TRADE POLICY REVIEW MECHANISM

BOLIVIA

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (BISD, 368/403), the initial full report by Bolivia for the review by the Council is attached.

NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.
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EXECUTIVE SUMMARY

There is no better way to show Bolivia's transformation in recent years than by comparing some economic indicators from the culmination of the country's hyperinflationary process during the first half of the 1980s with the present-day situation.

- Average inflation in 1985 exceeded 11,700 per cent; in 1992 inflation was around 10 per cent, the lowest rate in Latin America.

- Net international reserves were negative during the first four years of the last decade. In 1985, months after the stabilization programme was introduced, reserves stood at nearly $100 million, and they currently exceed $260 million.

- The tax/GDP ratio, based on internal tax receipts, amounted to 2.4 per cent in the mid-1980s, compared with over 12 per cent today.

- The inflow of foreign exchange doubled during the period under consideration. Foreign-debt service absorbed nearly half of total foreign-exchange inflows, compared with only a sixth in 1992.

- The structure of the foreign debt changed significantly. Up to 1985, bilateral debt and debt with private financial entities, both on commercial terms, represented three-quarters of the total. At the end of 1991 they represented only half, the rest being made up of loans from multilateral financial institutions.

- The Gross Domestic Product fell steadily from 1982 to 1986, with a cumulative decline of over 12 per cent. Growth resumed in 1987, and the 1992 GDP was 20 per cent above that of 1986. The fastest growing sectors of the economy during this period were mining, industry and construction.

- While the value of exports has risen by a little over 25 per cent since 1984, it has still not reached the level of 1980, owing to the continuing decline in world prices.

Two key factors underlie this transformation: the establishment of a market economy and the deepening of the democratic process.

Bolivia's economic policy starts from the principle that the market is the most efficient instrument for the allocation of resources. To that end, the Government fully opened up the economy, eliminated all controls on prices, including the exchange rate, and overhauled public finances, reducing unnecessary expenditure and carrying out a thorough tax reform.

As of 1989 these measures were accompanied by radical structural reforms reflected in new laws on investment, the hydrocarbons sector (oil and natural gas), mining and State participation in production activity.
Nevertheless, the fundamental features of Bolivia's economic structure persist: high share of agriculture in the product, low share of industry, and a growing tertiary sector. In addition, a number of problems will have to be tackled in the coming years, such as the weak tax base underpinning economic stability, institutional weaknesses for sustaining the growth process, inadequate infrastructure for producer services, low domestic saving capacity, weakness of the financial system, shortage of resources to meet education and health needs and sluggishness of the external sector.

A sectoral analysis of the economy shows that agriculture generates a fifth of the product and employs two-fifths of the economically active population. The sector suffers from low output and productivity owing to the use of inappropriate technology, land tenure problems in the western region, insufficient production infrastructure and weak organization and training of producers. Nevertheless, a modern, highly productive and competitive agricultural economy, underpinning the growth of agricultural exports, has developed in the eastern region.

The mining sector, traditionally linked with foreign trade, has suffered from a steady fall in world prices in recent years. This has led to a radical transformation of the sector, with the emergence of new export minerals and the closure of major production centres.

As for the oil and natural gas industry, the problem of the low proportion of liquid hydrocarbons in production is being resolved by greater participation of private capital in exploration and development of new fields, as well as their substitution by national gas on the consumption side.

The industrial sector's share of the product is around 15 per cent, which may be attributed to the lack of dynamism of the domestic market, uncompetitiveness compared with foreign producers, and shortcomings in transport and marketing infrastructure.

Fiscal policy is aimed at closing off the major source of money supply growth stemming from the fiscal deficit, increasing public saving and greater efficiency in the management of investment.

Money supply growth is linked with the demand for money and underpinned by international reserves. Growth of the means of payment responds to demand from economic operators, with two guiding principles: maintenance of stability and meeting the needs of producers.

Exchange policy seeks to maintain a competitive real exchange rate by means of a foreign-exchange auction system which reflects market conditions.

Bolivia's trade policy aims at increasing economic efficiency and productivity by expanding economic relations with other countries and increasing trade flows of goods and services.
Since Bolivia's accession to the General Agreement, changes have been made with a view to further liberalization of the economy in accordance with GATT objectives and mechanisms.

Bolivia views economic integration as a valid instrument for increasing international trade flows on free-trade principles.

Bolivia is a full member of the Andean Pact, an agreement which has undergone a major development in the last year with the total removal of tariff barriers among its members, elimination of the lists of exceptions, harmonization of export promotion policies and adoption of a Common External Tariff with a narrow range of rates and low tariffs for trade with third parties.

Bolivia intends to sign specific agreements with MERCOSUR that will enable it to expand its trade links without affecting its foreign trade policy. It also plays an active part in LAIA.

The export régime is based on freedom to engage in any type of transaction involving goods and services without any need for prior permits or licences, except in the case of products that could impair State security, or the flora, fauna and historical and cultural heritage of the nation.

The basic policy instruments centre on the continued existence of a real and flexible exchange rate that is attractive for the exporting sector and for import-competing sectors; on providing exporters with a free trade régime through the use of instruments enabling them to acquire inputs at international prices; and on keeping the prices of goods and services used by the export sector competitive.

Exports of goods and services are exempt from payment of any kind of taxes or equivalent charges. Furthermore, mechanisms have been introduced to eliminate the indirect tax component in the price of exported goods. The instruments used are the CENOCREN (for the refund of value-added tax on inputs), a draw-back system (duties paid on imported inputs are refunded), temporary import mechanisms and free zones.

The main export promotion body in Bolivia is the National Export Promotion Institute (INPEX), an independent entity governed by public law.

With a view to continuity of export policy, the Government of Bolivia has submitted a draft export law to the National Congress for study.

This bill refers to the guarantees provided to the export sector for its activities (freedom to import and export without restriction, direct access to international financing, free transit through the national territory without restriction, and use, at the time of export, of the services of the enterprises or entities of the exporter's choice); tax treatment for the sector (exemption from any export tax and refund of consumption taxes and import duties paid) and the process of formulation of export policy.
The import régime is based on the principle of free trade in goods and services with the exception of those that affect public health and/or State security.

Only goods affecting the health and physical and moral safety of the country's inhabitants are subject to an import prohibition.

Bolivia announced its intention to sign the Import Licensing Code at the beginning of 1993. Only products that may be harmful to health or affect State security are subject to this requirement.

Imports of food, live animals, plants and medicaments must be accompanied by health or phytosanitary certificates issued by national entities.

Import duties are currently at two levels: 5 per cent for imports of capital goods, a rate which will be in force until January 1994, and 10 per cent for other products.

The exceptions to this tariff régime stem from commitments entered into prior to the liberalization of trade and from international integration agreements to which the country is a party.

In addition to the payment of the Consolidated Customs Duty, imports are subject to internal taxes (value-added tax and specific consumption taxes which also apply to domestically produced goods), fees for services provided (handling, loading, unloading and storage of goods) and fees of customs offices and foreign-trade inspection agencies.

Bolivia has announced its intention to accede to the Agreement on Implementation of Article VII of the General Agreement (Customs Valuation Code).

Determination of the value of goods imported into the country is based on the price and quality certificate issued by international bodies employed by the State for this purpose, which follow the criteria laid down by the General Agreement for carrying out such activities.

There are legal provisions aimed at providing equitable conditions for domestic producers against imports which, whether as a result of governmental measures (subsidies) or through the practices of companies themselves (dumping), constitute unfair competition from external competitors.

Bolivia's accession to the General Agreement on Tariffs and Trade is a reaffirmation of the great importance of the structural changes carried out since 1985.

The principles and mechanisms of the General Agreement are an integral part of Bolivia's development programme. Bolivia trusts that the international economic community will likewise adopt these principles so as to enhance the prosperity of the world as a whole.
I. **ECONOMIC ENVIRONMENT**

1.1 **Main features of the Bolivian economy**

The main structural features of the Bolivian economy remain constant: the large share of agriculture in total output of goods and services, the weak and stationary positions of the industrial sector and in recent decades the growing share of the tertiary sector. In addition, the country's size and geographical diversity, compounded by a lack of suitable infrastructure, raises transport costs, affecting the competitiveness of certain exportable goods and Bolivia's participation in the world economy.

At present, the various production sectors of the economy are following different trends: whereas growth of the primary sectors, both agricultural and extractive, is dropping off slightly, other sectors show a favourable trend, as in the case of electricity, construction and industry.

Sectoral shares in the gross domestic product as well as sectoral trends in recent years are shown in Table 1 and Figure A.

### Table 1

**GDP by Economic Activity**

(Percentage Structure)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>22.49</td>
<td>22.69</td>
<td>22.57</td>
<td>21.66</td>
<td>20.69</td>
<td>21.30</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>11.18</td>
<td>11.06</td>
<td>12.88</td>
<td>14.42</td>
<td>15.12</td>
<td>15.28</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.63</td>
<td>12.62</td>
<td>12.92</td>
<td>13.00</td>
<td>13.39</td>
<td>13.72</td>
</tr>
<tr>
<td>Trade</td>
<td>13.57</td>
<td>14.31</td>
<td>13.35</td>
<td>13.01</td>
<td>12.87</td>
<td>13.03</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>8.59</td>
<td>8.80</td>
<td>8.58</td>
<td>8.52</td>
<td>8.54</td>
<td>8.53</td>
</tr>
<tr>
<td>Banking and insurance, housing, business</td>
<td>13.52</td>
<td>12.64</td>
<td>12.41</td>
<td>12.27</td>
<td>12.42</td>
<td>11.83</td>
</tr>
<tr>
<td>Public admin. services</td>
<td>9.30</td>
<td>9.28</td>
<td>8.88</td>
<td>8.74</td>
<td>8.91</td>
<td>8.73</td>
</tr>
<tr>
<td>Other services</td>
<td>8.73</td>
<td>8.61</td>
<td>8.40</td>
<td>8.36</td>
<td>8.09</td>
<td>7.58</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Source: UDAPE.*
1.1.1 Agricultural sector

Agriculture generates roughly 22 per cent of GDP and employs 42 per cent of the economically active population. In 1992, it received 9.6 per cent of programmed public investment.

Nevertheless, a pricing policy that was unfavorable to the agricultural sector was pursued in recent decades, with the freeing of manufacturing sector prices while rigid controls were maintained on prices of agricultural products. This led to a steady decline in the terms of trade.

This policy was maintained until 1985, and together with other structural factors described below, prevented a suitable level of investment in the sector.

Output and productivity are low in the altiplano and valleys owing to the use of ecologically inappropriate technology, deterioration of ecosystems, land tenure and use problems, insufficient production infrastructure, primarily irrigation, and the organizational and training weaknesses of producers, particularly in the peasant economy. The segmentation of agricultural markets and lack of transparency of information constitute further restrictions, which increase the sector's vulnerability to adverse climatic factors.

The agricultural sector in the east of the country is modern and highly capital intensive, and has a satisfactory level of productivity and competitiveness in international markets. Thus it is one of the sectors that make the biggest contribution to the growth of non-traditional exports, with a share of 72 per cent in 1991, although here again the problems of inadequate communications and high transport costs referred to above also seriously affect agricultural development.
1.1.2 Mining and metallurgy

Mining has traditionally been the economy's main prop since the founding of the Republic of Bolivia, as the main source of its foreign-exchange earnings. Mining activity has been located especially in the departments of Oruro, Potosi and to a lesser extent La Paz. The sector accounted for 47 per cent of exports in 1982, compared with 41.95 per cent in 1991. Its share of GDP dropped from 10.15 per cent in 1982 to 8.99 per cent in 1991.

This very low share in the GDP is due to the lack of integration of the mining sector in the rest of national production and the low level of processing.

The present Government has drawn up a policy of joint ventures between mining properties belonging to the Bolivian Mining Corporation (COMIBOL) and foreign investors.

The present Government is encouraging foreign investment in the mining and processing of both metallic and non-metallic minerals: the former include zinc, cadmium, copper and bismuth, and the latter sulphur, manganese, ulexite, baryte, bentonite and kaolin. The outlook is highly favourable in both areas, since in addition to their abundance these minerals provide a high internal rate of return, given the excellent world market conditions.

Government policy for the mining sector is underpinned by the introduction of a number of changes in the Mining Code, guaranteeing private investment and the elimination of major areas reserved for the State.

Despite a steady decline in international prices of minerals, this sector began a serious recovery in 1987. The level of output in 1991 was double that of 1986, but is nevertheless 13 per cent below that of the beginning of the 1980s.

The structure of mining production shows a radical change, with the increased relative importance of the private sector (entrepreneurs and co-operatives) at the expense of State production, and the decline in the importance of tin output in relation to other minerals.

1.1.3 Hydrocarbons and energy sector

The aim of Government policy in this sector is to overcome the low level of reserves of liquid hydrocarbons and of light crudes. Efforts are being made in both cases to increase inventory and output levels. There is a tendency to replace consumption of oil with a more abundant resource, natural gas, although the long-term aim is to give preference to hydro-power over thermal generation.

As far as petroleum is concerned, the aim is not only to ensure self-sufficiency but also, as a result of new investment in prospection, exploration and extraction, to create exportable surpluses in the future.
The new legal instruments for the sector, contained in the Hydrocarbons Law, within the context of the new Investment Law, provide a legal framework that seeks to ensure greater domestic and foreign private investment in the sector.

The fundamental commercial strategy in the sector aims at multiplying and diversifying external markets for gas; Brazil, Argentina and Chile are the natural targets for sectoral export policy.

Recently, oil and gas policy has begun to include the domestic market among its concerns, with a view to the gradual substitution of petroleum by natural gas; domestic commercial strategy continues to aim at incorporating the private sector in the marketing of fuels and lubricants.

The State Petroleum Company, YPFB is losing ground against the private enterprises of the sector that are expanding their exploration and production, since they make up for the decline in oil production by higher gas output.

In the electricity sector, demand for electricity has risen due to the slight upturn in the economy, with higher demand from private mining and manufacturing in particular.

Future growth of the sector is based on the expansion plans of the distribution companies as well as the National Electrification Company (ENDE). The main source of investment in the sector will be ENDE together with the Bolivian Electric Power Corporation (COBEE), which is the biggest private enterprise with foreign shareholders in the country.

The National Electrification Plan is aimed at generating export capacity, on the basis of the country's excellent conditions for hydroelectric power generation. However, the high investment in fixed capital and infrastructure required by the sector, together with the refusal of multilateral financing institutions to enter projects of this kind, rule out the possibility of implementing such projects in the short term.

1.1.4 Industrial sector

In 1991, the industrial sector's share of GDP was 14 per cent and its share of total exports 10 per cent, figures which indicate the country's insufficient industrial development.

The sector is of great importance for the business cycle, as it responds elastically and rapidly to cyclical processes. In 1992 the sector's growth rate was 7 per cent.

The country's low level of industrialization is attributable to a flat domestic market resulting from excessive income concentration, lack of skilled labour, inadequate transport and marketing infrastructure, insufficient internal and external financing, and a total absence of producer services.
In addition, the lack of private investment in industry and the absence of direct foreign investment are crucial factors explaining the state of industrial development.

One factor with a particular impact on industrial development has been Bolivia's lack of a direct link with seaports. This represents a further limitation hindering industrial products from reaching international markets with a suitable degree of competitiveness. These factors, together with the underdevelopment of national transport and communication systems and the inadequate infrastructure for export marketing, adversely affect production costs and external competitiveness.

It should be mentioned that the industrial strategies carried out by all governments up to 1985 harmed the sector, as instead of pursuing policies focusing on the creation of networks of general services for producers, they concentrated on setting up public enterprises producing goods and services.

The National Government considers that market liberalization, the reform of public-sector institutions in the economic sphere, a definite science and technology policy, a suitable financial policy, management modernization, joint ventures between national and international enterprises, and manpower training, are essential factors for achieving industrial development.

A policy of focusing of public investment on construction and physical infrastructure was adopted as an essential condition for industrial development.

1.2 General macro-economic factors influencing trade

Economic stability together with ongoing structural changes are the main parameters of Bolivia's economy today.

The results of this process have led to positive growth rates of the product since 1987. While growth is moderate (between 2.6 per cent and 4.1 per cent), it has brought the GDP product to a level higher than that of the beginning of the last decade.

These achievements were made possible by the implementation of the following measures since 1985: subsidies were drastically eliminated, thus removing one of the most important factors in the distortion of relative price formation; deregulation policies were applied, with the removal of tariff barriers and establishment of a uniform tariff, and price controls were abolished. The labour market was liberalized, with the adoption of a system of free hiring; and the exchange market was unified, with the introduction of a single, flexible exchange rate.

Since 1989, a number of structural reforms have been pursued in conjunction with the continuing stabilization policy.

The credit market was deregulated, with the adoption of the auction mechanism for the grant of loans at a specific rate of interest. This restored the credibility of the finance and credit policy among the
international community. The State banking system consisting of the Housing Bank, the Agricultural Bank, the Mining Bank and the State Bank (Banco del Estado) was dissolved and its functions were transferred to the commercial private banks.

Bolivia renegotiated its commercial debt on the international securities market by converting it into investment bonds, and thus reduced it substantially. Its bilateral debt was renegotiated, some of it was forgiven, and payment terms were restructured.

The legal instruments that are of paramount importance for obtaining greater direct foreign investment were adopted systematically and rapidly; these include the Investment Law, the Mining Law and the new Hydrocarbons Law.

A vigorous, albeit difficult, process of privatization of national and regional public enterprises has been launched. In addition, new contracts have been negotiated for the exploration, development and marketing of gas, as well as a new contract for the sale of gas to Argentina and a preliminary contract for the sale of gas to Brazil.

Only in the case of mining joint-ventures and the decentralization of public services alone has the Government had to delay its plans for 1992, although significant progress is expected in both areas in 1993.

1.2.1 Fiscal policy

The policies of the current Structural Adjustment Programme are aimed at closing off the main source of monetary expansion, consisting of Central Bank credits to enable the public sector to finance its deficit.

Implementation of this policy implied increasing public sector revenues, rationalizing current expenditure and rescaling investment expenditure.

Public investment is financed almost entirely from external saving. However, as of 1992 non-repayable resources have begun to decline in importance as a source of financing, while the proportion of repayable credits in the financing structure has increased. In the future this new structure will increase the debt service, exerting pressure on total spending.

None of the signs of slack fiscal discipline characteristic of policies during past decades may be observed at present. There is no threat of excess demand pressure, in that the economic policy provides for control of the money supply and a restriction of domestic credit that will throttle any incipient process of self-fuelling inflation or an unmanageable payments deficit of the non-financial public sector.

Total income and expenditure have remained constant in relation to GDP, with a slight increase in expenditure comparing the figures for the first half of 1991 with those of 1992. There is also a striking increase in tax revenue, with better receipts from the valued-added tax, although the proceeds from oil and natural gas sales have fallen. The small
increment in expenditure in relation to GDP concerns above all wages and salaries, internal debt interest and capital outflows (see Table 2).

Efforts will be redoubled in 1993 to reduce the budget deficit, on the basis of better tax returns resulting from an increase in the rate of the value-added tax decided on in early 1992 and improved tax collection machinery. These improvements are aimed at offsetting the negative effects of the lower price of gas exported to Argentina. Oil and gas prices were adjusted in order to keep their value constant in real terms, thus making it possible to balance the lost export earnings through higher income from the domestic market.

Table 2

Non-Financial Public Sector Operations in the First Half of the Year

(Millions of Bolivianos)

<table>
<thead>
<tr>
<th></th>
<th>First half of 1991</th>
<th>% GDP</th>
<th>First half of 1992</th>
<th>% GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>2,734.6</td>
<td>15.3</td>
<td>3,152.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Current income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax income</td>
<td>2,581.4</td>
<td>14.4</td>
<td>3,002.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Internal revenue</td>
<td>677.9</td>
<td>3.8</td>
<td>1,009.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Customs revenue</td>
<td>582.8</td>
<td>3.3</td>
<td>874.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Oil and natural gas sales</td>
<td>95.1</td>
<td>0.5</td>
<td>135.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Sales of other enterprises</td>
<td>1,219.3</td>
<td>6.8</td>
<td>1,238.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Transfers</td>
<td>464.0</td>
<td>2.6</td>
<td>571.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Other income</td>
<td>137.6</td>
<td>0.8</td>
<td>86.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Capital inflows</td>
<td>153.2</td>
<td>0.9</td>
<td>150.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Expenditure</td>
<td>2,898.8</td>
<td>16.2</td>
<td>3,399.5</td>
<td>16.5</td>
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<tr>
<td>Current expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remuneration</td>
<td>2,225.7</td>
<td>12.4</td>
<td>2,513.8</td>
<td>12.2</td>
</tr>
<tr>
<td>Goods and services</td>
<td>847.2</td>
<td>4.7</td>
<td>1,067.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Interest</td>
<td>675.9</td>
<td>3.8</td>
<td>719.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Internal debt interest*</td>
<td>297.2</td>
<td>1.7</td>
<td>329.1</td>
<td>1.6</td>
</tr>
<tr>
<td>External debt interest due</td>
<td>0.6</td>
<td>0.0</td>
<td>52.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Transfers</td>
<td>296.6</td>
<td>1.7</td>
<td>276.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Other outgoings</td>
<td>200.8</td>
<td>1.1</td>
<td>198.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Unidentified outgoings</td>
<td>168.0</td>
<td>0.9</td>
<td>222.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>36.6</td>
<td>0.2</td>
<td>-23.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>Overall surplus (deficit)</td>
<td>673.1</td>
<td>3.8</td>
<td>885.9</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>-164.2</td>
<td>-0.9</td>
<td>-247.4</td>
<td>-1.2</td>
</tr>
</tbody>
</table>

* Does not include losses of the Central Bank of Bolivia

Source: UDAPE.
1.2.2 Monetary and financial policy

The Bolivian Government's monetary policy depends to a large extent on the level of net international reserves (NIR), as well as the gradual reduction of interest rates and the increments that can be achieved in private investment and the resources available to that sector. The combination of a suitable fiscal adjustment policy and the slight but gradual reduction in interest rates has led to a rise in lending to the private sector: banking system loans at June 1992 amounted to US$1,566 million, which represents an increase of US$220.2 million over December 1991 and of US$451 million over June 1991.

By June 1992, net international reserves had risen more than US$100 million above the level of December of the previous year. In addition, given the Government's intention of reducing public borrowing through Central Bank certificates of deposit, the Government has offered and placed a smaller amount of securities under a public auction system.

Lending interest rates declined appreciably from January 1989 to June 1992, with sharp falls in 1991 in particular, when the rate declined from 23.64 per cent to 18.76 per cent. Consequently, the high interest rates payable on foreign currency deposits are one of the major factors explaining the increasing inflow of external saving and the steady rise in net international reserves, as may be seen in the following table:

**Table 3**

<table>
<thead>
<tr>
<th>Period</th>
<th>Net international reserves (millions of US$)</th>
<th>Total deposits (millions of US$)</th>
<th>Lending rate $^1$</th>
<th>Borrowing rate $^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1989</td>
<td>-21.7</td>
<td>479.8</td>
<td>15.23</td>
<td>23.64</td>
</tr>
<tr>
<td>June 1990</td>
<td>61.5</td>
<td>698.0</td>
<td>14.47</td>
<td>22.84</td>
</tr>
<tr>
<td>June 1991</td>
<td>196.8</td>
<td>991.4</td>
<td>13.21</td>
<td>21.82</td>
</tr>
<tr>
<td>June 1992</td>
<td>302.8</td>
<td>1,343.4</td>
<td>11.24</td>
<td>18.76</td>
</tr>
</tbody>
</table>

$^1$Refers to fixed term deposits in foreign currency  
$^2$Refers to the effective interest rate in foreign currency

Source: UDAPE.

The financial and credit policy clearly leaves the market to act as the essential factor in the allocation of resources. Interest rates are freely determined by the market, under a system of financial liberalization.
This liberalization process is being consolidated, with the elimination of preferential interest rates for privileged groups of borrowers. This has naturally maintained lending rates at exagerratedly high levels for almost seven years. Hence, the protracted severe rise in the cost of money has averted an outflow of foreign exchange and facilitated the system's capacity to absorb financial saving (see Table 3), although this has further worsened the saving-investment gap.

Deregulation of the credit market is the mechanism enabling the interest rate to attain an equilibrium level between supply and demand. The auction mechanism ensures that the price of credit is determined exclusively by the market.

Problems of access to credit persist for the majority of the population, not only because of the level of interest rates, despite the recent decline mentioned earlier, but also owing to the problem of the size of the guarantees required by the banking system. This maintains a high level of financial resources that cannot be devoted to investment in the production sector owing to the inherently long duration of such investments. Credit activity is directed towards short-term operations bringing rapid financial returns, because the resources available for such activities come from bank deposits which generally consist of dollarized funds deposited for very short terms.

1.2.3 Exchange policy

Bolivia's macro-economic policy is based on the strategic assumption that export-led growth is the most important factor to obtain a substantial increase in national income.

This strategy cannot be implemented without a competitive exchange rate that can induce a growth of exports. Private investment will develop only if there is certainty that this policy will be maintained over the long term.

Hence the system of foreign exchange auctions is maintained, enabling it to be allocated according to its market price. The following figure shows the trend of the real exchange rate index calculated on the basis of the movements in prices and the nominal exchange rate in Bolivia, in relation to the same trend for its major trading partners.
Figure B shows that the real exchange rate has improved over time, which means that the change in the prices of tradeable goods was bigger than that for non-tradeables. Hence export products and import-substitution products are becoming more competitive.

1.2.4 Price policy

Price policy has been almost completely liberalized, following the removal of all previous restrictions. There is no price-control system, nor regulations on fundamental aspects of production and marketing of goods and services. Administered prices exist in exceptional cases such as fuels.

According to projections, the rate of inflation should drop substantially by the end of this year, to a rate of not more than 10.4 per cent. Between January and June 1991 the accumulated rate was roughly 9 per

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>93.43</td>
</tr>
<tr>
<td>1987</td>
<td>72.95</td>
</tr>
<tr>
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<td>124.48</td>
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<tr>
<td>1992(p)</td>
<td>127.20</td>
</tr>
</tbody>
</table>

Source: UDAPE.
cent, and in 1992 over the same period it was down to a prudent 7 per cent. With the planned prospect that the average monthly rate of inflation in the coming months will not exceed 1 per cent, it is expected that the objective of a very low rate will be attained. Nevertheless, the projection for next year is to reduce inflation to single figures, which will not only ensure domestic financial stability but also enable Bolivia to strengthen the favourable conditions for increasing domestic private investment and direct foreign private investment.

Table 4 shows the excellent performance of the Government's economic policy, with accumulated inflation falling from a rate of 18.01 per cent at the end of 1990 to 14.53 per cent for 1991, and a final rate of 10.3 per cent at the end of the year.
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Cumulative inflation</th>
<th>Cumulative Depreciation</th>
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</thead>
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<td>January</td>
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<td></td>
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<tr>
<td></td>
<td>March</td>
<td>1.34</td>
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<tr>
<td></td>
<td>April</td>
<td>1.63</td>
<td>5.08</td>
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<tr>
<td></td>
<td>May</td>
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</tr>
<tr>
<td></td>
<td>December</td>
<td>10.39</td>
<td>8.33</td>
</tr>
</tbody>
</table>

Source: UDAPE.
Figure C

Price Trend

Cumulative Inflation

Per cent
19 18 17 16 15 14 13 12 11 10

DEC. 90 DEC. 91 DEC. 92 PERIOD
II. TRADE POLICY REGIME

2.1 Trade policy objectives

Foreign trade policy pursues the following objectives:

- Open up and liberalize foreign trade, with the fundamental aims of increasing levels of investment, technological innovation, productivity and hence competitiveness; it also seeks to reduce the cost of capital goods, intermediate goods and raw materials needed for production and export processes, dynamic opening-up of markets in the world economy and economic and trade agreements that are favourable to Bolivia.

- Secure bigger markets over the long term which will allow greater economies of scale and specialization, basically by resorting to the creation of free-trade zones with the option of strengthening them by flexible convergent customs unions with moderate tariffs.

- Develop policies aimed in future at sustained development of a competitive export sector on the world market.

- Raise the volume and value of total exports through the identification of competitive sectors allowing the country to achieve a better participation in the world economy.

2.2 Legal framework of foreign trade policy

Bolivia's Constitution lays down general rules and procedures that are taken up by its other legal provisions.

Trade policy is governed by the Political Constitution and various laws, supreme decrees and administrative resolutions.

Supreme decrees are issued by the Executive branch of government within its sphere of competence.

Administrative resolutions are in general of a regulatory nature and are issued by the bodies having responsibilities in foreign trade matters.

A summary is given below of the main laws and supreme decrees which have been promulgated since the completion of Bolivia's accession to the General Agreement and affect trade policy.

(a) Investment

The Investment Law, No. 1182 of 17 September 1992, grants foreign investors in an enterprise the same rights, duties and guarantees as are granted to national investors under the laws and regulations, without any requirement of prior authorization or additional registration.

Freedom of exchange is guaranteed. There are no restrictions on the entry or exit of capital, or on the remittance abroad of dividends,
interest and royalties from the transfer of technology or on other commercial grounds. All remittances or transfers are subject to the payment of the taxes established by law.

Free convertibility of the currency is guaranteed, and economic agents may carry out their legal acts or operations in local or foreign currency.

Investors may freely contract investment insurance in the country or abroad. Foreign investment guarantees are backed by bilateral or multilateral instruments which the Government of Bolivia has agreed with other nations or international organization.

Freedom to import and export goods and services, with the exception of those affecting public health or State security; freedom to produce and market goods and services, and free determination of prices, with the exception of those prohibited by law.

Tax obligations are covered by the tax régime.

With regard to credits, the State does not guarantee external or domestic contracts entered into by natural or legal persons, whether national or foreign. Joint ventures between national and/or foreign investors are recognized, and will be governed by domestic law; legal domicile must be established in Bolivia.

Export-oriented industrial free zones, warehousing free zones or terminals and the régime of temporary entry authorized by the executive branch, will operate under the principle of customs and fiscal segregation with exemption from taxes and tariffs.

Laws Nos. 1174, 1176 and 1177 of 4 and 10 July 1990 underpin the agreements signed by Bolivia with the Belgium-Luxembourg Economic Union, Italy and Spain on reciprocal protection, encouragement and promotion of investment.

(b) Export promotion

Supreme Decree No. 22753 of 15 March 1991 eliminated the Tariff Drawback Certificate (CRA) and established the system of drawback of the Consolidated Customs Duty: the objective is to refund import duties paid on inputs and raw materials incorporated into exported products.

Supreme Decree No. 22526 and Supreme Decree No. 22410 of 11 January 1990 authorize and regulate the establishment of free zones and the régime of temporary entry on the national territory. They also lay down the necessary rules for the implementation of Articles 20 to 56 of the above-mentioned Supreme Decree.

The creation and consequent concession of the administration of free zones was authorized and granted by Ministerial Resolution of the Ministry of Industry, Trade and Tourism (currently the Ministry of Exports and Economic Competitiveness) and Ministry of Finance on the basis of a report by the National Free Zones Council.
The creation of a Free Zone entails the concession of its administration to the body responsible for its development, for a period to be determined in accordance with the limits laid down by the constitution.

Supreme Decree No. 23308 of 20 October 1992 provides that the Ministry of Exports and Economic Competitiveness and the Ministry of Finance shall establish regulations governing the necessary procedures for the application of anti-dumping measures and countervailing duties against unfair business practices. The implementing regulations of this decree are being drafted and are consistent with the GATT Rules.

Draft Export Law

In order to ensure the continuity of its export policy, the Government of Bolivia has submitted to the National Congress a draft Export Law for its consideration.

This draft legislation is in three parts:

The first section refers to the guarantees provided to the export sector to engage in its activities, including freedom to import and export without restrictions, to have direct access to international financing, freedom of movement through the national territory without restriction and to use, at the time of export, the services of whatever companies, public or private entities and trade organizations they consider provide the best and most suitable services.

The second section deals with tax treatment for the sector, and ensures exemption from any export tax and the refund of consumption taxes and import duties paid during the production process.

The third section of the bill refers to the formulation of export policy, and provides that the executive bodies responsible for this area are the Ministry of Exports and Economic Competitiveness (in charge of the sector), Ministry of Finance, Ministry of Foreign Affairs and Ministry of Planning and Co-ordination.

(c) Tariff régime

Supreme Decree No. 22151 of 13 March 1989 expanded the lists of capital goods subject to the 5 per cent Consolidated Customs Duty.

Supreme Decree No. 22775 of 8 April 1991 adopted the Import Customs Tariff and updated the rules and procedures for tariff treatment and other operational matters. It also modified the customs legislation on imports with the incorporation of the main principles and rules of the GATT Customs Valuation Code into domestic law, as well as the new Harmonized Commodity Description and Coding System nomenclature, pursuant to multilateral agreements; this nomenclature was already adopted as the official nomenclature of the member countries of the Sub-Regional Andean Integration Agreement as the NANDINA.
The Import Customs Tariff comprises, in its general provisions on "customs duties", the "Consolidated Customs Duty" (GAC), internal taxes on import operations, the "Value-Added Tax" (IVA) and "Specific Consumption Tax" (ICE).

Supreme Decree No. 23060 of 14 February 1992 extended the application of Article 23 of Supreme Decree No. 22407 of 11 January 1990 for a period of two years as from 12 January 1992. The article reduces the Consolidated Customs Duty to 5 per cent for imports of what are considered capital goods.

(d) Foreign trade inspection services

By Supreme Decree No. 22514 of 22 May 1990 the Government authorized the Ministry of Finance to award contracts by public tender to one or more enterprises constituted in the country or abroad wishing to provide services of inspection, verification, control and international certification of foreign trade, in order to ensure proper invoicing of prices, quality, freight rates, insurance, packaging, transport and other aspects relating to imports and exports to and from Bolivia. Accordingly, Supreme Resolution 208026 of 24 August 1990 was issued approving the award of the contract by the selection body to Empresas Inspectorate Griffith Ltda. and Société Général de Surveillance S.A. (SGS).

These inspection companies will send quarterly reports to the Bolivian Government, through the Ministry of Finance, Department of Tax Revenue, on the results of the control of each and every operation inspected.

This contract came into effect on 1 September 1990 and will come to an end in three years.

(e) Privatization of State enterprises

Law 1330 of 24 April 1992 provides for the privatization of State enterprises. Its main objectives are to authorize public-sector entities and enterprises to transfer the assets, goods, securities, share and rights they own to national or foreign natural or legal persons or to use them for the constitution of new joint limited companies.

(f) Mining sector

Law 1141 of 23 February 1990 lays down the tax treatment of royalties for the mining sector and the optional tax régime.

Law 1297 of 27 November 1991 incorporates in the Mining Code a mining tax régime that will apply compulsorily to all enterprises constituted or to be constituted on the national territory that extract, produce, enrich, refine, smelt, cast and/or market minerals and/or metals. The régime consists of a profits tax of 30 per cent of the annual net profit and a supplementary tax of 2.5 per cent of the value of the company's net sales.
(g) Governmental administration and control

Law 1178 of 20 July 1990 on Governmental Administration and Control (SAFCO), governs the systems of administration and control of State resources and their relationship with the national planning and public investment systems. The objective is to programme, organize, execute and control the efficient and effective use of public resources for the implementation of policies, programming and provision of services.

(h) Accession of Bolivia to GATT

Law 1156 of 21 May 1990 approved and ratified the General Agreement on Tariffs and Trade (GATT); the Protocol of Accession was signed by Bolivia on 4 August 1989.

2.3 Institutional framework of foreign trade policy

The National Foreign Trade Council comprises the Minister for Exports and Economic Competitiveness, as Chairman of the Council, and the Under-Secretary for Multilateral Policy and Integration, of the Ministry of Foreign Affairs; Under-Secretary for Public Investment and International Co-operation of the Ministry of Planning and Co-ordination; Under-Secretary for Operation Programming of the Ministry of Finance; Under-Secretary of Transport of the Ministry of Transport, Communications and Civil Aviation; Under-Secretary for Agriculture of the Ministry of Rural Affairs and Agriculture; and Under-Secretary for Exports of the Ministry of Exports and Economic Competitiveness, who acts as Under-Secretary of the Council.

The President of the Chamber of Exporters of Bolivia and the Executive Director of the National Export Promotion Institute (INPEX) are also members of the Council.

The Technical Secretariat consists of representatives of the Ministry of Exports and Economic Competitiveness, Ministry of Finance and Central Bank of Bolivia, and government bodies and officials.

The Council's priority objective is formulation and administration of policies relating to trade, support for the growth and diversification of exports of non-traditional products and the search for export markets.

The National Council of Economy and Planning (CONEPLAN) is the highest decision-making body of the National Planning System, which sets plans, programmes and strategies for the short, medium and long term in economic and social matters. Its titular President is the President of the Republic, and the Minister for Planning and Co-ordination in his absence. The Council comprises the Ministers of Finance, Exports and Economic Competitiveness, Energy and Hydrocarbons, Mining, Transport, Communications and Civil Aviation, Labour and Manpower Development, and Rural Affairs and Agriculture.
The Ministry of Exports and Economic Competitiveness was set up to replace the Ministry of Industry, Trade and Tourism, by Supreme Decree No. 23202 of 8 July 1992. It is responsible for the formulation, definition and implementation of policy on exports, attraction of private capital, enhancement of Bolivian economic competitiveness and industry and tourism.

The Ministry of Finance formulates, defines and implements tax and tariff policy through its specialized bodies: the Department of Tax Collection, Directorate of Tax Collection, Directorate-General of Internal Taxes and Directorate-General of Customs.

The Ministry of Foreign Affairs is responsible for studying, directing, formulating and implementing the country's foreign policy in political, economic, social, scientific and technological matters.

There are mechanisms for consultation between the public and private sectors, in order to cater for the suggestions of the private sector in the formulation and implementation of trade policy.

2.4 Trade integration agreements and conventions

The trade integration agreements operate at different levels in almost all the Latin American integration groupings. Firstly, Bolivia is a full member of the Andean Group, which became on 30 September 1992 a fully-fledged free-trade area without limitations. It has also just signed another free-trade agreement with Peru, which has temporarily suspended membership of the Andean Group. It has also adopted a new policy towards the MERCOSUR which will enable it to advance to an intermediate stage in relations with the member countries of this integration grouping. Thirdly, it will sign an agreement establishing a free-trade area with Mexico, itself a member of the North American Free-Trade Agreement.

These trade integration agreements are part of a multidimensional policy, although this multiple participation in different integration processes does not mean that they are all at equally deep levels. Some integration groupings are more intensive than others. The trade integration initiatives of which Bolivia is a member, both multilaterally and bilaterally, are reviewed below.

2.4.1 Andean Group

At its Sixty-Ninth Special Session in Lima, Peru, on 25 August 1992, the Commission of the Cartagena Agreement adopted some important Decisions on the following matters:

Decision 321, temporarily suspending for Peru its obligations under the Liberalization Programme and Common Minimum External Tariff until 31 December 1993 owing to its critical socio-economic situation.

During this period it will not participate in the decisions on harmonization of macro-economic policies, the definition of the Common External Tariff, the furthering of the Andean free-trade area or trade negotiations with third countries.
In accordance with this Decision, on 12 November 1992 Bolivia signed a Bilateral Trade Agreement with Peru, in the framework of the Andean legal arrangements, which will permit entry of its export products into its neighbour's market.

Decision 322, establishing the guidelines for trade relations with countries of the LAIA, Central America and the Caribbean. Bolivia is currently negotiating an Economic Complementarity Agreement with Mexico in the framework of LAIA.

Decision 324, adopting the structure of the common external tariff in accordance with the provisions of the Caracas and Barahona Act, on the basis of four tariff levels of 5, 10, 15 and 20 per cent. Bolivia may maintain levels of 5 and 10 per cent.

It is noteworthy that, at this Session, undertakings to be implemented immediately were adopted for the consolidation of the free-trade area, including Ecuador.

The Free-Trade Area of the Active Andean Group, consisting of Venezuela, Colombia, Ecuador and Bolivia, is the first instance of the total and immediate implementation of such an area in the American hemisphere. There is no gradualism in the tariff-cutting process, nor any time period for the completion of the process. The free-trade area formed by the United States, Mexico and Canada, better known as NAFTA, has a tariff-cutting horizon of fifteen years, while in the free-trade area between Chile and Mexico it will take ten years to complete the tariff-cutting process.

The Free-Trade Area of the Active Andean Group has achieved the simultaneous elimination in its four member countries, as of 30 September 1992, of all existing tariff rates and all lists of exempted products, so that for the first time there is a free-trade integration process whose scope is not limited by lists of products that usually include all the most heavily traded goods. Such lists have thus nullified or weakened in the most sensitive areas the powerful incentive which a free-trade area provides for increasing trade between two or more countries. In addition, the elimination of the domestic subsidies which were available in each country and which, by impairing the formation of relative prices, distorted what should have been a level playing-field in sub-regional competition, are now being eliminated.

In addition, the process of harmonization of export incentives will be completed by 31 March 1993, so that each of the countries has the same financial and tax incentives, thus establishing equal conditions on a permanent basis.

At its Sixth-Eighth Ordinary Session, the Commission took major decisions on the following subjects: Decision 326 on customs valuation; Decision 327 on international customs transit; Decision 328 on agricultural health; Decision 329 on a framework agreement for co-operation between the European Economic Community and the Cartagena
Agreement and its member countries, Bolivia, Colombia, Ecuador, Peru and Venezuela; and Decision 330 on the elimination of subsidies and harmonization of export incentives.

It should be stressed that six months ago the Andean Group was in the throes of a serious crisis. All the adopted agreements systematically remained dead letters, and for twenty-three years it had been impossible to carry out a successful trade liberalization programme. It was recognized that the policy of "gradual liberalization" did not work, and a policy of "shock liberalization" was therefore adopted.

As far as the customs union is concerned, today there is a moderate process of gradual alignment on the four tariff levels of 5, 10, 15 and 20 per cent previously set by the Act of Barahona and Caracas as the rates of the Andean Group's external tariff.

Ecuador is requesting preferential treatment enabling it to reduce by 5 per cent these tariff levels that were pre-established as the general rule for the Andean Group's customs union.

An initial evaluation of Bolivia's participation in the Andean Group indicates that it has produced benefits for the country. The Cartagena Agreement has been in the process of change since December 1989, with the signing of the Strategic Design by the five Andean Presidents (at Galápagos), in which they adopted central guidelines for strengthening the Group and improving its international position as well as reinforcing its Latin American unity.

The Strategic Design coincides with our economic policy in that its external trade component provides for greater trade and economic openness, leading to qualitative and quantitative growth of markets, as well as an incentive for the non-traditional export sector.

Subsequently, at six-monthly meetings the Andean Presidents have repeatedly given appreciable backing to the orientation of the Andean integration process.

2.4.2 Latin American Integration Association (LAIA)

A major event was the Sixth Council of Foreign Ministers of LAIA, held in November 1991, which evaluated the regional integration process and laid down guidelines to re-orient the integration association so as to establish a wider Latin-American economic area by the end of this decade.

The seventh LAIA Council of Foreign Ministers was held in early December 1992 with the same aim of self-evaluation as the previous meeting.

Bolivia has been making full use of the specific mechanisms of the LAIA, such as the partial scope agreements and the market-opening lists, both in its bilateral integration arrangements with Chile and Mexico and in its process of forging closer links with MERCOSUR.
The creation of a free-trade area with Mexico is about to be finalized. It will enter into force in the first quarter of 1993 and entail a rapid tariff-cutting process over a mere four years, so that by 1 January 1997 the constitution of the free-trade area will have been entirely completed.

It is planned to establish product groups of more than 500 items, which will be subject to a zero tariff once the agreement enters fully into effect.

The two countries will also maintain a list of exceptions, amounting to some 200 products in the case of Bolivia and far less in the case of Mexico.

Bolivia currently has a partial-scope agreement with Chile dating from 1983, which was recently renewed.

At present, Bolivia has partial-scope agreements in force with Argentina, Paraguay and Uruguay although their effectiveness leaves much to be desired. Only 10 per cent of the liberalized items are really traded between our countries.

The chronic factors responsible for the low use of tariff preferences under such agreements include structural causes such as the poor physical infrastructure and road network which leads to high transport costs, together with the country's landlocked status, as well as the low level of exportable supply.

In addition, shorter-term factors such as the fact that these tariff preferences are not widely known, and ignorance concerning export standards and specifications, mean that only limited use is made of them.

2.4.3 Trade integration agreements between Bolivia and the MERCOSUR member countries

In view of the close economic links between our country and the MERCOSUR countries, on the occasion of the signing of the Agreement on River Transport by the Paraguay-Parana Waterway (port of Câceres - port of Nueva Palmira), the MERCOSUR Presidents issued a Declaration on Bolivia and MERCOSUR in which they express their interest in exploring together with the Government of Bolivia the possibilities and ways of establishing more concrete links in due course between our country and the members of that integration grouping.

On 30 September 1992, a first meeting on closer links between Bolivia and MERCOSUR was held in Brazilia, between high-level Government representatives and representatives of the MERCOSUR countries. Bolivia submitted its proposal for a real and effective closer relationship with member countries, and that proposal is currently being analysed by MERCOSUR.

Relations between MERCOSUR and Bolivia have three key features that must be recognized as a common starting-point.
Firstly, the MERCOSUR member countries together with Bolivia form the River Plate Basin Group, of which the Treaty of Brazilia forms the legal basis. That international legal instrument laid down goals that complement and coincide with those subsequently set out in the Treaty of Asuncion which gave rise to MERCOSUR. Not only does the very first article of the River Plate Basin Treaty provide that physical integration is its central objective, but in addition its scope is actually broader than that. Its provisions include aspects such as the implementation of joint measures with respect to complementarity in industry, border matters, water resources, the environment, health and education. This would, in practice, lead to duplication and overlapping, and in some cases unrelated parallel efforts, in sub-regional integration and co-operation policies and actions unless a modicum of co-ordination is established with developments in MERCOSUR. Nevertheless, good results have been obtained in the River Plate Basin framework. For example, its financial body, FONPLATA, has become a key institution for physical integration among our countries, and the Paraguay-Parana Waterway has become the biggest physical integration project among the River Plate Basin countries.

Secondly, the MERCOSUR countries are also members, together with Bolivia, of the Latin American Integration Association. The arrangements which they have negotiated among themselves make use of all the integration mechanisms that are part of the LAIA framework of instruments; regional-scope agreements, such as the market opening lists, which have always been used by Bolivia, and partial-scope agreements actively used by Bolivia and the MERCOSUR member countries.

The Agreements between Brazil and Bolivia, besides comprising a broad market-opening list, include a partial-scope agreement granting reciprocal tariff preferences. The concessions which Brazil grants Bolivia under the market-opening list concern over 500 products; nevertheless, the ratio of actual use of the concessions is less than 10 per cent, because the concessions do not always match the Bolivian export sector’s possibilities.

The economic complementarity partial-scope agreement with Argentina establishes tariff concessions concerning about 237 preferences in favour of Bolivia and 200 in favour of Argentina.

Bolivia also has an economic complementarity agreement with Uruguay, under which it grants Uruguay tariff preferences on 75 NALADI items, while Uruguay grants preferences on 50 items.

With Paraguay, there is again a partial-scope agreement under which Bolivia grants preferences on 33 items while Paraguay grants preferences on 42 Bolivian products.

All these agreements, however, remain very much a matter of form rather than substance in both the economic and the industrial fields, and are ineffectual in the trade sphere, given the low ratios of actual use of the tariff preferences.
Thirdly, and most important, is the fact that Bolivia and the MERCOSUR countries have the real makings of actual integration: in addition to geographical features, physical infrastructure and communications, trade relations, migration, capital flows in the form of investment or credit, mutual policy influences, and the existence of installed capacity in transport and communications, are more intense and better developed than between Bolivia and any other countries or region of the continent.

Viewed from the standpoint of the physical reality, there is a deep and growing real integration between Bolivia and the MERCOSUR member countries.

To summarize, the common starting-point between Bolivia and the MERCOSUR countries consists of the complex relationships of integration, co-operation and economic complementarity through three channels:

- the River Plate Basin framework;
- the LAIA framework; and
- the factual and historical integration of our countries.

The Treaties of Brazilia, Asunción and Montevideo not only constitute the starting point but also provide a foundation for an increasingly common destiny.
III. EXPORT POLICY

3.1 Background

Since acceding to the General Agreement, a process which started in September 1987 and lasted two years, Bolivia has made changes to its export policy aimed at the further liberalization of the economy in keeping with the objectives and mechanisms of GATT. It is thus responding concretely to the comments of members of the Working Party on the Accession of Bolivia.

These changes confirm the continuity of the economic policy initiated in 1985, despite the fact that thus far there has been no significant expansion of trade flows.

Various factors account for this. At the domestic level, hyperinflation, which affected the economy between 1983-1985, and the policies applied at that time prevented domestic producers from responding immediately to new stimuli and generating exportable surpluses.

Externally, the prices of Bolivia's traditional exports are still in decline.

In recent years, however, Bolivia's production system has undergone structural changes, as described in the first part of this report, which have substantially modified the structure of its external trade and which, it is hoped, will mean increased trade flows.

3.2 Export trends

Export performance in recent years has been marked by a number of features, namely a decline in real terms during the first part of the 1980s, a continuous fall in prices that is still affecting the major export products, and the considerable transformation of structure and make-up.

The following table shows export performance since 1980 in current US dollars.
Table 5

Composition of Exports
($ million and %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Minerals Value</th>
<th>Hydrocarbons Value</th>
<th>Others Value</th>
<th>Total c.i.f. Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td></td>
<td>Z</td>
<td></td>
</tr>
<tr>
<td></td>
<td>%</td>
<td></td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>646.3</td>
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<td>170.0</td>
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<td></td>
<td>62.3</td>
<td>21.3</td>
<td>16.4</td>
<td>100</td>
</tr>
<tr>
<td>1981</td>
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<td>332.6</td>
<td>94.8</td>
<td>984.0</td>
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<td>56.6</td>
<td>33.8</td>
<td>9.6</td>
<td>100</td>
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<tr>
<td>1982</td>
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<td>393.9</td>
<td>84.5</td>
<td>898.5</td>
</tr>
<tr>
<td></td>
<td>46.8</td>
<td>43.8</td>
<td>9.4</td>
<td>100</td>
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<tr>
<td>1983</td>
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<td>415.2</td>
<td>55.1</td>
<td>818.0</td>
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<td></td>
<td>42.5</td>
<td>50.8</td>
<td>6.7</td>
<td>100</td>
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<td>1984</td>
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<td>389.0</td>
<td>29.1</td>
<td>781.0</td>
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<td>46.5</td>
<td>49.8</td>
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<td>1985</td>
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<td>34.5</td>
<td>672.8</td>
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<td>1986</td>
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<td>110.9</td>
<td>640.3</td>
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<td></td>
<td>30.7</td>
<td>51.9</td>
<td>17.3</td>
<td>100</td>
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<tr>
<td>1987</td>
<td>207.5</td>
<td>256.1</td>
<td>106.2</td>
<td>569.8</td>
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<td></td>
<td>36.4</td>
<td>44.9</td>
<td>18.6</td>
<td>100</td>
</tr>
<tr>
<td>1988</td>
<td>273.1</td>
<td>218.9</td>
<td>105.4</td>
<td>597.4</td>
</tr>
<tr>
<td></td>
<td>45.7</td>
<td>36.6</td>
<td>17.6</td>
<td>100</td>
</tr>
<tr>
<td>1989</td>
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<td>201.8</td>
<td>819.2</td>
</tr>
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<td></td>
<td>49.2</td>
<td>26.1</td>
<td>24.6</td>
<td>100</td>
</tr>
<tr>
<td>1990</td>
<td>407.1</td>
<td>226.9</td>
<td>292.5</td>
<td>926.5</td>
</tr>
<tr>
<td></td>
<td>43.9</td>
<td>24.5</td>
<td>31.6</td>
<td>100</td>
</tr>
<tr>
<td>1991</td>
<td>356.3</td>
<td>241.2</td>
<td>253.5</td>
<td>853.0</td>
</tr>
<tr>
<td></td>
<td>41.9</td>
<td>28.3</td>
<td>29.8</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: INE, BCB.

The money value of exports has not recovered to the 1980 level, although aggregate figures show a significant upturn since 1987, when exports were at a little over half their value at the beginning of the decade.

During the period under review, the structure of exports varied considerably, with a relative decline in the importance of the mining sector and an increased share for hydrocarbons (natural gas) and other products (agricultural and industrial).

The make-up of mining exports also underwent significant changes. The following table shows that, whereas at the beginning of the 1980s tin exports (concentrate and metal) accounted for more than half the total, ten years later they represented a mere 28 per cent. The value of tin exports fell over the review period to less than one third of the total.

Mineral ores such as zinc and gold, on the other hand, are gaining in importance and currently represent roughly half of total mining exports.
### Table 6
Composition of Mining Exports
($ Million and %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tin met. Value</th>
<th>Tin conc. Value</th>
<th>Silver Value</th>
<th>Zinc Value</th>
<th>Gold Value</th>
<th>Other min. Value</th>
<th>Total c.i.f. Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>238.8 36.9</td>
<td>193.3 21.6</td>
<td>118.3 18.3</td>
<td>41.4 6.3</td>
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<td>108.9 15.8</td>
<td>646.3 100</td>
</tr>
<tr>
<td>1981</td>
<td>265.9 47.8</td>
<td>77.2 13.9</td>
<td>71.7 12.9</td>
<td>40.4 7.3</td>
<td>0.0 0.0</td>
<td>101.4 18.2</td>
<td>556.6 100</td>
</tr>
<tr>
<td>1982</td>
<td>237.3 56.5</td>
<td>41.1 9.8</td>
<td>37.1 8.8</td>
<td>38.4 9.1</td>
<td>0.0 0.0</td>
<td>66.3 15.8</td>
<td>420.1 100</td>
</tr>
<tr>
<td>1983</td>
<td>175.5 50.5</td>
<td>32.4 9.3</td>
<td>58.3 16.8</td>
<td>33.4 9.6</td>
<td>0.0 0.0</td>
<td>48.1 13.8</td>
<td>347.7 100</td>
</tr>
<tr>
<td>1984</td>
<td>190.8 52.5</td>
<td>57.0 15.7</td>
<td>21.4 5.9</td>
<td>37.3 10.3</td>
<td>0.0 0.0</td>
<td>56.9 15.7</td>
<td>363.4 100</td>
</tr>
<tr>
<td>1985</td>
<td>133.9 50.8</td>
<td>52.6 19.9</td>
<td>10.2 3.9</td>
<td>29.5 11.2</td>
<td>5.5 2.1</td>
<td>32.1 12.2</td>
<td>263.8 100</td>
</tr>
<tr>
<td>1986</td>
<td>55.3 28.1</td>
<td>48.8 24.8</td>
<td>27.3 13.9</td>
<td>28.0 14.2</td>
<td>7.2 3.7</td>
<td>30.2 15.3</td>
<td>196.8 100</td>
</tr>
<tr>
<td>1987</td>
<td>12.6 6.1</td>
<td>56.2 27.1</td>
<td>33.4 16.1</td>
<td>32.8 15.8</td>
<td>37.5 18.1</td>
<td>35.0 16.9</td>
<td>207.5 100</td>
</tr>
<tr>
<td>1988</td>
<td>43.5 15.9</td>
<td>33.4 12.2</td>
<td>44.9 16.4</td>
<td>60.1 22.0</td>
<td>59.9 21.9</td>
<td>31.3 1.5</td>
<td>273.1 100</td>
</tr>
<tr>
<td>1989</td>
<td>81.4 20.2</td>
<td>45.1 11.2</td>
<td>58.8 14.6</td>
<td>132.2 32.8</td>
<td>44.5 11.0</td>
<td>41.4 10.3</td>
<td>403.4 100</td>
</tr>
<tr>
<td>1990</td>
<td>82.5 20.3</td>
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<td>50.8 12.5</td>
<td>145.9 35.8</td>
<td>64.6 15.9</td>
<td>39.8 9.8</td>
<td>407.1 100</td>
</tr>
<tr>
<td>1991</td>
<td>80.0 22.5</td>
<td>19.7 5.5</td>
<td>43.1 12.1</td>
<td>139.7 39.2</td>
<td>39.1 11.0</td>
<td>34.7 9.7</td>
<td>356.3 100</td>
</tr>
</tbody>
</table>

Source: INE, BCB.

The loss of importance of tin mining reflected the fall in the world price of that metal (from US$7.61/lb. in 1980 to US$2.53/lb. in 1991) and the contraction of the volumes exported as a result of price movements and the exhaustion of the major deposits.

Exports of tin surpassed 31,000 metric tonnes in 1977, declining to one third of that figure ten years later. Since 1988, export values have been recovering though remaining short of the historical levels mentioned above.

The declining value of mining exports and changes in their make-up had severe domestic repercussions in the form of mine closures, lay-offs and a dwindling role of State mining. At the beginning of the 1980s, State mining accounted for about 80 per cent of total exports, whereas that figure is now 40 per cent.

Table 7 and figure D clearly illustrate events in the mining sector over the last twelve years, namely the steady decline in the price index of mining exports, in contrast to the volume exported which, after declining sharply during the period of hyperinflation (1983-1985), grew steadily as of 1987 to surpass the levels of the beginning of the 1980s by 40 points.
Figure D

PRICE, QUANTITY AND VALUE INDEX

MINERAL EXPORTS

INDEX
(BASE 1980=100)

Table 7

Price, Volume and Value Index of Mineral Exports
(Base 1980=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1981</td>
<td>83</td>
<td>104</td>
<td>86</td>
</tr>
<tr>
<td>1982</td>
<td>72</td>
<td>91</td>
<td>65</td>
</tr>
<tr>
<td>1983</td>
<td>73</td>
<td>74</td>
<td>54</td>
</tr>
<tr>
<td>1984</td>
<td>71</td>
<td>80</td>
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<td>1985</td>
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<td>1988</td>
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<td>114</td>
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</tr>
<tr>
<td>1990</td>
<td>47</td>
<td>135</td>
<td>63</td>
</tr>
<tr>
<td>1991</td>
<td>41</td>
<td>136</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: UDAPE.

This increase in export volume was not sufficient to offset the fall in prices, and therefore mining exports in 1991 barely surpassed half their 1980 value.

Exports of hydrocarbons fall into a different framework from those of mineral ores as they are basically governed by a contract for the sale of natural gas to Argentina, in force since 1972, with fixed quantities and prices that are negotiated periodically.
The contract expired during 1992 and was renegotiated for a three-year term at substantially lower prices as a result of the deregulation of Argentina's domestic gas market. This will have a negative impact on the value of exports for that and coming years.

Table 8 and figure E show the export price and volume indices of Bolivia's hydrocarbon exports for the period 1980 to 1991. As already pointed out, they basically reflect the performance of natural gas exports to Argentina.

Table 8
Price, Quantity and Value Index
Hydrocarbon Exports
(Base 1980=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
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</tr>
<tr>
<td>1991</td>
<td>105</td>
<td>93</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: UDAPE.
While the volume of exports varied slightly, prices rose sharply during the first part of the 1980s, to revert subsequently to levels similar to those of 1980.

The make-up of the "other products" category is highly varied and comprises essentially agricultural and industrial products.

Table 9 shows their composition, and includes only those products whose export value exceeded $10 million in any year between 1980 and 1991. However, there are many other export items, numbering 80 tariff headings in 1980 and 250 in 1991.

Table 9
Composition of Other Exports
($ million and %)

<table>
<thead>
<tr>
<th></th>
<th>Cattle</th>
<th>Soya</th>
<th>Coffee</th>
<th>Sugar</th>
<th>Wood</th>
<th>Hides</th>
<th>Other prod</th>
<th>Total c.i.f.</th>
</tr>
</thead>
<tbody>
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<td>1982</td>
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<td>0.5</td>
<td>20.0</td>
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<td>1990</td>
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<tr>
<td>1991</td>
<td>14.9</td>
<td>5.9</td>
<td>69.3</td>
<td>27.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: INE, BCB.

The value of agricultural and industrial exports since 1980 declined considerably during the period of hyperinflation, but then recovered during the second part of the 1980s to levels higher than those at the beginning of the review period.

As in the case of mining, their structure changed significantly. On the one hand there was greater diversification, especially with the inclusion of new agricultural and textile products and, on the other, a decline in the relative importance of coffee and sugar, and a contrasting performance by soya (grains, oils and cakes) cattle and cotton.

Agricultural and industrial exports are much more sensitive than the other products to the country's macro-economic situation and to world price movements.

Table 10 and figure F illustrate the movement of price and volume indices for this product category.
Figure F

PRICES, VOLUME AND VALUE INDEX
OF NON-TRADITIONAL EXPORTS

Table 10
Prices, Volume and Value Index of Non Traditional Exports
(Agr., Ind.)
(Base 1980=100)

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
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</tr>
<tr>
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<td>64</td>
<td>63</td>
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<tr>
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<td>83</td>
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<td>1986</td>
<td>116</td>
<td>66</td>
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</tr>
<tr>
<td>1987</td>
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<td>1988</td>
<td>137</td>
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<td>99</td>
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<td>1990</td>
<td>125</td>
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<td>198</td>
</tr>
<tr>
<td>1991</td>
<td>119</td>
<td>147</td>
<td>174</td>
</tr>
</tbody>
</table>

Source: UDAPE.

The fall in the value of exports during the hyperinflationary period resulted from exchange-rate distortions (the value of the dollar in the parallel market in August 1985 was fifteen times the official rate) which encouraged the growth of contraband exports, and also from the collapse of the international prices of the principal export products.
International prices recovered gradually as of 1983, but with no effect on export volumes until 1986 when the economy stabilized. As of that year, despite slight fluctuations during 1987 and 1989, export volumes grew steadily but were checked by a new fall in prices at the beginning of the 1990s.

Non-traditional exports fall into three categories: commodities, seasonal exports and the remaining products.

Commodities show features similar to mining products, namely, wild international price fluctuations that affect the sector's dynamism, as in the case of sugar on its traditional market, the United States. Although price fluctuations on that market are less than on the international market, they still affect Bolivia's external trade, particularly through the quota system used. The same applies for coffee, soya and soya products, cotton, chestnuts, etc. In addition, these products are all affected by unpredictable climate changes which bring about marked variations in output and exports.

Seasonal exports are affected basically by the economic situation in neighbouring countries which are their natural market. A case in point is cattle, which is exported to Brazil, and a series of minor products that are traded across the border with Argentina, Peru and Brazil.

The remaining products comprise industrial and agricultural goods. Their share of non-traditional exports is currently small, but they are performing very strongly as a result of macro-economic conditions favouring their development.

Table 11 and figure G show the evolution of price and volume index for Bolivia's exports as a whole.

**Figure G**

PRICE, QUANTITY OF VOLUME INDEX
TOTAL EXPORTS

INDEX
(BASE
1980=100)
### Table 11

**Price, Quantity of Volume Index**

**Total Exports**

(Base 1980=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>100</td>
<td>100</td>
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<tr>
<td>1981</td>
<td>97</td>
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<td>1987</td>
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<td>1988</td>
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<td>65</td>
<td>137</td>
<td>89</td>
</tr>
<tr>
<td>1991</td>
<td>61</td>
<td>135</td>
<td>82</td>
</tr>
</tbody>
</table>

Source: UDAPE.

It is clear that since 1980 export performance has been greatly influenced by world price movements. The 1991 price level was 40 per cent below that of the beginning of the period, although as of 1986, when the economy stabilized, export volume grew considerably.

Nevertheless, this buoyancy of export volumes did not offset the fall in prices, and the value of exports at the beginning of the 1990s therefore remained below the level achieved ten years earlier.

This situation strengthens the Government's resolve to press ahead with structural changes, by deregulating the economy, placing priority on the role of market forces and reducing the part played by government in its development. The current strategy will facilitate the restructuring of Bolivia's external trade sector, reducing its present external vulnerability and integrating it fully into the rest of the economy.

### 3.3 Principal export markets

Two thirds of Bolivia's exports are concentrated on three countries - Argentina, United States and the United Kingdom. Exports to Argentina comprise mainly natural gas, while in the case of the other two countries exports are more varied, although mining exports play a central role.
When exports are grouped by economic area, it emerges that the countries of MERCOSUR (principally Argentina and Brazil) are Bolivia's main trading partners. Nevertheless, excluding the value of natural gas exports to Argentina, Bolivia exports goods worth a mere US$12,654,000 to that country. Exports to the countries of the Andean Group - which take third place - are less than those to Argentina, Brazil or the United States. However, it should be mentioned that neither gas nor mineral ores nor any other traditional product is exported to the Andean Group. On the other hand, non-traditional exports to the Andean Group are of greater volume and value than those to most LAIA member countries. Indeed, non-traditional exports have grown and their terms of trade improved. Moreover, Bolivia has posted its fastest export-growth rates precisely with some countries of the Andean Group, the most outstanding case being Colombia, with exports growing by almost 800 per cent between 1990 and 1991. This rate has not been equalled in any other sphere of Bolivia's sub-regional, regional or world trade. With the recent adoption by the Andean Group of the Free Trade Area in August 1992, it is hoped to develop the Andean market for Bolivian exports, still largely untapped and currently absorbing a mere 10 per cent of Bolivia's exports.

Table 12
Aggregate Exports by Country
(US$ million)
(Official figures)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<td>Argentina</td>
<td>341</td>
<td>260</td>
<td>227</td>
<td>229</td>
<td>236</td>
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<tr>
<td>United States</td>
<td>97</td>
<td>96</td>
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<td>United Kingdom</td>
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<td>61</td>
<td>72</td>
<td>111</td>
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</tr>
<tr>
<td>West Germany</td>
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<td>51</td>
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<td>Brazil</td>
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<td>11</td>
<td>46</td>
<td>78</td>
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<tr>
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<td>23</td>
<td>45</td>
<td>53</td>
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<td>Japan</td>
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<td>3</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>2</td>
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<tr>
<td>The Netherlands</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Other countries</td>
<td>21</td>
<td>27</td>
<td>36</td>
<td>61</td>
<td>72</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>640</td>
<td>570</td>
<td>597</td>
<td>819</td>
<td>926</td>
<td>853</td>
</tr>
</tbody>
</table>

Source: UDAPE.

3.4 Bolivian exports and Generalized Systems of Preference (GSPs)

Despite the broad scope of the Generalized Systems of Preference under which Bolivia benefits, it makes very little use of them.
3.4.1 Exports to the United States and the GSP

In 1991, Bolivia exported a total of 98 products worth US$160 million to the United States. Of these, 15 products worth $25.8 million benefited under the Generalized System of Preferences, representing only 16 per cent of the overall amount traded. The reason for this low percentage of exports benefiting from the GSP is that 37 products, worth US$114.9 million, enjoy duty-free access (m.f.n.), representing 71.82 per cent of the total of products, 45 products (6.2 per cent) are subject to duties, these being worth US$9.8 million.

Exports subject to quotas (sugar) account for 5.87 per cent, for a total value of US$9.2 million.

With the Andean Trade Preference Act (ATPA) it is hoped that greater use will be made of the system of preferences (of 1991 exports, more than 29 products will benefit thereunder), since it grants duty-free entry to 6,100 HS tariff items surpassing the advantages offered by the GSP, which has a schedule of 4,200 tariff headings.

3.4.2 Exports to the European Economic Community and the GSP

Exports to the European Economic Community in 1991 amounted to US$237.8 million for 83 products traded. Of this total, 2.65 per cent (46 products with a value of US$6.3 million) represented products exported under the system of preferences granted to eligible developing countries; 8 products worth US$6.1 million (2.56 per cent) fell under the system of preferences for Andean countries; 94.41 per cent (22 products) represented products exported at zero m.f.n. tariffs, worth US$224.6 million; while the remaining 0.24 per cent represented zero-rated products to which levies or duties are applied.

3.4.3 Exports to Japan and the GSP

Bolivian exports to the Japanese market in 1991 totalled US$1.7 million, covering 14 products, of which 6 benefit from that country’s GSP, or 24.89 per cent of the total, for a value of US$426.5 thousand. Four products, worth US$754.4 thousand (44.01 per cent), enjoy duty-free m.f.n. access and four products worth US$533.2 thousand (31.10 per cent) are dutiable.

3.5 Export régime

3.5.1 General aspects

The export régime is based on freedom to engage in all types of transactions relating to goods or services without need of permits or prior licences, except in the case of products that affect national security, narcotics and hazardous substances, protected plant and animal species, and the nation’s artistic and cultural heritage.

The export policy strives to eliminate factors preventing the sector from operating under the same conditions as its foreign competitors and to place it on an equal footing with the other sectors of the economy.
This is done chiefly by:

- Maintaining a real and flexible exchange rate that is attractive for the export sector and for import-competing industries.

- Providing the exporter with a free-trade régime by means of instruments that enable him to purchase inputs at world market prices.

- Maintaining competitive prices for goods and services used by the sector.

3.5.2 Export tax policy

Exports of goods and services are fully exempt from the payment of taxes and charges.

In addition, various mechanisms have been introduced with a view to eliminating the indirect tax element from the price of exported goods. The instruments used are CENOCREN, drawback, temporary admission mechanisms and free zones.

Negotiable credit vouchers (CENOCREN)

CENOCREN is an instrument that is negotiable upon simple endorsement, allowing for the refund of the value-added tax (VAT) included in the export product. The exporter is thus reimbursed amounts due to him as a result of his purchases of inputs and from the drawback system.

The drawback system is designed to return to the exporter duties incorporated in the exported products as a result of importing raw materials and inputs for that product.

Based on Input/Output studies, three levels of refund have been determined.

The first concerns products with a minimum degree of processing, which are not covered by the mechanism, as follows:

- Live animals;
- Coca leaves;
- Sugar;
- Metallic and non-metallic minerals;
- Hydrocarbons;
- Dry, salted and simply tanned leather;
- Wood in the form of logs, simply sawn and with a minimum degree of processing;
- Metals;
- Scrap metal;
- Temporary exports and re-exported goods.

The second level applies to products with an intermediate degree of processing and imported components, which are entitled to 2 per cent of the f.o.b. value of the exported product as a tariff refund. It encompasses
the entire Tariff, with the exception of items not covered by the drawback system and those eligible for the third level of refund.

The third level concerns products with a high degree of processing and a high imported content; these receive a 4 per cent tariff refund. The list of these products includes some seventy tariff headings.

If the exporter believes that the fixed drawback does not sufficiently refund all the duties contained in his product, he may have recourse to the relevant authority (Directorate-General of Internal Revenue) to correct the distortion, following specific investigation of the case.

In March 1991, the drawback system replaced the Tariff Refund Certificate, which refunded 10 per cent of the value of exported goods, excluding mineral ores and hydrocarbons.

**Temporary Import Régime (RITEX)**

The Temporary Import Régime (RITEX) is regulated by the Law on Investment and by Supreme Decrees 22410 of 11 January 1990 and 22526 of 13 June 1990. It provides for waiver of the payment of customs duties and charges on imported raw materials and of taxes incorporated in the export product. It is an alternative to the drawback and CENOCREN.

**Free zones**

Free zones have the same scope as the RITEX, with the difference that they are set up in closed customs areas having extraterritorial status. Their field of application is not confined to exports but also includes imported goods that are prepared for sale on the domestic market.

3.5.3 **Compulsory surrender of foreign exchange**

Goods and services exporters are obliged to sell the totality of the foreign exchange they earn to the Central Bank of Bolivia, deducting only the production or processing costs incurred in foreign currency at the exchange rate prevailing at the time of the sale.

3.5.4 **Simplification of export formalities**

Excessive documentary controls lead to an administrative anti-exporter bias which discourages export activities. In order to mitigate this, a process has been launched to eliminate excessive red-tape from export formalities and to simplify, decentralize and facilitate them by creating the "Single Export Window".

Based on this, export transactions must meet the following requirements:

Prior registrations in:

- Register of Commerce and Companies;
- Single Register of Tax-Payers (RUC);
- Register of Exporters.
Export documents:

- Commercial Invoice;
- Certificate of Origin (at the request of the exporter);
- Plant, Animal or Human Health Certificate (as appropriate);
- Certificate of Quality, Quantity and Price Inspection issued by the specialized agencies contracted by the Bolivian Government;
- Export Form.

Export formalities should take no longer than 48 hours and are centralized in a specialized office.

3.5.5 National Export Promotion Institute

Bolivia's main export promotion body is the National Export Promotion Institute (INPEX), an independent entity governed by public law and having legal personality.

It has the following powers and functions:

- Studying the problems of the sector and proposing remedial measures;
- Conducting market research;
- Providing technical assistance to exporters;
- Organizing training activities;
- Promotion abroad of national exports.

This institution is supported by resources from the National Treasury, contributions from the private sector and international technical and financial assistance.

3.5.6 Export subsidies

In keeping with its economic policy, Bolivia maintains no export subsidies of any kind.
IV. IMPORT POLICY

4.1 Global framework

Our country’s import policy has undergone extensive changes in recent years. The introduction of the new economic model in 1985 brought about a radical change in the relationship between economic and trade policies. In the past, the State played a major role in foreign trade and in the discriminatory manipulation of such prices as the exchange rate, interest rates, customs tariffs and taxation.

A linear and uniform tariff was established for most products in the Customs Tariff, with the exception of a list of 100 products classified as capital goods.

It should also be noted that under the import policy, quantitative restrictions in the form of prohibitions and prior licensing requirements were eliminated. Likewise, with the sole exception of those meant for certain less-developed regions, was eliminated.

Lastly, a system of foreign trade surveillance was established by means of inspection companies which certify the quality and price of both exports and imports.

The following table shows that for 1991, the bulk of Bolivia’s imports comprised capital goods (34.9 per cent) broken down as follows: capital goods for industry 22.5 per cent, transport equipment 13.3 per cent and goods for agriculture 5.9 per cent, while raw materials and intermediate goods represented 35 per cent.

The following table gives a breakdown of imports:

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer goods</td>
<td>133.7</td>
<td>190.3</td>
<td>128.3</td>
<td>137.5</td>
<td>156.4</td>
<td>170.9</td>
</tr>
<tr>
<td>Intermediate</td>
<td>235.5</td>
<td>306.5</td>
<td>228.3</td>
<td>258.0</td>
<td>265.5</td>
<td>361.2</td>
</tr>
<tr>
<td>Capital</td>
<td>281.6</td>
<td>262.5</td>
<td>231.8</td>
<td>220.8</td>
<td>270.8</td>
<td>406.5</td>
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<tr>
<td>Others</td>
<td>23.4</td>
<td>7.0</td>
<td>2.1</td>
<td>3.6</td>
<td>10.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Total c.i.f value</td>
<td>674.0</td>
<td>766.3</td>
<td>590.5</td>
<td>619.9</td>
<td>702.7</td>
<td>941.7</td>
</tr>
</tbody>
</table>

Source: BCB.
The year that presented the most difficulties from the economic standpoint was 1983, as it witnessed plummeting import values, reflecting the economic crisis that became evident and grew steadily worse as of that year. Reduced imports inevitably meant slower growth and stringent exchange controls were then applied - creating a shortage of foreign exchange - along with controls on trade by means of prior licensing, quotas, etc. These factors meant a contraction of imports, specifically those of intermediate and capital goods, which in turn depressed output.

Thus, imports fell from US$917 million in 1981 to 554 million in the following year, or about 40 per cent in a single year. This pattern repeated itself in 1984 with a sizeable contraction of imports. As of 1985 economic recovery got under way and the value of imports rose appreciably thanks to the liberalization of trade and exchange-rate policies. The value of imports has continued to increase since 1985 up to the present time as a result of an upturn in economic activity.

Between 1981 and 1985, the bulk of Bolivia's imports originated in LAIA countries, which accounted for 47 per cent, while the United States, the EEC and Asia accounted for 22 per cent, 15 per cent and 7.9 per cent respectively.

The share of imports from LAIA countries as a group has been growing, rising from 33 per cent in 1981 to 48 per cent of total imports in 1991. This increase was accompanied by growth in the share of imports from the EEC, as well as from the other countries of Western Europe and Asia.

Table 14

<table>
<thead>
<tr>
<th>Area</th>
<th>IMP86</th>
<th>IMP87</th>
<th>IMP88</th>
<th>IMP89</th>
<th>IMP90</th>
<th>IMP91</th>
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</thead>
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<tr>
<td>LAIA</td>
<td>239.80</td>
<td>319.00</td>
<td>241.20</td>
<td>251.70</td>
<td>293.10</td>
<td>392.80</td>
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<td>Andean</td>
<td>17.40</td>
<td>15.30</td>
<td>16.50</td>
<td>20.30</td>
<td>29.90</td>
<td>40.10</td>
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<td>Canada</td>
<td>4.70</td>
<td>8.50</td>
<td>2.50</td>
<td>5.00</td>
<td>6.40</td>
<td>8.60</td>
</tr>
<tr>
<td>United States</td>
<td>150.00</td>
<td>159.00</td>
<td>125.10</td>
<td>161.90</td>
<td>154.50</td>
<td>207.00</td>
</tr>
<tr>
<td>COMECON</td>
<td>22.70</td>
<td>9.20</td>
<td>8.50</td>
<td>3.90</td>
<td>5.10</td>
<td>6.80</td>
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<tr>
<td>EEC</td>
<td>132.80</td>
<td>113.80</td>
<td>75.10</td>
<td>80.40</td>
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<td>137.10</td>
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<td>EFTA</td>
<td>15.90</td>
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<td>13.60</td>
<td>19.10</td>
<td>14.80</td>
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<td>Asia</td>
<td>73.30</td>
<td>96.40</td>
<td>87.90</td>
<td>68.70</td>
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<td>107.90</td>
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<tr>
<td>Rest</td>
<td>17.40</td>
<td>27.00</td>
<td>19.10</td>
<td>9.00</td>
<td>16.10</td>
<td>21.60</td>
</tr>
<tr>
<td>Total</td>
<td>674.00</td>
<td>766.30</td>
<td>589.50</td>
<td>620.00</td>
<td>702.70</td>
<td>941.70</td>
</tr>
</tbody>
</table>

Source: BCB.
4.2 Import régime

Bolivia's import régime is based on the free importation of goods and services, excepting those that affect public health and national security. This régime has eliminated all restrictions such as foreign exchange, deposits, prior licensing, prohibitions, quotas, public or private monopolies and any other type of non-tariff barrier.

4.3 Tariff policy

In keeping with the tariff-cutting programme initiated in 1985, there are now two rates for the entire Tariff:

A 5 per cent rate is levied on imports of capital goods listed in schedules annexed to Supreme Decrees 21660 of 10 July 1987, 21910 of 31 March 1988, 21979 of 5 August 1988, 22151 of 13 February 1989, 22401 of 8 January 1990 and 22617 of 8 October 1990. Under Supreme Decree No. 23060 of 11 January 1992, the above-mentioned rate will remain in force until January 1994, thereafter reverting to the single rate of 10 per cent which governs the other products in the Tariff.

The second rate stands at 10 per cent and applies to the remaining products of the Tariff.

The tariff reform instituted by Supreme Decree No. 21060 of August 1985 liberalized external trade and launched a gradual and automatic process of eliminating exemptions, waivers and preferential treatments, except in the case of régimes stemming from international agreements, contracts with the State and ongoing projects under the Investment Law, as follows:

- Imports under international agreements and contracts with the State that stipulate special tax treatment. These agreements must be approved by the National Congress in order to enter into force.

- Imports by the accredited diplomatic corps in keeping with international agreements in force, subject to reciprocity for Bolivian representatives in the country concerned.

- Imports by international organizations and by their duly authorised officials, in accordance with the same treatment.

- Admission of personal effects of bona fide travellers up to a value of US$300.

- Temporary imports into the country.

- Grants or gifts accepted by the country in accordance with the law.

- The re-admission of goods exported temporarily in keeping with the laws in force.
Charges, taxes and fees

Imports of goods are subject to the following charges, taxes and fees.

(a) Fees to foreign trade inspection companies, Inspectorate Griffith or SGS, amounting to 1.92 per cent of f.o.b. value.

(b) The 10-per-cent Consolidated Customs Duty on the c.i.f. border value or c.i.f. customs value (air freight).
   - The rate is only 5 per cent on the c.i.f. border value or c.i.f. customs value in the case of an established list of capital goods.
   - Products imported under integration agreements enjoy a reduction in the Consolidated Customs Duty, which varies between 0 and 9 per cent.

(c) VAT on the sum of the c.i.f. border value and the Consolidated Customs Duty, service fees, and customs and other charges.

(d) Specific Consumption Tax (ICE) at rates varying according to the type of product from 10 to 60 per cent, where applicable, on the sum of the c.i.f. border value plus the Consolidated Duty, service fees, and customs and other charges.

(e) Fees for services rendered (customs warehouse handling).

(f) Payment to the customs broker who carries out the import formalities (this payment varies between 0.25 and 2 per cent, depending on the value of the imported good).

4.4 Import requirements

The requirements are as follows:

1. Commercial invoice (in Spanish)
2. Certificate of origin
3. Certificate of conformity (issued by one of the inspection companies contracted by the Government)
4. Transport document
5. Insurance certificate
6. Animal and plant health certificates
7. Duly assessed import document which must show:
   - Importer's RUC number;
   - Importer's trade name;
   - District;
- Name of the agency;
- RUC number of customs broker;
- F.o.b. value and other costs making up the c.i.f. value (taxable base);
- Tariff description of the goods;
- Tariff heading under which the goods fall;
- Determination of the taxable value for the purposes of VAT assessment;
- Determination of the taxable value for the assessment of the consumption tax (ICR) where appropriate;
- Date and place of submission of the import document;
- Signature of the duly registered customs broker.

For the purposes of imports under integration agreements, a written application must be made to the Director of Internal Revenue in the Ministry of Finance, seeking authorization for the relevant customs clearance, mentioning the particular agreement governing the tariff reduction being sought.

4.5 Customs valuation

Bolivia announced its intention to accede to the Agreement on implementation of Article VII of the General Agreement on Tariffs and Trade (Customs Valuation Code) at the beginning of 1993, in keeping with commitments assumed when acceding to GATT.

The value of imported goods is determined on the basis of the quality and price certificate issued by the international companies employed for that purpose by the Government. These companies are themselves guided by the parameters laid down in the General Agreement.

The decision to employ inspection companies was taken when it was realized that Bolivia's customs institutions lacked the technical capacity to carry out the task properly. Entities were chosen by international public tender.

In determining the customs value of goods, the inspection companies take into account the price paid or payable, insurance, freight and costs of documentation, packaging, etc., as well as world price levels.

4.6 Import prohibitions

The goods currently subject to import prohibitions (or to prohibitions for specific purposes) are as follows, on the basis of the provisions of Article 12 of Supreme Decree 22775, on the Import Tariff.

(a) pharmaceutical and medicinal specialities the decomposition and the formulae of which are not registered in Bolivia, as well as those set out in Decree Laws 20311 and 18715 of 26 December 1985 on narcotics and hazardous substances.
(b) Foodstuffs and beverages in a state of decomposition or harmful to health.

(c) Diseased animals.

(d) Plants, fruits, seeds and other vegetable products that contain germs or parasites declared to be harmful by the authorities of the Ministry of Agriculture and Rural Affairs.

(e) Foreign lottery tickets.

(f) Advertising material imitating currency and bank notes, postage stamps and other fiscal assets, excepting numismatic and philatelic catalogues.

(g) Obscene and pornographic books, magazines and other printed matter, pictures, illustrations and articles.

(h) Containers, labels, tags and other means of identifying goods, whether of national or foreign manufacture.

(i) Used clothing and garments (except in travellers' luggage) not covered by health certificates.

4.7 Import licences

Bolivia announced its intention to accede to the Agreement on Import Licensing Procedures at the beginning of 1993.

In Bolivia there are no import licensing requirements for any product except those that are harmful to health or affect national security. The bodies granting licences are:

(a) Ministry of National Defence:

- Firearms, missiles, ammunition and explosives, and material and machinery for their manufacture;

- Gunpowder, dynamite, gelignite and other explosives, percussion caps and detonators for pyrotechnical articles as well as material, equipment and machinery for their manufacture.

(b) Ministry of Finance:

- Coins and bank notes, drafts and notes, stamps, mortgage securities, Government and other bonds, insurance policies, stocks and other securities and these only for the exclusive account of the institutions or entities responsible for issuing them.
(c) Ministry of Education and Culture:

- Text-books for elementary education.

(d) Ministry of Transport, Communications and Civil Aviation:

- Radio, telephone and radiotelegraph transmitters and receivers;
- Radio and television broadcasting transmitters and transmitter-receivers.

(e) Ministry of Social Welfare and Public Health:

- Psychotropic narcotics and alcaloids in general and their medicinal and non-medicinal derivatives, only by authorized bodies and under the conditions envisaged under the pertinent law (Law 1008 of 19 June 1988).

The prior import licensing procedure is laid down in Article 11 of the Import Tariff. Import licences carry the title "Single copy for customs clearance" and must be signed by the Minister of Finance or the Under-Secretaries in that Ministry.

The application requirements for prior licences are:

- Written application for prior licence
- Pro-forma commercial invoice
- Notice of Approval
- Transport document
- Bill of lading
- Insurance policy
- Registration in the Registry of Commerce
- Registration in the Single Taxpayers' Register (RUC)

Certificates:

- Foodstuffs may be imported subject to the issuance of health certificates by the Ministry of Social Welfare and Public Health, attesting to their fitness for human consumption, as well as similar certificates issued in the country of origin.

- Imports of live animals, plants, fruits, seeds and roots are subject to certificates of animal and plant health issued by the Ministry of Agriculture and the corresponding certificates from the country of origin.

- For the importation of medicaments, Article 100 of the Health Code (Decree Law No. 15629) provides that "any natural or legal person may import only medicaments registered with the Ministry of Social Welfare and Public Health, after meeting all requirements, above all as regards nature, purity, quality, safeness and effectiveness. Article 101 stipulates that "no
medicament shall be registered for import purposes if its use, consumption, trade and distribution are not authorized in the country of origin".

As regards the importation of processed foodstuffs, beverages and drugs, the Ministry of Social Welfare and Public Health is guided by the following legal documents:

- The Administrative Law on the Executive Power empowers the Ministry of Social Welfare and Public Health to steer and implement the national policy on health, preventive and curative medicine and human rehabilitation.

- The Health Code provides for protection and surveillance of foodstuffs and beverages.

- The Sanitary Regulations on Foodstuffs and Beverages, implemented by Supreme Decree No. 5190 of 24 April 1959, set forth the sanitary standards for the transportation, manufacture, storage, distribution, retailing and importation of food and beverages.

- International standards recognized by the CODEX Alimentarius are used when necessary to take decisions on some foodstuffs that do not come within national standards.

- The Health Code, Chapter 4 of which regulates activities subject to health control, stipulates the monitoring of medicinal substances, health apparatus and equipment, narcotics and hazardous substances, medicaments and other substances.

- The Regulations on Pharmacies and Laboratories contained in the Health Code.

- The National Pharmacological Commission created in order to establish standards for and regulate aspects of the selection, prescription, use, dispensing, registration, similarity and supply of foodstuffs.

For the purposes of authorizing the sale of national or imported products, a sample of the product is taken and subjected to laboratory testing of such aspects as fitness for consumption, toxicology, bacteriology, biochemistry and nutritional value.

The monitoring of prescription drugs, medical inputs and cosmetics is done by the National Department of Pharmacies and Laboratories which is a department of the Ministry of Social Welfare and Public Health.

4.8 Technical standards and other regulations

The metrological system described below applies to both domestic and foreign trade and can therefore not be viewed as serving as a discriminatory or restrictive means of halting or reducing the flow of imports.
The objectives of establishing technical standards, as well as creating efficient quality control and standard-setting mechanisms in Bolivia derive from the industrial policies set out in the development strategy. They are:

- increasing international competitiveness and stimulating the domestic market.
- establishing a system of producer services.

The Department of Standards and Technology, a section of the Ministry of Export and Economic Competition, pursues the following objectives:

- instituting technical standardization.
- improving the quality of goods and services.
- achieving active participation by all sectors involved or concerned with the process of standardization.

Procedures

International standards organizations such as ISO, IEC and CODEX are more appropriate to countries with developed and diversified industrial structures. As the metrological standards existing in less-developed countries are not always compatible with international practice, it was deemed desirable to set up regional organizations such as COPANT that are more in line with the stage reached by metrological standards in developing countries.

In Bolivia, the drafting of a standard involves the participation of the sectors concerned, including the industry concerned and the broad sector that consumes the product in question, as well as public technical research institutions.

Bolivia's system of metrological standards is not very advanced, the Government employs the services of inspection companies such as SGS and Inspectorate Griffith, to be responsible for monitoring and controlling the quality and quantity of imports and exports, by means of inspection, testing and subsequent certification. The Directorate-General Department of Technical Standards, which forms part of the Ministry of Exports and Economic Competitiveness, is the hub of a national network of test laboratories.

4.9 Rules of origin

One of the main thrusts of import policy is encouraging imports from regional and sub-regional groupings to which Bolivia belongs by virtue of different integration agreements. This policy is essentially positive, as it entails granting tariff preferences to the countries members of these agreements, without affecting Bolivia's global multilateral trade with other countries which, although they do not enjoy these preferences, are not subject to any discrimination.
In this regard, the LAIA adopted the General Régime of Origin on 24 November 1987, in Resolution 78 of the Committee of Representatives.

This resolution classifies as originating in member countries:

(a) Goods entirely produced in a territory exclusively from materials originating in any of the countries members of a treaty or agreement.

(b) Goods whose origin is determined by the mere fact of being produced in a territory.

(c) Goods produced in a territory using materials from countries not members of an agreement, provided that they are the result of processing carried out in a member country and as a result of which they acquire a new identity as characterized by being classified under a NALADI tariff heading different from those of the said materials.

(d) Goods that are assembled in the territory of a signatory country using materials originating in the countries members of the Agreement and in third countries, if the c.i.f. value at the port of destination or the c.i.f. seaport value of the materials originating in third countries does not exceed 50 per cent of the f.o.b. export value.

(e) Goods which, in addition to being produced in a territory, meet the specific requirement laid down in the relevant annex.

In the case of Bolivia, the percentage set in paragraph (d) is 60 per cent; it enjoys this additional special benefit as a less-developed country.

With respect to the Andean Group, Chapter X of the Cartagena Agreement applies special rules for determining the origin of goods. This chapter was approved in Decision 293 through which the Commission established rules of origin.

The above Decision stipulates that the following shall be considered as originating in a member country:

(a) Products entirely produced in any one of the member countries.

(b) Products meeting the specific requirements of origin set by the Board.

(c) Products for which no specific rules of origin have been set and which are produced using materials imported from outside the region and from specified regions.

(d) Assembled products for which no specific rules of origin have been set, provided that they have been produced with materials originating in the territory of member countries and the c.i.f.
value of the materials imported from third countries does not exceed 50 per cent of the product's f.o.b. value. For Bolivia and Ecuador this percentage is 60 per cent.

During the 1980s, Bolivia faced problems concerning rules of origin vis-à-vis countries members of the Andean Group, above all because they maintained a high degree of protection, setting the percentage of imported components higher than stipulated in the above requirements. As of the years 1985-1986, Andean policy has been geared more towards efficiency and competitiveness.

At the internal level, as of December last the Integrated Single Export Window System (SIVEX) was created with responsibility, inter alia, for rules of origin.

Nonetheless, under its current trade integration policy, as in the case of the Free-Trade Agreement with Mexico, the Bolivian Government is studying the possibility of dispensing with SIVEX, leaving exporters themselves and their Chambers or Associations to be responsible for approving, registering and monitoring exports and the authenticity of their origin. Thus, in the event of fraud, the exporter himself will face all the consequences in terms of the loss of tariff references or even more severe penalties such as seizure of the goods, depending on the varying national treatment of the particular case.

This new procedure would eliminate present problems in which Governments become needlessly embroiled when a product infringes the rules of origin of an importing country, calling forth the most drastic penalties for the producers and exporters found responsible for the offence. In short, each exporter is aware of the risk he takes and proceeds accordingly, not expecting his Government to defend him in case of infringement, as it must on the basis of certification which it is administratively unable to provide in all security.

A major technical challenge arises from the verification, authentication and certification of rules of origin, especially when a product uses inputs from several origins, as this requires a very sophisticated administrative machinery which Bolivia lacks. This new method of delegating functions of monitoring and certifying origin is being studied for adoption by various sub-regional integration agreements and has in fact already been applied in the North American Free Trade Agreement.

4.10 Minimum import prices

This mechanism was used during the 1980s, its parameters being the reference prices based on taxable minima for products according to their nature, destination and depreciation. This hindered the management of tax policy as the Import Tariff was distorted and rates were widely dispersed. However, these practices were eliminated by Decrees Nos. 21060, 22407 and 21660, and replaced by a new system based on the aforementioned inspection companies.
4.11 Government procurement

Government procurement of goods and services is regulated by Supreme Decree No. 21660, supplemented by Supreme Decree No. 22678 of December 1990.

A new qualification and selection mechanism was set up for the procurement of goods and services for public sector entities, enterprises and institutions, which replaces the tender boards and operates through specialized agencies. For that purpose, the Government contracted the project execution office of the United Nations Development Programme (OPS/UNDP), the Crown Agents Company and subsequently signed an agreement for services with the "Caisse des dépôts développement C3D" in July 1989.

For the purposes of tenders, the public entity interested in the acquisition of goods or services will request any of the qualification agencies hired by the Government to carry out the procedure for obtaining, qualifying and selecting bids. The public entity furnishes the agency with the relevant bidding conditions and tender specification documents.

Following its own procedures, the qualification agency invites tenders which must be submitted on Bolivian territory, and these are qualified and submitted for consideration by the interested public body in the order of priority suggested by the agency.

Procedures for participation by foreign bidders interested in goods or services contracts are laid down in Article 213 of Supreme Decree 21660:

"Foreign firms shall furnish evidence of due incorporation in their country of origin and shall accredit a legal representative in the national territory."

In order to protect national industry and services, preference will be given in the procurement of goods and services by means of a 10 per cent mark-up in qualifying points to national goods and services.

4.12 Anti-dumping measures and countervailing duties

Although LAIA has no anti-dumping regulations, Cartagena Agreement Decisions 283, 284 and 185 and Chapter VIII of the Agreement include basic and indispensable regulations for avoiding and correcting practices that may distort competition in the sub-region, such as dumping and other improper pricing practices.

The above-mentioned Decisions were adopted by Commission of the Agreement to govern competition. Decision 283, for example, concerns "Rules for Preventing or Correcting Distortions in Competition caused by Dumping or Subsidies".

Supreme Decree No. 23308 of 22 October 1992 instituted measures against unfair trade practices.
The intention is to place local producers on an equal footing vis-à-vis foreign competitors who may be deriving benefit from unfair competition as a result of government measures (subsidies) or company practices (dumping).

That Supreme Decree has been supplemented by regulations clearly setting out the steps to be followed, from the filing of a complaint to a final decision as to the existence of an unfair practice.

Both the Supreme Decree and the regulations have taken account of Articles VI, XVIII and XIX of the General Agreement, in accordance with the commitment assumed by Bolivia when acceding to GATT.

The Supreme Decree has so far not been applied as no complaints have been lodged.