Tariff Measures**

In response to the rapid decline in the value of the national currency, the Bolivar, following a two-month general strike that brought oil production to a near standstill, the Central Bank of Venezuela halted trade in Bolivars on January 22, 2003. President Chavez announced the creation of an Exchange Administration Board (CADIVI) on February 5, 2003, to regulate the purchase and sale of foreign currency. During much of 2003, CADIVI was unable to process requests for authorization of foreign exchange in an efficient and timely manner, and only supplied $3.6 billion or approximately two months worth of transactions. There has been significant improvement over time. CADIVI's daily average of currency approvals grew from $63.5 million in 2005 to $99.6 million by October 2006. The Ministry of Light Industry and Commerce (formerly the Ministry of Production and Commerce) maintains a list of imports that are eligible to receive foreign currency approval. This list has grown significantly since the introduction of the exchange controls, and now includes services and the repatriation of capital. Despite the exchange controls, imports have grown significantly due to economic growth fueled by high oil prices and Venezuelan government spending. Exchange control authorities have recently expressed the need to tighten the supply of currency to limit imports of certain products, particularly spirits and luxury goods.

Through a December 5, 2006, decree, the Venezuelan government also imposed price controls on 47 items used in construction including: sand, stones, steel rods, wire, wood, metal doors and frames. Many importers of agricultural products and processed foods have received the majority of dollars available under the CADIVI system, since most basic food products are on the import list. Up until mid-December 2006, food producers were the second-highest recipient of CADIVI dollars, after automotive parts; since then, access to dollars has improved for all sectors of the economy. Even so, problems with coordinating the timing of access to dollars, approval of import permits and licenses, and contracting the shipments have led to delays and higher import costs. Trade in higher value products, such as apples, pears, grapes, nectarines, and other fruits and nuts, has been dramatically reduced as they are not included among the list of high priority products for which foreign exchange is available.

Venezuela also requires that importers obtain sanitary and phytosanitary (SPS) permits from the Ministry of Agriculture and Lands for most agricultural imports. Imports are indirectly blocked by non-issuance of SPS import permits. Import licenses as well as the correspondent sanitary permits are needed for corn, sorghum, oilseeds, and dairy products. Only sanitary permits are needed for products where the licensing system has not yet been implemented, such as pork, poultry, fruits, and vegetables.

U.S. industry has raised concerns about the use of SPS permits to unreasonably restrict agricultural and food imports, as well as the consistency of Venezuela's SPS practices with WTO requirements. These practices have particularly affected trade in pork, poultry, beef, apples, grapes, pears, nuts, onions and potatoes. Industry representatives have reported that Venezuela also restricts the sale of nutritional supplements or natural products to pharmacies, limiting direct sales efforts.

Although the Venezuelan government has not published requirements on absorption agreements, it has been common practice for years to require the purchase of domestic production before issuing import licenses or permits. Imports of yellow corn are dependent upon the purchase of local sorghum and/or white corn. Soybean meal imports are dependent upon the purchase of "domestically-produced" soybean meal that is crushed from imported soybeans, and permits for grape and black bean imports have been tied to the purchase of local production.

In 2002, the United States Trade Representative (USTR) initiated formal WTO consultations with Venezuela on its agricultural import license procedures for a wide-range of products. Canada, the EU, Chile, Argentina and New Zealand participated in the first round of consultations. Official consultations

were held in November 2002 in Geneva. A subsequent exchange of letters on the SPS permit system was conducted in 2003. During the meeting of the WTO Committee on Agriculture in November 2004, the United States again raised questions about Venezuela's permit and licensing procedures. At that time, Venezuela argued that these questions should be discussed under the WTO Sanitary and Phytosanitary Committee. Subsequent to the WTO consultations in November 2002 on licenses and permits, Venezuela made its first significant notification to the WTO Committee on Sanitary and Phytosanitary Measures covering many of the items under dispute. No further notifications have been made since 2003.

Venezuela prohibits the importation of used cars, buses, and trucks; used tires; and used clothing. No other quantitative import restrictions exist for industrial products. Some products, such as cigarette paper, bank notes, weapons of war and certain explosives can only be imported by government agencies. The government can delegate authority to import on its behalf and can place orders for such products with the local sales agents of the foreign manufacturers.

## STANDARDS, TESTING, LABELING AND CERTIFICATION

Some Venezuelan importers of U.S. products have alleged that Venezuela applies product standards more strictly to imports than to domestic products. The certification process is expensive. The Venezuelan Commission for Industrial Standards normally requires certification from independent laboratories located in Venezuela, but at times will accept a certificate from independent laboratories elsewhere.

Venezuela's labeling regulations, which became effective in 2002, established the register of domestic manufacturers and importers of clothing and footwear, as well as the minimum labeling requirements for all clothing and footwear products marketed in Venezuela. Imported product labels must include the legal name or tax payer number of the Venezuelan importer. Industry reports that such information is difficult if not impossible to know during the manufacturing process when permanent labels are attached. Re-labeling of products upon entry to meet these requirements results in additional costs and delays.

## GOVERNMENT PROCUREMENT

Venezuela's government procurement law covers purchases by government entities, national universities and autonomous state and municipal institutions. The law requires a contracting agency to prepare a budget estimate for a procurement based on reference prices maintained by the Ministry of Production and Commerce. This estimate is to be used in the bidding process. The law forbids discrimination against tenders based on whether they are national or international. However, the law also states that the President can mandate temporary changes in the bidding process "under exceptional circumstances," or in accordance with "economic development plans" to promote national development, or to offset adverse conditions for national tenders. These measures can include margins of domestic price preference; reservation of contracts for nationals; requirements for domestic content, technology transfer and/or the use of human resources; and other incentives to purchase from companies domiciled in Venezuela. For example, government decree 1892 establishes a 5 percent preference for bids from companies with over 20 percent local content. In addition, half of that 20 percent of content must be from small- to medium-sized domestic enterprises. The Venezuelan government is increasingly awarding contracts directly, thus avoiding competition required by the government procurement law.

In an effort to move away from proprietary software products, the government of Venezuela in 2004 issued a decree mandating the use of open-source software in government entities and public institutions, though compliance is reportedly minimal. A bill is currently under discussion in the National Assembly to make the open-source software requirement more universal, expanding it to universities, government contractors and municipal governments.

The Venezuelan government has created a huge food distribution network, aimed at the low-income population. CASA (Corporación de Abastecimiento y Servicios Agrícolas) is the government food purchasing entity, and MERCAL (Mercado de Alimentos) is a government organization created for the marketing of food products. The state-trading entity, CASA, purchases both domestic and imported products. To date, it has purchased sugar, rice, wheat flour, black beans, milk powder, edible oil, margarine, poultry, and eggs from a variety of countries. MERCAL now distributes more than 40 percent of all basic food staples consumed in Venezuela, offering products at prices that are at or below those of controlled-price products. CASA and MERCAL compete with private industry, although the private sector also supplies products to this chain. The private sector has complained that CASA has an unfair advantage because it is ensured access to dollars, import licenses and permits. Furthermore, CASA, as a government entity, imports products without tariffs and customs duties, import licenses or permits.

The Venezuelan government has also created several state-owned enterprises, such as Venezuelan Agricultural Corporation (CVA) Cereals and Oilseeds, CVA Dairy, and CVA Sugar, to supply the food network. The main objective of the CVA is to supply the demand of the state-owned food distribution chain, MERCAL. According to CVA's regulations published in the official gazette, these industries will not only produce pre-cooked corn flour, pastas, milled rice, powdered milk, refined sugar and various agricultural inputs through established processing plants, but also are entitled to import and export raw and processed food. These are still not functioning at full capacity.

Additionally, the Venezuelan government has controlled food prices since 2003, when it set prices for 107 food products in an attempt to keep food prices low and to control inflation. Measures such as price controls and restricted access to dollars have had the opposite effect and have created new distortions in the market, such as temporary scarcities of certain products. Huge increases in input prices, as well as the need to maintain at least a reasonable profit margin, have led both producers and merchants to reduce production, withhold products for sale, or illegally sell outside the controlled price. Some products frequently disappear from the market shelves, and some end up in the Colombian market, which does not have price regulations.

Venezuela is not a signatory to the WTO Agreement on Government Procurement.

## EXPORT SUBSIDIES

Exporters of selected agricultural products -- coffee, cocoa, some fruits and certain seafood products -- are eligible to receive a tax credit equal to 10 percent of the export's value.

## INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The Venezuelan Industrial Property Office's actions and occasional publicly stated antagonism towards IPR often draw criticism from IPR advocates and rights holders. Protection of IPR is also hindered by the lack of adequate resources for the Venezuelan copyright and trademark enforcement police and for the special IPR prosecutor's office. Venezuela's tax agency, SENIAT, is promoting several measures to fight piracy in an effort to reduce tax evasion, including a new anti-piracy law and the proposed introduction of a tax on street vendors. According to industry representatives, SENIAT seems to be a promising enforcement entity due to its technical and financial capabilities.

Unfortunately, pirated software, music and movies remain readily available throughout the country, and levels of piracy are increasing. In the 2005 Annual Review, Venezuela was placed on USTR's Special 301 "Priority Watch List" and was kept on the list in 2006 for its failure to improve its IPR regime.

**Copyrights**

Venezuela's 1993 Copyright Law provides the legal framework for the protection of copyrights. The 1993 Copyright Law is modern, comprehensive and extends copyright protection to all creative works, including computer software. A National Copyright Office was established in 1995 and given responsibility for registering copyrights, as well as for controlling, overseeing and ensuring compliance with the rights of authors and other copyright holders. Industry experts are concerned about a proposed new copyright law that would require the mandatory registering of works in order to receive protection, reduce protection terms, hamper distribution agreements and increase royalties.

**Patents and Trademarks**

Venezuela provides the legal framework for patent and trademark protection through the 1955 National Industrial Property Law. The legal status of the Andean Community Decision 486, which to some extent implements the TRIPS Agreement, and Andean Community Decision 345, which covers protection for plant varieties, are currently in question since Venezuela withdrew from the organization in April 2006. The Venezuelan government has not yet clarified whether CAN norms should still be applied. Regardless, Venezuela's 1955 legislation is outdated and offers inadequate protections.

U.S. companies remain concerned about the consequences of Venezuela leaving the Andean Community. If the Venezuelan government decides that CAN regulations still apply, U.S. companies will continue to monitor the impact of the Andean Tribunal's 2002 interpretation of Articles 14 and 21 of Decision 486, which do not allow for the patenting of "second-use" products (e.g., new uses of previously known or patented products). Under pressure from the Andean Community and in line with some changes in leadership at SAPI, Venezuela has revoked previously issued patents. Very few patents for new pharmaceuticals were awarded in 2004, and none were issued in 2005 or 2006. Since 2002, Venezuela's food and drug regulatory agency (INH) began approving the commercialization of new drugs which were the bioequivalent of innovative drugs and relied on innovator proprietary data submitted for INH marketing approval. This denied the innovative drug companies protection against unfair commercial use of their test data as required by TRIPS. In effect, the government now allows unfair reliance on the test data, which required lengthy and expensive development, to be used by others seeking marketing approval for the same products.

**Enforcement**

The Venezuelan copyright and trademark enforcement branch of the police (COMANPI) attempts to provide copyright enforcement support with a small staff of permanent investigators. Lack of personnel, coupled with a very limited budget and inadequate storage facilities for seized goods, has forced COMANPI to work with the National Guard and private industry to improve enforcement of copyrighted material. SENIAT passed a regulation in mid-2005 that allows *ex officio* seizure of contraband goods at customs points and inland, and gives companies three days to verify the product's authenticity and press charges. In most cases, companies and violators reach a settlement instead of going through a lengthy, and often fruitless, court proceeding. SENIAT continues to be the only agency actively protecting IPR, and has launched public anti-piracy and "zero tax evasion" campaigns that have raised awareness of the IPR issues.

## SERVICES BARRIERS

Venezuela maintains restrictions on a number of service sectors. Venezuela requires that certain

professions be licensed in Venezuela (e.g., engineers, architects, economists, business consultants, accountants, lawyers, doctors, veterinarians and journalists). Foreign nationals wishing to practice these professions in Venezuela must have their credentials validated by a Venezuelan university, provided that a reciprocity agreement exists with their country of origin. Some (particularly government-related) accounting and auditing functions require Venezuelan citizenship, and only Venezuelan citizens may act as accountants in companies which trade over 25 percent of their total shares in the stock market. A foreign lawyer cannot provide legal advice on foreign or international law without being licensed in the practice of Venezuelan law.

Foreigners are required to establish a commercial presence for the provision of engineering services. Foreign consulting engineers must work through local firms or employ Venezuelan engineers. There is a law governing public service tenders that gives preferential treatment to Venezuelan firms for projects financed with public funds. Foreign participation is restricted to a maximum of 19.9 percent in professional firms.

Venezuela limits foreign equity participation (except from other Andean Community countries) to 20 percent in enterprises engaged in television and radio broadcasting and Spanish language newspapers.

A trade association has reported that draft satellite regulations call for preferential treatment for satellites owned and operated by the government of Venezuela, and may subject U.S. satellite operators to local establishment requirements that the trade association considers burdensome.

The government enforces a "one-for-one" policy that requires foreign musical performers giving concerts in Venezuela to share stage time with national entertainers. There is also an annual quota regarding the distribution and exhibition of Venezuelan films, as well as a requirement that a percentage of film copying be done in Venezuelan facilities. At least half of the television programming must be dedicated to national programs, and at least half of FM radio broadcasting must be dedicated to Venezuelan music.

Finally, in any enterprise with more than 10 workers, foreign employees are restricted to 10 percent of the work force, and Venezuelan law limits foreign employee salaries to 20 percent of the payroll.

By signing the 1997 WTO Financial Services Agreement, Venezuela made certain commitments to provide market access for banking, securities, life and non-life insurance, reinsurance and brokerage activities. Venezuela did not make commitments on pensions, or on maritime, aviation and transportation insurance, and it reserved the right to apply an economic needs test as part of the licensing process.

Rules governing maritime activities, transportation insurance, and civil aviation were issued in 2001 in a package of 49 laws passed under enabling powers granted to President Chavez in 2000. Of particular concern is a bill for a public services law currently in the National Assembly. The proposed law introduces the concept of “social salary,” adopted from similar European frameworks, but is accused of being more ambiguous. Equally concerning is the definition of public services, which is said to be extremely broad, ranging from recreational parks to cemeteries, telecommunications, banking, health and education. Under the public services law, rates are to be set by the purchasing power of the population and not the operational costs.

## INVESTMENT BARRIERS

The government continues to control key sectors of the economy, including oil, petrochemicals and much of the mining and aluminum industries. Venezuela began an ambitious program of privatization under the Caldera administration, but under President Chavez further privatization has been halted. On January 8,

2007, President Chavez announced that the telecommunications provider CANTV, the electricity generation sector, the heavy-oil strategic associations, and other "important and strategic" areas would be nationalized. Several of the affected U.S. companies have reached agreement with the government on compensation terms and others are still weighing their options. With regard to the strategic associations, President Chavez issued a decree in late February 2007 requiring the four strategic associations to convert to PDVSA control joint ventures in which the government will hold at least a 60 percent stake. The decree establishes a deadline of April 30, 2007, for completing the transfer. The U.S. Embassy is watching the process closely, has consulted with the affected U.S. companies, and has publicly stated its expectation that U.S. companies receive fair treatment, including timely, adequate, and effective compensation.

Foreign investment continues to be restricted in the petroleum sector. The exploration, production, refinement, transportation, storage, and foreign and domestic sale of hydrocarbons are reserved to the state. However, private companies may engage in hydrocarbons-related activities through mixed companies and equity joint ventures with the state-owned oil company Petroleos de Venezuela, S.A. (PDVSA). The Venezuelan constitution reserves ownership of PDVSA to the Venezuelan government. Sales to foreign investors of interests in subsidiaries and affiliates of PDVSA are permitted. In the early 1990s, the Venezuelan government partially opened the sector to private investment in order to promote new petrochemical joint ventures and to bring inactive oil fields back into production. Almost 60 foreign companies, representing 14 different countries, participated in these partial privatizations. PDVSA and foreign oil companies signed 33 operating service agreements for marginal fields after three rounds of bidding.

The Hydrocarbons Law of 2001 has raised concerns in the industry as it mandates a minimum 51 percent national participation in future projects and increases most royalties paid to the government from 16.67 percent to 30 percent. Over the last two years, the national government has made significant changes to royalty policies, tax policies, and contracts. This has substantially increased uncertainty in the sector and raised concerns of companies operating in Venezuela. In October 2004, the Venezuelan government eliminated a royalty holiday granted to joint venture projects relating to the development of Venezuela's extra heavy crude oil reserves. These joint venture projects, known as "the strategic associations," were established during the partial opening of the sector and received 35-year contracts that were endorsed by the National Congress. PDVSA has recently begun seeking partners to develop 27 blocks of the country's heavy crude reserves. National oil companies of strategic partner countries seem to be the preferred partners for the development of the new projects. In 2006, the government migrated the operating service agreements to mixed companies in which PDVSA held a majority stake. The Ministry of Energy and Petroleum has also announced that it wishes to migrate the four strategic associations in the Faja region to mixed companies in which PDVSA has a majority interest.

The Gaseous Hydrocarbons Law of 1999 offers more liberal terms, and the Venezuelan government has sought foreign investment to develop offshore natural gas deposits near the Orinoco delta.

Both the 2001 Hydrocarbons Law and the Gaseous Hydrocarbons Law require that there be a competitive process for the identification of private partners for projects to be developed by PDVSA. However, the government may directly award contracts when the project is to be developed under special circumstances, or is of national interest.

The government passed legislation in 1998, aimed at introducing domestic and foreign competition into the domestic gasoline market. The law allows foreign and private Venezuelan investors to own and operate service stations, although the government retains the right to set product prices. The government has not raised gasoline prices in several years, and currency devaluations and a high inflation rate have

eliminated service station profit margins.

Electric power generation, transmission, and distribution are open to private participation. Hydroelectric power-generation on several rivers is reserved to the state, although private sector participation is permitted in transmission and distribution. In early 2000, the U.S. power-generating company, AES Corporation, successfully took control, by means of a stock swap of Electricidad de Caracas (EDC), the company that provides power to the Caracas metropolitan area.

Private participation is allowed in the mining sector. In early 2005, President Chavez reorganized the ministries that govern the energy and mining sectors. One result of this restructuring was to increase control over basic industries at the ministerial level and to strengthen the state-owned Corporacion Venezolana de Guayana (CVG), which controls steel and aluminum production, electricity generation, and mining. Under its new board of directors, named in February 2005, CVG announced a review of all existing contracts between CVG companies and third parties. A draft mining law currently in the National Assembly seeks to repeal "inactive" concessions to foreign companies and structure the mining sector under a joint-venture model.

Supply contracts by CVG companies are currently under review by the Ministry of Basic Industries and Mining (Mibam). The government is looking to increase the development of downstream industrial sectors and to add value to Venezuelan exports. To this end, Mibam is taking several steps to help local companies, including making available to them a higher percentage of materials, improving payment terms, and providing discounts of up to 10 percent.