In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (BISD 36S/403), the Secretariat submits herewith Volume A (Text) of its report on Bolivia. Volume B (Tables and Appendices) is presented in document C/RM/S/34B.

The Report is drawn up by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by the Government of Bolivia. As required by the Decision, in preparing its report the Secretariat has sought clarification from Bolivia on its trade policies and practices.


NOTE TO DELEGATIONS

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

SUMMARY OBSERVATIONS

(1) Bolivia in World Trade (viii)
(2) Institutional Framework (ix)
(3) Trade Policy Features and Trends (x)
  (i) Recent evolution (xi)
  (ii) Type and incidence of trade policy instruments (xv)
  (iii) Temporary measures (xv)
(4) Trade Policies and Foreign Trading Partners (xvi)

I. THE ECONOMIC ENVIRONMENT 1

(1) Major Features of the Bolivian Economy 1
(2) Recent Economic Performance 10
(3) Sectoral Performance 17
  (i) Agriculture 17
  (ii) Mining 19
  (iii) Manufacturing 21
  (iv) Services 22
(4) Trade Performance 23
  (i) Commodity pattern of trade 24
  (ii) Regional pattern of trade 26
(5) Outlook 29
II. TRADE POLICY REGIME: OBJECTIVES AND FRAMEWORK

(1) Introduction

(2) General Framework

(3) Structure of Trade Policy Formulation

(i) Legislative and executive branches of Government
(ii) Advisory bodies
(iii) Review bodies

(4) Trade Policy Objectives

(i) General trade policy objectives
(ii) Sectoral trade policy objectives
(iii) Objectives in the Uruguay Round

(5) Trade Laws and Regulations

(6) Trade Agreements and Arrangements

(i) Multilateral agreements
(ii) Regional agreements
(iii) Bilateral agreements
(iv) Other agreements or arrangements

III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

(1) Exchange Rate Movements and Trade

(2) Foreign Direct Investment and Trade

IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

(2) Measures Directly Affecting Imports

(i) Registration, documentation
(ii) Tariffs
| (iii)       | Tariff quotas          | 66 |
| (iv)       | Variable import levies | 66 |
| (v)        | Other levies and charges | 66 |
| (vi)       | Minimum import prices  | 71 |
| (vii)      | Pre-shipment inspection | 71 |
| (viii)     | Customs valuation      | 72 |
| (ix)       | Import prohibitions    | 73 |
| (x)        | Import licensing       | 74 |
| (xi)       | Import quotas          | 75 |
| (xii)      | Import surveillance    | 75 |
| (xiii)     | State trading          | 75 |
| (xiv)      | Import cartels         | 78 |
| (xv)       | Countertrade           | 79 |
| (xvi)      | Standards and other technical requirements | 79 |
| (xvii)     | Government procurement | 81 |
| (xviii)    | Local content requirements | 86 |
| (xix)      | Rules of origin        | 86 |
| (xx)       | Anti-dumping and countervailing duty actions | 86 |
| (xxi)      | Safeguard actions      | 87 |
| (xxii)     | Measures implemented in exporting countries | 87 |
| (xxiii)    | Balance-of-payments measures | 87 |
| (xxiv)     | Other measures         | 87 |

(3) Measures Directly Affecting Exports 88

| (i)       | Registration, documentation | 88 |
| (ii)      | Export taxes, charges, levies | 89 |
| (iii)     | Export prohibitions          | 91 |
| (iv)      | Export licensing             | 91 |
| (v)       | Export quotas                | 91 |
| (vi)      | Export subsidies             | 91 |
| (vii)     | Duty and tax concessions     | 92 |
| (viii)    | Export finance               | 95 |
| (ix)      | Export insurance and guarantees | 95 |
| (x)       | Export promotion, marketing, assistance | 96 |
| (xi)      | Export performance requirements | 97 |
| (xii)     | Free-trade zones, export processing zones | 97 |

(4) Measures Affecting Production and Trade 98

| (i)       | Assistance for research and development | 98 |
| (ii)      | Pricing and market arrangements         | 99 |
| (iv)      | Regional assistance                     | 100 |
V. TRADE POLICIES AND PRACTICES BY SECTORS  

(1) Overview  

(2) Agriculture  

(i) Foodstuffs  
(ii) Grains  
(iii) Animals and animal products  
(iv) Oilseeds, fats and oils and their products  
(v) Cut flowers, plants, vegetable materials  

(3) Industry  

(i) Coal, petroleum, natural gas  
(ii) Ores and metals  
(iii) Precious stones and precious metals  
(iv) Raw hides and skins, leather and furskins  
(v) Wood and cork  
(vi) Textiles and clothing  
(viii) Transport equipment  

VI. TRADE DISPUTES AND CONSULTATIONS  

(1) GATT Dispute Settlement  

(2) Other Disputes
SUMMARY OBSERVATIONS

1. Since 1985, Bolivia has opened its market in the context of a major macro-economic stabilization programme, which has brought down annual inflation from 24,000 to some 11 per cent in 1992 and restored economic growth. The import substitution policy introduced in the 1950s has been abandoned. Import duties ranging from zero to 70 per cent have been replaced by a uniform tariff, which now stands at 10 per cent. Quantitative restrictions were eliminated in 1985, and the last import prohibition - on sugar - was abolished in late 1992. Efforts are being made to reduce State participation in productive sectors and trade, and to place the management of public finances on a sound footing. However, inducing a supply response has been a major preoccupation of the Bolivian authorities, and in 1992 additional incentives were taken to strengthen export competitiveness.

2. During the 1970s, Bolivia was the world's second supplier of tin and an oil exporter. At that time, foreign exchange earnings grew to the equivalent to one fifth of its GDP. During the 1980s, earnings from minerals and other commodities declined sharply. It is now estimated that Bolivia's largest foreign exchange earner is coca paste and cocaine, exported to serve illicit demand in Western and other economies. The coca-cocaine economy is estimated to contribute some 13-15 per cent to GDP; it has created a "Dutch disease" problem of excess money supply in the economy, contributing to a recent construction boom, and caused a serious upward pressure on the exchange rate of the boliviano, affecting competitiveness in other sectors. The illicit nature of the trade and the large informal sector in Bolivia, also mean that recorded production and trade data can be quite misleading.

3. In the early 1980s, as a result of poor economic management, recorded GDP, investment and savings shrank and the public sector deficit grew rapidly. Inflation rose to a peak of almost 24,000 per cent in the
12 months to September 1985. Under the New Economic Policy (NEP) of August 1985, tight fiscal and monetary policies were implemented and the exchange rate stabilized. The policies initiated at that time have contributed to a fall in external debt (although Bolivia's debt-to-GDP ratio remains high), and have reduced inflation to one of the lowest levels in Latin America. The NEP also started the process of liberalizing foreign trade and capital markets, deregulating the economy and privatizing public enterprises, thus opening the economy to increased competition. The objective was to create economic conditions which would pave the way for renewed growth and attract foreign and domestic investment. However, these dramatic changes, coupled with existing structural problems, led to very high levels of unemployment, and an Emergency Social Fund was established to palliate the worst effects on employment from the adjustment process.

4. Since 1985, Bolivia's recorded export performance has improved, there has been a significant diversification of the economy and trade, and inflation has been brought firmly under control. Growth of real GDP has risen to 4.1 per cent in 1991, falling slightly to 3.8 per cent in 1992. Real incomes, which initially declined, have also started to recover, although they have not yet overtaken their 1980 levels. A Social Investment Fund, financed by the World Bank and individual governments through UNDP, has replaced the Emergency Social Fund in a concerted attempt to improve health and education standards.

5. Exchange rate policy was central to the efforts to reduce hyperinflation and attain stability in the country's highly dollarized economy. Recently, the Bolivian currency has been subject to a managed float, under which smooth, gradual downward adjustments of the real effective exchange rate have increased the competitiveness of exports, without significantly reviving inflationary pressures. No significant gaps have appeared between the official and parallel exchange rates since 1987.

6. Despite the low level of import protection, contraband imports remain a serious problem, partly linked to the use of revenues from illicit
exports. Contraband covers a wide range of goods, ranging from raw materials to consumer goods.

7. Domestic producers receive considerable "natural" protection from the country's land-locked position, topography and inadequate transport infrastructure. Moreover, a large part of recorded economic activity is still under the control of State-owned enterprises and therefore subject to government procurement conditions including, usually, a 10 per cent preference margin supplementary to the customs duty. Finally, the application of the Brussels Definition of Value (which allows constructed prices on imports) allows, in some cases, customs duty to be effectively greater than the nominal ad valorem rate if applied to the transaction value. This is to be changed over the next five years, following Bolivia's adherence to the GATT Customs Valuation Code in January 1993.

8. The private sector has responded to the changed trading environment only to a limited extent. To some extent, this results from structural problems in the economy, including lack of export experience, infrastructural bottlenecks, and some uncertainty as to the stability of government policy combined with little tradition of productive investment. The response has been most positive in mining, where foreign investment is concentrated, and non-traditional agricultural products, where Bolivia appears to have a comparative advantage and potential for growth. Mineral exports have become more diversified, breaking the country's dependence on tin, while the share of other non-traditional exports has increased. Despite the availability of export incentives, including duty drawbacks on imported inputs, reimbursement of value-added tax and free-trade zones, Bolivian entrepreneurs consider that more direct Government assistance would improve their competitiveness abroad. However, efforts to reduce bureaucratic procedures and to facilitate trade would seem more appropriate, and could be further strengthened.

9. In October 1992, a new anti-dumping and countervailing régime was introduced; regulatory provisions are now being elaborated. A new law on exports is about to be promulgated. The Government has largely resisted
pressure to adopt trade-distorting measures, and has focused on reducing the degree of State involvement in the economy, despite resistance from labour unions to privatization and to restructuring State companies.

10. A new foreign investment law, introduced in 1990, guarantees foreign enterprises free exchange convertibility, unrestricted rights to repatriate capital and freedom to import goods and services as required. Foreign direct investment is almost entirely concentrated in the mining and energy sectors. Bolivian law does not provide for full privatization of the nationalized mining, oil and natural gas companies. Joint ventures or exploration and exploitation contracts remain the sole channels available to foreign investors in these fields. Even these possibilities for international investment have recently been suspended, following strong opposition by labour unions and a reported Supreme Court judgement.

(1) Bolivia in World Trade

11. Bolivia's estimated share in world trade is around 0.02 per cent. On the basis of recorded trade, Bolivia's main trading partners are the European Communities, Argentina, the United States and Brazil. However, excluding minerals and natural gas, almost 69 per cent of its recorded exports go to neighbouring countries. In this context, Argentina becomes fourth in terms of importance as a market, preceded by Peru, Brazil, and Chile.

12. In recorded trade, Bolivia's recorded export earnings are highly dependent on a few items, mainly minerals and natural gas, although the share of these in total exports has fallen from around 93 per cent in 1965 to about 69 per cent in 1990, partly because of the decline in tin prices over the last 20 years. Bolivia still supplies around 4 per cent of world tin exports and about 6.4 per cent of precious and "other" metal ores and waste. Fuels (oil in the 1970s and gas in the 1980s) have emerged as the principal export items. Natural gas is currently sold only to Argentina, which is itself likely to become a net exporter by the end of the decade. Agricultural and agro-industrial exports, mainly soybeans and derivatives,
have increased in importance in recent years. Bolivia supplies over 6 per cent of the world market in "other" cereal (soya) flours. As such, Bolivia has a keen interest in the development of world commodity prices in areas which are subject to subsidized competition.

13. Bolivia is also the leading producer of coca leaves. The coca plant has been grown in Bolivia since pre-Columbian times and coca leaves are not themselves regarded as an illegal commodity by the Bolivian Government, although coca and all its derivatives are controlled substances under the U.N. Convention on Psychotropic Substances. Trade in cocaine has grown rapidly since the early 1970s as a response to illicit world demand; giving rise to a considerable increase in the area cultivated. A Bolivian private consultancy company has estimated that, if included in total recorded exports, cocaine would account for between 23 and 43 per cent of the total. The combination of huge returns to the industry (boosted by the illegal nature of the trade) with the decline in earnings and employment from other commodities, explains some of the difficulties confronting the Government in implementing eradication programmes and in persuading growers to switch to alternative crops.

(2) Institutional Framework

14. Bolivia's legal regulatory framework is relatively simple. It is based on Laws, Supreme Decrees and Resolutions, mainly issued in the past seven years in the context of the New Economic Policy. Trade legislation is exclusively based on Supreme Decrees. Although these may constitute efficient and flexible tools for prompt enforcement of the Government's policy, they do not provide the stability and predictability of enacted legislation.

15. The Ministry ofExports and Economic Competitiveness is responsible for foreign trade policy formulation and implementation within the general economic policy framework set by the Ministry of Planning and Co-ordination. The Ministry of External Relations and Worship (culto)
co-ordinates Bolivia's participation in regional and multilateral agreements.

16. The Economic Policy Analysis Unit (UDAPE) of the Ministry of Planning and Co-ordination provides advice to the Government on trade and industrial policy, based on research conducted with a large measure of independence. Private-sector institutions, including the Institute of Socio-economic Research of the Catholic University publish papers, reports and periodicals with the objective of contributing to the debate on economic policy issues.

17. Bolivia initiated the process of its accession to GATT one year after the launching of the Uruguay Round, and became a contracting party on 8 September 1990. In January 1993 it signed the Tokyo Round Agreements on Import Licensing Procedures and Customs Valuation.

18. In addition to binding its whole tariff schedule upon its accession to the GATT, originally regarded as the country's contribution to the Uruguay Round, Bolivia has made a comprehensive offer in the framework of the Market Access Negotiating Group.

(3) Trade Policy Features and Trends

19. Bolivia conducts its main formal trade relations through GATT, the Latin American Integration Association (LAIA) and the Andean Group. More than one-third of total recorded imports came from LAIA and Andean Group countries in 1989; the exact share of imports subject to preferential rates was not available to the Secretariat and no assessment can therefore be made as to the impact of preferential agreements on trade flows. Currently, the Government attaches great importance to the development of regional trade agreements.

20. Bolivia has signed preferential agreements with most LAIA members. A bilateral free-trade agreement with Mexico is understood to be close to signature. The most important agreements, in terms of the number of tariff concessions (although not in value of trade), may be considered the
Economic Complementarity Agreements with Uruguay and Argentina, signed in 1991 and 1992 respectively.

21. Since October 1992, Bolivia has extended duty-free entry to all imports from its Andean Group partners within the framework of the Act of Barahona of 5 December 1991, which aims to create a regional customs union. A four-tier Common External Tariff (CET) of the Andean Group is due to enter into force on 1 January 1994. It remains unclear how Bolivia's uniform tariff will be accommodated within the Andean Group's new CET.

22. Peru's temporary observer status within the Andean Group until the end of 1993, and its significance for Bolivian trade, led to the conclusion of a bilateral arrangement with Peru in 1992. It provides preferential treatment for a large number of Bolivian exports to Peru in exchange for duty-free entry for Peruvian exports to Bolivia.

23. Bolivia has also been exploring the possibility of adhering to MERCOSUR, the Southern Common Market grouping Argentina, Brazil, Paraguay and Uruguay. However, no accessions to MERCOSUR are envisaged until its completion, planned for the end of 1994. More than four-fifths of Bolivia's regional trade is carried out with these countries.

(i) Evolution of trade policies and instruments

24. The goods-producing sectors of the Bolivian economy comprise, on the one hand, export-oriented mining activities (including natural gas) and, on the other, largely inward-oriented agriculture (except for soybeans) and manufacturing. Until 1985, Bolivia made little effort to integrate its economy to world markets. Trade distortive policies, loosely implemented, encouraged smuggling from neighbouring countries and corruption.

25. Bolivia made a major reform of its trading system in 1985. The formal guidelines of trade policy, set at that time, remain unchanged today. The tariff structure was simplified under a uniform rate,
successively reduced to 10 per cent since 1990. So far, no loss of Government revenue from import duties has been reported.

26. The radical move away from import substitution policies opened domestic production to increased competition from abroad. This has generated pressures from import-competing sectors for support measures. In an effort to meet specific industry demands, trade measures such as prior import licensing or minimum import prices, were temporarily introduced in 1985. The last such measure (on sugar) was eliminated in late 1992.

27. An important additional tariff concession, introduced in 1988, was a temporary 50 per cent reduction in import duty for imports of capital goods, which are now subject to a 5 per cent customs duty. All legally-donated items enter Bolivia duty-free. This concession also applies to U.S. donations of subsidized wheat under P.L. 480, which provides local millers with a low-cost source of supply, but which is also likely to distort the price and incentives structure for local production.

28. Bolivia's GATT tariff binding commitments cover the entire schedule. Four items are bound at 30 per cent, and all others at 40 per cent. A one-year waiver from Article II obligations was granted to Bolivia by the CONTRACTING PARTIES in December 1992 to transform the original list of its tariff concessions to the Harmonized System.

29. Indirect taxes include value-added tax, transactions tax, and specific consumption tax (ICE). VAT and transactions tax appear uniformly applied among goods and between domestic output and imports, while ICE is selective in product coverage and has differing rates, ranging up to 50 and 60 per cent on cigarettes and beer. For certain items, it also discriminates in favour of domestic products; thus domestic wines, liqueurs and spirits qualify for half or one-third of the ICE rate applied to similar imported items.

30. Rail freight charges on imports are levied at a rate 30 per cent or more above those levied for transportation of domestic products or of
exports. According to the Bolivian authorities, this measure reflects the operational cost of the railway company and is aimed at improving the competitiveness of Bolivian exports by offsetting rail freight rates, which are much higher than in neighbouring countries, partly because of the difficult terrain. Effectively, the policy of cross-subsidization works like a selective devaluation, reducing the delivered cost of exports and implicitly taxing imports.

31. A drawback scheme for partially reimbursing import duties paid on inputs incorporated in exported products operates at rates of 2 and 4 per cent. These were recently brought down from 10 per cent, both for fiscal reasons and because of alleged fraud in the use of the system. VAT is partly reimbursed on exported goods, up to 10 per cent of export value. Exports are not exempt from the ICE, nor from the transactions tax. Inspection fees charged by private companies contracted to the Government for exports are covered by the State. Royalties are levied on exports of mineral products and timber. A new tax régime for mineral products, introduced in April 1991, will have completely replaced royalties by 1999.

32. Major changes in customs valuation and pre-shipment inspection were also introduced since 1985. In order to increase Government revenues and discourage fraud (by under- or over-invoicing) and corruption, private inspection companies contracted by the Government ensure price, quality, and quantity controls on imports and exports. Generally, Bolivia applies the Brussels Definition of value; however, when calculating the c.i.f. customs value of merchandise arriving by air, account is taken of 25 per cent of the freight only. Bolivia signed the Tokyo Round Customs Valuation Agreement in January 1993: however, it will not come into force until five years after ratification.

33. Since 1968, a Water Transport Shipment Reservation Scheme (Reserva de Carga Marítima del Transporte Acuático) has set minimum overall merchandise quantities, traded by both the private and public sector, to be transported by Bolivian-flag vessels, where available. The limited size of
the Bolivian-owned fleet means that this is not, in practice, a major constraint on trade.

34. Bolivian producers note that the domestic natural gas price is much higher than the export price, contributing to their lack of competitiveness.

35. Attempts to reduce the extensive State involvement in productive activities have met a number of difficulties. Trade unions are opposed to privatization, and foreign (and domestic) investors have not come forward to the extent hoped by the Government. According to the Government, only the oil and natural gas State company (YPFB), the State mining company (COMIBOL) and the armed forces holding company (COFADENA) are currently involved in State trading activities. However, apart from these entities, a large number of public firms owned by regional development corporations are also involved in a variety of productive activities. The Secretariat has no recent information on this matter.

36. The number and size of public sector enterprises mean that Government procurement of goods and services constitutes an important share of foreign trade. The current procurement régime is operated through two foreign agencies (Crown Agents and Caisse des Dépôts et Consignations - Développement (C3D)) for purchases above US$26,000; for smaller amounts, interested Government agencies conduct their own procurement. A 10 per cent preferential margin is given to domestic suppliers. Although new procurement practices, introduced in 1988, apparently reduced costs and bureaucratic procedures, they are still alleged by private operators to lack uniform requirements, standardized acquisition procedures and a clear framework of rules governing the relations between the Government and foreign specialized agencies. The Economic Commission of the Senate is now proposing to centralize Government procurement under a single "superintendencia". While this could reduce costs of procurement through standardization, it could also remove the element of competition that exists under the present system. It would also concentrate considerable power and influence within the country with respect to imports. Should the
proposal be put into effect, care will need to be taken to ensure the maximum transparency and fairness of the procedures to be followed.

(ii) **Temporary measures**

37. Bolivia has never taken temporary measures under the provisions of GATT Article XIX or for balance of payments purposes.

38. Until recently, Bolivia has had no specific legislation or regulations under which to implement anti-dumping or countervailing measures. According to the Bolivian authorities, minimum import prices were used once in the past, in response to a petition for anti-dumping action against iron for construction from Brazil. New initiatives on anti-dumping are discussed below.

(iii) **New initiatives**

39. Since mid-1990, more emphasis has been given to foreign trade by increasing the rôle of, and restructuring the Ministry of Industry, Commerce and Tourism, renamed Ministry of Exports and Economic Competitiveness. Since 1985, according to the Government, the most urgent changes in economic policies have been accomplished; unfinished business relates to the regulatory framework. An Export Law, in the process of formulation, aims to consolidate and improve the existing export régime contained in various Supreme Decrees. Under this, the drawback scheme may be extended to the ICE indirect internal tax and the transactions tax, and the Water Transport Shipment Reservation Scheme may be abolished.

40. In mid-June 1992, the minimum import value subject to inspection by pre-shipment agencies and duties was brought down to US$1, internal indirect taxes for imported goods were to be collected at agencies of the Bank of the State, established at customs offices, and the domestic customs police was abolished.
41. An important new development was the signing of Supreme Decree 23308 of 22 October 1992, introducing an anti-dumping and countervailing measures régime. Regulations for the implementation of this Decree were promulgated in January 1993.

42. The preparation of a Public Procurement Law with the objective of establishing a transparent regulatory framework has been widely discussed. The establishment of a Surveillance Body (Superintendencia), originally proposed by an international institution involved in this field over several years in Bolivia, was opposed by both the private sector and the then Minister of Finance, on the grounds that such a body could cause delays and bring unnecessary rigidity to the regulatory régime.

43. Efforts have been made to introduce coca leaf tea and quinoa (a traditional cereal) to the world market. A campaign to promote coca leaf tea as a soothing beverage and herbal remedy has not so far been successful.

44. Upon pressure from the beverages sector, import restrictions on sugar were eliminated in October 1992. However, sugar cane production quotas are still maintained. Full details on measures affecting the sugar sector were not made available to the GATT Secretariat.

(4) Trade Policies and Foreign Trading Partners

45. Bolivia's major trading partners are the European Communities, Argentina and the United States. Bilateral relations with the United States are largely conditioned by the progress on coca eradication and cooperation in the fight against illegal drugs trade. Nevertheless, these trade relations are also affected both by exclusions from U.S. preferential arrangements and by the effects of U.S. policy on prices of commodities of interest to Bolivia. Thus, the Andean Trade Preferences Act of 1991, while boosting GSP preferences for Andean countries, excludes certain products of export interest to Bolivia. Additionally, the level of world tin prices is heavily dependent on decisions by the United States
concerning sales from its strategic stockpile. Finally, a lower level of intervention by major producers in international markets for farm products - particularly oilseeds - could, by stabilizing world prices, contribute to encouraging new crops under the Alternative Development Programme. Bolivia's interests in this regard are similar to those of other small producers.

46. Despite good expectations for natural gas sales by Bolivia to Argentina, the Argentinian gas sector is likely to be fully competitive with Bolivian exports within some years. Consideration is being given by Bolivia to the conclusion of a market-sharing arrangement with Argentina.

47. Bolivia's strong interest in, and readiness to, conclude regional agreements stem from geographical, production and employment considerations. In view of its position, all natural gas and the largest part of non-traditional exports - which are particularly labour intensive - are directed to neighbouring markets. Further development is therefore conditioned by trade agreements in the Latin American region, including the Andean Group and MERCOSUR.

48. While such regional initiatives will no doubt contribute to the growth of Bolivia's trade, the country has a clear interest in promoting broader export and economic development opportunities is part of its economic and social reform programme. In this context, an open and stable multilateral environment, including freer access to major markets and greater certainty in commodity markets (which could, inter alia, be promoted by a reduction in subsidized agricultural trade), could greatly assist both the Government and the private sector in their efforts to diversify and improve the competitiveness of the economy and, by giving the confidence necessary for trade and investment, contribute to improving the supply response to the opening of Bolivia's own trading system.
I. THE ECONOMIC ENVIRONMENT

(1) Major Features of the Bolivian Economy

1. Bolivia, with a land area of 1.1 million square kilometres and a mid-1992 population estimated at 6.4 million, is a medium-sized land-locked Latin American country. There is a low population density (approximately 6 per square kilometre) but over 50 per cent of the population lives in urban areas. The country is made up of three distinct geographical regions with markedly differing climates. The terrain is difficult and the transport infrastructure poor, both domestically and with neighbouring countries. The population, composed largely of mestizos (30 per cent), indigenous peoples (25 per cent Quechua and 17 per cent Aymara), and whites (12 per cent) is concentrated in the arid highlands of the Altiplano.

2. Between 1978 and 1986, per capita income fell rapidly and is currently below US$1,000 (Chart I.1 and Table I.1). Population growth throughout the 1980s averaged just over 2 per cent, based on the July 1992 estimates (although previous estimates were of the order of 2.8 per cent). Low incomes are combined with a highly uneven distribution structure, poor

---

1 This is based on the preliminary results of the Séptimo Censo Nacional de Población y Tercero de Vivienda (the first since 1976) published in July 1992. This population estimate is substantially lower than estimates previously published in Bolivia and by international agencies. For example, the early April 1992 estimates from the Census cited in EIUI(1992), put the population at 7.82 million. This change in population has important consequences for estimates of per capita income, as discussed later.

3 These are the Altiplano (a highland at an altitude of 3,000 to 4,000 metres) with rich mineral deposits and harsh climatic conditions, the llanos (or lowlands) with extensive tropical forest and pastures, and the fertile valleys between the Altiplano and the eastern lowlands.

4 According to World Bank, World Tables, per capita GNP was US$650 in 1991; thus, Bolivia is classified as "middle income" by the World Bank. The lower limit of this classification is US$580. However, differences in methodologies used by the Bolivian authorities, the IMF and the World Bank for the measurement of income per capita, together with the differences in population estimates noted above, give very different values for per capita income data.

4 The most recent data on income distribution, dating back to 1973, indicate that the top 20 per cent of households in Bolivia receive 56 per cent of total private income while the lowest 40 per cent of all households received 13 per cent of total income. The 1976 census showed that 80 per cent of all Bolivian households were poor, i.e. those households whose income cannot cover 70 per cent or less of the basic needs basket developed by the ILO (Latin American and Caribbean Area Regional Department), cited in World Bank (1990b).

Chart I.1
GDP per capita, 1980-92
US$, 1980 prices

The World Health Organization estimates the population per doctor at 1,540 (1984), the provision of hospital beds at one per 523 (1978) - to the detriment of rural areas (73 per cent of beds in urban areas against 27 per cent) - and life expectancy at birth at 54 (1990), the lowest in South America. In 1989, infant mortality rate was more than twice the average for Latin America and maternal mortality rate was more than ten times the average in the region.

In 1986, the average daily food intake supplied 2,143 calories. This figure dropped to 1,968 by 1989, 90 per cent of the FAO recommended minimum of 2,176 calories a day. The problem is more pronounced in rural areas, where this indicator falls to an average of 60 per cent.
3. Bolivia's recorded GDP is estimated to have grown by 4.1 per cent in real terms in 1991. On the basis of the data reflected in Chart I.1, income per capita has been growing since 1987.

4. In 1989, the active population was estimated at 28.9 per cent of the total. Out of this around 30 per cent were involved in informal sector activities. As Charts I.2 and I.3 indicate, since 1986 these activities, which constitute a substantial share of Bolivia's GDP, have employed a growing share of the Bolivian workforce and generated jobs, particularly in urban areas.

---

**Chart I.2**

Employment in urban areas, 1980-89

Source: UDAPE, INE, Ministry of Labour.

---

These estimates do not take account of growth in the informal sector.

Previous estimates by the Government of Bolivia, the Central Bank of Bolivia and the IMF indicated that per capita income in 1991 was of the order of US$800 and had changed little since 1987. However, this was based on previous, higher estimates of population.
Chart 1.3
Employment in Bolivia, 1989
Per cent

Total employment by sector: 2,060,497

Informal economy by sector: 618,617

Total employment in the private, public and traditional sector: 1,442,861

Source: UDAPE, INE, Ministry of Labour.
Note 1.1 Informal sector and economic growth
(Based on Havrylyshyn and Pelzman (1991), and Müller y Asociados (1991))

The economic crisis of the early eighties, the introduction of the New Economic Policy in 1985 (Chapter I.2), the abrupt fall in public-sector employment, the migration of labour from rural to urban areas, the need for additional income to compensate for falls in real wages, the desire to avoid taxes, to avoid costly and time-consuming registration requirements, and minimize payments of bribes, encouraged the development of the informal economy in Bolivia. Müller y Asociados estimated the informal economy's contribution at 11.4 per cent of GDP in 1989.

The informal economy comprises small, unregistered entrepreneurs, generally family-run businesses averaging 1.6 employees per firm. Their activities cover a wide range of sectors, including retail trade, services, small-scale manufacturing, transport, construction and agriculture. Chart I.3 is a cautious attempt to estimate the importance of the informal economy in employment; except in the services branch, it provides the largest share of jobs (2.3 informal jobs for each formal post). In the absence of the informal sector, the unemployment rate is likely to be around 35 per cent of the active population.

Informal enterprises may contribute to the formal economy by purchasing materials from formal sector businesses, serving as sub-contractors, or in other ways. Although largely avoiding direct taxes, informal traders may contribute to Government revenue through payment of VAT.

Havrylyshyn and Pelzman stress that the informal sector can also have high economic costs. Informal enterprises are likely to be sub-optimal in scale; may be charged astronomical interest rates by money lenders; reduce Government revenues by evading taxes; and may be responsible for the distribution of unsafe goods (e.g. contraband medical supplies of very poor quality, imported milk suspected of contamination from the Chernobyl nuclear accident).

At the same time, the informal economy can contribute significantly to economic growth and alleviating urban poverty, as it can easily adapt to changing economic circumstances. Integration of the informal sector into the mainstream economy may be encouraged through such measures as financial guarantees, trade promotion and government contracts.
5. The degree of openness of the Bolivian economy shows the evolution of the share of recorded foreign trade in the gross domestic product. Additionally, market opening developments are indicated to some extent by the ratio of total imports to GDP. Changes in these ratios, illustrated in Chart I.4, constitute a rough measure of the liberalization of the country's trade régime.

6. The overall degree of openness ratio decreased slightly from 1973 to 1984. This was mainly due to declining oil production (because of oil field depletion) and U.S. dollar denominated exports. Following the market-opening of 1985, overall trade in goods and services improved sharply. Export growth was mainly responsible, while imports responded less rapidly because of low growth in demand.

---

7Currently, contraband covers a wide range of products and is thought to be related to illegal drugs trade i.e. the "laundering" of money (Le Monde, 21 May 1991).
7. Estimates by the Central Bank of Bolivia indicate a continuous deterioration in the terms of trade as well as of the purchasing power of Bolivian exports from 1980 to 1991 (Chart I.5). This was mainly due to the decline of the price for natural gas - an item of major importance for the Bolivian trade balance - falling commodity prices (e.g. coffee, sugar and minerals, mainly tin), decrease in the volume of tin exports and competition from new more efficient suppliers. The Bolivian authorities expect a 13 per cent decline in the terms of trade for 1992.

![Chart I.5](chart.png)

Note: The purchasing power of exports refers to the quantity of exports multiplied by the ratio of the terms of trade.

Source: Central Bank of Bolivia.

8. During the 1980s, Bolivia's merchandise trade (on a f.o.b. - c.i.f. basis) has swung between surplus and deficit. Following surpluses in

---

8 The terms of trade are calculated by dividing the export price index to the import price index.

9 The purchasing power of exports is the terms of trade indicator multiplied by the export quantity index.
1982-84, trade deficits emerged in the period 1985-88 because of the collapse of international tin prices and delays on payments for gas exports by Argentina, which caused a setback to exports, and a rise in imports. The balance moved positive again in 1989 and 1990. At the same time, the current account remained in deficit from 1985-89 and in 1991, principally because of outflows for payment of interest on external debt.

9. Bolivia's external debt peaked in U.S. dollar terms at US$4.3 billion in 1987 (Table 1.2). As a share of GDP, however, it rose rapidly from 93 per cent in 1980 to 176.6 per cent in 1985, falling to 96.9 per cent in 1989 and increasing again to 101 per cent in 1990. As indicated in Table 1.2, the value of the external debt dropped to US$3.6 billion in 1991, while, according to the Bolivian Government, it fell to the equivalent of 74 per cent of GDP in 1992. The debt ratio is expected to continue to decline further over the next few years. Agreed rescheduling of debt payments with the Paris Club took place in 1986, November 1988 and March 1990; between 1987 and September 1990 the debt to commercial banks was cut by some 70 per cent through repurchasing from official sources and debt-equity swaps; and bilateral debt-reduction arrangements with Argentina, Brazil and the United States have been agreed.

10. Most of Bolivia's outstanding external debt is long-term (Chart 1.6). According to the Ministry of Finance, 51 per cent of external indebtedness as of 30 June 1992, is owed to multilateral agencies and 42 per cent to official bilateral creditors. Outstanding financial obligations to the IMF currently total SDR 175 million (US$258 million).

12 World Bank (1991d) puts the total debt at US$5.8 billion in 1987.

13 According to the Ministry of Finance, the external debt stood at US$3.78 billion on 30 June 1992, out of which 51 per cent was owed to multilateral agencies, 42 per cent to official creditors and the rest to private lenders (Latin American Regional Reports - Andean Group, 8 October 1992).

14 As from the mid-eighties the IMF provided support to government policies. In June 1986, a stand-by credit led to the disbursement of SDR 50 million. Compensatory Financing Facility of SDR 64 million and a Structural Adjustment Facility of SDR 43 million were agreed in December 1986. In July 1988 a three-year Enhanced Structural Adjustment Facility for SDR 136.05 million was approved. An additional ESAF credit of SDR 27.21 million was approved on 11 September 1992 (IMF Press Release No. 92/65).
Chart 1.6
Level and composition of external debt, 1980-90
US$ billion and per cent

11. Bolivia's international reserves have progressively increased since 1984-85. In 1991, international reserves averaged four and a half months of imports (Table 1.2). According to the Bolivian authorities, in June 1992, they amounted to US$300 million (Chapter III). Secretariat estimates put this value at approximately three months of imports.

(2) Recent Economic Performance

12. During the 1960s and 1970s, Bolivia's economy grew rapidly at around 4.5 per cent annually. High commodity prices, the discovery of hydrocarbons in the Santa Cruz area and relative political stability of the seventies, allowed for easy access to foreign financing which increased fixed investment to more than 20 per cent of the GDP and contributed to average GDP growth rates of above 5 per cent.

13. In the early 1980s these conditions were reversed, leading to a sharp shrinkage in GDP, investment and savings and an accumulation of the debt burden. This was compounded by the effects of natural disasters. Government efforts, in the light of the risks, to maintain the level of public sector wages led to widening of the public sector deficit; the domestic credit expansion used to finance the deficit fuelled monetary growth and hyperinflation. During the 12-month period ending in September 1985, inflation attained the peak of almost 24,000 per cent. Maintenance of a fixed exchange rate system with periodic maxi-devaluations, led to successive overvaluations of the Bolivian peso; in these circumstances, the parallel rate was, at times, as much as 15 times the official rate (Table 1.2). Payments to foreign creditors were suspended in 1984 because of lack of funds.

14. Deep-seated structural problems generated by the expansion of the State's role in the economy (a legacy of the 1952 social reforms - see

---

It has been estimated that 60 per cent of Bolivia's bank deposits (equivalent to five or six times the amount of Central Bank reserves, or around US$1 billion) are subject to withdrawal within forty-eight hours by around only one hundred depositors. This partly explains the vulnerability of the country's financial sector, as manifest during the 1989 elections when half of the bank deposits were withdrawn (Le Monde, 21 May 1991).

This reflected mainly large-scale public investment projects, many of which were highly questionable in terms of social pay-off (World Bank, 1991b).

A particularly disastrous performance was recorded in 1983 partly due to the freak weather wrought by changes in the El Niño current off the coast of Peru.

This grew from 7 per cent in 1980 to 23 per cent of GDP in 1984 (World Bank, 1991d).

Since 1986, external debt payments including amounts renegotiated in the framework of the Paris Club have been resumed with the exception of private creditors. Private creditors are to be fully reimbursed by February 1993, according to the Bolivian authorities.
Chapters II, IV and V), deficiencies in the financial system, private sector concentration on short-term activities such as trading, and growing capital underutilization, were behind the poor economic performance of the early eighties.

15. A radical stabilization programme, the New Economic Policy or NEP, was introduced in late 1985. Macroeconomic stability was the priority objective, with structural adjustment to be achieved in the medium term. Emphasis was placed on internal price stability, the suppression of domestic price controls and state subsidies, the reactivation of the agricultural sector, exchange rate unification and stability, liberalization of interest rates, sound public sector management and simplification of the tax system. In the area of trade policy, all import restrictions were eliminated, while tariffs were cut and simplified.

16. The implementation of the NEP quickly restored macroeconomic stability. However, growth of output remained slow as uncertainty over the permanence of policy reforms remained; savings remained low despite high real interest rates; Government revenues were limited, terms of trade were declining (Chart I.5 and Table I.2) and Argentine payments for Bolivian gas were delayed; at the same time the collapse of tin mining, domestic labour market rigidities and poor infrastructure revealed serious, basic structural problems.

17. The programme, however, led to a dramatic decline in inflation from 1987 and a resumption of real growth, led by a sustained surge in exports, while domestic demand (in real terms) generally continued to fall. GDP growth rates ranged from 2.6 per cent to 2.9 per cent for the period from 1987 to 1990 (Table I.2); inflation fell from 11,750 per cent in 1985 to 14.6 per cent in 1987.

18. The present Government, which took office in August 1989 and whose term ends in mid-1993, affirmed its commitment to the programme established under the NEP; at the same time, it placed increasing emphasis on measures to alleviate poverty (Note I.3). The fiscal deficit was reduced by raising prices of petroleum products and of public utilities, by increasing excise taxes on certain consumer products, by improving tax collection and by successful negotiations with Argentina for resuming payments for gas exports. However, the increase in petroleum prices, strong demand for Bolivian goods by neighbouring countries and the effects of drought on the supply of agricultural products, pushed inflation up to 17.1 per cent in 1990. In the same year, export revenues increased by more than 14 per cent in value terms due to the performance of private mining and a strong rise in non-traditional exports. In 1991, the terms of trade (Chart I.5), and the current account, which had been in surplus in 1990, moved into substantial deficit, equivalent to over 4 per cent of GDP (Table I.2). Weak metal prices, a reduction in the price of natural gas exports and
reduced agricultural exports (related to flooding in early 1992) mean that the deficit could be expected to rise further in 1992-93.

19. The economic programme adopted for 1991-93 is aimed at consolidating stabilization efforts and achieving a sustainable rate of growth as well as a viable balance of payments. Tighter fiscal policy (mainly to be achieved through an increase in the rate of VAT), structural reforms via new investment incentives, and privatization of state-owned companies (Note I.2) are elements in the programme. Consumer prices rose 21.4 per cent in 1991, but, according to the Government, the increase fell to an annualized rate of 11.4 per cent in the first 10 months of 1992. The growth rate of real GDP increased to 4.1 per cent in 1991 and 3.8 per cent in 1992 (slightly higher than expected).

\[\text{According to the Bolivian authorities, the fiscal deficit fell from 5.5 per cent of the GDP in 1989 to 3.6 per cent in 1991.}\]
Note 1.2 Privatization and Public Sector Reform in Bolivia

Bolivia has been engaged in a major privatization programme since 24 April 1992 (Law 1330). Public entities, with the exception of COMIBOL and YPFB, are authorized either to sell their assets, goods, values, shares, and property rights to the Bolivian or foreigners, or make them available for the establishment of new mixed stock companies. Privatization is to proceed through public auction, a bid system, or share flotation on the stock exchange.

The National Council of Economy and Planning or CONEPLAN (Chapter II), is charged with monitoring and regulating the process. A Commission for the Evaluation of Public Enterprises (Comisión de Evaluación de las Empresas Públicas, or CEEP) has been created to determine whether it is desirable to partially or fully privatize particular public entities.

In this connection, an agreement has been recently signed between the Government and the armed forces on the privatization of 22 enterprises owned by them. The Ministry of Defence is involved in the work of CEEP and the military will retain majority shareholdings in military engineering, air transport and the Military Geographical Institute (Instituto Geográfico Militar).

State monopolies in telecommunications, railways, and national airlines are open to privatization under the condition that any new proprietors will move towards breaking up the monopoly over time. Several regional development corporations (Corporaciones de Desarrollo Regional) with a particularly diversified scope of activities (see Chapters IV and V) have expressed strong interest in privatizing their holdings. Since February 1992, a number of foreign independent consultancies have been evaluating these enterprises. The degree of their diversification reflects the depth of the State's involvement in economic life. By late 1992, six public enterprises had been privatized, while 20 more privatizations were under way by the end of the year. Twenty-five companies are to be privatized in 1993.

Supreme Decree (S.D. 22407 of 11 January 1990) and Law No 1178 of 20 July 1990 (known as the Law of Government Administration and Control) set the basis for decentralization procedures and the Integrated System of Financial Management and Control System (Sistema Integrado de Administración Financiera y Control or SAFCO). SAFCO is being implemented within the entire public sector including public enterprises and covers budgeting, expenditure management and control, and audits.
20. Private consumption expanded at a brisk 5.6 per cent in 1986, but the average rate of growth has since slowed to around 2 per cent annually. Government consumption, which had risen from a fall of 14.1 per cent in 1986 to an increase of 12.2 per cent in 1987, stabilized at 3.5-4 per cent in 1989 and 1990, but declined to 2 per cent in 1991. Growth of investment, as measured by gross fixed capital formation, declined; investment fell by 4.3 per cent in 1990, before recovering strongly to a 10.8 per cent growth rate in 1991. The ratio of gross domestic investment (GDI) to GDP has been increasing very slowly from 11 per cent in 1987 to 13.8 per cent in 1991. This is still quite low by international standards, including Latin America. The savings ratio, Gross Domestic Savings (GDS) to GDP, rose from a very low 0.5 per cent in 1986 to 7.5 per cent in 1991. The national investment-savings gap has been financed by private capital inflows, mainly in the mining and hydrocarbons sector. Net disbursements of foreign loans are expected to decline slightly in forthcoming years, but, at around US$25 million, this is a relatively small component in net capital inflow (estimated at some US$216 million in 1991). The investment/savings gap is a matter of concern and, although recent trends are encouraging, both savings and investments need to grow substantially to pave the way for longer term growth.

21. Real wages and salaries, particularly in the public sector, were eroded first by inflation and then by the freeze imposed under the NEP. The minimum public sector wage was increased by 20 per cent from March 1988 until the first quarter of 1991 when it was doubled; in mid-March 1992 it was again increased by 12 per cent (for decentralized state enterprises) and 17 per cent (for health and education). Real wages in the private sector (wages determined by collective bargaining) seem to have risen by 2.3 per cent in 1989 and 10 per cent in 1990 (Table I.2). For the last seven years, strikes and other forms of pressure have been largely unsuccessful in winning wage increases. Additionally, in view of the magnitude of the informal economy in employment terms, the 1992 rise of the minimum monthly wage by 12.5 per cent to around US$35 was of little importance to workers.

22. Unemployment has risen as a result of the closure of a number of COMIBOL state mines, following the stabilization plan of 1985; the response of the manufacturing sector to the NEP structural reforms (including the liberalization of hiring and firing practices) and current

\[\text{This could rise to 15 per cent where productivity agreements (contratos de rendimiento) were negotiated.}\]

\[\text{For 1992, direct intervention by the President required increased private sector participation in compulsorily negotiated wage agreements (EIU, 1992).}\]
government policies aimed at improving productivity in both the public sector and nationalised industries by means of personnel cuts. The estimated unemployment rate is officially estimated to have increased from 15 per cent in 1984 to above 20 per cent at the present time. According to the Bolivian authorities, the data collected by INE (the National Statistics Institute) indicates that the unemployment rate in the formal sector stood at 6 per cent in 1992.

\[\text{This figure may include part of the work force employed in the informal sector.}\]
Note I.3 Recent efforts to combat poverty in Bolivia

In Bolivia, two separate funds have been established by the two recent Governments to assist in combating poverty: the Emergency Social Fund (ESF), and, later, the Social Investment Fund (SIF).

The ESF was launched in 1986 to protect the poor against further deterioration of their living standards during the implementation of the 1985 economic adjustment programme, and, in this way, to boost social expenditure. It was a demand-driven system aimed at quickly funding public-work projects on request from community organizations. The cost of projects under the ESF has been some US$181 million over the first five years. Since 1986, the ESF has assisted in three thousand small-scale development projects, including construction of more than 7,000 low-income houses, nearly 200 kilometres of sewers and water pipes, and 31 kilometres of irrigation works. Projects also include road building, health centre and school construction and farming.

Efforts under the SIF Fund, which replaced the ESF, are directed towards improving health and education standards by providing long term solutions. The Fund finances investment, health services, water supply and basic sanitary facilities, nutrition, basic education and training. Resources are provided through external loans (World Bank/IDA 37 per cent, OPEC 4 per cent), domestic contributions (General Treasury 20 per cent), and donations (UNDP, Canada, Netherlands, Sweden, Switzerland, United Kingdom). Total investments of US$107 million are being distributed over three years, principally to rural areas.
(3) Sectoral Performance

(1) Agriculture

23. Bolivia is among the world's major producers of dry coca leaves with an estimated world supply share varying between 30 per cent and 40 per cent. It has emerged as a leading supplier of soya flours, with some 6.0 per cent of world exports.

24. The agricultural sector's contribution to GDP rose until 1985 while from 1987 to 1990 it followed a declining trend. In 1991, it recovered by 7.2 per cent to reach an estimated 21.3 per cent of the GDP.

25. A large part of Bolivia's vast and varied territory has unexploited potential. In 1987, out of a land area of 108.4 million acres, only 3 per cent was arable, 51.3 per cent was forested, 24.6 per cent was permanent pasture, while the rest included a large area of unused but potentially productive land.

26. Activities in the sector are still labour intensive and have developed in a highly dualistic way reflecting geographical, cultural and social contrasts. Low-productivity, traditional agriculture, found in the Altiplano and the higher Andean valleys, is practised under difficult climatic/environmental conditions and with rudimentary means. Traditional agriculture, mostly subsistence farming, is responsible for most of the coca production and around two thirds of the gross value of agricultural output. In 1989, 88.75 per cent of the Bolivian workforce (including informal labour) was employed in the traditional sector.

27. Modern agriculture in the tropical lowlands is more diversified, rewarding and oriented to crop production and timber for export, some import substitutes, and cattle. The sector contributed to around 78 per cent of Bolivia's non-traditional exports in 1990. The performance of lowlands' agriculture in recent years shows the sector's potential to play an important role in Bolivia's economic growth.

28. Despite increases in both cultivated and irrigated areas since the seventies, the production of principal crops for domestic consumption falls

---

short of self-sufficiency, making imports, particularly of grains, necessary. Recent fluctuations in international coffee prices make it a speculative crop. High demand and prices, the availability of development credit and improved transportation facilities have encouraged rapid expansion of soya production.

29. Since the mid-1970s, booming demand of the international drugs trade has transformed coca and its illicitly produced by-products (coca paste and unrefined cocaine) into the most lucrative agricultural items. Since then, and despite assistance by the United States for suppressing coca production, this traditional activity gained importance in terms of employment, foreign trade and financial contribution to the economy (see also Chapters II and V). Coca profitability was even higher than for cocoa, coffee or nuts in late 1991 when producer prices of these commodities declined.

30. The output of livestock in Bolivia has grown in recent years, at the expense of Amazonian forest and savanna. In 1990, cattle exports (to Brazil) rose tenfold to reach US$49.4 million. As explained in Chapters IV and V, this growth in exports, some fraudulent, was linked to the export subsidy scheme (CRA) which has now been abandoned.

31. Deforestation increased at an estimated pace of 0.2 per cent per year in the eighties, while no noticeable re-afforestation took place. Fuel and charcoal production grew at around three times the rate of roundwood output.

In recent years, agricultural production has varied greatly, partly to adverse weather conditions leading to successive droughts and floods. Sugar and cotton were affected in 1980-81 and 1983-84. Farm production fell by 3.5 per cent in 1986 following the inundation of fertile land around Lake Titicaca. Commercial grain, soya and livestock sales were hit by a drought in the period 1988-1990. In 1992, by contrast, the "El Niño" phenomenon led to particularly heavy rainfall which affected cotton crops, while cereals suffered from drought.

28. Wheat imports cover 50 per cent of domestic consumption.

29. Revenue from coca products grew in importance from around 1980.

30. Coca has been grown in Bolivia since pre-Columbian times. The Economist Intelligence Unit (1992) refers to 50,000 peasant farmers and Müller y Asociados (1992) estimate that employment in the whole of the coca sector was 9.5 per cent of the active population in 1989. Müller y Asociados (1991) also estimate that, in 1990, coca exports accounted between 23 per cent and 43 per cent of total Bolivian exports.

(ii) Mining

(a) Minerals

33. Bolivia is responsible for 3.9 per cent of world exports of tin and 6.4 per cent of precious and other metals. Prior to 1979, Bolivia was the world's second supplier of tin, after Malaysia, before being displaced by Indonesia and Thailand. The mining sector, excluding oil and gas, accounts for around 9 per cent of GDP in 1991 but employed less than 3 per cent of the formal labour force. In 1991, it represented around 42 per cent of the country's export receipts.

34. Bolivia produces tin, gold, silver, lead, zinc, antimony, tungsten, copper and bismuth and has large unexploited reserves of lithium and potassium. Activities are carried out by the large-scale, State-owned mines of Corporación Minera de Bolivia (or COMIBOL), which were nationalized in 1952; medium-scale enterprises, mostly with Bolivian capital (responsible for the large part of mining production); and small-scale enterprises and co-operatives at a low level of technology.

35. Mining, particularly of tin, was the key sector in the Bolivian economy until 1980. Thereafter, high production costs, declining reserves, lack of capital for machinery and exploration, difficult mining conditions, low quality ores, and a 25 per cent decline in world prices of Bolivia's mineral exports associated with the collapse of world tin prices (following the withdrawal of the International Tin Council from the market in October 1985), reduced the sector's importance. In 1985, a stabilization programme was introduced involving large-scale restructuring of COMIBOL, including a major reduction in employment. At the same time, medium-sized mines boosted their production of zinc, lead, silver and tin. By 1990, COMIBOL output had risen to 42 per cent of its 1980 production levels and the private sector output was one quarter higher.

36. Chart 1.7 illustrates developments in the world tin market. The United States policy of steadily reducing its strategic stockpiles is clearly reflected. World tin prices steadily fell from 1980 to 1986 and recovered slightly in 1989 and 1992. Hopes for a more significant price recovery were threatened in April 1992 when the United States General Services Administration proposed to sell an additional 5,000 tons (above the 7,000 tons approved) of its tin stockpile. A general positive linkage between prices and production is evident from the Chart.

32 Since 1985, world tin prices have fallen by more than 60 per cent.
Chart I.7
Developments in the tin market, 1980-92

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data for World Mine Production 1991 excludes countries such as China and the former DDR. LME prices have been converted to U.S. dollars using period average market exchange rates from IMF, International Financial Statistics.

Source: World Metal Statistics.
(b) Oil and natural gas

37. Bolivia is endowed with abundant deposits of natural gas and has sufficient petroleum to meet current needs. The hydrocarbon sector accounts for more than 6 per cent of GDP (1991) and 0.6 per cent of the formal labour force (1989), but natural gas represented an estimated 28.4 per cent (US$241 million) of merchandise export receipts in 1991. Hydrocarbons are the most important source of Treasury income, expected to have provided more than half of budget revenues in 1991 through taxes and earnings.

38. Oil production began in 1927. During the 1950s and 1960s, output grew rapidly, to reach a peak in 1973. From then until 1986, production declined steadily because of oilfield depletion, obsolete machinery and inadequate exploration activity. Since then, output has recovered, reaching 7.6 million barrels in 1990 and estimated to attain 8.4 million barrels in 1992. Foreign private companies are allowed to operate but Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), the State oil company, created in 1937, is the largest participant.

39. Natural gas production rose by more than one and a half times in the 1980s (as sales of oil diminished), and replaced tin as the principal export item from 1980. Gas is exported to Argentina by pipeline networks and, to an increasing extent, is being used domestically for electricity generation and the production of liquefied gas. The mid-eighties decline of pipeline exports was offset by a forced switch of domestic consumption from petroleum to natural gas, encouraged by increases in petroleum product prices relative to consumer prices. Bolivia is to supply natural gas to Brazil from the start of 1995, but in the future it may face competition from a planned Argentine pipeline.

(iii) Manufacturing

40. Manufacturing accounted for around 14 per cent of GDP in 1991 and employed around 7 per cent of the formal labour force in 1989. Informal activities employ 53 per cent of the sector's total labour force. The sector is engaged primarily in serving the local market. Consumer goods industries, producing food (sugar-refining, rice-milling, dairying), drink and tobacco, account for 60 per cent of manufacturing output. Industries stemming from the exploitation of mineral resources include smelting of non-ferrous metals, the manufacture of mining equipment, petroleum refining and a small petrochemical industry. Small-scale (informal) enterprises are

---

involved in food processing, handicraft, textiles and clothing and footwear.

41. Despite the limited size of the domestic market the manufacturing sector grew rapidly in the sixties and seventies, behind protective barriers. The market opening introduced by the NEP, leading to increased competition from imported goods, together with a reduction in domestic demand, particularly for consumer goods, and the lack of export competitiveness because of an overvalued exchange rate seriously affected manufacturing output; in 1985, it fell to 59 per cent of its 1978 level. Additionally, the manufacturing sector is faced with expensive credit, high costs of imported materials, competition from contraband and constraints on domestic transport.

42. From 1986 to 1990, the sector experienced a 3.5 per cent average annual growth and recovered modestly to attain 71.1 per cent of its 1978 overall output level. Production in branches such as cement, vegetable oil and fats, dairying, soap and detergents, beef meat, prepared fruits and vegetables, exceeded their 1978 levels. According to the Bolivian authorities, manufacturing grew by 6.6 per cent in 1991, while a 7 per cent growth rate is expected for 1992.

43. In 1991, exports of wood, metal working products, rubber and leather represented around 7.4 per cent of total export receipts.

(iv) Services

44. Services (including retail trade) contributed around 46 per cent of GDP in 1991 and employed approximately 37 per cent of the formal active population in 1989. More than 78 per cent of informal sector employment is in services, comprising around 47 per cent of total sectoral workforce in 1989. The share of retail trade in GDP is 13 per cent. Banking and insurance account for less than 4 per cent of GDP, while basic services (including energy and water supply, transports and telecommunications) and public administration account for more than 18 per cent. In 1991, Bolivia had a negative balance (on a balance-of-payments basis) in trade in non-factor services of an estimated US$22 million. Nevertheless construction, electricity, gas and water distribution were the most dynamic branches in 1991 (both grew by 8 per cent each) which contributed to the GDP growth. For 1992, construction and electricity are expected to have grown by 15 per cent and 9 per cent, respectively.
(4) Trade Performance

45. According to Central Bank estimates, after two years of positive results, the recorded merchandise trade balance for 1991 registered a deficit of US$181.4 million. This was due to an 8.5 per cent decrease of export receipts and a 34 per cent increase in the value of imports. The 1991 deregulation of the Argentine gas market resulted in an export price reduction of the order of 60 per cent.

46. During the first six months of 1992, recorded imports were estimated to have grown by 18.6 per cent compared to the same period in 1991, and attained US$543.1 million. In the same period, recorded exports were estimated at US$326 million (25 per cent less than the same period in 1991). For the whole of 1992, a negative trade balance of US$346 million was expected, as exports were projected to drop by 12 per cent and imports to increase by 2 per cent (Chart I.8).

---

34 The Central Bank export figures, although based on those on data of the National Statistics Institute (Instituto Nacional de Estadistica or INE) are different from those supplied by this institution. As from 1984, the Central Bank uses methodology which allows for a more accurate assessment of export costs such as freight, insurance, etc. This methodology was developed with the assistance of the World Bank and corresponds to relevant recommendations contained in the Fourth Edition of the IMF Manual on Balance of Payments (Banco Central de Bolivia, 1991).


36 As estimated by UDAPE.
Chart 1.8
Recorded merchandise trade of Bolivia 1980 - June 1992

Note:  * - Estimates.
Exports f.o.b., imports c.i.f.

(i) Commodity pattern of trade

47. Despite declining commodity prices and incentives for the expansion of non-traditional products, the overall structure of Bolivia's recorded trade has changed relatively little (Chart I.9). Food items (live animals, sugar, fruit, oilseeds) and wood exports have gained somewhat in importance (Table I.3). The import structure has also remained very stable (Table I.4). More details on foreign trade changes are given in Chapter V.

48. Bolivia's traditional exports are minerals (tin, zinc, antimony, tungsten and silver), and fuels (natural gas). According to the Government of Bolivia, these accounted for 42 and 28.4 per cent, respectively, of total exports in 1991. The share of natural gas in total exports increased significantly in the 1980s. Between 1965 and 1991, the share of tin in total exports decreased to one-seventh of its initial level, reaching its lowest level in 1987. In the eighties, precious metals became important export items.
Chart 1.9  
Composition of recorded foreign trade; exports 1965-91 and imports 1965-89  
Percentage share

Exports

Imports

49. In the 1970s, Bolivia experienced export growth of over 15 per cent; however, between 1980 and 1988, exports declined. From 1988 until 1990, exports grew at an irregular pace but, as stated earlier, faced a setback in 1991. Musical instruments, colouring materials, lead, live animals, and travel goods experienced the highest growth rates in the period 1989-90 (Table AV.1).

50. Bolivia depends heavily on manufacturing imports (Table I.4). The single most important product group is road motor vehicles, whose weight in trade varied between 11.7 per cent and 17.4 per cent in the 1980s. In 1990, non-electrical and industrial machinery, and unmilled wheat and wheat flour accounted for 11.2 per cent and 8.1 per cent, respectively, of total imports.

51. Between 1970 and 1980, recorded imports grew slightly faster than exports; the fall in exports in the 1980s was more rapid than that of imports.

(ii) Regional pattern of trade

52. In 1990, 83.4 per cent of Bolivia's recorded exports was directed to the MERCOSUR countries, the European Communities and the United States (Chart I.10). The share of exports to both the European Communities and the United States has fallen considerably since 1965, while that to MERCOSUR countries increased twenty-fold. In 1991, exports to the United States fell much more rapidly than those to the European Communities. Exports to the Andean Group countries remain insignificant.

53. The major foreign markets for Bolivian products are Argentina, the United States, the United Kingdom, Brazil, Peru and Chile. The only significant change in relative market shares since 1965 has been the emergence, since 1975, of Argentina as the principal destination of Bolivia's exports, largely because of trade in natural gas.

54. Exports to Israel, Greece, Venezuela, India and Austria grew faster than those to other destinations in 1989-90. Over the last five years, exports to the Republic of Korea and Costa Rica experienced a particularly fast growth.

55. In 1989, Bolivia's recorded imports were largely sourced from the Americas (MERCOSUR countries and the United States) and to a lesser extent, Europe (Chart I.11). However, imports from Europe, the United States and Africa experienced positive growth rates.
Chart I.10
Direction of Bolivia's recorded exports, 1965-90
US$ million and per cent

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports</th>
<th>USA</th>
<th>Rest of the World</th>
<th>Andean Group</th>
<th>MERCOSUR</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>US$ 128.9 million</td>
<td>42.1%</td>
<td>Rest of the World 0.6%</td>
<td>Andean Group 0.4%</td>
<td>MERCOSUR 1.7%</td>
<td>Japan 2.1%</td>
</tr>
<tr>
<td>1970</td>
<td>US$ 225.4 million</td>
<td>34.8%</td>
<td>Rest of the World 1.5%</td>
<td>Andean Group 2.2%</td>
<td>MERCOSUR</td>
<td>Japan</td>
</tr>
<tr>
<td>1980</td>
<td>US$ 1,036.2 million</td>
<td>29.1%</td>
<td>Rest of the World 23.3%</td>
<td>Andean Group 4.1%</td>
<td>MERCOSUR 15.4%</td>
<td>Japan 0.9%</td>
</tr>
<tr>
<td>1990</td>
<td>US$ 922.9 million</td>
<td>28.9%</td>
<td>Rest of the World 34.5%</td>
<td>Andean Group 9.6%</td>
<td>MERCOSUR 6.5%</td>
<td>Japan 0.3%</td>
</tr>
</tbody>
</table>

Source: UNSO Comtrade.
Chart I.11
Direction of Bolivia's recorded imports, 1965-89
US$ million and per cent

Total imports: US$ 133.8 million
1965

Total imports: US$ 159.2 million
1970

Total imports: US$ 654.6 million
1980

Total imports: US$ 619.9 million
1989

Source: UNSO Comtrade.
56. Bolivia's most important suppliers in 1991 were, in descending order, Brazil, the EC, Chile, the United States, Argentina and Japan. In 1990, imports from Paraguay, Portugal, Cuba, Ecuador and Chile grew at higher rates than imports from other countries.

57. According to Central Bank estimates, in 1991 Bolivia had merchandise trade deficits with all LAIA (Latin American Integration Association) countries except Argentina. Deficits were also recorded with Japan (US$91.3 million) and the United States (US$82.7 million) in 1991, while a trade surplus of US$99.1 million was registered with the European Communities.

(5) Outlook

58. Between 1987 and 1990, Bolivia's real GDP grew at a modest 2.7 per cent a year on average, but it accelerated to 4.1 per cent in 1991. For 1992, despite poor weather conditions affecting agriculture, increased social spending and lower prices for natural gas exports, real GDP growth of 3.8 per cent was experienced. The Bolivian authorities estimate that inflation will have declined to 11 per cent for 1992 as a whole, and should fall to below 8 per cent for 1993. New investment in mining and energy, combined with slightly better prices for tin and zinc, should stimulate production, while manufacturing output may respond to a modest increase in local spending power.

59. The recent improvement in economic conditions may be taken as a sign that the reform programme is showing results after years of hardship. Such improvements, together with social reforms, were badly needed to maintain political support for the reform programme, including, in particular, the restructuring and privatization of public sector, which need to be continued. Further deregulation would also provide opportunities for much needed foreign direct investment, although this will probably need to be supplemented by loans from the international financial institutions in the short- to medium-term. Domestic savings and investment need to be substantially increased to pave the way for long-term growth.

60. It is too early for the most recent steps the Government has taken to strengthen the country's export performance and competitiveness and domestic diversification programmes to show results. However, this was an important strengthening of measures to build on and broaden the, so far, weak supply response to the economic reforms introduced since 1985. Such diversification is necessary and might have been expected as a normal

---

market response to falling international prices for tin and other agricultural products, including oilseeds and derivatives, where Bolivia appears to have comparative advantage. However, the measured decline in the terms of trade does not take account of coca-cocaine products, for which there seems to be a strong demand and relatively high prices. The large inflows from exports by the informal sectors has, therefore, caused upward pressures on the real exchange rate, which has also retarded the growth of other sectors.

61. In this regard, the country would benefit from assistance to move to alternative development programmes and to modern, non-traditional agriculture attracting reasonable returns for the poorest section of the community. However, improved world market conditions for agricultural production would increase returns to legal crops and facilitate the transformation of the Bolivian economy.
II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) Introduction

62. Bolivia declared independence from Spain in 1825. In the late 19th and early 20th centuries, the country experienced serious disruption and losses of territory in wars against neighbouring states. In 1952, a popular uprising led to the introduction of universal suffrage and the implementation of a programme of fundamental economic change, including the nationalization of larger mines and land reform. However, political and economic life are still dominated by a few families.

63. Until 1982, Bolivia was characterized by severe political instability and frequent military involvement in government. Return to democratic rule was achieved in 1982, when the winner of the 1980 elections, Siles Zuazo, was finally installed as President. General elections were held in June 1985.

64. The right wing democratic Government of the Congress-elected Victor Paz Estenssoro, inaugurated on 6 August 1985, was able to forge alliances with other parties to implement its austerity programme, known as the New Economic Policy (see Chapter I), despite difficulties at home and the collapse of the market for tin, Bolivia's traditional export. A second civilian Government took office in 1990 under the leadership of the, Jaime Paz Zamora, also chosen by the Congress, who, like his predecessor, formed a coalition Government of National Unity (Acuerdo Patriótico).

65. The major political organizations are the centre-right Movimiento Nacionalista Revolucionario or MNR (49 congressional seats), the right-wing

---

1 Named after the hero of the Spanish-American Revolution Simon Bolivar.

2 The war of the Pacific (1879-83) opposing Chile to Bolivia and Peru, resulted in Chile gaining control of nitrate reserves and deprived Bolivia of its access to the Pacific coast. No official diplomatic relations are maintained with Chile. The Chaco wars (1928-30 and 1933-35) against Paraguay, in turn, led to the loss of a substantial part of the southern border region of Gran Chaco.

3 During the last twenty years, around sixty families are said to have consolidated control of the financial sector and influenced the political life of the country. This control was strengthened during the Banzer régime (1971-78), due to the inflow of petrodollars resulting from the boom in oil prices (Le Monde, 21 May 1992).

4 If no candidate obtains a majority in a general elections, the responsibility of choosing the President so, under the Constitution, left to Congress.

5 The leader of the Movimiento Nacionalista Revolucionario or MNR who in 1952, together with Siles Zuazo (his Vice-President), introduced revolutionary social reforms.

6 The leader of the Movimiento de Izquierda Revolucionaria.
Acción Democrática Nacionalista or ADN (46 congressional seats), the left-wing Movimiento de Izquierda Revolucionaria or MIR (41 congressional seats), the populist Conciencia de Patria or CONDEPA (11 congressional seats) and the electoral left-wing alliance of Izquierda Unida (10 congressional seats). The next general parliamentary election is due in July 1993.

(2) General Framework

66. Under its Constitution, reformed in February 1967, Bolivia is a unitary republic. The legislature, the executive and the judiciary are separate and independent. General elections are held every four years under direct suffrage.

67. The Executive Power is in the hands of the President and Cabinet, which currently comprises fourteen Ministers.

68. Legislative power is vested in the national Congress, composed of two Chambers; a 27-member Senate chaired by the Vice President of the Republic, and a 130-member Chamber of Deputies. The Senate is composed of three senators from each Department (two for the majority and one for the opposition) while seats in the Chamber of Deputies are filled on the basis of proportional representation.

69. The judiciary consists of the Supreme Court of Justice (a President and 11 members elected by the Chamber of Deputies for 10 years), Superior District Courts, appointed for six years by the Senate on the basis of lists prepared by the Supreme Court, and sectional and investigating judges elected by the Supreme Court.

70. Departmental and municipal authorities are elected by popular vote for two-year terms. The scope of their activities is limited to the management of their internal affairs (including the establishment and control of sales prices for basic consumer goods). Justice, education, health, security, foreign policy, defence, economy and finance are the responsibilities of the national Government.

---

7 Article 85 of the Constitution.

8 Bolivia is geographically divided into 9 Departments (districts).
(3) Structure of Trade Policy Formulation

(i) Legislative and executive branches of Government

71. The Bolivian legal system is based on laws passed by the Congress and promulgated by the President (Article 72 of the Constitution). Legal drafting may take place in either Chamber on the proposal of one or more members, of the Vice President of the Republic or through a message from the Executive Power or the Supreme Court. Laws enter into force from the day of their publication unless otherwise specified.

72. The Executive issues Supreme Decrees and Orders to ensure compliance and enforcement of laws. Ministerial decrees are issued by individual Ministries. Decrees do not require Parliamentary approval.

73. Treaties and other agreements concluded by the Executive with foreign nations must be ratified by the Congress.

74. Laws, decrees or resolutions may be declared constitutional or unconstitutional by the Supreme Court of Justice.

75. The National Council of Economy- and Planning (Consejo Nacional de Economia y Planeamiento or CONEPLAN), chaired by the President of the Republic (or, in his absence, by the Minister of Planning and Co-ordination) is responsible at Ministerial level for the co-ordination of activities of different ministries related to foreign trade (e.g. Ministry of Finance, Ministry of External Relations and Worship (culto). The Ministers of Finance, Exports and Economic Competitiveness, Energy and Hydrocarbons, Agriculture and Rural Affairs, and the President of the Central Bank participate in the work of CONEPLAN.

76. The Ministry of Exports and Economic Competitiveness is directly responsible for foreign trade policy formulation and implementation within the framework set by the Ministry of Planning and Co-ordination. The Directorate of Tariff Policy (Dirección de Política Arancelaria) of the

---

9 Article 96, paragraph 1 of the Constitution.

10 Article 96, paragraph 2 of the Constitution.

11 Article 127, paragraph (xx) of the Constitution.

12 This body issues resolutions providing final decisions on whether food donations are accepted whenever the Ministries of Exports and Economic Competitiveness or of Rural and Agricultural Affairs adopt negative decisions.

13 Formerly, until July 1992, the Ministry of Industry, Commerce and Tourism.
Ministry of Finance elaborates studies for planned tariff reforms; determines the national position on tariff cuts in the context of negotiations of regional agreements; co-ordinates and monitors contracts with private inspection companies (Chapter IV); authorizes the implementation of preferential tariff treatment within LAIA and the Andean Group; and consults with the private and public sector on economic integration matters. The Ministry of Energy and Hydrocarbons promotes exports of products falling under its competence, while the Ministry of Agriculture and Rural Affairs regulates imports of agricultural goods. The Ministry of External Relations and Worship co-ordinates Bolivia's participation in regional, multilateral and international agreements.

(ii) Advisory bodies

77. The Economic Policy Analysis Unit (Unidad de Análisis de Políticas Económicas or UDAPE) and the National Statistics Institute (Instituto Nacional de Estadística or INE) periodically prepare studies and reports on economic policy issues, including trade policy. UDAPE is institutionally linked with the Ministry of Planning and Coordination, but it is partially financed by the United States Agency for International Development. Its rôle consists of providing advice to the Government upon request by the Ministry. Selected studies are published and made available to the public.

78. The Central Bank of Bolivia prepares a detailed annual report covering all aspects of the country's economy.

79. Apart from consultations on integration issues, stated earlier, the Government takes note of private sector views only with respect to exports (Chapter IV).

80. No university or economic research institutes, apart from Müller y Asociados, as noted below, have any formal consultative rôle in trade policy formulation in Bolivia.

(iii) Review bodies

81. In Bolivia, there is no formal periodic review of trade policy by any independent commission. Reports by private sector associations or companies (Confederación de Empresarios Privados, BAREMO, Price Waterhouse), Chambers of Exporters and Industry discuss economic policy initiatives or make recommendations for policy changes. Conferences and seminars are held for the same purpose. The Instituto de Investigaciones Socio-Economicas of the Universidad Católica Boliviana publishes studies on economic policy issues.

82. Müller y Asociados, an association of independent professionals, carries out economic research and publishes studies with the objective of
providing information on which decision-making may be based in the area of economic policy. This association provides advisory services to the private sector and the Chamber of Deputies on economic, administrative, financial and international trade issues as well as in the preparation of feasibility studies. Studies on specific subjects and detailed annual reports and statistics on the state of the Bolivian economy are published.

(4) Trade Policy Objectives

(i) General trade policy objectives

83. Until the mid-1980s, protectionism and import-substitution shaped Bolivian trade policy objectives. An extensive system of trade controls, a complex and differentiated tariff structure and subsidies meant that nearly all economic decisions were conditioned by Government policy. Lack of foreign competition encouraged inefficiency and impeded export diversification; energy and resources were devoted to obtaining favourable Government treatment rather than improving efficiency.

84. As stated in Chapter I, the introduction of the New Economic Policy radically changed Bolivia's trade policy orientation. Quantitative restrictions were abolished and a uniform tariff rate was introduced and progressively reduced to 10 per cent. Since then, Government policy has been predicated on the belief that open markets constitute the only efficient mechanism for rational resource allocation.

85. Export promotion, in particular of non-traditional exports, is another trade policy objective. In this context, efforts are directed to eliminating constraints which hinder Bolivian exporters from operating under the same conditions as their competitors abroad. The policy instruments include: differential exchange rates for the export and import-competing sectors; a liberal import régime, allowing access to inputs, raw material, machinery and equipment at world prices; and export credit on similar conditions as those available to competitors abroad (Chapter IV).

86. Deregulation of foreign trade and updating of the regulatory framework are currently being pursued with the objective of eliminating procedures which create additional costs and cause prejudice to export expansion. In this context, a new trade law is under consideration.

87. In view of the benefits that regional trade liberalization agreements are expected to provide in the near future and because of its geographical position, Bolivia is seeking to reinforce its links in economic integration schemes of which it is already a member, and considering its association with other groupings such as MERCOSUR.

(ii) Sectoral trade policy objectives

88. Bolivia's trade policy is based on the principle of neutrality, without assistance to specific sectors. The Ministry of Planning and Co-ordination is entrusted with co-ordinating sectoral policies with Ministries with competence in specific sectors such as hydrocarbons, mining, transport and communications, etc.

(iii) Objectives in the Uruguay Round

89. Bolivia has been, from the outset, a participant in the Uruguay Round of Multilateral Trade Negotiations. The binding of its entire customs tariff on accession to GATT in 1990 and the further recent autonomous import tariff reductions (by twice the target set at Montreal) are regarded by Bolivia as its contribution to the Round. In the framework of the Market Access Negotiating Group, Bolivia made an additional comprehensive offer aimed at further improving its current tariff binding status.

90. In the area of non-tariff measures, Bolivia did not submit any request list to other participants, Canada has, however, requested Bolivia to liberalize health and sanitary requirements, restrictive discretionary or preferential licensing, special import authorizations, licenses for selected purchasers or conditioned by local purchase, licenses linked to export performance or conditioned on external financing, surcharges and surtaxes. The products affected are: live animals, animal products, prepared foodstuffs, beverages, spirits and vinegar, tobacco and manufactured tobacco substitutes.

(5) Trade Laws and Regulations

91. The General Agreement has the status of law in Bolivia. As such, it can be used as a reference in domestic courts, although no such cases

---


16 MTN.GNG/NG2/Rs/2/Add.1, CANADA, Summaries of additional request lists, 30 October 1990.

17 Law No. 1156 of 25 May 1990.
have been recorded to date. The Administration can be required by the courts to observe its GATT obligations.

92. Three legal instruments provide a clear description of the trade régime and put in practice the principles of the New Economic Policy. Free importation of all merchandise is established, except for goods which may affect public health and national security.

93. Trade regulations stem from, and policies implemented, through laws, supreme decrees and supreme resolutions issued by the Executive and in ministerial resolutions.

(6) Trade Agreements and Arrangements

(i) Multilateral agreements

94. Following the appointment of a Working Party in October 1987, Bolivia's accession to GATT was approved by the CONTRACTING PARTIES on 3 August 1989. The Protocol of Accession was ratified one year later, 9 August 1990, and entered into force a month later on 8 September 1990. Bolivia thus became the 97th contracting party.

95. Bolivia has signed the MTN (Tokyo Round) Agreements on Customs Valuation and Import Licensing Procedures on 27 January 1993. A final decision on adherence to other GATT legal instruments depends on the outcome of the Uruguay Round.

96. Bolivia signed the Arrangement Regarding International Trade in Textiles (the Multifibre Arrangement, MFA II) on 28 July 1978. The reason for signing was to ensure that 70 per cent of the cotton textile output of the firm, Hilandería de Santa Cruz, could be exported without affecting the domestic market for existing companies. Hilandería de Santa Cruz is a public sector enterprise which is among the firms covered by current privatization plans.

---

18 Supreme Decrees 21060 (Title II, Chapters II and III) of 29 August 1985, 21660 (Title V of External Trade) of 10 July 1987, and 22407 (Chapters II and VIII) of 11 January 1990.

19 GATT document L/6561.

20 At the 45th Session of the Contracting Parties, the Bolivian authorities obtained an extension of the ratification time-limit (L/6624). The request stated that "the Bolivian Congress has been devoting its attention to a large number of matters already in its agenda; furthermore, an extraordinary parliamentary recess will shortly take place owing to the municipal elections that are to be held throughout the country".
97. Bolivia is a GSP beneficiary and a participant in the Global System of Trade Preferences among Developing Countries (GSTP) (Chapter IV).

98. Bolivia has benefited from special GSP terms in the United States since 4 December 1991, in the framework of the September 1989 Andean Trade Initiative. The Andean Trade Preference Act (ATPA) provides for a ten-year period increased GSP benefits for countries of the Andean Group. Duty-free treatment is extended to all products, except for textiles and apparel, footwear, petroleum and petroleum products, certain leather products, a minor category of watches and watch parts, canned tuna and rum. The U.S. import duties on leather products, which are excluded from duty-free treatment, are progressively being reduced by 20 per cent overall over five years. According to the United States Commerce Department, the ATPA covers over 2,000 products or 0.1 per cent of United States imports and immediate trade benefits were estimated at US$300 million. However, the exclusion of Andean products like sugar, textiles, shoes and petroleum from preferential market access may reduce prospects for a rapid shift from coca exports to legitimately traded goods. A waiver from GATT obligations under Article I was granted to the United States (Decision of 19 March 1992) for the implementation of the ATPA.

99. In the same context, for 1991, the European Communities extended GSP benefits to this group of countries by exempting their exports from quotas and reducing levies applicable on certain agricultural products.

100. Bolivia has not signed the convention constituting the Common Fund for Commodities.

101. Bolivia has ratified and passed into law the Convention on International Trade in Endangered Species (Convención sobre el Comercio Internacional de Especies Amenazadas de Fauna y de Flora Silvestres).
(ii) Regional agreements

102. The Sub-secretariat of Commerce and Tourism of the Ministry of Exports and Economic Competitiveness participates in the development and follow-up of regional and sub-regional integration policies.

103. Preferential treatment for imports of goods covered by LAIA or Andean Group instruments, has to be previously authorized by the Ministry of Finance. The elimination of this procedure is under consideration.

(a) LAIA

104. Bolivia is a member of the Latin American Integration Association (LAIA), established on 12 August 1980 by the Montevideo Treaty, replacing the Latin American Free Trade Association (LAFTA, 1960). The long-term objective of this Treaty is the gradual and progressive establishment of a Latin American Common Market. Nine out of the eleven LAIA members are contracting parties to the GATT.

105. The instruments used to attain LAIA objectives comprise two main categories of agreements: Regional-Scope Agreements, where all member countries participate and Partial-Scope Agreements that bind only their signatories. Apart from granting tariff preferences, some of the latter embody activities which aim at fostering economic complementarity and developing economic cooperation activities between signatories. Additionally, a Reciprocal Payments and Credit Agreement is operated to facilitate intra-regional transactions (see Chapter III).

106. The LAIA Regional-Scope Agreements constitute Bolivia's basic regional tariff commitment. The Regional Tariff Preferences Agreement (PAR) establishes such treatment according to the level of development of each donor and recipient. In this context, Bolivia (along with Ecuador and Paraguay) is considered as a least developed country and, as such, enjoys the highest preference levels from other members while granting the lowest levels (see also Chapter IV). From March 1987 to July 1991, while it was implementing the main parts of its programme of financial and structural adjustment, Bolivia was granted a waiver from its obligation to

---

26 "Sub-regional" refers to the Andean Group integration scheme.

27 Other LAIA members are: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Venezuela and Uruguay.

28 ALADI/AR.PAR/4 of 1 August 1990, Regional Scope Agreement No. 4 and Amending Protocol of 12 March 1987. Countries are classified in three categories: most developed, intermediately developed and least developed. Countries higher up in the classification are expected to give more benefits to those standing lower.
implement regional tariff preferences under PAR. PAR preferences, implemented under Supreme Decree 22850 of 9 July 1991, exclude 1,910 NALADI items imported by Bolivia from other LAIA countries. The Regional Market-Opening Agreements in favour of least developed LAIA countries, based on non-reciprocity and cooperation, provide for the immediate elimination of all tariff and non-tariff restrictions on imports of certain export items (specified in each agreement between with the donor and beneficiary) into other LAIA markets. Items from 31 NABALALC chapters (7 of which correspond to agriculture and 24 to industry) are covered by the Market-Opening Agreement in favour of Bolivia (Acuerdo Regional de Apertura de Mercados en Favor de Bolivia).

107. Bolivia also signed Regional Market-Opening Agreement No. 3 in favour of Paraguay on 30 April 1983. The product coverage of this agreement was extended under the First Additional Protocol of 14 September 1984.

108. Partial-Scope Agreements apply between signatories and/or member countries which accede to these agreements. Partial-Scope Agreements with some trade impact are the bilateral Economic Complementarity Agreements with Argentina and Uruguay (Section (iii) below), containing reciprocal tariff concessions on specific items. Another type of Partial-Scope Agreement contains the results of renegotiated preferences granted in the period 1962-1980. Apart from agreements dealing with tariff concessions and economic complementarity, this second broad category of LAIA instruments encompasses sectoral development.

---


30 Such as NABALALC chapters 15, 17, 18, 20, 21, 22, 23, 25, 28, 39, 44, 47, 53, 55, 58, 59, 60, 64, 70, 73, 76, 78, 80, 81, 82, 83, 84, 85, 87, 94, and 98. Products mainly refer to cotton and soya oil including oilcakes, juices and preparations from mango, papaya, pineapple and other tropical fruits and vegetables, cane sugar, ethyl alcohol, cacao and cacao butter, beer, spirits, vodka, whisky, rum, salt, arsenic anhydride, antimony trioxide, plastic tubes, wood products (parquet floorings, doors, furniture, pre-fabricated houses), paper pulp, textile products (carpets, cotton, wool, alpaca or llama wool fabrics), glass, aluminum, lead and tin semi-manufactures, shovels, sewing machines, electric material (transformers, cables), transport equipment (tractors, bicycles), zippers.

31 ALADI/AR,AM/1 of 30 April 1983.

32 Eight agricultural items, including processed yerba maté, soluble coffee, cigarettes, and certain essential oils, were granted unrestricted access to the Bolivian market.

33 Supreme Decree 21038 of 1 August 1985 contains Bolivian concessions in this respect including lists of items and rates covered for all partners except Uruguay.

34 The establishment of a sponge iron mill using Bolivian iron ore and natural gas, at the Nueva Palmira (Uruguay) free zone was agreed under the Additional Protocol to the Economic Complementarity Agreement No. 15 with this country. (GATT/6985/Add.1). Agreements exist with Peru on agricultural research, animal health at the frontier area, phytosanitary activities, the use of vicuña, and the development of South American camelidae (llamas and (Footnote Continued)
109. An Energy Complementarity Agreement of particular importance for Bolivia was signed on 20 March 1992 with Argentina. It provides unrestricted access for Bolivian gas to the Argentine market until 30 April 2004, pending the progress in infrastructure plans consisting of the construction by Argentine companies with Argentine finance, of two roads in Bolivia. For the same period, Bolivia guarantees unrestricted access for Argentine oil and products thereof to its market.

110. Chapter IV discusses in detail how each type of LAIA preferential treatment is applied. The GATT TPRM reports on Argentina, Brazil, Chile, Colombia and Uruguay also provide background material on this kind of regional preference. A biannual report on LAIA activities is submitted every two years to the GATT Committee on Trade and Development.

(b) Andean Group

111. Bolivia is a signatory to the Cartagena Agreement establishing the Andean Group. The main objectives of this Agreement are to accelerate economic growth of participating countries through economic integration, helping members to fulfill economic integration objectives originally set under the 1960 Montevideo Treaty and establishing favourable conditions for the conversion of the then LAFTA to a common market.

112. Since the early 1980s, the Andean Group has made increased efforts to create conditions for greater integration realities. These culminated in 1988 with the Protocol of Amendment of the Cartagena Agreement (the Quito Protocol), and several decisions and policy guidelines aimed at accelerating the integration process.

113. The instruments envisaged in the Cartagena Agreement for building an expanded market comprise the trade liberalization programme within the

(Footnote Continued)

Agreements on tourism exist with Uruguay, Argentina, Brazil, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela. Bolivia maintains with Brazil a regulatory framework governing bilateral rubber trade; convention for preservation, conservation and inspection of natural resources in border areas, and an agreement on the construction of a free zone deposit at the port of Paranagua with the objective of improving Bolivian access to Brazilian maritime ports. Lastly, an agreement on International Road Transport is maintained with Argentina, Brazil, Chile, Paraguay, Peru, Uruguay and Venezuela.

35 Most recently, GATT document L/6985.

36 Other founders of the Andean Group are Colombia, Ecuador and Peru. Venezuela became a member in 1973. Chile (a founder) withdrew in 1975, but continued to participate in certain decisions referring to road transport, double taxation and regional multinationals. On 25 August 1992, Peru shifted from full member to observer status for a period lasting to 31 December 1993 (Decision 321).

37 Article 1 of the Cartagena Agreement of 26 May 1969.
sub-region; adoption of a common external tariff; gradual harmonization of economic and social policies; intensification of sub-regional industrialization and implementation of joint industrial development programmes; channelling of resources from within and outside the sub-region to provide finance and investment for the process of integration; physical integration; and preferential treatment for Bolivia and Ecuador.

114. The Trade Liberalization Programme provides for the automatic and irrevocable elimination of all import restrictions on all traded goods except for those contained in exception lists as well as for safeguards for both balance-of-payments purposes and because of injury to domestic production caused by imports. Until mid-October 1992, products covered under this programme originating from Venezuela were granted a 50 per cent reduction in the 16 per cent import duty from 31 December 1990, while those from Colombia, Ecuador and Peru have benefited from such treatment since April 1991.

115. The Common External Tariff plan aims to bringing individual members' customs tariffs into alignment. When the CET is implemented, member countries will not be permitted to change tariffs unilaterally, and will be obliged to hold consultations with the Commission of the Agreement before entering into tariff commitments with countries outside the sub-region (see also section IV(2)(ii)). When implemented, the Common External Tariff is to apply to third countries, including LAIA members. However, when the LAIA negotiated tariff rate for a product is below the Common External Tariff, the LAIA rate will be applied to eligible products from non Andean Group LAIA members.

116. In view of their status as economically less developed countries, special provisions were made for Bolivia and Ecuador in the sub-regional

---

38 Article 3 of the Cartagena Agreement.

39 Lists of Colombia and Peru may contain up to 250 NABALALC items while those of Bolivia and Ecuador may reach 600. According to the last report of the Andean Group to the Committee on Trade and Development (L/7089), Bolivia maintained 1,087 NANDINA items (or 17.5 per cent of all NANDINA items) in its list of exceptions on 31 July 1992.

40 Products covered in industrial integration programmes may not be covered by safeguard measures.

41 It is not clear how an individual member of the customs union will be able to implement a lower, preferential rate for non-members. Presumably, goods entering a country will not be in free circulation and the same rule of origin will determine the rate if the goods in question are exported to other members of the customs union.

Trade Liberalization Programme and the establishment of the Common External Tariff. This status allowed Bolivia to postpone the implementation of its initial, and relatively limited, trade liberalization commitments within the Andean Group for 1990. The original plan was abandoned in 1990 when a shift to an accelerated timetable took place.

117. The Act of Barahona of 5 December 1991, adopted at the Sixth Andean Presidential Council, launched a programme for the speedy completion of the sub-regional integration process. Under this Act, an Andean Free Trade Area was to operate as from 1 January 1992, a four-level Common External Tariff is to be introduced as from 1 January 1994 with rates of 5 per cent, 10 per cent, 15 per cent and 20 per cent, all lists of excepted products are to be eliminated by 30 June 1994, and export incentives, such as exchange rate and fiscal subsidies, which affect preferential margins were to be suppressed not later than 31 December 1992.

118. Currently, all imports from all Andean Group countries (except Peru) enter Bolivia duty free. A total of 11 items, including capital goods, are not subject to this treatment but this exception may soon be eliminated. The same applies to all Bolivian exports to the markets of Ecuador, Colombia and Venezuela.

119. On 12 November 1992, according to Decision 321 of the Andean Group, Peru and Bolivia signed an agreement governing merchandise trade between the two countries. Bolivia is to grant duty-free treatment to Peruvian

---

43 Decision 227 of May 1987 of the Commission of the Cartagena Agreement deferred the implementation of Bolivia’s tariff reduction plan to May 1990.

44 The Strategic Design for the Orientation of the Andean Group (Presidential Summit of 17 and 18 December 1989, Galápagos) and Article 2 of Decision 258 or implementing changes introduced by the former.

45 For Ecuador and Peru, the date of entry in force was scheduled on 1 July 1992.

46 Bolivia which has the lowest average tariff in the Andean Group was allowed to retain its 5 per cent and 10 per cent import duty rates. Colombia, Ecuador and Venezuela were authorized other exceptions with respect to specific products. These countries are to make an effort to harmonize their tariffs for automotive products at a maximum of 25 per cent by 1 January 1994. It is not therefore clear how common this external tariff is and how it will be operated GATT L/7089, 12 October 1992.

47 Bolivia was to eliminate from the exceptions list 50 per cent of its 600 items.


49 These capital goods are those covered under Andean Group Decisions 265 and 300, related to manganese dioxide and the programme of industrial integration of metal mecanics, respectively.
exports. The same treatment is to be granted to Bolivian exports to Peru, with the exception of certain products.

(c) Other Initiatives: MERCOSUR, the Group of Three

120. Trends in Bolivia's regional pattern of trade justify its growing interest in participating in the Southern Common Market (Mercado Común del Sur or MERCOSUR) initiative. In early November 1990, the Bolivian authorities expressed their unease on the exclusion of any new country membership in MERCOSUR for a five year period. In view of the Andean Group projects for establishing a Common External Tariff, the question has been raised as to the possibility for dual membership for Bolivia in both MERCOSUR and the Andean Group. The possibility has been noted that the two regional customs unions could be integrated into a single customs union sometime in the future. The recent failure to implement the programme under the Act of Barahona raises serious concerns over the future of the Andean Group, but could facilitate Bolivia's potential membership of MERCOSUR . At the 26-27 June 1992 MERCOSUR Presidents' summit in the Argentine resort of Las Leñas, discussions on a more formal "associative" status for Bolivia were held. These prospects may well be strengthened by the entry into force of an agreement setting in motion a US$980 million 10-year project to make the 3,400 km Paraguay-Paraná river network navigable the whole year long. Bolivia, Paraguay and landlocked areas of Brazil will be the main beneficiaries. Nevertheless, if the Council of MERCOSUR adopts a recent recommendation by the representatives of the four members, to introduce a 50 per cent ceiling on tariff reductions on imports from other Latin American countries, there might be a negative impact on Bolivia's export earnings.

121. There has also been interest in Bolivia in the 1989 initiative by two Andean Group countries (Colombia and Venezuela) to speed up the formation

50 Refined oils and greases (including sunflower oil) are to be subject to an import duty of 8.5 per cent in Peru. Additionally, Peru is to maintain import surcharges on 17 NANDINA sub-headings, 50 per cent of which are to be eliminated by 31 December 1993.

51 More than four fifths of Bolivia's regional trade is carried out with MERCOSUR countries. Trade with these countries is 6 times bigger trade with its Andean Group partners. This difference is likely to grow as a result of future natural gas sales to Brazil and the increasing preference of Bolivian exporters of non-traditional products to MERCOSUR countries markets.


55 Latin American Regional Reports, 10 September 1992.
of a free trade area and customs union with Mexico, known as the Group of Three, which was revived in June 1992. A new timetable was expected by October 1992. In this context, Mexico agreed that any concessions made to its Group of Three partners would be extended to Bolivia, Ecuador and Peru. Potentially, this effort could lead to a six-member free trade area: the Andean Group plus Mexico.

(iii) Bilateral agreements

122. On 12 April 1991 Bolivia and Uruguay signed LAIA Economic Complementarity Agreement No 15, establishing 100 per cent preference for 76 NALADI Uruguayan export items and 43 NALADI items of export interest to Bolivia. Preferential treatment for 14 NALADI items is subject to annual quotas.

123. Since 28 April 1992, a LAIA Economic Complementarity Agreement has been operative with Argentina. It consists of an exchange of tariff preferences for a limited number of items. Under this agreement, preferential tariff treatment by means of cuts ranging from 50 to 100 per cent, benefits about 240 NALADI items of Bolivian origin and 170 NALADI items from Argentina.

124. An Economic Cooperation and Complementarity Act (Acta de Cooperación y Complementación Económica) was signed on 2 August 1988 with Brazil. A Fifth Additional Protocol of 16 December 1988 extended the product coverage


57 These comprise the following products: live animals (of the bovine and ovine species), sea fish and fish proteins, dairy products, fruits, malted barley (quota of 10,000 tonnes monitored and revised on an annual basis), stearin and industrial greases, chemicals, veterinary medicaments and equipment and parts, colouring materials, lubricating material, casein, fungicides and insecticides, rubber and plastic composites, paper, floor tiles/other kind of floor coverage/ sanitary equipment (annual quota of US$250,000), non-electric stoves, aluminium sheets, telephone exchange and interphone equipment, dolls and other toys/entertainment material (annual quotas of US$150,000).

58 Six of which are part of the Bolivian offer and eight relate to the Uruguayan offer.

59 These items cover products like poultry, eggs, certain animal substances and products, certain categories of flowers and tropical fruits and vegetables, coffee, cacao, flours, certain oilseeds and vegetable oils, oilcakes, food preparations, fruit juices, alcoholic beverages, minerals and metals and products thereof, dyeing material of vegetable origin, chemical products, rubber plates, bovine and ovine leather, leather products, wood and products thereof, paper pulp, alpaca or llama hair, textile products of wool or cotton, ceramics, glass, heating and cooling equipment, and electric material.

60 These mainly comprise products such as milk, fruits, malt, seeds, vegetables, bovine fat, olive oil, industrial greases and acids, fish and fish extracts, wines and vermouths, chemicals, medicaments and surgical and medical material, wood, paper, books, stones, prefabricated houses, sanitary equipment, machinery and equipment, cutlery, diesel engines, agricultural machinery, electricity generators, electrical household equipment.
and consolidated the commitments undertaken under this Act. It provides up to 100 per cent preferential treatment on nominal rates for approximately 517 products of export interest to Bolivia. Quotas with 5 per cent automatic annual increments apply for certain products. It seems that mismanagement of the quota of garlic to the Brazilian market impeded Bolivian exports of this product.

125. A pipeline agreement was signed in La Paz on 17 August 1992 with Brazil. It involves the laying down of a 1,800 km pipeline from Santa Cruz to Campinas (Sao Paolo), at an estimated cost of US$1.9 billion, for carrying Bolivian natural gas to Brazil's industrial heartland. Finance was sought from the World Bank and the Inter-American Development Bank, although both institutions insisted that private sector participation should first be secured. Industrial cooperation agreements, signed in the seventies, as well as efforts in 1988 and 1989 involving plans for the construction of a thermo-electric plant using Bolivian gas at Puerto Suárez for the Brazilian market of Sao Paolo and a petrochemical plant for producing urea and polyethylene, were not realized so far.

126. Bolivia has established various free transit arrangements with Argentina, Brazil, Chile, Paraguay and Peru. The ports of these countries are used as points of disembarkation of goods destined for Bolivia. Duties are not paid until the goods enter Bolivia.

127. On 24 January 1992, a treaty of friendship, cooperation and integration was signed at the Peruvian port of Ilo. Bolivia was granted unhindered access to free zones to be established in this area. In practice, this arrangement is expected to reduce handling costs and dependence on Chilean ports of Arica and Antofagasta, which handle the bulk of Bolivia's Pacific bound trade.

128. A trade convention was signed with the People's Republic of China on 8 May 1992 guaranteeing m.f.n. treatment on trade flows between the two

---

61 The Bolivian annual garlic quota is 525 tonnes.
62 Bolivian exporters claim that quotas were filled with non-Bolivian garlic (Müller y Asociados, 1988).
64 These are in Argentina: Rosario; Brazil: Santos; Chile: Antofagasta and Arica; Peru: Mollendo.
65 Chile earns some US$800 million each year handling Bolivian imports and exports (Journal of Commerce, 13 February 1992).
countries. A Sino-Bolivian Committee will meet whenever necessary, to overview the implementation of the convention, to revise it and to promote bilateral trade relations.

129. A trade agreement with Mexico, involving tariff concessions, was under negotiation in mid-1992 and was expected to be signed by January 1993. Mexico was to eliminate tariffs on some 4,000 products. Bolivia was asked to reduce its proposed list of exceptions which, at December 1992, covered 300 products.

(iv) Other agreements or arrangements

130. A convention on illicit drugs use was signed with the United States on 9 May 1991, to support the struggle against their production, distribution and consumption. A major provision is the Plan for Alternative Development (see Chapter V) which aims to encourage a shift in production from coca to other items. In July 1991, a convention for the sale of agricultural products with the objective of improving food security and promoting development by consuming domestic products and using local currency from their sale was signed.

131. On 26 June 1992, the Andean Group concluded its third cooperation agreement with the EC. The new agreement will extend cooperation to areas such as health, social development, protection of intellectual property, environment, etc. The insertion of an "evolution clause" is expected to pave the way for further developments.

132. A convention for the financing of a programme of small scale rural projects in Bolivia was signed with the European Communities.

133. In 1992, Bolivia was allocated 1,000 tones of refined sunflower oil as part of the food aid programme of the EC.

134. A second agreement on balance of payments assistance (Acuerdo sobre ayuda en la balanza de pagos) was signed with Switzerland on 13 May 1991. Its objective is to promote economic and social development.
135. Four aid agreements have been signed with Japan. Three of them were aimed at increasing food production in Bolivia under specific programmes while the last agreement is intended at promoting the structural adjustment effort of Bolivia.

III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

(1) Exchange Rate Movements and Trade

136. The currency of Bolivia is the Boliviano, introduced on 1 January 1987 replacing the former peso at a rate of 1 to 1 million. The official selling rate is established in daily auctions (the Bolsín) by the Central Bank of Bolivia. (Table III.1) A parallel, but tolerated exchange market exists. Since 1986, the two rates have remained very close (Table III.2). (See also Chapter I)

137. There are no major exchange restrictions on merchandise trade or on trade in invisibles. However, all proceeds from exports of merchandise must be sold to the Central Bank at the official exchange rate, within three days of receipt. By contrast, banks, exchange houses, hotels and travel agencies may retain the proceeds of foreign exchange receipts from invisible transactions; they are required to report such purchases to the Central Bank daily.

138. Prior to August 1985, exchange rate policy had gone through a number of stages. From 1957 to 1982, a unified, fixed nominal exchange rate régime was followed. A dual exchange rate was introduced in 1982 following a marked decline in Bolivia's international reserves. Under this, the Central Bank was authorized to provide foreign exchange at the official rate only to the debt service organizations. Commercial banks and exchange houses were authorized to operate in the free market. All obligations incurred by importers from LAIA sources were required to be paid in U.S. dollars. At the same time, export revenue surrender requirements (previously 100 per cent) were reduced to 40 per cent. Later in 1982, the exchange rate was reunified and surrender requirements reintroduced: at the same time temporary prohibitions of some 600 non-essential or domestically produced products were put into force.

139. Between late 1982 and August 1984, strict foreign exchange controls were applied and regulated by the Ministry of Finance and the Exchange Policy Board. All public sector imports, and all private sector imports involving use of official foreign exchange were made subject to prior authorization by the Board (and, for public sector agencies, by the Minister of Finance). An overall official foreign exchange budget was

---

1Auctions are conducted by the Committee for Exchange and Reserves (Comité de Cambio y Reservas).

2Supreme Decree 18890 of 22 March 1982.

3Measures introduced on 5 November 1982.
imposed. Goods were required to be shipped within three months of the date of exchange approval. Private sector imports of non-prohibited items financed by importers with their own foreign exchange did not require authorization by the Exchange Policy Board.

140. Between August and November 1984, a multiple exchange rate system involving five different official rates, was introduced. The rate was again re-unified in November 1984; however, parallel rates, differing markedly from the official rate, remained in being.

141. Exchange rate policy was central to the 1985 efforts for bringing down hyperinflation and attaining stability in an economy where most prices were (and still are) indexed to the U.S. dollar. As equilibrium of the external sector was part of the stabilization policy objectives, exchange rate policy has been used to attain levels of real effective exchange rates which would increase the competitiveness of Bolivian exports. As illustrated by Chart III.1, the unification and freeing of the exchange market in August 1985 brought a regular and smooth exchange rate movement which is constantly adjusted by means of depreciation so as to preserve the competitiveness of Bolivian exports. However, there was a substantial appreciation in 1986 and a small appreciation in 1991 (Table I.2). In between, annual depreciation rates ranged between 3.6 per cent and 15.8 per cent.

142. From 1986 onwards, the bolivian passed progressively from a freely floating system to an administered system and then to a crawling peg rate mechanism. The crawling peg has been operated since 1987. For four months in the first half of 1988 the Central Bank froze the exchange rate in an attempt to curtail inflation.

---

4E.g. $b13,500 per US$ for airline tickets; $b17,500 per US$ for mining sector earnings, compared with an official selling rate of $b9,000 per US$.

5A country's real effective exchange rate is calculated by adjusting the nominal trade-weighted exchange rate for differences in inflation at home and abroad. The index provides a measure of a country's competitiveness; a rise in the index implies a loss of competitiveness, and vice versa.

6Between 1 April 1986 and 30 January 1987 the Central Bank maintained the exchange rate stable with respect to the U.S. dollar.
143. A World Bank (1992a) study states that, since the 1980s, coca-cocaine exports have had a "Dutch disease" effect on the economy, through increasing the money supply, and tended to cause appreciation of the exchange rate. Currently, the real exchange rate remains at a similar level of that prevailing before the growth of the coca economy because its increased revenue has been roughly counterbalanced by the decline in mining exports.

144. So far, the Central Bank of Bolivia has been highly successful in administering the crawling peg mechanism; no significant gaps have been developed between the official and parallel exchange rates. The adequate levels of foreign currency reserves held by the Central Bank, the use of monetary policy for compensating demand at the bolsin and the re-establishment of short term credibility in the foreign exchange markets, seem to be among the reasons.

145. Current policy towards international reserves consists of ensuring smooth performance of the foreign trade sector and of avoiding pressures on
the balance of payments. According to the Bolivian authorities, the current level of international reserves corresponds to the value of three months imports and their volume is expected to increase so as to double their import capacities by the end of the decade. Secretariat estimates show current reserves at some four months' imports, as noted in Chapter I.

146. As a member of the Latin American Integration Association, Bolivia is signatory to the Reciprocal Payments and Credits Agreement (Convenio de Pagos y Créditos Reciprocos). The objective is to encourage trade by reducing currency transfers among central banks of participating countries. Bilateral credit lines are multilaterally cleared every four months. This system has been operating satisfactorily for 27 years. All settlements under the multilateral clearing system are made in U.S. dollars.

(2) Foreign Direct Investment and Trade

147. As from 1990, both foreign and domestic investments in Bolivia are, under the Investment Law, treated equally. One hundred per cent foreign ownership is generally fully acceptable, except in the hydrocarbons and mining sectors (e.g. YPFB and COMIBOL). A company is considered as foreign if 50 per cent of its capital is owned by foreigners. Legal guarantees such as free exchange convertibility, unrestricted rights to repatriate capital and freedom to import goods and services as required, are offered to foreign companies. The National Investment Institute (Instituto Nacional de Inversiones or INI) administers the implementation of the law.

148. Investments in petroleum and mining are governed by the General Hydrocarbons Law and Mining code. Only joint-ventures between foreign investors and the state-owned mining, smelting, refining and petroleum companies are allowed only. In the area of oil and natural gas, joint ventures with YPFB cover upstream activities (exploration and exploitation of fields) while contracts to conduct drilling and extraction operations take the form of temporary concessions to the private sector. Although the

---

7 This Agreement was signed on 25 August 1982 by the Central Banks of Argentina, Bolivia, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. It has thus replaced the Latin American Free Trade Association (LAFTA) Reciprocal Payments and Credits Agreement, established in 1965.

8 Law 1182 of 17 September 1990. Until 1990, foreign investment was subject to the provisions of the essentially protectionist Andean Group Decision 220. Prior establishment authorization, transformation of foreign enterprises into mixed companies, limitations related to reinvestment and utility transfers abroad, and submission to domestic legislation were some of its features.

9 Articles 33, 34, 35 and 36, Chapter IV of Supreme Decree 22407.

10 Article 41, Chapter IV of Supreme Decree 22407.
Hydrocarbons Law allows for association contracts with YPFB for downstream activities (refining, industrialization, transport and distribution), the regulations for its implementation, to be worked out by the Ministry of Energy and Hydrocarbons in consultation with United Nations experts, have not yet been issued.

149. Certain foreign investments are subject to Decisions 24 and 103 of the Cartagena Agreement. Decisions 291 (Régimen Común de Tratamiento a los Capitales Extranjeros y sobre Marcas, Patentes, Licencias, y Regalías) and 292 (Régimen Uniforme para Empresas Multilaterales Andinas) constitute the new investment-related norms of the Andean Group.

150. The Andean Group initiative for the creation of Andean Multinational Enterprises (Empresas Multinacionales Andinas or EMA) has not particularly benefited Bolivia. Difficulties in measuring the trade and investment generated by EMAs in Bolivia arise from the fact that the two recently established enterprises of this type deal with services.

151. An Investment Promotion Programme (Programa de Promoción de Inversiones) with technical and financial cooperation of the UNDP and UNIDO is expected to provide assistance through investment project experts, feasibility studies and support at international level. Ten UNIDO offices located in the main industrial centres support Bolivian projects.

152. Under Supreme Decree 21660, debt-equity swaps are provided with a 50 per cent bonus for the investor. Further details are not available to the Secretariat.

153. Bolivia has signed an investment guarantee arrangement with the United States Overseas Private Investment Corporation, which provides qualified United States investors with political-risk insurance, financial aid and advice investment on investment matters.

154. Bilateral investment guarantee treaties are maintained with Belgium, France, Germany, Spain, Switzerland and the United Kingdom.

155. Bolivia is a member of the Multilateral Investment Guarantee Agency (MIGA).

156. The Government has advised the Secretariat that forty foreign enterprises have invested directly in the oil, mining and banking

---

11 These are the Empresa Multinacional Andina de Transporte y Servicios Ferroviario Sudamericano SA and Bajío SA.
activities and to a lesser degree in industry. A major source of funds for these investments has been reinvestment by construction companies.

157. Joint ventures between YPFB and foreign companies exist in the hydrocarbons sector. Foreign companies such as Occidental, Sol Petróleo, Pérez Companc, Pluspetrol are producing oil in Bolivia while Occidental & Mobil, Mobil-Texaco, Texaco-Sun Oil, Maxus, Exxon, Sol Petróleo and Santa Fe Energy are exploring oil fields in different departments of the country. According to the Bolivian authorities, total investment in 1991 attained US$84.9 million, and should reach US$94.8 million in 1992.

158. Foreign mining companies invested US$39 million in 1991. The biggest investments were by Inti-Raimi - Battle Mountain Gold (US$22 million), Emicruz (joint venture between RTZ and Consur, US$10 million), Minproc of Canada (tailings project of US$3 million), Asarco (gold prospection, US$1 million). In 1992, a US$14 million investment by Minera Tiwanacu, a subsidiary of Miami-based Jordex Resources, was to be made upon signature with COMIBOL, the state mining company, of a contract for the exploitation the Bolivar polymetallic mine in the Department of Oruro. Recently, the Government was negotiating an exports contract with Lithium Corporation. The contract was expected to provide US$1.7 billion for 400,000 tonnes of lithium to be produced over the next 40 years. Total investment of US$92 million was expected, out of which exploration would have cost US$5.5 million and the construction of lithium carbonate plant US$86.5 million. However, at the time of preparation of this report, the contract had not yet been signed.

159. Strong protests by mining unions have obliged the Government to suspend any new joint ventures in the sector, at least until the general election of 1993. Although leasing deals are fairly common, only two have been signed so far. These involve operations at the Catavi and Tasna mining centres, by Cominesa (a subsidiary of Specialty Metals of the

---

12 It seems that the 30 year contract signed in August 1990 between the Government and this Argentine company will be renegotiated.


14 The United States Battle Mountain Gold owns 85 per cent of Inti Raimi. This joint venture is scheduled to produce 240,000 ounces (7.4 tones) of Gold per year. Latin American Economy & Business, August 1992.


17 This quantity corresponds to 4.4 per cent of Bolivia's lithium reserves.

United States) and Mineração Taboca (a subsidiary of Parapanema of Brazil). While fears were expressed that this might deprive Bolivia from access to the US$35 million World Bank credit for mining developments, this has not been the case (Chapter V).

160. Foreign and domestic financial resources are directed by the National Fund for Regional Development (Fondo Nacional de Desarrollo Regional) to public investment projects aimed at promoting regional development. These projects cover, inter alia, industrial and infrastructure projects.

---


IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

161. Since 1985, Bolivia has maintained a uniform tariff rate - set at 10 per cent since 1990. It has eliminated quantitative restrictions and import prohibitions. Import licensing requirements now only cover a small range of goods and are related to public health and security matters. The trade reforms were introduced as part of the New Economic Policy (NEP) introduced in 1985 (Chapter I).

162. The NEP and its accompanying trade measures marked a dramatic change from Bolivia's previous trade policies, based on import substitution and all-embracing State interventions in the economy. The public sector dominated productive activity; price and marketing controls, together with consumption subsidies for food and fuel, were the norm. Foreign trade controls were complex and restrictive, with a highly-differentiated tariff, import prohibitions, quantitative restrictions, import and export licensing, subsidized export credit programmes and preferential access to credit and foreign exchange for certain activities. Export receipts were, at the same time, taxed by a surrender requirement involving an overvalued exchange rate.

163. Even prior to the introduction of the NEP, the average level of nominal tariff protection in Bolivia was relatively low, at 12.1 per cent (Table IV.1). However, substantial effective protection was provided, through tariff escalation, to certain sectors (Chapter V). Generally, speaking, the highest tariffs were levied on consumer durables and the lowest on capital goods for agriculture. However, tariffs were, in many cases, not the binding constraint on imports, due to the incidence of import licensing and State trading.

164. Despite the liberalization measures introduced in 1985, Bolivia's external trade sector still faces many difficulties. Inadequate infrastructure is complemented by inefficient and expensive transport, and the structure of rail freight charges discriminates against imports. State trading is still widespread throughout major export sectors (tin and natural gas) while involvement in production of other goods may constitute an import restraint. Smuggling, endemic before the introduction of the NEP liberalization programme, has, if anything, increased in scope; both legal and illegal imports have grown since 1985. The Government has sought to

---

1 The Government considers that these are consistent with the railway company's operational costs.
fight over- and under-invoicing and corruption, and to increase import duty revenue, by the appointment of private inspection agencies to check import and export consignments.

165. Trade liberalization has temporarily caused difficulties in sectors such as wheat, flour, cement and edible oils which were previously subject to import licensing requirements and are now freely tradeable.

166. The decline in Bolivia's traditional exports in 1985 led to the introduction of export promotion measures aimed at diversifying out of traditional export sectors. In 1987 a 10 per cent Tariff Refund Certificate (CRA, Certificado de Reintegro Arancelario) or drawback scheme was introduced for non-traditional exports. This was cut to 6 per cent in 1990 and suspended for fiscal and fraud reasons in early 1991. As explained below, this mechanism was replaced by another drawback scheme with lower reimbursement rates. Exporters have asserted that there is no sustainable governmental export policy and have argued that direct production assistance and additional export promotion measures are required to improve competitiveness of Bolivian products in foreign markets. These measures should, in the view of exporters, compensate entrepreneurs for domestic high energy transport and money costs.

167. With a view to boosting exports of goods and services, the Government simplified export procedures between 1991 and 1992 and plans to launch a new Law for Exports (Ley de las Exportaciones). This law will guarantee freedom to export, convertibility of the national currency, freedom of access to international credit sources, and reimbursement to exporters of import duties and internal taxes. Export procedures will be further simplified. Finally, all restrictive transport provisions for exports are likely to be phased out thus enabling exporters to choose the least costly means for their shipments.

(2) Measures Directly Affecting Imports

(i) Registration, documentation

168. Importation into Bolivia can be carried out by import houses, commission or independent sales agents, subsidiaries of foreign firms and directly by government agencies. Agents and representatives must register

\[2\] Morales (1991b), p. 16.

\[3\] CADEX (1992) El Exportador No. 50, January, Santa Cruz.
with the Bolivian Chamber of Commerce, Directorate General of Internal Taxes (Ministry of Finance), Ministry of Exports and Economic Competitiveness, National Directory of Commerce and the local municipality.

169. Import documentation requirements in Bolivia comprise a commercial invoice (in Spanish or translated); a certificate of origin and bill of lading (conocimiento de embarque); a certificate of conformity (aviso de conformidad); a transport document (documento o contado de transporte); an insurance policy certificate; a list of port expenditures (planilla de gastos de puerto); an import declaration (póliza de importación) and, when appropriate, a phytosanitary certificate.

170. The import declaration costs Bs 6 or US$1.54. It is processed in approximately 48 hours. Import declarations may be rejected if applications contain errors related to tariff classification, values, and quantities. Only domestic insurance firms or foreign insurance firms authorized to operate in Bolivia can write insurance for importers buying on an f.o.b. basis.

171. For goods on which preferential treatment under Andean Group and LAIA agreements (Chapter II and below) is sought, the request must be notified to the Directorate General of Internal Revenue and the Ministry of Finance.

172. Various fines and penalties are levied for errors in documentation, failure to present shipping documents within specific deadlines, and discrepancies of any kind. The Tribunal Superior de Avalúos of the Bolivian Customs furnishes rulings on specific cases.

(ii) Tariffs

(a) Structure

173. The Bolivian import tariff, classified according to the Harmonized System of Commodity Coding and Classification (HS), consists of some 8,800 tariff lines. The National Chamber of Customs Agents prints, publishes and distributes the customs tariff and its relevant explanatory notes and auxiliary texts. This publication does not, however, contain information on the different types of preferential treatment granted by Bolivia to

---

4A fine of 25 per cent of the amount of customs duties and taxes may be levied if the original invoice is missing. A fine of 100 per cent of the difference in customs duties and other charges is levied if there are errors above a certain level in the quality, quantity, weight or value in the customs declaration. The Bureau of National Affairs (1992), International Trade Reporter Export Shipping Manual, Washington.

5Ministerial Resolution 572 (Ministry of Finance) of 4 June 1991.
imports from LAIA or Andean Group countries (see Chapter II and below). Such information can only be obtained from a Customs agent.

174. Bolivia adopted the Harmonized System on 1 September 1991, in the form of the Nomenclatura Arancelaria Común de la Subregión Andina (NANDINA). In this context, and as the country's tariff bindings are expressed in the NANDINA nomenclature, Bolivia has recently obtained a GATT waiver to its Article II obligations until the end of 1993, to allow the establishment of a new Schedule under the NANDINA (Chapter IV.2(i)(c)).

175. Tariffs are applied to the c.i.f. value of imports.

---

Chart IV.1
Components of Government Revenue from Foreign Trade, 1980-90

Source: Central Bank of Bolivia.

6Supreme Decree 22775 of 8 April 1991 and Ministerial Resolution 539/91 (Ministry of Finance) of 24 May 1991. Bolivia, as a member of the Andean Group (see Chapter II), has not individually signed the June 1983 International Convention approving the Harmonized System. This was done collectively in the context of the Andean Group. The HS version which is currently in use contains all changes that were introduced in the Spanish version in 1988. The enforcement of any modifications can only take place on the issuance of a Ministerial Resolution by the Ministry of Finance.

7The NANDINA tariff nomenclature is based on the Customs Cooperation Council Nomenclature.
(b) Levels of tariffs

176. In 1986, a uniform rate of import tariff was introduced by Bolivia. This tariff (the Consolidated Customs Duty or Gravamen Aduanero Consolidado, GAC) consolidated in one rate all previous import duties and other taxes related to services and regional development, and set preferential treatment for imports of capital goods. From 1 April 1988, a gradual and automatic tariff reduction programme was launched with the objective of reducing the 20 per cent GAC uniform rate to 10 per cent by 1990 (Table IV.2).

177. Since 20 August 1990, all imports have been liable to at a GAC rate of 10 per cent except of capital goods which are eligible for a 5 per cent duty (see also Chapter IV(2)(ii)(e)). It is understood that duties are collected by agencies of the Bank of the State, located at customs offices, on the basis of documents furnished by the customs authorities and import agencies. However, no specific information on the implementation of this measure was provided by the Bolivian authorities.

178. The Directorate of Tariff Policy of the Ministry of Finance deals with disputes on customs matters, holds consultations on customs legislation and administration and supervises the General Directorate of Customs which, until mid-1992, collected tariff revenue.

---

9 Supreme Decree 21910 of 1 April 1988.
10 Supreme Decree 22585 of 20 August 1990.
12 It also chairs the Examining Commission of Customs Brokers.
Note IV.1 The zero tariff rate option

The impact of introducing an across-the-board zero consolidated tariff (GAC) rate was considered by the Confederation of the Private Sector Entrepreneurs of Bolivia (Confederación de Empresarios Privados de Bolivia or CEPB), in mid-August and late September 1990. The idea was to eliminate the GAC for all goods and, at the same time, devalue the currency in order to ensure equal economic conditions for both importers and exporters. The customs services would be maintained only for statistical, fiscal and standards compliance purposes.

According to the CEPB, elimination of border protection to domestic industry and the loss of the US$80 million (1989) fiscal revenue generated by the GAC would be the main disadvantages of a shift to a zero per cent rate. In the CEPB discussions, it was considered that the reduction of Government revenue from imports could in part be made up by action in the area of exchange rate policy (a 10 per cent currency devaluation), supplementary fiscal measures (such as the widening of the scope of income tax, the improvement of tax evasion controls revenue from the Specific Consumption Tax, additional revenue from sales of fuels (resulting from devaluation) and economies related to the reduction of customs controls. It was estimated that if such measures accompanied the tariff reform, the revenue loss for the first year would be only some US$35 million.

It was also considered that the phasing-out of import tariffs would benefit the whole Bolivian economy and help to lower inflation. It could reduce smuggling and encourage unofficial importers to move into the formal economy, where they could be subject to tax. This might boost recorded imports by about 30 per cent and fiscal revenues by an estimated amount of US$11.55 million. Stable market conditions could also increase competition and help to attract foreign investment. Major consumer benefits would be realized in the short, medium and long terms. Finally, the CEPB believed that such a reform could provide an opportunity for Bolivia to play a leading rôle in pan-American free trade area initiatives.
(c) Tariff bindings

179. Bolivia's entire import tariff schedule is bound at a uniform ceiling rate of 40 per cent ad valorem, except for eleven items to which a 30 per cent rate applies. Canada, the European Communities, Finland, Japan, New Zealand, Switzerland and the United States were granted initial negotiating rights. Items for which the United States has an initial negotiating right are exempt from import licensing or other quantitative restrictions and from import charges or charges not consistent with the provisions of GATT Articles II, III, and VII.

180. For several items, Bolivia's binding commitments (although higher than its applied 10 per cent tariff) are lower than the proposed rates of the Andean Pact Common External Tariff agreed under the Protocol Amending the Cartagena Agreement (see below), prior to Bolivia's accession to GATT. According to the conditions set under Bolivia's Protocol of Accession, GATT tariff concessions on 341 items (List A of the Bolivian Schedule) were suspended for a three-year period in conformity with GATT Article XXVIII, until the conclusion of negotiations with other Andean Group Countries.

181. With a view to carrying out the rectification and renegotiation of the concessions negotiated in GATT, in the context of the Harmonized System, Bolivia received on 4 November 1992, a temporary exemption from its obligations under Article II of the General Agreement, until 31 December 1993.

(d) Tariff preferences

182. Bolivia currently extends the following tariff preferences:

---

13 GATT Schedule LXXXIV. The eleven items concerned are NABANDINA items 01.02.01.00 (pure bred bovine), 01.02.02.00 (pure bovine by cross breeding), 84.23.11.01 (bulldozers, angledozers and levellers, self propelled), 84.23.11.99 (other excavating machinery), 84.24.01.00 (machinery for soil preparation), 84.24.02.00 (machinery of sowing and cultivation), 84.26.01.00 (milking machines), 84.56.02.00 (crushing and grinding machines), 87.01.02.01 (wheeled tractors of 40 to 112 h.p.), 87.02.04.04 and 87.02.04.05 (motor vehicles for the transport of goods or materials of a G.V.W. (Gross Vehicle Weight) of more than 6,200 up to 13,000 kgs.) and 87.02.05.05 (chassis for motor vehicles fitted with cabs of a G.V.W. of more than 9,300 but no more than 13,000 kgs.), GATT document L/6562.

14 GATT document L/6542/Add.2, page 49.

15 GATT documents L/7103 and C/W/721.
Andean Group

183. All imports from the Andean Group member states except Peru were scheduled to enter Bolivia duty-free as from 1 January 1993. As stated in Chapter II, eleven NANDINA items were to be exempted from this duty-free treatment. Bolivia previously granted duty-free treatment to all except 90 NANDINA items.

184. Bolivia has been authorized to maintain its existing GAC rates (which are lower than the planned Andean Group Common External Tariff) from imports from outside the sub-region.

185. Bolivia negotiated a separate bilateral agreement with Peru which provides for 100 per cent tariff preference on all Peruvian exports as from 1 January 1993.

LAIA

186. Bolivia maintains Regional-Scope Agreements within LAIA with Paraguay (granted 24 per cent preference from the previous GAC rate of 16 per cent); Ecuador (20 per cent preference); Colombia, Chile, Peru, Uruguay and Venezuela (12 per cent preference) and Argentina, Brazil and Mexico (8 per cent preference). These agreements apply to all imports from these countries except for 1,910 NALADI items. Imports under these agreements totalled US$407,000 in 1991.

187. A Market-Opening Agreement extends duty-free treatment to certain imports from Paraguay.

188. Bolivia also maintains Partial-Scope Agreements with Argentina, Brazil and Chile, providing for preferential GAC rates of 6 and 8 per cent on newsprint in bulk, solid paraffin, Virginia-type tobacco and X-ray plates. Imports under these agreements totalled US$16.3 million in 1991.

---


17 These were industrial goods of NANDINA Chapters 28 (one item), 84 (9 items) and 85 (one item).

18 A recent report submitted to GATT by the Andean Group stated that Bolivia would remove duties on all tariff items by 30 September 1992 (GATT document L/7089, 12 October 1992). In this context, a Supreme Decree was signed on 20 October 1992 (Latin American Regional Reports - Andean Group, 12 November 1992).

19 Acuerdo Comercial entre la Republica del Peru y la Republica de Bolivia of 12 November 1992.
189. An Economic Complementarity Agreement signed in April 1991 with Uruguay provides preferential duty-free treatment on selected products (tanning preparations, lubricants, sanitary ware and veterinary medicines). Total imports in 1991 were some US$306,000 c.i.f. A similar agreement was signed with Argentina in 1992. Under an earlier Economic Complementarity Agreement concluded with Brazil in 1988, duty-free access is granted by Bolivia for some 600 tariff lines (Chapter II(6)(iii)).

Global System of Trade Preferences (GSTP)

190. Bolivia's contribution under the GSTP consists of binding a ceiling GAC rate of 20 per cent for six industrial products, covering antiserum against diphtheria, furnace burners for solid fuel, combination burners, parts and components of burners, transmission shafts, cranks and other parts under this category. According to the Bolivian authorities, trade inflows under the GSTP represent 0.00003 per cent of total imports.

191. These concessions were negotiated with the former Socialist Federal Republic of Yugoslavia. In exchange, Bolivia was offered tariff binding at a rate of 5 per cent for nuts and rubber, and tariff cuts on unwrought lead and tin exports.

(e) Tariff concessions

192. Certain imports qualify for concessional entry treatment, mostly on duty-free items. These are:

- imports of capital goods (granted a 5 per cent GAC rate until 14 February 1994);

- imports under the Investment Law (Supreme Decree 18751 of 14 December 1981) for periods and under conditions set by relevant resolutions;

- imports under international agreements and contracts with the State which provide for special fiscal treatment;

\[
\text{20 List of items considered as capital goods are found in Supreme Decree 21660 of 10 July 1987, Supreme Decree 21910 of 31 March 1988, Supreme Decree 21979 of 5 August 1988, Supreme Decree 22151 of 13 March 1989, Supreme Decree 22401 of 10 January 1990, Supreme Decree 22407 of 11 January 1991, and Supreme Decree 22617 of 8 October 1990. These items cover around 250 NANDINA tariff items of Chapters 01, 73, 84, 85, 86, and 87. Supreme Decree 23060 of 14 February 1992 extends this treatment for a period of two years.}
\]
- imports by services-contracting firms/undertakings and firms/undertakings operating in the hydrocarbon sector under agreements with the State;

- imports under preferential régimes covered by the various economic integration agreements signed by Bolivia (see Chapter II and earlier Section IV(2)(ii)(d));

- imports of machinery and equipment for the Departments of Oruro and Potosi, which are considered as economically depressed zones (see Section IV(4)(v));

- temporary imports or readmission of goods exported temporarily;

- imports of advertising material and commercial samples (granted a 20 per cent reduction in GAC);

- imports of wheat donated to Bolivia;

- donations legally accepted 22;

- imports by tax-free shops;

- admission of personal effects of bona fide travellers, up to a value of US$300;

- imports by the diplomatic corps, international organizations and officials thereof.

193. A Temporary Admission Régime (Régimen de Internación Temporal or RITEX) foresees the exemption from GAC and all internal taxes and charges, except the rate of 0.5 per cent of services rendered by the Autonomous Administration of Customs Warehouses (Administración Autónoma de Almacenes Aduaneros, AADAA) for all goods imported for the assembly, processing or manufacturing of items for export or simply for re-export. In order to benefit from the régime, such goods have to be re-exported

---

21 Such imports are charged a duty of 2 per cent ad valorem on the basis of a list of past import performance, drawn up by the Ministry of Energy and Hydrocarbons and the Ministry of Finance.

22 The World Bank (1989) reported that the Government was reconsidering tariff exemptions for donations not resold in the domestic market, as there was a suspicion that consumer goods were being imported as donations to avoid payment of tariffs.

within 90 days (a period which can be extended only for an additional 90 days, after which import duties and internal taxes have to be paid). Items subject to import prohibition rules are excluded.

194. According to the Free Zones Technical Unit (Unidad Técnica de Zonas Francas), which is responsible for evaluating the implementation of export incentives, since August 1990 44 RITEX programmes benefiting 34 enterprises have been authorized and were expected to create 4,800 jobs. These programmes covered imports of machinery, equipment and raw materials worth around US$15 million to be used in the production, processing, assembly or exportation of items such as chestnuts, flowers, beer, quinoa, chemicals, cosmetics, cotton fibres, textiles and articles under outward processing (maquila) provisions, wood articles, leather, tin (refining), jewellery (maquila), air conditioners, and bicycles. Products of a value of US$14 million were re-exported in 1991.

195. The Directorate of Tariff Policy of the Ministry of Finance authorizes the temporary admission of goods as well as total or partial tariff exemption, on the basis of legal provisions, including those related to integration agreements.

(iii) **Tariff quotas**

196. No tariff quotas apply in Bolivia.

(iv) **Variable import levies**

197. No variable import levies apply in Bolivia.

(v) **Other levies and charges**

198. Apart from tariffs, imports bear a number of charges, some of which discriminate between domestic and foreign goods. These include:

- a fee of 1.92 per cent of the f.o.b. value of imports, collected to cover costs incurred by import inspection and certification agencies (Chapter IV(2)(ii)(j))

- charges by Customs agents varying between 0.25 and 2 per cent of the c.i.f. value of imports for carrying out import procedures;

---

24 This excludes imports covered under Government procurement contracts.
- a charge of 0.3 per cent of the c.i.f. value of imports levied by
the National Chamber of Commerce (No explanation for this
charge was provided to the Secretariat.)
- a cargo handling charge of 0.5 per cent of the c.i.f. value,
levied on all imports by AADAA, which is subsidiary to the
Ministry of Finance. Goods left for more than two months at
the AADAA customs warehousing area are also subject to a monthly
fee of 2 per cent.

199. All of these charges are levied on an ad valorem basis, and are not
related to the cost of the services provided.

200. All merchandise (excluding live animals and explosive material)
arriving at Bolivia's borders must be unloaded and stored in AADAA
premises. There have been complaints by importers that this procedure
delays the distribution of supplies and increases their import cost.

201. An accelerated customs clearance procedure (Despacho de Emergencia)
exists for certain items and imports made by the Diplomatic Corps and
international organizations, as well as for purchases made in the framework
of contracts and conventions signed by the State. According to the
Bolivian authorities, this accelerated procedure allows clearance within 24
to 48 hours.

202. At a seminar held in early October 1992 in Cochabamba, to discuss the
draft Law on Exports, private sector representatives recommended,
inter alia, the abolition of AADAA's monopoly rights on storage of goods
pending customs clearance.

203. A laboratory analysis charge applies to goods subject to such a
procedure. No details were provided on the basis for calculations of this
charge.

26 The AADAA receives, stores and releases imported goods. It also co-ordinates with the
General Directorate of Customs for the classification, evaluation and clearance of
merchandise.
28 Paragraph (A), Article 20 of Supreme Decree 22885 of 8 April 1991. Items like
explosives or inflammable goods, perishable products, live animals, serum, vaccines and other
medical material, radioactive substances, qualify for accelerated customs clearance.
29 CANEB, Boletin Quincenal de la Cámara Nacional de Exportadores No. 50, 1 October 1992,
La Paz.
204. A surcharge of 2 per cent of the c.i.f. value is levied on goods in transit which do not leave Bolivian territory within 90 days.

205. Imported goods transported by rail are subject to 30 per cent (or in some cases 40 to 60 per cent) higher fares than domestically produced and exported goods. This constitutes protection additional to the GAC for domestic producers, and reduces the benefits to the economy from recent tariff reductions (see also section on export subsidies). (It should be borne in mind that transport costs are already high because Bolivia is land-locked and has a difficult topography.) The Bolivian Government has indicated that the purpose of the higher fares is to finance its export promotion policy.

206. Two indirect taxes affect both imported and domestic products: the Value Added Tax (Impuesto al Valor Agregado or IVA) and the Tax on Specific Consumption (Impuesto a los Consumos Específicos or ICE). These taxes, introduced under Law 843 of 20 May 1986, are administered by the Directorate General of Internal Taxes (Dirección General de Impuestos Internos) of the Ministry of Finance. In 1991, VAT and ICE contributed 38 and 11 per cent, respectively, to Government revenue from internal taxes (Table IV.3 and Chart IV.3 and Chart IV.2).

207. VAT, with a nominal rate of 13 per cent and an applicable (real) rate of 14.94 per cent, is calculated on the total import value (composed by c.i.f. value, GAC, services charges, AADAA fees and other expenditures related to importation). ICE is an additional selective indirect tax affecting production and imports of certain products. Rates of 10, 15, 20, 30, 50 and 60 per cent apply. The basis for calculating the ICE is the net sales price of domestic products or the total import value of imported goods (as for the VAT).

---

30 Additionally, fines of 5 per cent and 3 per cent for moving the goods (levantamiento del rezago) may be levied. No information on the value used as a basis for calculations of these fines was provided by the Bolivian authorities.

31 By the end of the 1980s, the Bolivian railways transported around 49 per cent of freight traffic (primarily imports and exports). Its quasi-monopolistic position in certain markets was progressively eroded by competition from the road sector. (World Bank, 1992b).

32 The rate of an ad valorem sales tax can be expressed in either tax-exclusive or tax-inclusive form to yield the same revenue. The real rate is lower in the tax-inclusive form, because this rate is applied to the price as increased by the tax itself. In Bolivia's case the real rate is obtained by the following formula: real rate=nominal rate/(1-nominal rate). As the 13 per cent is a tax-inclusive rate, the "real" rate is 14.94 per cent.
208. ICE rates vary between products and are also discriminatory against imports. Beer and cigarettes are the most heavily taxed goods with rates of 60 and 50 per cent respectively, corresponding to two or three times of those on other items (Table IV.4). Domestically produced wines, singani (a traditional Bolivian alcoholic beverage), liquors and spirits, qualify for half or one-third of the rates applied to the same imported items.

209. A transactions tax (impuesto a las transacciones) of 2 per cent is paid by individuals and companies on all trade or other transactions. This tax replaces stamp taxes and others in force prior to the tax reform of 1986. All transactions of goods or services are subject to this tax. It is charged on gross income in the case of businesses, or on each stage of the operation. There is no credit for the tax included in the purchase price as is the case for VAT (see below). Imports of books, magazines and newspapers, State activities are exempt from the transactions tax (see below).

---

Under the previous fiscal régime, for the period between 1976 and 1986, alcoholic beverages and tobacco ensured shares of 7.7 per cent to 18.9 per cent of Government revenue.
### Note IV.2 Structure of Import Charges in Bolivia

Example of the cost of importing wheat (NANDINA item 10.01.10.90.00), steel plate (NANDINA item 73.08.90.10.00) and motor vehicle (NANDINA item 87.03.23.00.00), as indicated by the Bolivian authorities.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Per cent</th>
<th>Value US$ wheat</th>
<th>Value US$ steel</th>
<th>Value US$ passenger car</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Value f.o.b.</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Freight (on US$ f.o.b.)</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Insurance (on US$ f.o.b.)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Value c.i.f. (1+2+3)</td>
<td></td>
<td>115</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>5</td>
<td>Import duty (on US$ c.i.f.)</td>
<td>10</td>
<td>11.5</td>
<td>11.5</td>
<td>11.5</td>
</tr>
<tr>
<td>6</td>
<td>Inspection fees (on US$ f.o.b.)</td>
<td>1.92</td>
<td>1.92</td>
<td>1.92</td>
<td>1.92</td>
</tr>
<tr>
<td>7</td>
<td>VAT (on US$ c.i.f. + fees)</td>
<td>14.94</td>
<td>18.99</td>
<td>18.99</td>
<td>18.99</td>
</tr>
<tr>
<td>8</td>
<td>ICE (on US$ c.i.f. + fees)</td>
<td>10</td>
<td>0.58</td>
<td>0.58</td>
<td>0.58</td>
</tr>
<tr>
<td>9</td>
<td>AADAA services (on US$ c.i.f.)</td>
<td>0.5</td>
<td>0.58</td>
<td>0.58</td>
<td>0.58</td>
</tr>
<tr>
<td>10</td>
<td>Laboratory analysis</td>
<td></td>
<td>25</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Final value of import**

| | 172.99 | 147.99 | 160.70 |

**Ad valorem equivalent of all charges combined on the f.o.b value**

| | 72.99 | 47.99 | 60.70 |

The above table does not include the additional transport costs within the country and the 2 per cent transactions tax.
(vi) Minimum import prices

210. Minimum import prices were introduced recently. Under this system specific minimum c.i.f. values per kilo, gross weight, are established as the basis for import duty assessment. Ad valorem duties then are calculated on the invoice value or the official minimum valuation, whichever is higher. Copies of the implementing regulations were not available to the Secretariat.

211. Prior to the recent introduction of a Supreme Decree on anti-dumping minimum import prices were used only as an emergency measure against imports of iron for construction (hierro de construcción) from Brazil. This device has not been used since. (See also section on anti-dumping provisions.)

(vii) Pre-shipment inspection

212. Specialized enterprises have been engaged to undertake pre-shipment inspection of all imported and exported goods valued above US$1. General exemptions to this rule are stated in the next section, while certain products are only subject to price and quantity controls thus excluding quality inspections.

213. Imports to Bolivia are inspected at the country of origin or point of departure. These are currently handled by the SGS or Griffith Inspectorate Trade Services agencies on the basis of the pro forma invoices and import licences or declarations sent to them by the Bolivian Government.

214. A selective inspection procedure for items which reach Bolivian Customs without any pre-shipment inspection, is applied upon request by the Government. Selective inspection is carried out on about 10 per cent of total imports, mainly on motor vehicles.

215. The quality, quantity and price of merchandise are checked within reasonable limits in order to ensure that they conform with those stated in

---

34 Currently the companies responsible for pre-shipment inspection are the Société Générale de Surveillance (SGS) and the Griffith Inspectorate Corporation. However, Bolivia has changed inspection companies regularly since 1986; SGS was awarded the contract for 1986, SSI and Bureau Veritas for 1987-90 and SGS and Griffith for 1990-93.

35 These are pharmaceutical products (in view of patents secrecy), colouring materials and paints, crop protecting chemical products, insecticides, cosmetics, wine other than in bulk, liquors and similar products, specific chemical products covered by patents or trademarks.

36 Supreme Resolution 208026 of 29 August 1990.
the invoice. The agency also verifies whether the foreign exchange equivalent of import duties has been paid. A clean report of findings is issued unless discrepancies led to a non-negotiable report.

216. If inspections additional to the initial pre-shipment inspection (verificación reforzada) reveal wide discrepancies between the initial and final status of the goods, the inspection agencies will charge fees of twice their regular rate.

217. Imports in containers can also be inspected at their final destination. Imports whose origin has not been verified can be inspected upon the request of the Ministry of Finance.

(viii) Customs valuation

218. Bolivia adhered to the GATT Customs Valuation Agreement on 27 January 1993. This change is expected, over time, to modify present customs valuation practices which were criticized by certain contracting parties when Bolivia negotiated its accession to the GATT.

219. Currently, the Brussels Definition of Value is usually applied in customs valuation. The c.i.f. border-value (c.i.f. frontera) is used for goods reaching the country by land (road or rail) and the c.i.f. customs-value (c.i.f. aduana) applies to merchandise arriving by air. The former consists of the f.o.b. price, transport, insurance and other costs, while the latter comprises the c.i.f. value plus only 25 per cent of the air freight cost. The rate of exchange used for conversion of value into Bolivianos is the official rate in effect at the time of inspection of goods.

220. Imports and exports are checked by inspection agencies to prevent over- or under-invoicing of goods and tax evasion. Certain imports and exports are exempted from price, quality and quantity controls. The cost of controls is, in principle, borne by both importer and exporter (see sections IV(2)(v) and (3)(ii)). Disputes that may arise between importers or exporters and one of these enterprises, resulting from notices of non-compliance, are settled by the Ministry of Finance.

37 These cover goods of a value lower than US$1 (measure introduced in June 1992); oil, gas and their derivatives; purchases contained in Article 212 of Supreme Decree 21660 of 10 July 1987, such as those under Government procurement, by non-lucrative international organizations or under bilateral agreements stipulating that the supplier has to be determined by the donor country, as well as objects of art, military equipment, printed material, perishable articles and foodstuffs, personal objects up to a legal fixed amount, live animals, mail parcels, and other articles occasionally defined by legal provisions.
221. The verification of prices consists of checking their consistency with those applicable in the country of origin or the international market, taking into account all elements having an effect on the final price of the imported or exported goods.

222. A Clean Report of Findings is delivered by the inspection enterprises when inspection is satisfactory or if inconsistencies are immediately corrected by the supplier of the merchandise. If there remain any uncorrected inconsistencies with regard to price, quantity, quality or other relevant matter are observed, a non-conformity certificate is issued.

223. Government action is taken following appeals or complaints (denuncias) or on the basis of official information available at Government agencies or public entities that import or export values set by inspection enterprises are 20 per cent higher or lower than those officially declared. On the basis of a report prepared by a technical committee, the Ministry of Finance issues a Resolution fixing the final value of the merchandise for customs purposes, based on world prices.

224. The customs value of pharmaceutical specialities for free distribution in Bolivia is determined by reducing their c.i.f. value by an amount corresponding to 50 per cent of the value of the same goods put in sale.

(ix) Import prohibitions

225. Until late 1992, raw and refined sugar were subject to import restrictions, administered by means of prior licensing. Licences were granted only if there was a shortage of domestically produced sugar. These restrictions contravened Articles 37 and 38 of Supreme Decree 22407 which guarantee freedom for all imports, except those affecting public health and national security, as well as freedom for producing and marketing all goods except those prohibited by law. The Government, under pressure from soft
drinks producers affected by high cost domestic sugar, has recently announced that imports would be liberalized (Chapter V(2)(1)(a)).

226. Imports of certain categories of goods which can cause prejudice to public health (see Section IV(2)(xiv)) and morals are prohibited. Imports of foreign lottery tickets and imports of gaming machines are prohibited, ostensibly for the same reason, although gambling, as such, is not prohibited in Bolivia. The Directorate General of Foreign Trade of the Ministry of Exports and Economic Competitiveness supervises the compliance with import prohibition provisions in co-ordination with the Ministry of Finance.

227. From February 1991 to 22 July 1992, food imports from cholera-affected countries were prohibited. Inter-ministerial Resolution 0653, jointly issued by the Ministries of Social Security and Public Health, Exports and Economic Competitiveness and Agriculture, states that an open door policy should be accompanied by quality controls at the border.

(x) Import licensing

228. Bolivia adhered on 27 January 1993 to the MTN Agreement on Import Licensing Procedures.

229. Imports of goods affecting public health or national security are subject to prior, non-automatic licensing. Licences are granted by the competent Ministries before the goods are embarked in the country of consignment.

---


43 These include: narcotic drugs and dangerous substances, and pharmaceutical and medicinal specialities not registered in Bolivia; foodstuffs and beverages in a state of decomposition or which contain substances harmful to health; animals affected by disease; plants containing germs or parasites declared as harmful; advertising material imitating currency and banknotes, postage stamps and other fiscal assets, except numismatic and philatelic catalogues; used clothing and garments (except when included in a traveller's luggage) not covered by a health certificate; used footwear and headgear (except when included in a traveller's luggage); pornographic and obscene periodicals and articles of this kind; packing and labelling material as well as any other marking signs which bear a domestic or foreign trademark.

44 Firearms, missiles, ammunition, explosives, percussion caps, detonators and the like, and likewise equipment and machinery for their manufacture; coin, banknotes and non-issued securities, and equipment for their manufacture; school text-books; psychotropic narcotic drugs and alkaloids in general, and derivatives thereof, medicinal and non-medicinal; radiotelegraphic and radiotelephonic transmission and reception apparatus; television and radio broadcasting and broadcasting-receiving apparatus.

45 GATT document L/6369.
230. Licensing also applies to imports of goods which may have legitimate commercial uses, but are necessary to the processing of narcotics (World Bank (1989). The Directorate General of Foreign Trade of the Ministry of Industry, Commerce and Tourism issues prior import licences.

(xi) Import quotas

231. All quantitative restrictions have been eliminated, except those maintained for public health and safety reasons.

(xii) Import surveillance

232. The Secretariat is not aware of any specific import surveillance procedure.

(xiii) State trading

233. The public sector accounted for 8.7 per cent of total imports and 44.6 per cent of total exports in 1991. Chart IV.3 and Table IV.5 indicate the declining trend of the public sector involvement in foreign trade in the 1980s. This was particularly pronounced on the export side, because of the considerable reduction in public sector exports of minerals and natural gas, for reasons explained in Chapters I and V.

234. Bolivia’s public enterprises employ around 30,000 people and account for around 70 per cent of industrial output. They provide 50 per cent of Government revenue collected by indirect taxes. Currently, employment in public enterprises is almost half of its 1985 level, but still accounts for around 15 per cent of total public sector employment. Items produced in the public sector are diverse, ranging from butter and milk to cars and hotel services (Table IV.6).

46 GATT document C/RM/0V/3, p. 32.


48 Information from the Government of Bolivia.

49 See Chart I.3: the public sector as a whole accounts for some 15 per cent of formal employment in Bolivia.
Chart IV.3
Foreign trade of Bolivia by sector of origin, 1980-91
(US$ million)

Source: Central Bank of Bolivia.
235. According to the Bolivian authorities, state trading activities are carried out by companies such as Corporación Minera de Bolivia (COMIBOL) (tin), Yacimientos Petrolíferos Bolivianos (YPFB, the oil and natural gas producer), and COFADENA (Corporación de las Fuerzas Armadas para el Desarrollo Nacional, the military holding company). However, as both the State and regional development corporations own enterprises in a number of industries, more products are involved than those produced directly by COMIBOL, YPFB and COFADENA (Table IV.6). For example, the Guabirá company, a (previously) state-owned sugar enterprise, was the second largest user of the United States sugar quota in 1990.

236. COMIBOL was established in 1953. Its export activities are conducted on the basis of one- to two-year contracts directly negotiated with smelters abroad. COMIBOL maintains foreign offices in Chile and Peru (see Chapter II). Empresa Nacional de Fundiciones (ENAF), part of the COMIBOL holding, despite losing its monopoly rights for smelting tin, is still responsible for between 80 and 90 per cent of tin concentrates production. Bolivia supplies more than 30 per cent of tin imported by the United States, and ENAF is the major tin exporter to this market (Chapter V).

237. YPFB was set up in December 1936. Government contracts are used for selling YPFB output abroad. YPFB maintains foreign offices in Argentina, Brazil and the United States, the main destinations of Bolivia's petroleum exports. The enterprise has permanent exclusive import and domestic marketing rights over hydrocarbons. Ministerial Resolution 33/92 temporarily allows hydrocarbon imports by private companies to meet domestic demand for diesel oil until March 1993 (see section on Export Licensing and Chapter V). The new Hydrocarbons Law of 1990 (see Chapters III and V) provides for regular private sector participation in these activities. This will only be possible when UDAPE, in co-ordination with experts from the World Bank Programme on Energy Sector Management Assistance and the United Nations, finalizes the new price and tax régime. New regulations governing the activities of private companies are being elaborated with the assistance of United Nations experts.

50The second place is taken by China and the third by Indonesia.

51YPFB took over Gulf Oil's activities through the nationalization of 1969. Private sector participation in the oil and gas industry is limited. YPFB accounts for 64 per cent of natural gas production, 85 per cent of oil and condensate production, 89 per cent of well drilling, and 100 per cent of refining activities. No internal pricing system based on international market prices is used so market indicators of YPFB's relative efficiency are unavailable (World Bank, 1992b).
238. YPFB and COMIBOL are among the enterprises not scheduled to be privatized.

239. Empresa Nacional de Arroz or (ENA), dealt with rice imports until 1989. This entity directly negotiated long-term contracts with producers. In 1979, ENA was responsible for all Bolivian rice imports, with a total value of US$9 million, originating in Colombia and Pakistan.

240. The Instituto Nacional de Fomento Lanero, (INFOL) issues tenders for export sales of raw llama wool, yarns and alpaca fibres, as well as for purchasing textile machinery and equipment. In 1986, INFOL was responsible for exports of these items, while both import and export transactions took place only with the European Communities. Further details were not available to the Secretariat.

241. COBOLCA, an entity with major private sector participation, was created in September 1972 and sells coffee to terminal markets abroad. Between 1985 and 1986 it exported coffee worth US$20.6 million to the European Communities, Japan and the United States. COBOLCA ensures quality control of exports (see Chapter V). No further details and recent data on COBOLCA's activities were provided by the Bolivian authorities.

(xiv) Import cartels

242. Bolivia does not have specific legal provisions regulating the operation of monopolies and antitrust situations, although Articles 134 and 142 of the Constitution contain restrictions of a general nature on monopolies. Monopolies are not automatically considered to be against the public interest. The Secretariat has no further information on anti-monopoly or pro-competitive legislation in Bolivia.

243. Supreme Decree 21060 of 29 August 1985 provides for the abolition and prohibition of all production and economic services monopolies, other than the state monopolies established by law.

244. Decision 285 of the Andean Group provides for means of preventing or remediing distortions to free competition which are caused by restrictive business practices.

---

52 Supreme Decree 22255 abolished ENA.
(xv) Countertrade

245. The Bolivian authorities have indicated that natural gas sales to Argentina constitute Bolivia's only countertrade arrangements. No details were provided on countertrade activities by the Bolivian authorities.

(xvi) Standards and other technical requirements

246. There is no explicit Government policy toward consumer protection. However, as stated earlier, import prohibition for food from cholera-affected countries was introduced between February 1991 and July 1992.

(a) Standards, testing and certification

247. Bolivia subscribes to internationally agreed standards, such as those set by the ISO and FAO's Codex Alimentarius. However, the Bolivian authorities consider that international standardizing organizations are geared to satisfying the requirements of the developed countries rather than those of the developing countries. Bolivia thus works more actively with regional organizations such as the Pan-American Council on Norms and Technology (Consejo Panamericano de Normas y Tecnología or COPANT) in an effort to attain a higher degree of compatibility between national and pan-American standards.

248. No distinction is made between domestic and imported goods for standards purposes. The Directorate General of Norms and Technology (Dirección General de Normas y Tecnología or DGNT) within the Ministry of Exports and Economic Competitiveness, which is in charge of formulating standards and technical regulations, favours regional or international standards. All interested parties, including producers, technical experts, consumers and public institutions, are involved in the development of national standards. So far, no international standard has been considered inappropriate for Bolivia.

249. Product testing and certification for both imports and exports are currently undertaken by SGS and the Griffith Inspectorate. In this context, the DGNT cooperates by establishing a National Network of Laboratories for Testing or Sampling (Red Nacional de Laboratorios de Ensayo o Prueba). The GATT Secretariat was advised that there was limited testing capacity and, in consequence, some sub-standard or out-of-date products were being imported into Bolivia.

250. Shipments of pharmaceuticals, cosmetics and similar products, and veterinary products require certificates of analysis. These may be issued by a "reliable" manufacturer and must show expiration dates. Additionally,
pharmaceuticals must be registered with the Ministry of Health and Welfare before importation.

(b) Sanitary and phytosanitary regulations

251. Imports of medicaments, foodstuffs and certain agricultural and livestock inputs are subject to health requirements. Registration by relevant ministries is required for the imports of medicaments (composition and formulae inclusive) and agricultural and livestock inputs. A domestically issued certificate attesting that foodstuffs are fit for human consumption, a Bolivian animal or vegetable health certificate and a health certificate by the country of consignment for used clothing and garments must accompany any imports of these items.

252. Action by the Ministry of Social Security and Public Health related to imports of foodstuffs and beverages is governed by:

- Chapter I of the Administrative Law of the Executive Power which contains guidelines for the implementation of the objectives of the national health policy;

- Volume II, Chapter VI of the Health Code (Código de Salud) where surveillance and safety action are required;

- Sanitary Regulation on Foods and Beverages (Reglamento Sanitario de Alimentos y Bebidas) brought into force by Supreme Decree 5190 of 24 April 1959, regulating transport, manufacturing, storage and distribution of these items;

- International Codex Alimentarius-compatible norms, used whenever a decision has to be made on products which are not covered by the national norms.

\[\text{Page 80}\]
253. A National Pharmacological Commission (Comisión Farmacológica Nacional), carries out standardizing and regulatory activities related to registers, prescriptions, use and supply of medicines. Pharmaceuticals, medical inputs and cosmetics, are subject to the provisions of:

- the Health Code (Código de Salud);
- Law 1008 on the Régime of coca and substances subject to control (Ley del Régimen de la Coca y Sustancias Controladas) and its regulatory framework;
- and the regulations of the National Pharmacological Commission.

254. The absence of a health certificate from the country of origin, for goods subject to such requirement, gives rise to a fine of 5 per cent of the c.i.f. value.

(c) Marking, labelling and packaging

255. No special requirements regarding origin marking apply to goods imported into Bolivia. Containers of imported goods packed for retail sale must be marked or labelled with the net weight or measure of the contents in metric units. Specific labelling regulations exist for cigarettes, cigars and tobacco. Labels on pharmaceutical products must be in Spanish.

256. Most containers and labels of foodstuffs and beverages must be registered in Bolivia, and must comply with specific regulations. As stated above, imports of marking, labelling and packaging material bearing domestic or foreign trademarks are prohibited.

(xvii) Government procurement

257. The Bolivian economy is dominated by the public sector, and often many of the most promising sales and investment opportunities are found at the large State-owned corporations. Government procurement of goods and services (including that of the State-owned corporations) was about US$390 million in 1991 (Table IV.7). From 1988 to the first three months of 1992, Government purchases operated by contracted agencies (see below) represented US$2.3 billion. Bolivia is not a party to the MTN Agreement on Government Procurement.

---

58 Paragraph (D) of Article 14 of Supreme Decree 22775 of 8 April 1991.
258. After declining in 1990, procurement for the public administration has almost attained its 1989 level. However, procurement to public enterprises fell by around 20 per cent between 1990 and 1991 (Table IV.7). It is thought that the main reason for this decline is more related to the slowdown in demand, rather than the privatization of State-owned enterprises, which has been quite slow (Chapter I).

Chart IV.4
Government procurement of goods and services, 1991
Per cent

<table>
<thead>
<tr>
<th>PUBLIC ADMINISTRATION</th>
<th>36.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government</td>
<td>30.8</td>
</tr>
<tr>
<td>Regional government</td>
<td>2.5</td>
</tr>
<tr>
<td>Local government</td>
<td>3.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUBLIC ENTERPRISES</th>
<th>63.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>National enterprises</td>
<td>47.9</td>
</tr>
<tr>
<td>Municipal enterprises</td>
<td>14.6</td>
</tr>
<tr>
<td>and water supply</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Government of Bolivia on the basis of the data from the Ministry of Finance and SAFCO.

259. Purchases by public enterprises, owned either by the State or by regional development corporations, constitute almost half of the Government procurement bill. For the past three years, regional development corporations steadily increased their purchases, while those of the State owned enterprises slowed down. The most important buyers are the State oil company YPFB, the smelter company (ENAF) the electricity company (Empresa Nacional de Electricidad or ENDE), the telecommunication company (ENTEL), and the airline company (LAB). These account for 90 per cent of purchases by public enterprises.

260. The Government, including publicly owned corporations and agencies, is the main buyer of machinery, equipment, materials and other intermediate
261. Only firms established under Bolivian law (e.g. having a registered local address and a representative) can bid for public purchases. This obliges foreign companies to be represented by local import houses, independent sales agents, or branches of foreign firms. Foreign bidders may register their firm and list of products with the relevant specialized agency (see below). The Bolivian Government does not have any data on the amount of purchases coming from abroad under public procurement procedures.

262. Until 1988, Government procurement was carried out by tendering committees (Juntas de Licitación) of the different public entities. This system was characterized by lack of transparency and artificially high prices.

263. Currently, all governmental purchases are regulated under Supreme Decree 21660 of 1987 (Title VII, Chapter III), amended by Supreme Decree 22678 of December 1990. International specialized agencies, contracted by the State, replaced the Juntas de Licitación, and exclusively carry out public purchases of goods and services of a value higher than 200,000 Bolivianos (approximately US$26,000). Nevertheless, the following purchases are carried out directly by the Government bodies concerned:

- those financed under bilateral agreements which stipulate that the supplier has to be determined by the donor or financing country;
- those of military equipment for the army;
- those of domestically produced food;

59 These mainly consist of: sugar cane, tea, milk, foodstuff, gasoline, lubricants, chemicals, colouring materials, medicines and pharmaceuticals, explosives, sand for glassware production, tools, paper and office equipment, iron and aluminium sheets.


61 The Government signed contracts with the UNDP Office of Project Services or UNDP/OPS on 29 January 1988 (until 31 December 1991); on 31 March 1988 with the British Crown Agents for Overseas Governments and Administrations; and in July 1989 with the French Caisse des Dépôts et Consignations-Développement (C3D). To date, the UNDP/OPS has been responsible for total purchases of US$1,375 million, Crown Agents for US$672 million and C3D for US$268 million.
264. The private procurement agencies are contracted by public entities to solicit bids, to declare them as meeting contract specifications, and, finally, to select the suppliers. The cost of their services is around 0.5 per cent of total purchases operated by them. According to the Bolivian authorities, the total cost of their services was US$11.5 million for the period between 1988 and March 1992.

265. The procurement agencies are furnished with the terms of reference or list of technical specifications by the Government agency or enterprise which desires to make the purchase. On this basis, the agency calls for tenders, which must take place on Bolivian territory. Offers are evaluated and then submitted, together with the agency's opinions and recommendations for consideration by the public entity for which the goods are destined. This agency then makes the final decision. The procurement agency signs the purchasing agreement in the name of the public entity, although the public entity has control over and supervision of the agreement.

266. Domestic goods and services receive a ten per cent preference in bidding, in order to protect local suppliers. Additionally, up to 50 per cent of government purchases have to be shipped "by Bolivian-flag vessels of the national line Lineas Navieras Bolivianas (LINABOL)" , where available. Since there is only one such vessel, this is not considered to be a serious constraint. Imports of goods for Government consumption are not subject to the price and quality certification, mentioned earlier, that is required for private sector imports.

---

62 Three different procedures apply according to the value of the purchase, classified in three ranges: less than Bolivianos 5,000 (US$1,300), between Bolivianos 5,000 and 30,000 (US$7,700), and from Bolivianos 30,000 to 100,000 (US$26,000). More requirements are to be found with regard to the procedures related to highest purchase values. Purchases for amounts of the last category are carried by the Administrative Contracting Committee (Comité de Contratación Administrativa) formed by five authorities from the interested public entities. For values lower than Bs 30,000, invitations to bid are submitted to three or more suppliers of such goods.

63 Articles 205 to 218 of Supreme Decree 21660.
267. Bids on purchases for projects financed by international institutions follow the institution's rules. When the amount exceeds US$200,000, the qualifying agency calls for an international public tender. However, both UNDP and the World Bank allow a 10 per cent preference margin which effectively works as a supplementary tariff. This is not additional to the normal 10 per cent preference.

268. According to the Bolivian Government, the post-1988 régime reduced costs and bureaucratic procedures, and helped in improving the country's credibility in international organizations, particularly those in the area of finance. However, the current Government procurement practices still lack uniform requirements and standardized acquisition procedures, as well as any codified relationship between the international agencies and the Government. All this provides large scope for discretionary action.

269. The UNDP/OPS proposed the establishment of a Surveillance Body on Contracts for Goods and Services (Superintendencia de Contrataciones de Bienes y Servicios). The issue of establishing such a body was widely discussed in Bolivia in mid-1992. Representatives of the private sector agreed with the Minister of Finance that such an institution could cause delays and bring unnecessary rigidity to the current régime. Nevertheless, the private sector is reported to consider that specific rules determining the scope of action of the entities involved in public procurement contracts, and a guarantee for domestic companies' participation in biddings, are required, although no criticism of the existing system was made by private sector representatives to the Secretariat during its mission to Bolivia. The preparation of a Public Procurement Law (Ley de Compras Públicas) is under consideration with the objective of establishing a transparent regulatory framework.

270. The change from the present system, managed by independent procurement agencies, to a system managed by a single Government-controlled agency will need to be monitored as to its cost effectiveness relative to the private procurement agencies as well as to the fairness and transparency of its operations. By and large, the private agencies appear to have provided a relatively low-cost service, ensuring an absence of favouritism in the award of contracts and seem to have been free of corruption. No data on the amount of purchases made abroad and those made domestically for recent years was made available by the Bolivian authorities.

(xviii) **Local content requirements**

271. No programmes or measures aimed at increasing local content requirement appear to apply currently in Bolivia.

(xix) **Rules of origin**

272. Imports enjoying LAIA or Andean Group preferential treatment must satisfy the guidelines set by the General Régime of Origin of LAIA. These stipulate that the c.i.f. value of materials from non-members of LAIA must not exceed 50 per cent of the f.o.b. value of the finished good in the final importing country. However, specific, tighter rules of origin may be agreed and annexed to each agreement.

(xx) **Anti-dumping and countervailing duty actions**

273. Supreme Decree 23308, issued on 22 October 1992, establishes the legal basis for the imposition of anti-dumping and countervailing duty measures. Implementing regulations, were promulgated on 22 January 1993.

274. The Supreme Decree provides that the Government of Bolivia may impose measures where it has been determined that (1) an imported product has been sold in Bolivia at dumped prices or has benefited from export subsidies; and (2) the imported product has caused, or threatens to cause, injury to the domestic industry producing the like product. The Decree allows the Government of Bolivia to apply duties less than the margin of dumping or rate of subsidization where such a lower duty is sufficient to remedy the injury or threat of injury to the domestic industry.

275. The Supreme Decree and implementing regulations established that petitions for the imposition of anti-dumping and countervailing measures may be filed with the Ministry of Export and Economic Competitiveness (MECE) by natural or legal persons that consider themselves harmed by dumped or subsidized imports. If MECE determines that there is sufficient information to warrant initiation of an investigation, it will refer the matter to a Technical Secretariat composed of representatives of MECE, the Ministry of Finance, the Central Bank of Bolivia, and the Confederation of Private Entrepreneurs of Bolivia on behalf of the affected domestic industry, to conduct an investigation. MECE may also initiate an investigation ex officio under exceptional circumstances.

---

65 LAIA Resolution No. 78 of 24 November 1987.
276. If MECE determines that the injury or threat of injury requires immediate restrictive measures, MECE may declare that an emergency exists, and may immediately suspend for a period of 10 days the importation of the product subject to complaint, pending a determination whether to initiate an investigation. MECE may also impose provisional measures, based on preliminary determination of the existence of dumping or subsidization and of sufficient evidence of injury or threat of injury. Preliminary measures may be imposed at the earliest forty-five working days after the opening of the investigation.

277. The Technical Secretariat must complete its investigation within 7 months. It provides its results to a committee for the Evaluation of Unfair Trade Practices, comprised of senior officials from a number of agencies, which in turn makes a recommendation to the National Council of Economy and Planning (CONEPLAN). CONEPLAN makes the final decision regarding, inter alia, whether to impose a duty and, if so, the level of duties necessary to eliminate injury or threat thereof.

(xxii) Safeguard actions

278. Bolivian legislation does not provide for safeguard action under Article XIX of the GATT against imports of particular products. However, such rules are found in both Chapter IX of the Cartagena Agreement and Resolution No. 70 of the Committee of Representatives of LAIA.

279. Bolivia has not had recourse to any safeguard measures provided either under Article XIX of the General Agreement, or under regional or sub-regional agreements.

(xxiii) Measures implemented in exporting countries

280. No country is applying restraints on exports of goods to Bolivia on the request of the Bolivian Government or by arrangement with Bolivian enterprises.

(xxiv) Balance-of-payments measures

281. In recent years, no import restrictions were applied for balance-of-payments purposes.

(xxv) Other measures

282. The Bolivian authorities have indicated that the importance of smuggling appears to be progressively declining, perhaps because of the trade reforms being undertaken both in Bolivia and in neighbouring countries. However, no reliable data or estimates are available to quantify the impact of contraband. Recently, in an effort to discourage
this activity, Supreme Decree 23098 of 19 March 1992 introduced the restructuring of the Customs services. This was implemented with Ministerial Resolutions 461/92 of 1 July 1992 and 462/92 of 15 July 1992.

283. Since 1968, a Water Transport Shipment Reservation Scheme (Reserva de Carga Marítima del Transporte Acuático) has been operated by Bolivia, setting minimum overall merchandise ceilings reserved to national flag carriers. A minimum of 50 per cent of Bolivian imports or exports of each product group made by the private sector and carried in waterways (sea, river, or lake) is, in principle, assigned to domestic ship owners. Similarly, State trading entities are obliged to surrender all their shipments to "Bolivian shipowners". However, as noted earlier, these provisions are waived when no such shipping is available, and, given that there is only one Bolivian flag vessel, this does not appear to be restrictive in practice. According to the Bolivian authorities a suggestion was made to eliminate this measure, within the framework of the new Law on Exports, mentioned earlier.

(3) Measures Directly Affecting Exports

(i) Registration, documentation

284. All exports must have a certificate of conformity (aviso de conformidad) issued by the private inspection agencies. Exemptions cover exports covered in bilateral governmental contracts, perishable foodstuffs, objects of art, and all published material. Export documentation also comprises the exporter's invoice and export declaration (póózla de exportación).

285. The General Directorate of Customs of the Ministry of Finance is responsible for verifying the requirements and documentation related to exports. The AADAA receives, stores and ships export products at the request of exporters.

286. As stated earlier, considerable effort was recently made to simplify export procedures (including registers) by introducing a single office system (Sistema de Ventanilla Unica de Exportación or SIVEX) for handling export documentation. Offices are to be established in the most important points of trade, while, at present, two of them (in La Paz and Santa Cruz) are operational.

66 Presidential Decree 22510 of 16 May 1990.

287. The private enterprises involved in quality and price controls may upon request by the Government, inspect exported goods on arrival at their final destination. Exports may also be inspected either at the factory or the port (depending on the kind of goods) to verify price, quality and quantity.

(ii) Export taxes, charges, levies

288. As mentioned in earlier sections, private enterprises have been contracted by the State to certify quality and price elements of imported or exported goods for customs purposes. Although, in 1988, only importers were charged for their services, currently exporters theoretically share the cost. However, in practice, the State Budget covers this charge of an ad valorem rate of 1.55 per cent applicable on the f.o.b. value of traditional exports and a rate of 1.60 per cent for exports of non-traditional items. These fees, which are not directly related to the cost of the services, may be doubled if an inconsistency with regard to the initially declared quantities is found at additional inspection (verificación reforzada).

289. Product-specific fees and charges apply to the exploitation and trade of mineral and forest resources. These are the second most important source of Government revenue from foreign trade (see Chart IV.1, Table IV.3, and Chapter V).

290. Royalties are paid by mining companies set up before April 1991, based on the value of the minerals when these are sold to local smelters or exported. Royalties of 53 per cent are payable on the notional profit arising from the sale of antimony, bismuth, copper, tin, silver (in lead or zinc concentrates) and tungsten; a 20 per cent rate applies on lead and zinc. Royalties of 1.5 per cent and 3 per cent apply on the gross metal value, as established by official quotation, of gold concentrates and silver bullion, and metallic gold and other metallic ores, respectively.

68 Bolivian exports to neighbouring countries can be controlled in transit ports.

69 GATT document L/6369.

70 Supreme Decree 21060 of 29 August 1985.

71 The notional profit is calculated on the basis of the international price of the metal content of the ore on the date of export, less national production costs of each ore and national realization expenses, which cover freight, smelting charges, insurance, etc. All of these parameters are pre-set by the Government.

291. As from April 1991, a new mining profit tax régime has applied to all mining and smelting companies established on Bolivian territory. It consists of an anticipated payment of a profit tax (impuesto sobre utilidad), at a rate of 2.5 per cent of the net value of mineral or metal domestic sales or exports; and a profit tax (impuesto a las utilidades) at a rate of 30 per cent of all the net profits. As from October 1999, this régime will replace royalties.

292. Currently, three charges are levied on timber: a mountain tax (derecho de monte), collected by the Regional Forest Development Centre (Centro de Desarrollo Forestal or CDF) of the Ministry of Agriculture and Rural Affairs, a forest plantations tax (recaudaciones por concepto de plantaciones forestales) charged by the National Forest Chamber (Cámara Nacional Forestal or CNF), and royalties levied by the regional development corporations.

293. The rates of mountain tax and the forest plantations tax are based on the value of the tree and updated regularly. The forest plantations tax is set at one-half the rate of the mountain tax. World Bank (1992a) calculations indicate that the combined incidence of the taxes corresponds to 2.25 per cent.

294. The mountain tax constitutes the price that the Government charges to the private firms for timber. The schedule of rates is calculated on sawn wood, with conversion factors being applied to approximate the original roundwood volume, although its legal basis refers to the standing tree. Mountain tax rates are officially expressed in Bolivianos per cubic metre. There are schedules of rates covering 100 types of timber.

295. Changes in the rates used to convert roundwood to sawn timber, made in 1989, lowered the effective rate of tax by 30 per cent, according to World Bank (1992a) estimates. In 1990, these rates were subject to a 35 per cent adjustment and their nominal levels ranged between US$0.79 and US$46.2 per cubic metre. The current incidence of the tax is equivalent to 1.5 per cent of the export value. In 1991 it yielded an average of US$6.25 per cubic metre.

---

73 Articles 118 and 119 of Law 1243 of 11 April 1991. This was immediately applicable to those enterprises set up as from 11 April 1991. Firms established prior to this date will be incorporated to this tax régime not later than 1 October 1999. Additionally, the rate of the anticipated profit tax cannot be lower than 2.5 per cent.

74 Interministerial Resolution 02/90 of 8 October 1990.
296. The forest royalty is a nominal 11 per cent tax on the value of sawn wood. However, in practice, according to CDF, the effective tax rate ranges between 3 and 4 per cent of the export value of sawn timber. This lower effective tax rate is related to two major adjustments and widespread tax evasion.

297. From 1958, royalties (export taxes) were levied at 1 per cent rate on coffee exports. These were eliminated in 1989.

(iii) Export prohibitions

298. All goods can be freely exported except for national and cultural treasures, narcotics, dangerous substances, and goods and products pertaining to national security.

(iv) Export licensing

299. A number of product categories are subject to export restrictions administered by licences (see below).

300. Private companies involved in hydrocarbon production may only export products for which YPFB considers that the domestic market is adequately supplied. Prior export authorization is, therefore, required by the Ministry of Hydrocarbons.

(v) Export quotas

301. Bolivia does not use export quotas, except for a few products such as arms, ammunition and all products which may compromise national security, the control of drugs and dangerous substances, the protection of the environment (flora and animal life), the conservation of art treasures (dating from before 1950) and the cultural patrimony of the country.

(vi) Export subsidies

302. According to the Bolivian authorities, no export or any other kind of direct subsidies currently apply.

---

75 First, the administrative, transport, and marketing costs are deducted from the value of the wood, and second, the quality composition of wood is administratively fixed by significantly underestimating the actual composition (World Bank, 1992a).

76 Supreme Decree 22177 of 13 April 1989.
303. However, as noted earlier, domestic goods, including those for export, enjoy a differentiated railway freight charge from 1990; this is, in general, 30 per cent less than that applied to imported goods. A higher rate of 40 per cent applies to sugar, timber, ulexite and minerals (produced by medium-scale mines only). A 60 per cent rate applies to soyabeans and flour thereof. These preferential rates can be fixed by Supreme Decree, interinstitutional conventions, or contracts with interested enterprises. The Bolivian authorities explicitly recognize that this is part of their export promotion policy and that its cost is borne by imports.

304. As stated above, imports and exports are subject to inspection fees by the private inspection agencies under contract to the Government. Nevertheless, in practice, only importers bear the inspection costs. The charge set for exports is covered by the Government. The general effect of these practices is that some import charges are used to financially support exports or offset inefficiencies of the Bolivian public services (inspection and rail) and infrastructure.

(vii) Duty and tax concessions

305. The Bolivian system of tax exemptions for exports aims at eliminating distortions caused by domestic taxes, according to the authorities.

306. A drawback system (reembolso) established in July 1987 operated on the principle of reimbursing exporters of non-traditional goods for import duty paid on inputs incorporated in the exported product. These refunds were set at 10 per cent for non-traditional exports and 5 per cent for traditional exports, subsequently reduced to 6 per cent in August 1990, of the export value under the Tariff Refund Certificate (Certificado de Reintegro Arancelario or CRA). This was recognized by the Government as an export subsidy scheme. However, the scheme apparently led to fraudulent

---

77 In the past, the differential was 60 per cent. Freight for imported goods is set at the level prevailing in railways of neighbouring countries which are interconnected with the Bolivian rail network, and whose fares do not benefit from any subsidies.

78 Article 2 of Supreme Decree 22415 of 6 February 1990.

79 The Bolivian authorities indicate that freight charges by the National Railway Company (Empresa Nacional de Ferrocarriles or ENFE) reflect only one-fourth or one-third of actual transport costs. Nevertheless, road transport, except for soya, leather and minerals (from La Paz), is cheaper for exports.

80 Supreme Decree 21660 of 10 July 1987, as amended by Supreme Decree 21919 of 31 March 1988. Operational difficulties delayed the implementation of this régime.
practices, and was eliminated in April 1991. For 1989 and 1990, the scheme cost US$26.7 million in duty foregone (Table IV.8).

307. Currently, a new drawback system (Regimen de Reintegro del Gravámen Aduanero Consolidado) operates either through automatic or determination (determinativo) procedures, and covers any exports valued at more than US$2,000. Not all items are covered by the system. Under the automatic procedure, direct payment by the Central Bank representing 2 or 4 per cent of the net export value, is effected in Bolivianos.

308. Private sector estimates, based on 1991 trade data, indicate that 29 per cent of non-traditional exports do not benefit from drawback facilities, 59.6 per cent are subject to the 2 per cent rate and 11.3 per cent to the 4 per cent rate.

309. Documentation requirements comprise a copy of the export declaration, a certificate showing that foreign exchange has been surrendered to the Central Bank, a sworn declaration on the export value and on any other benefits granted by the Supreme Decree, and a conformity certificate issued by the specialized control agencies under contract to the State. The Directorate General of Internal Taxes (Dirección General de Impuestos Internos) of the Ministry of Finance is entrusted with the management of the scheme.

310. The determination procedure is used when the exporter considers that the established drawback rates do not reflect the GAC incidence on the export item. The inspection agency under contract to the Government can fix an appropriate rate (coefficient) which will apply to actual and future

---

81 Fraudulent exports of cow herds crossing the border several times to take advantage of the scheme's financial benefits, came to be known as "tourist cows" ("vacas turistas").


83 Article 10 of Supreme Decree 22753 of 15 March 1991.

84 Article 24 of Supreme Decree 22753 excludes: live animals, coca leaves, solid sugar, flora and fauna items, raw leather of sauria, items under export prohibition, metals, scrap iron, hydrocarbons, unprocessed leather, tanned leather, leather waste, wood and waste, vegetable coal, certain wood products, art items, and personal belongings.

85 Seventy-two NABANDINA items benefit from a 4 per cent drawback. These comprise vegetable oils, bakery products, fruits prepared or preserved, food preparations, beer, cigarettes, medicines, paintings, disinfectants, chemicals, cellulose, plastics, artificial leather, leather articles, footwear, paper pulp, certain paper articles, printed material, textiles and clothing (including accessories), hats, ceramics, iron or steel containers, tools, certain electric material, motor vehicle parts, furniture and slide fasteners. Other products are subject to the 2 per cent rate.

86 CANEB, Boletín Quincenal de la Cámara Nacional de Exportadores No. 50, 1 October 1992, La Paz.
exports of the exporter and product in question. In order to benefit from this procedure, the exporter has to submit a detailed description of the structure of production costs, including domestically produced inputs, in addition to other documents required for the automatic procedure.

311. Table IV.8 indicates the duty forgone generated by the CRA over the short period that it remained in force. The estimated average annual cost of the CRA was four times higher than the currently applied drawback system.

312. The drawback régime is operated under a fully computerized system. According to the Bolivian authorities, this feature makes it speedy and reliable, while decisions are not distorted by administrative discretion.

313. Exports are exempt from VAT. Exporters can deduct from their tax payment for their operations in the domestic market a tax credit in respect of purchases of inputs acquired in the domestic market for their export operations. The part of the tax credit (not more than 10 per cent of the export value) from export operations that is not compensated by taxes on operations in the domestic market can be converted to negotiable credit vouchers (Certificado de Nota de Crédito Negociable or CENOCREN) issued by the General Directorate of Internal Revenue of the Ministry of Finance. These credit vouchers can be used for the payment of import tariffs, taxes and charges incurred by the exporter, except those related to the ownership of goods (renta presunta de propietarios de bienes).

314. So far, CENOCREN expenditure has been kept fairly stable. The most important overall beneficiary was the YPFB because of natural gas exports to Argentina (Table IV.8.).

315. A proposal to exempt exports from payment of ICE and the transactions tax was made at the drafting of the new Law on Exports. Currently, these taxes are not reimbursed.

316. With a few exceptions, non-traditional exports are not subject to taxes or royalties affecting traditional exports.


88 Ministerial Resolution 519 of 5 October 1987 of the Ministry of Finance.
(viii) Export finance

317. Dollar-denominated special credits for financing and pre-financing export operations of non-traditional products and capital goods are granted by the Andean Group under the Trade Financing of the Andean System (SAFICO), by the Inter-American Development Bank under the Rotational Global Credit for Non-Traditional Exports and by the United States under the USAID Agreement with Bolivia. LIBOR interest rates, plus a maximum 5 per cent per year to the beneficiary, apply to all such credits.  

318. SAFICO is a rotating credit operated by the Central Bank of Bolivia. It is financed by the Corporación Andina de Fomento; US$20 million was disbursed in 1990. Pre-export finance includes working capital for the finance of export transactions and promotion, transfer of technology and technical advice by Bolivian businesses. The credit covers from 85 to 100 per cent of the invoice value, which must be above US$10,000. Long-term credits may be extended up to a 10 year period.

319. The Inter-American Development Bank scheme, also a rotating fund, covers the following products: cacao, chestnut, fresh flowers, cotton lint, wood, rubber and leather. In 1990, the Inter-American Development Bank and the Central Bank of Bolivia provided funds of US$9 million and US$882,353, respectively, under the scheme. Working capital for the production, preparation storage and/or gathering of eligible goods can be given. The invoice coverage may reach 100 per cent on all short-term exportations.

320. The USAID scheme covers export transactions of non-traditional products of a maximum value of US$250,000 and specifically excludes: tin, explosives, petroleum derivatives, citrus fruit, soya and its derivatives, sugar, palm oil and wood. The coverage is 100 per cent of the invoice values.

(ix) Export insurance and guarantees

321. No information was made available to the Secretariat with respect to any export insurance and guarantees schedules.

---

INPEX (1990), Measures to Promote Exporting Non-Traditional Goods and Investments in Bolivia.
322. The main export promotion organisation of Bolivia is the National Institute of Export Promotion (Instituto Nacional de Promociôn de Exportaciones or INPEX). INPEX was established in July 1987 with the objective of promoting export expansion and diversification as well as helping to improve access in international markets. INPEX studies export problems and formulates proposals, carries out market research, provides technical assistance to the exporter, organizes training programmes and promotes exports of domestic products. Its activities are financed by the General Treasury, the private sector and international organisations. Two thirds of the members of the INPEX Governing Board, chaired by the Minister of Exports and Economic Competitiveness, come from the private sector.

323. A Trade Information System (Sistema de Informaciôn Comercial, SIC) of INPEX collects, evaluates and distributes trade information with the objective of helping Bolivian producers in their search for foreign markets and buyers. Assistance is provided by international organizations (such as the UNCTAD/GATT International Trade Centre).

324. INPEX is currently carrying out a project for the establishment of a Trade Offices Network both abroad and at home. Priority is given to countries which are important for Bolivia's non-traditional exports. Trade Offices abroad will have the task of analyzing import penetration and possibilities for exporting non-traditional Bolivian products. Domestic Trade Offices are expected to assist them abroad by evaluating the production capacities and actual supply of export items.

325. INPEX activities are concentrated on sectors considered to have the greatest export potential. These are bovine meat, trout, fresh and canned fruits and vegetables, chestnuts, singani, flowers, natural dyes, leather, timber and textiles and clothing. Around 40 enterprises have benefited from INPEX's support for participating in five international fairs.

326. A four year project on the Development and Promotion of Exports of Timber Manufactures, with the assistance of the UNCTAD/GATT International
Trade Centre (ITC), and financial support from the Government of Denmark, was launched on 1 July 1990.

327. Private sector institutions like the National Chamber of Exporters (Cámara Nacional de Exportadores, CANEB) the Bolivian Institute of Foreign Trade (Instituto Boliviano de Comercio Exterior, IBCE) and Departmental Chamber of Exporters (Cámara Departamental de Exportadores, CADEX of Santa Cruz) work also in the area of export promotion. IBCE was created with the objective of boosting exports and enlarging market access abroad by cooperating with INPEX, LAIA and the Commission of the Andean Group (Junta del Acuerdo de Cartagena or JUNAC). Action is taken through dissemination of trade information, identification of export offers, improvement of the infrastructure necessary for exports, training and trade negotiations. CADEX, founded on 30 July 1986, mainly arranges for the inclusion of export items to the list of items to be considered for improving regional market access, provides consultancy services on technical issues related to exports, and participates in trade fairs and negotiations.

328. Regional and other international assistance for export promotion is provided. The Andean Programme for Export Promotion (Programa Andino de Promoción de Exportaciones) provides market studies for certain agricultural products. Carana Corporation, a unit cooperating with USAID, carries out export promotion activities by editing catalogues, participating in trade fairs and providing technical assistance.

(xii) Free-trade zones, export processing zones

330. The establishment of Industrial Free Zones (Zonas Francas Industriales or ZOFRAIN), Free-Trade Zones (Zonas Francas Comerciales or ZOFRACO), Warehousing Terminals (Terminal de Depósitos) and maquilas is provided for under Bolivian legislation. Enterprises which settle in these zones and are engaged in export activities benefit from fiscal and tariff exemptions.

331. Supreme Decree 22526 stipulates that the private sector is responsible for investment and costs related to the construction, administration and operation of free zones. No exclusive or monopoly rights are granted to any private firm. The National Council of Free Zones (Consejo Nacional de
Zonas Francas, CONZOF\(^\text{94}\) is in charge of controlling, regulating and coordinating activities in the ZOFRAINs, which are run by Administration Boards (where both the private and public sector are represented) and supervised by the National Customs Administration. CONZOF tries to promote and improve the functioning of Bolivian free zones through seminars, exchange of experts and fairs.

332. Export processing zones (ZOFRAINs), are intended to encourage industrial development within a competitive cost environment as well as to attract foreign investment. Manufacturing, assembly, and finishing of goods for export are the only activities admitted. Industries established in ZOFRAINs enjoy privileges provided by the temporary admission scheme, RITEX, described earlier (section (ii)(e)).

333. Free-trade zones (ZOFRACOs) and Warehousing Terminals are aimed at increasing importers' competitiveness by reducing their costs. Their facilities consist of warehousing and trading goods for re-export, use in ZOFRAINs or for import into the territory. Only minor processing activities, like those necessary to preserve or improve the condition of the goods for sale, are allowed in these free-trade zones.

334. So far six free zone plans have been authorized. Three are currently operating. By the end of 1991, the six companies involved in the construction of the sites had invested US$6.1 million. Forty-nine companies have established in the operating zones and are engaged in CONZOF reported that these firms generated a merchandise trade flow of more than US$11 million and revenue (in form of import duties and taxes) of US$3.5 million.

(4) Measures Affecting Production and Trade

(i) Assistance for research and development

335. The Bolivian Institute of Agricultural Technology (Instituto Boliviano de Tecnología Agropecuaria, IBTA) and the Research Centre for Tropical Agriculture (Centro de Investigación Agrícola Tropical, CIAT) are research institutes of the Bolivian Government. IBTA carries out technology

\(^{94}\text{CONZOF is the only consultative body between the public and private sector in Bolivia. Representatives from the Ministries of Exports and External Competitiveness, and Finance and National Chambers of Industry, Trade and Exporters participate. Consejo de Zonas Francas, Actividades de Desarrollo Agosto 1990-Diciembre 1991.}\)

\(^{95}\text{El Alto, Cochabamba, Oruro, Puerto Aguirre, Santa Cruz and Tarija.}\)

\(^{96}\text{Since March 1991 in Puerto Aguirre and July of the same year in Oruro and el Alto La Paz and.}\)
transfer and research programmes directed to small-and medium-size producers with cooperation and finance from international lenders such as the World Bank, FAO and USAID. Products such as potatoes, quinoa, grain vegetables (beans, green peas), wheat and cereals, maize, livestock, and fodder were defined as priority research areas.

336. At regional level, the 32 member-state Inter-American Institute for Cooperation in Agriculture (Instituto Interamericano de Cooperación para la Agricultura or IICA), established fifty years ago, provides assistance for the development of the agricultural sector. Its 1987-93 Medium Term Plan is aimed at assisting the development of the agri-food sector, which is seen as a foodstuff supplier and as a foreign exchange earner. Research studies, training, technical cooperation, administrative services, technical-scientific brokerage and dissemination of information are some of the means used to attain these objectives.

(ii) Pricing and market arrangements

337. Before 1985, domestic pricing and marketing arrangements encouraged illegal trade in certain goods (see Chapter V).

338. Currently, no price controls apply in Bolivia. However, the Government reserves the right to import foodstuffs if local prices are deemed to be speculative.

339. State agencies in the fields of energy production, freight transportation, pharmaceutical distribution, air transport and telecommunications regulate prices together with interested parties.

340. Electricity prices are determined by categories of users on the basis of the costs of the electricity generating and distribution companies. There are three principal categories of users: residential, industrial and general. The category "general" refers to non-industrial institutions which use significant amounts of electricity and pay the highest rate for electric energy. In addition, the municipalities pay a reduced rate for the purpose of public lighting. The price structures are periodically revised on the basis of changes in the production and distribution cost structure. Additionally, the price of energy is modified on a monthly basis to incorporate movements in the U.S. dollar/Boliviano exchange rate.

---

97 Efforts were also deployed by the IICA economists to measure the Producer Subsidy Equivalents or PSEs for maize in Bolivia, using methodology of Webb, Lopez and Penn. Calculations remain inconclusive as prices for fertilizers were missing.

(iv) Regional assistance

341. Strong regional development corporations contribute in concentrating agricultural public sector investment projects in certain departments. The proposed 1992-94 Cattle Development Programme for the Departments of Beni and Paudo aimed, among others, at increasing production and exports, contains a credit component. This apparently discriminates among potential investors, because it is available only to support existing operations. It is also a subsidized credit.

342. Imports of machinery and equipment for the Departments of Oruro and Potosí, considered as economically depressed zones enter the country free of import duties and VAT until the start-up of their operations. They are also exempt from the tax on national business income for five years after initiating operations, the tax on national real estate income for three years and the transaction tax for five years. New industries in Oruro and Potosí are not exempt from VAT on their sales.

343. So far, thirteen manufacturing firms have been established in Oruro and one in Potosí. Those in Oruro make iron articles, plastic bags and containers, dry ice and graphic industry products, while in Potosí boric acid is produced.

---


100 Laws 876 of 25 April and 877 of 2 May 1986 which are regulated by Supreme Decree 22021 of 19 September 1988 and Supreme Decree 22178 of 13 April 1989.
V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

344. Since the 1985 economic reforms, the broad thrust of Bolivia's trade and industrial policy has aimed to provide a general, neutral incentive structure which does not discriminate among, or within, sectors. This was a marked departure from the policy prior to 1985, which gave widely differing rates of nominal and effective protection for different goods and sectors. Estimates indicate that the average effective rate of protection in the industrial sector was 44.4 per cent. Textiles, leather, wood and products, sugar and sugar products, and meat bore rates higher than 100 per cent (Table V.1). Large price differentials with foreign countries and marketing arrangements encouraged illegal trade.

345. Current policies do not explicitly favour specific sectors. The tariff is set at a flat rate of 10 per cent, except for certain capital goods on which a temporary reduction to 5 per cent is granted. General preferences to Bolivian products are extended via Government procurement practices, but it is not evident that this favours some domestic sectors more than others. No evidence is available on whether reference prices are used more frequently in some sectors, but minimum import prices have been used against iron for construction purposes imported from Brazil. In general, action has been taken to reduce the State's rôle in the economy and allow market forces to foster a more efficient structure of production.

346. As mentioned in earlier chapters, major constraints on agricultural and industrial development and trade are inadequate infrastructure, high transport and money costs and a serious lack of skilled labour. Moreover, unfair competition from contraband and the rise of the coca-cocaine industry have diverted resources from the development of formal sectors within Bolivia. They have also hindered the alternative development of non-traditional and more modern agriculture.

347. Bolivia's dependence on mining and hydrocarbons exports for earnings is evident from Chart V.1. Overall, these sectors accounted for 70.4 per cent of recorded export earnings in 1991, while, according to the Bolivian authorities, in 1992 their share dropped to 65 per cent.


2As noted in Chapter II, Bolivia applied such measures under the Brussels Definition of Value. It signed the GATT Customs Valuation Code in January 1993 and is to implement the GATT Valuation System, based on transaction values, over the next five years, after its ratification.
348. In the 1980s, only 8 out of 34 Tariff Study Category sectors, accounting for 10.1 per cent of total exports in 1990 (or US$93.7 million) experienced higher average annual growth rates than in the previous decade. These cover livestock, grains, medicinal plants, agricultural products of animal origin, textiles, mineral products, natural gas, and footwear (Table AV.1).

349. Minerals and hydrocarbons are Bolivia's traditional exports, while soya has grown in importance. Agro-industry and the mining sector are export-oriented activities based on domestic resources that may attain higher growth in the medium term. According to World Bank (1992a), agricultural export potential lies in highland products like quinoa, leather articles, llama and alpaca fibres, as well as several items produced in lower valley areas (e.g. cut flowers).

350. Recent efforts to promote exports of traditional agricultural crops, quinoa and coca leaf, have been of limited success. Quinoa sales in the United Kingdom were called into question because of its content of toxic amounts of saponin (a poison which, if not properly rinsed out, may affect the heart), while exports to the United States and other developed markets (France, Germany, Spain, Switzerland) were only US$284,000 in 1990. Coca
leaves in form of infusion bags to make a herbal tea (legally available in Bolivia) cannot be exported as they are generally prohibited under the Vienna Convention on exporting intoxicants (U.N. Convention on Psychotropic Substances).

351. The main export sectors, hydrocarbons and tin, are relatively unimportant in terms of employment (around 2 per cent of the active population) and share in GDP. The collapse of international tin prices brought the share in GDP of the mining sector down to one third of its 1970 level in 1986 and 1987; it is slowly recovering. By contrast, the contribution to GDP from agriculture, an important source of income for the majority of the population, rose from nearly 18 per cent to almost 23 per cent between 1970 and 1985. Its share fell slightly since then (Chart V.2).

**Chart V.2**

GDP in 1991

<table>
<thead>
<tr>
<th>Per cent</th>
<th>13.0</th>
<th>14.8</th>
<th>21.3</th>
<th>6.3</th>
<th>13.7</th>
<th>1.0</th>
<th>8.5</th>
<th>8.0</th>
<th>0.9</th>
<th>8.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction and public works</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, gas &amp; water supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and communications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import taxes and duties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Source: Central Bank of Bolivia.

---

3Bolivia attempted, unsuccessfully, to have coca leaf infusion accepted for sale at the 1992 Seville Exposition. Spain supported Bolivia's request that the World Health Organization should study the medicinal properties of the coca leaf. In mid-June 1992, President Paz Zamora stated that, if Bolivia was allowed a 5 per cent share of the world tea market, exports of coca as a herbal tea could generate revenue equivalent to the earnings from natural gas exports (Latin American Regional Reports - Andean Group, 25 June 1992).
352. Apart from poor infrastructure, increased production and investment in the farm sector are constrained by a lack of research and development, and legal uncertainty over land entitlement. While production of food crops continues to stagnate, increases in output of export-oriented agricultural and agro-based products such as livestock, soybeans, chestnuts, timber and other commercial crops constituted the driving force behind the surge of non-traditional exports in recent years. Average output growth rates for soybeans and dried beans were the highest in the 1970s and 1980s (Table V.2). Pricing policies in neighbouring countries and the duty drawbacks given under the CRA scheme, cancelled in 1991 (Chapter IV), seem to be responsible for these impressive changes. Agricultural imports have been subject to natural protection granted by transportation costs and have been dominated by wheat imports, mostly imported through foreign aid programmes.

353. Despite the phasing-out of distortive measures under the NEP, the agricultural sector has responded slowly. Development of small-scale farming was hampered by lack of knowledge of modern agricultural techniques, inadequate land registry services, lack of technology generation and transfer, and poor rural infrastructure. Moreover, one major element in Bolivian agriculture (the coca-cocaine economy) has proved relatively unresponsive to official policy changes favouring alternative development, and the high level of contraband activities historically has meant that the economy was, in practice, relatively open.

354. Currently, Government policy towards agriculture is focused on the following aspects: growth of food production equivalent to that of the population; rational use of renewable natural resources ensuring sustainable development; substitution of coca production by alternative crops; improvement in farmers' revenues; improvement of efficiency and productivity, particularly with regard to traditional agriculture; and export promotion for products enjoying comparative advantage and certain market opportunities. Policy is not, however, directed specifically towards either traditional or non-traditional products. Irrigation projects, technical assistance, technology transfer, research (see Chapter IV), loans on commercial items, and public investment are the main policy instruments.

---

4The World Bank (1992a) points out that these imports may be higher than suggested by official trade data, since there has always been contraband from neighbouring countries.

5According to the Bolivian authorities, the share of the coca sector in GNP has been steadily declining since 1989.

6See also Chapter IV, section on regional assistance.
Chart V.3
Employment in the manufacturing sector, 1985 and 1991
Per cent

1985

Textiles, clothing and leather industries 24.7
Wood, paper and articles thereof 14.5
Chemicals and petroleum refining 5.6
Metals and minerals 5.8
Metal products, machinery and equipment 7.6
Other manufactures 1.0
Meat fresh and prepared 2.7
Dairy products 4.1
Beverages and tobacco 15.1
Foodstuffs, n.e.i. 3.1
Sugar and confectionary 5.1
Mills and bakery products 5.6

1991

Textiles and clothing 20.2
Wood 13.0
Paper 8.7
Chemicals and cosmetics 8.8
Plastics 7.1
Base metals 2.0
Metal mechanics 12.5
Other 2.2
Foodstuffs, beverages and tobacco 27.4

Source:
1991: Cámara Nacional de Industrias, Departamento Económico.
355. Until 1991, Bolivia was self-sufficient in oil, but in 1992 it had to import diesel oil as domestic demand grew faster than production (Table V.3). Currently, Bolivia exports natural gas to one foreign market, Argentina. The objectives of the hydrocarbons policy - contained in the new hydrocarbons code - are to increase oil and natural gas production capacities (with the help of foreign investment); to expand; natural gas exports; and to encourage a shift of consumption from petrol to natural gas.

356. In mining, the implementation of the NEP dramatically reduced the importance of the State mining corporation COMIBOL, eliminated mineral purchasing monopolies, and opened areas previously reserved for public sector exploitation to the private sector. Further progress has been achieved by the enactment in 1991 of the new Mining Code, which provides for joint ventures, simplifies licensing procedures and improves the tax system.

357. Mining is among the sectors which have recovered from the crisis of the early 1980s, despite the collapse of the international tin market and unfavourable international prices for many of Bolivia's minerals. The sector has also diversified thanks to the dynamism of private companies. Therefore, Bolivia no longer depends so heavily on a single metal as the major source of export income.

358. The manufacturing sector has responded positively to the 1985 policy changes, although aggregate value added in 1990 was still less than 90 per cent of its 1980 level. Declining intermediate and consumer goods industries are characterized by substantial decline in effective protection, high import penetration ratios, lower use of imported inputs on average than expanding sectors, disinvestment and decrease in productivity. Since 1985, agro-based manufacturing industries have been largely responsible for the recovery in the sector and the expansion of manufactured exports between 1988 and 1990 (Table V.4). Other export-oriented activities experienced substantial increases in

---

7 Muller y Asociados (1992).

8 The import penetration ratio refers to imports as a fraction of domestic sales. World Bank (1991c) calculations indicate that import penetration ratios vary between 1 and 98 per cent for the major declining manufacturing industries, which include sugar, prepared animal feeds, footwear, rubber products, fertilizers and pesticides, petroleum refining, machinery and equipment. Other machinery and equipment, fertilizers and pesticides and other rubber products are subject to ratios higher than 80 per cent.

9 Such sectors include meat processing, dairy products, fruits and vegetables, edible oils and fats, soft drinks and beer.
productivity. Investment in recent years has been concentrated in export-oriented industries (agro-processing, leather, wood products) or sectors with natural transport cost protection (fruits and vegetables, pottery and earthenware, cement). Chart V.3 illustrates changes in employment in the manufacturing sector since 1985.

359. Overall, since 1980, non-traditional exports (all items other than minerals and hydrocarbons) have grown from 14.5 to 32.1 percent of the total (Table V.5 and Charts V.4 and V.5). Chart V.6 and Table V.6 show how far Bolivia's traditional exports are heavily dependent on neighbouring markets (LAIA 69 per cent) and to a lesser extent, on the United States (19.6 per cent) and the EC (7.2 per cent).

Chart V.4
Share of "traditional" and "non-traditional" recorded exports, 1980-92 (1st half-year)

(1) Preliminary data used for 1st semester 1992.

Source: Central Bank of Bolivia.

10 Edible oils and fats, wood products, cement and and non-ferrous basic metals.

Chart V.5
Share of "traditional" and "non-traditional" recorded exports, 1980 and 1991
US$ million and per cent

Total "traditional" exports: 886.3
1980
Total "non-traditional" exports: 150.0
1980

Total "traditional" exports: 597.3
1991
Total "non-traditional" exports: 251.3
1991

Source: Central Bank of Bolivia.
360. Bolivia considers that phytosanitary norms and quality controls constitute obstacles for entry of non-traditional products into the United States market. In view of the introduction of new technologies, the Bolivian authorities believe that in the near future these problems will be eliminated. However, they consider that in order to avoid any disturbance in the production process, a temporary exemption from these norms would help greatly.

(2) Agriculture

(i) Foodstuffs

361. Bolivia has a positive trade balance in food. The overall growth of imports has remained virtually constant during the past two decades, while export growth declined (Chart V.7). Pasta, bakery products, grapes and eggs were the fastest growing imports in the 1980s. Food preparations, leguminous and other vegetables, fresh fruit, non-wheat meal and flour were the most dynamic exports. However, the export growth of oranges, fresh tomatoes and green coffee declined considerably in the 1980s (Table AV.1).
Chart V.7
US$ million

Imports

<table>
<thead>
<tr>
<th>Item</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apples fresh</td>
<td>11.3</td>
<td>13.4</td>
</tr>
<tr>
<td>Wheat, etc. meal or flour</td>
<td>8.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Meal and flour non-wheat</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Malt including flour</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Starch, inulin, gluten, etc.</td>
<td>3.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Prepared breakfast food, etc.</td>
<td>7.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Cereal, etc. prepared n.e.s.</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Food preparations</td>
<td>12.4</td>
<td>14.9</td>
</tr>
<tr>
<td>Other</td>
<td>15.5</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Total imports 1980 (US$ million): 31.09
Total imports 1989 (US$ million): 49.20

Exports

<table>
<thead>
<tr>
<th>Item</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuts, edible, fresh and dry</td>
<td>3.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Coffee green, roasted, etc.</td>
<td>2.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Cocoa beans, raw paste</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Cocoa butter and paste</td>
<td>2.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Refined sugar, etc.</td>
<td>12.0</td>
<td>14.1</td>
</tr>
<tr>
<td>Meal and flour non-wheat</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
<td>12.0</td>
</tr>
</tbody>
</table>

Total exports 1980 (US$ million): 73.73
Total exports 1990 (US$ million): 76.91

Source: UNSO Comtrade Data Base.
362. The sugar sector, an import-substituting industry started in 1952, was until recently considered as the most distorted industry in Bolivia. Production was protected by quantitative import restrictions and high effective tariff protection (Table V.1). The sugarcane producers and sugar mill owners - a vertically integrated cartel - shared monopoly rents with the help of production and market arrangements which prevented competition from abroad.

363. Sugar cane cultivation, carried out under both traditional and modern methods (Chapter I) was, until late 1992, operated under a highly structured system of quotas granted by the Government to the sugar mills which, in turn, allotted them to growers. Existing growers had rights on 80 per cent of any additional crop area whenever there was potential for industry growth. Growers were paid in kind with refined sugar.

364. The Government regarded the sugar régime as necessary because of the social and economic costs that might arise from its elimination. It considered that unemployment problems would be difficult to resolve, as sugar cane plantations could not be easily substituted by other crops.

365. The sugar marketing structure led to substantial monopoly rents for growers and millers. Efficiency in production and refining was adversely affected, as there was no incentive to improve sugarcane quality or sugar production (the most efficient mills did not get a larger quota). It was estimated that an implicit tax of around 17.6 per cent (or US$12 million per year) was extracted by the cartel from consumers for the three years up to 1991.

366. The Government opened up imports of sugar in mid-October 1992, after Bolivian soft drinks manufacturers, hard hit by high domestic sugar prices, exerted pressure for liberalization of the sugar trade. Currently, all import restrictions have apparently been removed and only the standard GAC tariff rate would apply.

367. In 1991, Bolivia exported US$30.8 million of refined sugar (representing 3.6 per cent of total exports). The main markets were Peru, the United States, Chile and Central America (Table V.6).

---

13The sugarcane growers' association controlled 57 per cent of the refined sugar market, while the remainder was due to the sugar mills' cartel (World Bank, 1992a).
368. Bolivia's exports of sugar to the United States are made under the U.S. sugar quota. Bolivia's quota has fallen considerably over recent years, from almost 21,000 tonnes in 1989-90 to some 9,300 tonnes in 1992-93.

(b) Coffee

369. In 1991/92, Bolivian coffee output almost doubled from the previous year, to 232,000 60kg. bags, or 0.2 per cent of world production. Bolivia produces Arabica coffee. More than two-thirds of domestic production is exported. In the early 1980s, coffee exports were handled by thirteen private firms, three of which accounted for over half of total exports.

370. Coffee exports amounted to US$7.1 million in 1991. The main markets were the EC (principally Germany), Argentina, Brazil and Chile.

371. One coffee plant, not involved in exports in 1990, is owned by the Ministry of Defence. The reasons for the army's involvement in coffee processing is unclear.

372. Bolivia has been a member of the International Coffee Organization since 18 March 1968. Until the collapse of the quota mechanism of the Agreement in July 1989, Bolivia's share of the world coffee market was fixed at around 0.1 per cent (91,000 bags).

373. The Bolivian Coffee Committee (Comité Boliviano del Cafe or COBOLCA), created in 1972 and currently under the jurisdiction of the Ministry of Exports and Economic Competitiveness, is the official agency responsible for design and implementation of the coffee policy, including the promotion of production, processing, and marketing. In the past, COBOLCA was financed by a tax on exported coffee. Currently, COBOLCA is fully financed by the private sector.

374. Before 1985, illegal coffee trade was encouraged by a maximum price scheme which allowed for large price differentials between lower domestic prices and higher prices in neighbouring countries.

---

16 This is the Planta Beneficiadora de Café.
17 The Committee was established under Supreme Decree 10516 of 29 September 1972, as modified by Supreme Decree 21942 of 13 May 1977 and Supreme Decree 14871 of 30 September 1977. A representative of the Ministry of Agriculture and Rural Affairs participates in its governing board. According to the Bolivian authorities, 80 per cent of the governing board comes from the private sector.
(c) Chestnuts

375. Chestnuts are a non-traditional export of Bolivia that has increased considerably since 1988. However, in 1991, exports of chestnuts (more than 90 per cent in peeled form) dropped by 26.4 per cent from the previous peak year and accounted for US$11.5 million (or 4.6 per cent of non-traditional exports). The fall in exports was due to a reduction in imports into LAIA countries (mainly Uruguay) and the United States by around 50 and over 40 per cent, respectively.

376. The State-owned processing plant involved in the sector does not engage in export activities.

(ii) Grains

377. Bolivia has a trade deficit in grain, with total imports approximately one-third of exports. Nevertheless, the average annual growth of imports slowed down markedly in the 1980s, while exports, mainly of unmilled maize and polished rice, grew rapidly (Table AV.1).

378. Production of rice and wheat expanded during the 1980s. Substantial gains in productivity for rice were achieved with the introduction of new varieties. Again under the incentive of new varieties, domestic wheat production as a winter rotation crop with soybeans has been expanding since the mid-1980s. Although perspectives seem encouraging, it has been estimated that production still cannot meet more than 20 per cent of domestic demand, although the Ministry of Agriculture and Rural Affairs estimated that, in 1991, the domestic supply share rose to around 40 per cent.

379. According to World Bank estimates, wheat imports in 1990 stood at 251,000 tonnes. Sixty-four per cent of this total was donated as U.S. food aid under P.L. 480. Imports under commercial terms originated mainly in Argentina (31.5 per cent). A World Bank study argues that there is no evidence that donated wheat had a negative impact on agricultural production. Although donated wheat was sold by the Government to mills at subsidised prices, this wheat was resold by mills at normal local market prices, allowing the mills to capture the economic rent. Since 1987, the

---

20 Until 1986, the domestic market price was determined by the marginal cost of supplying the market with the marginal units which were valued in accordance with world prices (World Bank (1992a)).
Government has ruled that all donated imports are to be sold within the country at the import parity price. However, most donated wheat imports do not pay the GAC and mills until recently received subsidized credit for processing PL 480 imports. Thus, although commercial imports coexist with donations, the mills have significant negotiating power as the only channel for directing aid wheat, and can therefore exercise considerable pressure on the prices of commercial imports and of domestic supplies. Currently, domestic credit is provided at market rates, but mills that have access to foreign credit are at a more advantageous position than those confined to the national money market.

380. Between 1970 and 1990, maize production increased slightly, peaking in 1985. In 1990, exports of US$4.1 million were sold to Peru. The State-owned maize company was not involved in these exports.

381. ENA, a state enterprise (see Chapter IV) was responsible for all trade in rice until 1989. Exports of polished rice were valued at US$3.8 million in 1990, representing 1.3 per cent of non-traditional exports. Peru was virtually the sole market, with 97 per cent of the total.

(iii) Animals and animal products

382. Animal product imports grew rapidly during the 1980s. Pigmeat, sausages, meat preparations and live poultry were the main individual items. Exports of cattle also increased rapidly (Table AV.1 and Chart V.8).

383. Cattle herds have grown steadily in the 1980s and in 1990 were 4.9 million head. Sheep and pig numbers have also risen. However, numbers of alpacas and llamas have fallen. Beef is the only sector where production has risen above 1981 levels.

384. In the past decade, cattle exports varied between US$588,000 and US$14.9 million (1991). In 1990, it appears that at least some of the US$48.8 million exports were Brazilian "tourist" animals re-exported in order to collect the then 10 per cent export drawback (CRA).

---

22 This was the regional development corporation of Tarija, CORDETAR.
Chart V.8
US$ million and per cent

Imports

- Bovine cattle: 25.8% (1980), 3.7% (1989)
- Live poultry: 41.5% (1980), 33.5% (1989)
- Pig meat fresh, chilled, frozen: 1.3% (1980), 5.0% (1989)
- Meat, prepared, preserved n.e.s.: 24.4% (1980), 53.3% (1989)
- Others: 4.5% (1980), 7.0% (1989)

Total imports 1980 (US$ million): 0.30
Total imports 1989 (US$ million): 2.73

Exports

- Bovine cattle: 97.4% (1980), 100.0% (1990)
- Zoo animals, pets: 2.6% (1980), 0.0% (1990)

Total exports 1980 (US$ million): 1.34
Total exports 1990 (US$ million): 49.5

Source: UNSO Comtrade Data Base.
385. Five State-owned enterprises are involved in the cattle industry and two in poultry. According to the Bolivian authorities, at least three of these enterprises were privatized, while the remaining are schedule for privatization in early 1993. Apparently, none of them participated in the above-mentioned export "success".

(iv) Oilseeds, fats and oils and their products

386. Soybeans and related processed products have become Bolivia's largest non-traditional export. Exports of oilseeds, etc. were valued at US$38.3 million in 1990, more than four times the level of imports. In the 1980s, there was a significant drop in trade of pig and poultry fat, fatty acids and soybean oil. Exports grew at an annual average rate of 19.3 per cent in the past decade, due to growth in sales of soybeans, soybean oil and residues (Table AV.1 and Chart V.9).

387. Soybean production - using material imported from Argentina, Brazil and Mexico, and technology from Brazil - has grown rapidly, with major productivity increases, which are being taken further through research carried out locally. Farm profitability has also been enhanced with the development of wheat as a winter rotation crop (see above). Since 1970, soybean production has increased 100-fold (Table V.2) while exports rose tenfold, from US$7 million to US$69 million, between 1982 and 1991. The dynamism of soybean production continued unaltered despite the decline of world prices in 1990 and the recent reduction in duty drawback rates (see Chapter IV).

388. Soya exports rely almost exclusively on neighbouring LAIA markets, which consumed 93.1 per cent of all such exports in 1991. Colombia and Peru purchased, respectively, 40.5 per cent and 36.3 per cent of soya exports.

389. The first State-owned company to be privatized by Bolivia was the oilseeds factory Rafael Deheza at Villamontes. The company, created in the 1970s, produces margarine and animal feed. It has always used Argentine oilseeds and never worked at full capacity. Recently it was reported to be running at 6 per cent of its capacity and losing US$50,000 per month.

24 These are Empresa Ganadera Campo 23 de Marzo, part of the armed forces' holding company COFADENA; Proyecto Ganadero Todos Santos-Hirtner, property of the regional development corporation of Santa Cruz (CORDECRUZ); Empresa Ganadera, Empresa Ganadera FOMBENI-COTESU and Empresa Ganadera Cadobe, which are owned by the regional development corporation of Beni (CORDEBENI). Additionally, the following are involved in poultry production: Industrias Avicolas Tarija, property of the regional development corporation of Tarija (CORDETAR); and Planta de Pollos BB of CORDECH.

Chart V.9
Imports and exports in 1980 and 1989/90: Oil seeds, fats and oils and their products
US$ million and per cent

Imports

<table>
<thead>
<tr>
<th>Product</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soya bean oil</td>
<td>21.7%</td>
<td></td>
</tr>
<tr>
<td>Groundnut, peanut oil</td>
<td>42.5%</td>
<td>64.7%</td>
</tr>
<tr>
<td>Pig, poultry fat rendered</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>Margarine, edible fats n.e.s.</td>
<td>0.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Processed animal, vegetable oil, n.e.s.</td>
<td>10.7%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Hydrogenated oil, fat</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Fatty acids, etc.</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>24.2%</td>
<td></td>
</tr>
</tbody>
</table>

Total imports 1980 (US$ million): 29.08
Total imports 1989 (US$ million): 8.16

Exports

<table>
<thead>
<tr>
<th>Product</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundnuts green</td>
<td>0.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Soya beans, excl. flour</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Oil seeds, nuts, etc. n.e.s.</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Soya bean oil</td>
<td>0.5%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Vegetable oil residues</td>
<td>99.2%</td>
<td>41.9%</td>
</tr>
</tbody>
</table>

Total exports 1980 (US$ million): 6.53
Total exports 1990 (US$ million): 32.29

Source: UNSO Comtrade Data Base.
Chart V.10
Imports and exports in 1980 and 1989/90: Cut flowers, plants, vegetable materials, etc.
US$ million and per cent

Imports

<table>
<thead>
<tr>
<th>Category</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut flowers, foliage</td>
<td>0.2%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Natural gums, resins, lacs, etc.</td>
<td>0.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Vegetable plaiting materials</td>
<td>7.8%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Vegetables used in pharmacy, etc.</td>
<td>3.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Live plants, bulbs, etc.</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other crude vegetable materials</td>
<td>17.4%</td>
<td>59.2%</td>
</tr>
</tbody>
</table>

Total imports 1980 (US$ million): 0.43
Total imports 1989 (US$ million): 0.77

Exports

<table>
<thead>
<tr>
<th>Category</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetables used in pharmacy, etc.</td>
<td>100.0%</td>
<td>62.9%</td>
</tr>
<tr>
<td>Live plants, bulbs, etc.</td>
<td>0.0%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Other</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Total exports 1980 (US$ million): 0.00
Total exports 1990 (US$ million): 2.86

Source: UNSO Comtrade Data Base.
Cut flowers, plants, vegetable materials

Exports of this sector have grown very rapidly during the 1980s, from a very low base. The main recorded exports are of coca leaf for use in pharmaceuticals manufacturing, and live plants and bulbs (Table AV.1 and Chart V.10). Official Bolivian statistics indicate that in 1990 coca leaves of a value of US$1.8 million were exported to a sole destination, the United States.

The coca-cocaine economy

Coca growing has a long history in the Andean region. Traditional agriculture is responsible for most of the production. In Bolivia, this is concentrated in the Chapare area, usually on a monocrop basis (more than 80 per cent of current output). In recent years, technological innovation meant increased use of chemical herbicides and fertilizers. Coca production has more than doubled during the past decade in response to increased international legal and illegal demand for cocaine.

The coca-cocaine industry has a major impact on the Bolivian economy. Government estimates indicate that in 1989 the industry's value added was equivalent to 15 per cent of GDP, or US$670 million. However, less than half of the value added was undertaken in Bolivia with much of the processing being undertaken elsewhere. Others calculate the minimum contribution to GDP at 5.7 per cent; an average estimate would be 12.9 per cent, which is greater than the contribution of manufacturing to the economy in 1987. The Government estimates that about 61,000 rural

---


27 In the 16th century, trade of coca leaves constituted a significant source of tax revenue for Bolivia's Spanish rulers, while in 1826 this item was the most important commodity in Bolivia's domestic trade. As stated in Chapter I, in recent decades international demand for its new forms and by-products contributed to its re-emergence as a major product of the Bolivian economy (Müller y Asociados, 1991). The germplasm for coca production is readily available, grows over a wide range of soils, is very resistant to insects and diseases, is not subject to climatic variations and produces with minimal management. Once sun-dried, leaves can be stored for months without being altered. These features, as well as its high profitability, make this crop very competitive compared to other alternatives.


29 In view of the largely illegal nature of the sector's activities, estimates vary widely among sources as they are heavily based on ad hoc assumptions of yields and technical conversion factors.


families (or 9 per cent of the rural population) owe their living to coca growing.

393. It has been estimated that in 1990 the sector's total annual revenue varied between US$280 million and US$700 million, out of which around 31-37 per cent remained in Bolivia as payment to domestic factors of production. Estimates of value added by coca processing in 1990 vary between US$239 million and US$630 million; however, the share of revenue remaining in the country dropped from an average of around 63 per cent in previous years.

394. Around 99 per cent of the coca industry's output is exported. When added to other (legal) Bolivian exports, coca by-products represented between 23 and 43 per cent of the total value of exports in 1990; more than those of other sectors such as minerals, non-traditional exports and hydrocarbons.

395. The Government is taking steps to reduce the influence of the coca-cocaine sector. Under a Voluntary Eradication Programme (VEP) farmers are encouraged to destroy their plantations against reimbursement of US$2,250 per acre, together with technical assistance and credit for the establishment of alternative crops. A complementary Alternative Development Programme (ADP), implemented by the Secretariat of Alternative Development (SUBDESAL) of the Ministry of Agriculture and CONALID (Consejo Nacional Contra el Uso Indebido y Tráfico Ilícito de Drogas), provides for investments in agriculture, agro-industry, non-traditional mining and rural infrastructure, in areas of coca growing and other rural areas from which families migrate to coca-growing areas. The ADP is aimed at providing alternative employment to labour engaged in coca-cocaine production.

396. The United States announced that it was withholding US$6.2 million of aid granted to the VEP as a penalty for the Government's failure to comply with the 7,000 acres eradication target set for 1991. If the 1992 target (which is identical to that for 1991) is not achieved, the entire US$100 million of United States aid to Bolivia will be in jeopardy.

---


33 The 1984-92 programme has USAID, UNFDAC, UNDP, bilateral and NGO assistance.

34 For 1990, as only 5,500 acres out of a target of 7,000 were eradicated the United states withheld US$22 million from the US$66 million corresponding to Bolivia (Latin American Economy & Business, March 1992).

35 According to the Ministry of Agriculture and Rural Affairs, from August 1991 until June 1992, 4,954 acres of coca plantation were eliminated. Monetary compensation amounted to US$8.5 million.
According to the Bolivian authorities, US$44 million of the US$66 million VEP aid was disbursed by the United States, as eradication only covered about 4,700 hectares.

397. Efforts to reduce the crop's profitability constitute a decisive factor for the success of such programmes, and form the Government's preferred policy. Interdiction of sales in local trade (regulated by Law 1008 of 1988, which defines the national policy on coca) was meant to reduce the price of coca leaves and increase the variability of coca prices. This led to a lowering of prices (Chapter I) but the impact on production was minimal. The World Bank (1992a) points out that, in view of the high level of coca prices, any significant impact on production through incentive payments could be exceedingly costly.

398. Recently, emphasis has been given by the Bolivian authorities to the fact that not all coca is grown for drugs. In this context, a legal market for coca leaves (for consumption in the traditional manner, by chewing or as herbal tea) was opened in La Paz, while export promotion efforts for coca leaf tea have been made abroad.

---

36 Voluntary eradication fell sharply to only 400 acres in the first quarter of 1991 when the price of coca leaves rebounded from the depressed 1990 prices.

37 Law 1088 does not affect traditional or transitional coca producing areas. The World Bank (1992a) considers that better results could be obtained if the Government could carry interdiction efforts into illegal areas and if interdiction expanded at the farm level (i.e. below the area level).
Note V.I Economic, Social and Foreign Policy Implications of the Coca-Cocaine Industry
(Based on Müller y Asociados (1991) and World Bank (1992).

The coca-cocaine industry in Bolivia has a number of economic effects. The revenue generated from coca-related activities has a multiplier effect on the domestic economy as it increases aggregate demand, thus strengthening sectors like services, construction and retail trade. Additionally, an increase in the food consumption of coca growers leads to a rise in revenue for other farmers, as demand and prices for their products grow.

Very large "narcodollar" inflows have also contributed substantially to the dollarization of the economy. This can be seen in the decline in the ratio of M1 (measured in bolivianos) to GDP, from 11.6 per cent (1972-76 average) to 5.5 per cent in 1986-89. This contraction has assisted in reducing inflation in terms of local currency.

The influx of funds from narco-traffic has also had a "Dutch disease" effect on the economy. A single strong - if illegal - exporting sector (cocaine) reduces the relative competitiveness of other exports and employment in other sectors. The rise of the cocaine industry exerted an upwards push on real effective exchange rates, although this was partly offset by a decline in overall revenue from falling exports of the mining sector. Müller y Asociados argue that, overall, the "Dutch disease" led to an overvalued exchange rate which allowed domestic industry to be damaged by cheap imports. This negatively affected the GDP share of manufacturing while it benefited the share of non-tradeable services, whose prices were driven up.

Trading in cocaine by-products also contributes to corruption at local levels, weakening the credibility of local authorities and the real effectiveness of eradication legislation. Additionally, domestic drug consumption has risen to levels higher than those in the United States (1.5 per cent of the population in Bolivia against 0.3 per cent in the United States).

Bolivia's international economic relations, in particular with the United States, and financial assistance provided by international institutions (e.g., the IMF and the World Bank, where the United States has veto rights on loans) largely depend on progress in the suppression of coca production and illegal drug trade.
(3) Industry

(i) Coal, petroleum, natural gas

399. As stated earlier, this sector, currently the backbone of Bolivia's recorded external trade suffered major damages in the past decades. While natural gas became progressively Bolivia's most import formal export item in the 1980s, oil exports, of importance in the 1970s, were reduced to spot sales of naphta and gasoline in 1980 and were phased out in the following years. The growth of imports slowed to 3.6 per cent annually in the 1980s, almost half the annual rate of the 1970s, affecting the economic downturn. Most import growth in the sector during the 1980s was due to coal, gasoline, petroleum and lubricating oils (Table AV.1 and Chart V.11).

400. Bolivia is heavily dependent on foreign exchange earnings from natural gas exports to Argentina. The hydrocarbons industry has potential for future expansion and is potentially very attractive for new investments. However, as stated in Chapter I, its future will depend on exports and domestic use of natural gas and on the discovery of oil fields in the northern part of the country.

401. The share of gas in total exports is expected to fall to 12 per cent in 1993. According to recent official estimates, gas exports to Argentina declined in 1992 and this trend will continue in 1993. (The Argentine market is expected to continue to decline as Argentina increases its own production.) A preliminary contract for gas sales to Brazil may allow exports to that country to attain pre-1992 levels, but Bolivian authorities consider that such sales are unlikely to exceed 14 per cent of total exports.

402. Since November 1990, a new hydrocarbons law provides tax incentives and allows for operating contracts and joint-ventures between YPFB (the State-owned oil company, with exclusive oil refining and distribution rights) in exploration and development of oil fields. The law envisages the participation of private companies in "downstream" activities such as oil refining and distribution. Regulations for the implementation of this law are currently being prepared by the Ministry of Energy and Hydrocarbons. Under the law, royalty payments have been supplemented with a new 40 per cent corporate tax on net profits.

403. The Bolivian Constitution prohibits foreign natural or legal persons from owning property within 50 kilometres from the border. However, as private oil companies operate in fields which remain property of the YPFB, the Government of Bolivia considers that this clause does not restrict private petroleum activities in the border areas. Several contracts include concessions within 50 kilometres from the border.
Chart V.11
Imports and exports in 1980 and 1989/90: Coal, petroleum and natural gas
US$ million and per cent

### Imports

- **Motor spirit, gasoline**: 0.2% (1980), 8.7% (1989)
- **Nonchemical coal, petrol wastes**: 2.2% (1980), 34.5% (1989)
- **Lubricating oils, greases**: 45.1% (1980), 46.3% (1989)
- **Mineral jelly, wax**: 4.7% (1980), 47.8% (1989)
- **Other**: 3.9% (1980), 4.7% (1989)

**Total imports 1980 (US$ million):** 3.59
**Total imports 1989 (US$ million):** 4.92

### Exports

- **Natural gas**: 90.8% (1980), 100.0% (1990)
- **Motor spirit, gasoline**: 0.2% (1980), 0.0% (1990)

**Total exports 1980 (US$ million):** 245.13
**Total exports 1990 (US$ million):** 226.72

**Source:** UNSO Comtrade Data Base.
404. Three foreign companies, Phillips Petroleum (United States), Eurocan
(European Canadian), and Pluspetrol (Argentina) were due to sign 30-year
contracts with YPFB in 1992 and the Bolivian authorities have confirmed
that Phillips Petroleum, Petrolex S.A. (Bolivia), and Sol Petrol (Bolivia)
signed contracts with YPFB in 1992. It is estimated that within the next
six years more than US$30 million in exploration activities will be
invested.

405. Natural gas exports to Brazil are expected to increase in 1995 under
a preliminary agreement signed on 17 August 1992, but will have to face
Argentine competition a few years later, in both the Argentine and
Brazilian markets. The Government of Bolivia is negotiating with the
World Bank, the Inter-American Development Bank and Eximbank of Japan the
partial coverage of the loans (US$1.4 billion) required for the
construction of the 1,800 km pipeline from Santa Cruz de la Sierra to
Campinas (São Paolo State) in Brazil. Initially, the project included a
natural gas-fired power plant to generate electricity for Brazil, but this
was subsequently excluded from the deal, according to the Bolivian
authorities.

406. Northern Chile is another potential market for Bolivian natural gas
exports. The construction of a pipeline is currently being studied by
three independent groups: a joint group of Bolivian and Chilean
businessmen, a consortium of European companies, and a U.S. company.

grew by just over half of one per cent per year while demand increased by
8.68 per cent. In 1991, Bolivia was obliged to import diesel oil, mainly
due to high growth in consumption, compared to the decline in demand for
gasoline since 1985 caused by a price-induced shift of road transporters
(including trucks) from gasoline fired engines to diesel ones, and
expansion in the use of diesel-powered farm equipment.

408. Current shortfalls in oil supply are said mainly to be due to
restrictive work practices tied to demands for higher salaries, rather than
a fall-off in exploitation of reserves. According to the Bolivian
authorities, the natural depletion of existing oil fields and the severe
rainy season in the first half of 1992 were the sole factors which affected
oil output. In the longer term, exploration efforts by multinational

-----

38 Argentina considers Brazil as its principal market for gas produced in the
north-east.

39 EIU (1992)
companies are expected to increase production and generate a surplus for export.

409. As stated in Chapter III, foreign companies such as Occidental and Tesoro (United States) are already operating in Bolivia, while the State-owned YPFB has recently signed operating contracts with Santa Fe Energy, Chevron, Exxon and Texaco. Out of a sedimentary area of 520,000 sq.km, YPFB has exclusive rights over 24 per cent and private companies have operating contracts over 31 per cent, while the rest is open to future exploration.

410. However, if domestic production continues to fall short of demand in the long run, imports in this sector may cause serious macroeconomic disequilibria by affecting Bolivia’s net international reserves and tax revenue pattern. Therefore, growth of oil output will be initially aimed at ensuring domestic supply. Further action is envisaged in the form of a price-induced shift from liquid fuels to natural gas in the residential, commercial and industrial sectors and an attempt to liberalize sales rights and prices in the domestic market. In order to improve the sector’s performance it is recognized that YPFB has to compete with more efficient producers or imports into the Bolivian market, and price fixing must be abolished.

(ii) Ores and metals

411. Mining is Bolivia’s largest industrial sector, with 9 per cent of GDP in 1991. During the 1980s, a combination of adverse domestic and external circumstances has brought about significant declines in exports of tin and copper ores and concentrates as well of tin and lead alloys (Charts V.12 and V.13 and Table AV.1). Imports of processed products have grown, reflecting lack of effective capacity in smelting and processing.

---

YPFB transfers to the General Treasury an amount equivalent to 65 per cent of its gross sales. This sum generates 50 per cent of the Government tax revenue.

The expansion of existing gas pipeline networks (Sucre, Santa Cruz and Cochabamba) is to be financed through a soft loan from the French Government, while new pipelines in five towns (La Paz, El Apto, Viacha, Oruro and Potosi) are planned. Private sector participation is expected for the latter. Regulations for the development, distribution and use of compressed natural gas, aimed at replacing gasoline, are to be approved and exclusively involve the private sector. The privatization of retail sales of hydrocarbons is envisaged when the Government accomplishes the revision of the current price and tax régime (see Chapter IV).
Chart V.12
Imports and exports in 1980 and 1989/90: Ores and metals
US$ million and per cent

Imports
- Iron, steel bars, etc.: 6.0% (1980), 9.7% (1989)
- Iron, steel big sections, etc.: 1.7% (1980), 3.2% (1989)
- Iron, steel thin uncoated: 0.5% (1980), 12.9% (1989)
- Tinned plates, sheets: 2.7% (1980), 2.6% (1989)
- Iron, steel, seamless tubes n.e.s.: 8.6% (1980), 17.1% (1989)
- Iron, steel, tube pipe, n.e.s.: 4.8% (1980), 5.3% (1989)
- Copper, alloys unwrought: 4.5% (1980), 0.2% (1989)
- Tools n.e.s.: 6.0% (1980), 9.6% (1989)
- Structures, parts iron/steel: 5.7% (1980)
- Other: 46.2% (1980)

Total imports 1980 (US$ million): 78.10
Total imports 1989 (US$ million): 66.90

Exports
- Lead ores, concentrates: 2.8% (1980), 5.2% (1989)
- Zinc ores, concentrates: 7.8% (1980), 6.2% (1989)
- Tin ores, concentrates: 8.1% (1980), 26.5% (1989)
- Non-ferrous ore, concentrates, n.e.s.: 5.5% (1980), 11.8% (1989)
- Copper ores, concentrates: 0.7% (1980), 0.4% (1989)
- Tin, alloys unwrought: 3.6% (1980), 0.0% (1989)
- Tin, alloys worked: 28.6% (1980), 43.5% (1990)
- Base metals, n.e.s.: 2.7% (1980), 0.8% (1990)
- Other base metal manufactures: 0.7% (1980), 0.2% (1990)
- Other: 0.0% (1980)

Total exports 1980 (US$ million): 527.66
Total exports 1990 (US$ million): 291.01

Source: UNSO Comtrade Data Base.
Chart V.13
Mineral exports: 1991

Total mineral exports: US$ 356.1 million

Source: Central Bank of Bolivia.

412. Preliminary 1991 data from the Central Bank of Bolivia indicate that the U.S. dollar export value of all base metal minerals fell by 6 per cent from 1990. Tungsten, which accounts for only 2.2 per cent of mineral exports, was the only one to increase. Production of tin, antimony and copper exceeded exports considerably (Table V.7).

413. Production of tin and other minerals is divided among COMIBOL, the State-owned mining company, members of the Medium Mines Association, and small-scale mines. Lack of investment by COMIBOL has inhibited upgrading of plant and equipment while, in the past, foreign exchange constraints

42COMIBOL was created in 1952 when the three largest mining corporations were nationalized. Under Supreme Decree 21377, COMIBOL was restructured and converted into a holding company with five autonomous subsidiary mining companies (Oruro Mining Co., La Paz Mining Co., Potosi Mining Co., Quechisla Mining Co., Eastern Mining Co. and two autonomous smelter enterprises (Vinto Metallurgical Complex, Karachipampa Metallurgical Complex (U.S. Department of Interior (1987), Minerals Yearbook/Area Reports, Vol.III). The Medium Mines Association is an umbrella organization which includes a number of United States subsidiaries. It has diversified away from tin, and invested in modern machinery and methods.
hampered acquisition of new machinery. By international standards, Bolivia, because of COMIBOL's cost inefficiency, has become a high-cost producer.

414. Between 1980 and 1988, tin production fell steadily by some 75 per cent, subsequently recovering to reach 63 per cent of its 1980 volume in 1990. In 1991, it again dropped to about 58 per cent of 1980 levels. Bolivia has been very seriously affected by the decline in world tin prices. Following the withdrawal in 1985 of the International Tin Council's buffer stock management, which had supported prices, virtually all Bolivian output became internationally uneconomic.

415. COMIBOL was most seriously affected by the fall in world prices; its production fell by two-thirds in the decade 1980-1990, reducing its share of Bolivia's tin output from 67 to 35 per cent. COMIBOL's losses in the period were some US$600 million. Small-scale miners' share of output has risen, while members of the Medium Mines Association have successfully diversified away from tin to some extent, while at the same time investing in more modern methods of production.

416. In 1991, Bolivia introduced a new mining code under which foreign firms (except those from the country adjacent to this concession) are permitted to operate within the 50 - kilometre border area, in joint ventures or service contracts with Bolivian miners. In addition, all new investments in the mining sector are subject to a new tax law replacing royalties by a profits tax, thus allowing foreign firms taxed in Bolivia to claim tax credits at home. This will apply to all mining enterprises by 1999. According to the Bolivian authorities, investment in mining increased by 8 per cent in 1991, and cooperative ventures created 10,000 new jobs. However, opposition by mining unions to attracting foreign direct investment through joint ventures led to the suspension of all such contracts in October 1992. According to the Bolivian authorities, joint ventures with COMIBOL were temporarily suspended. Nevertheless, legal issues, now seem to have been resolved, and ten new joint ventures are scheduled for 1993. The remainder of a US$35 million World Bank mining credit was released on 17 December 1992 (pending a review of COMIBOL's structure and operations by private consultants). The credit is aimed at encouraging private sector investment in COMIBOL's mine holdings and might eventually lead to the privatization (partial or full-scale) of the

corporation if union opposition and constitutional obstacles can be overcome.

417. Bolivia is a member of the Association of Tin Producing Countries (ATPC), which establishes export quotas for its members in an attempt to control prices. Bolivia's exports have consistently exceeded its quota, despite increases in the quota. Part of this excess appears to be due to falsely-declared tin smuggled from neighbouring areas of Brazil by individual prospectors.

418. Bolivia, with other tin exporters, is concerned about the possibility of increasing sales by the United States of tin from its strategic stockpile. Such sales would cause further falls in world prices. To date, the U.S. Congress has granted authorization for only 7,000 tonnes of tin stockpile sales per year, against Defence Department requests for authorization of 12,000 tonnes. The Bolivian Ministry of Mining and Metallurgy, in a statement to the U.S. House of Representatives in April 1992, requested the suspension of stockpile sales, emphasizing the effect on world prices, the difficulties of producers and the voluntary export restraints undertaken by Brazil and China.

419. Zinc production has doubled since 1980 to 97,400 tonnes in 1990 (Table V.3). The major producers are medium-scale private companies (59.5 per cent), followed by COMIBOL (23.4 per cent) and small-scale producers.

420. COMIBOL's zinc production is currently faced with profitability and marketing difficulties. The company's management has recently admitted that zinc production failed to achieve 60 per cent of its budgeted overall revenues. Additionally, exporting COMIBOL's zinc output may turn difficult after 1993 when the sole existing contract (with Bill Montan of Belgium) is due to expire. COMIBOL is searching for new zinc markets as no interest in renewing or renegotiating the current contract has been expressed so far.

44 Financial Times, 5 January 1993. It is reported that in February 1993, a supreme court injunction was granted against the October 1992 decree restructuring COMIBOL, on constitutional grounds. (Latin America Weekly Report, 18 February 1993).

45 EIU, Country Profile 1992-93.

46 Sub-Committee on Seapower and Strategic and Critical Materials, Armed Forces Committee.

47 The Bolivian authorities estimate zinc production at 104,000 metric tonnes. This grew by 25 per cent in 1991.

421. Polymetallic seams - containing silver, zinc, tin and lead - are attracting considerable interest, but metal concentrations tend to be small, and transport costs are crucial in determining the viability of mines. Currently, lack of electricity and communications links constitute the greatest physical problem facing mining companies.

422. Antimony production is almost entirely in the hands of the private sector. The major companies are Empresa Minera Unificada (EMUSA), Empresa Minera San Juan Ltd. and Empresa Minera Hermanos Bernal SA (also a smelter owner). Chinese antimony, although not as pure as Bolivian concentrates, is the major competing product.

423. Overall investment in mining has risen in recent years from US$53.49 million in 1989 to US$80.7 million in 1990 and US$96.1 million in 1991. Lithium deposits attracted a leading United States company (Lithco), and it was hoped that a joint venture might be signed with the State-owned CRESU for the construction of a lithium carbonate plant and exploration. However, the final outcome was not known at the time of finalization of this report (February 1993).

424. Traditionally, Bolivian tin concentrates have been processed overseas, either in Europe or the United States. Between 1970 and 1985, an effort was made to increase domestic value of mining output by obliging miners to use the State-owned National Smelting Corporation (Empresa Nacional de Fundiciones or ENAF), created for this purpose at Vinto (Chapter IV). Eighty per cent of total production was processed by ENAF. The World Bank (1983) noted that ENAF, in determining the price to be paid to its suppliers (COMIBOL and private miners), did not pass on the savings in transport cost that resulted from exporting metals instead of concentrates, and occasionally added surcharges for pollution and increased world petroleum prices, even when it did not face such cost increases. However, according to the Bolivian authorities, since ENAF's establishment in 1971, no pollution or oil price surcharges have been levied.

425. Since August 1985, miners have been free to make contracts with overseas smelters and ENAF is an autonomous company within the COMIBOL holding. According to the Bolivian Government, ENAF's Vinto Metallurgical Complex high-grade tin smelter has been mining at 75-80 per cent of its nominal capacity, and it was responsible for the processing of some

50 Bolivia is acknowledged as having the world's largest lithium reserves.
90 per cent of the Bolivian tin production. The Government considers ENAF as one of the world's most competitive tin refineries, and it has been profitable since 1988. It also processes tin concentrates from Peru.

426. Recently, the National Chamber of Traders of Minerals (Cámara Nacional de Comercializadoras Mineras) complained about unfair competition from illegal mining companies (about 300) whose products are marketed by unofficial wholesalers. Official wholesalers buy minerals - supported by COMIBOL licences - from small mines and cooperatives, and supply the ENAF state smelter at Vinto. All official mineral sellers have to register with the Ministry of Mining and Metallurgy.

(iii) Precious stones and precious metals

427. Bolivia's production of silver has increased considerably, from 95 metric tons in 1985 to 337 in 1991. The potential for gold production seems promising. COMIBOL and medium-scale mines have almost equal shares, of around 40 per cent each, in Bolivia's silver production, while small mines (including cooperatives), and medium-scale mines almost monopolized gold production with shares of 62.9 per cent and 36.8 per cent (1990) over the 1980s.

428. Four-fifths of Bolivia's gold production of 4.2 million grammes originate from 78 gold-mining cooperatives in goldfields to the north of La Paz. In 1987, Inti Raymi from the United States was the largest private gold producer.

429. The recent recorded expansion in gold production was due to a decline in illegal sales to neighbouring countries, to better prices offered by the Banco Minero de Bolivia (BAMIN) and private buyers, and to a favourable exchange rate.

--------------------

51 EIU, Country Profile, 1992-93, reports that the Vinto Complex has been running at only 50 per cent capacity.

Chart V.14
Imports and exports in 1980 and 1989/90: Precious stones and precious metals
US$ million and per cent

**Imports**

<table>
<thead>
<tr>
<th>Description</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearls unset, unstrung</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Synthetic, precious/semi-precious</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>stones</td>
<td>7.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Imitation jewellery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carved, moulded goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.3%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Total imports 1980 (US$ million): 0.17
Total imports 1989 (US$ million): 0.16

**Exports**

<table>
<thead>
<tr>
<th>Description</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver and platinum ores</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Silver, unwkd, partly wrkd</td>
<td>0.0%</td>
<td>46.9%</td>
</tr>
</tbody>
</table>

Total exports 1980 (US$ million): 118.40
Total exports 1990 (US$ million): 115.83

Source: UNSD Comtrade Data Base.
430. Precious metals are Bolivia’s third largest export earner. In 1991, gold and silver exports receipts were, respectively, around six times and one-and-a-half times higher than their 1986 levels. Gold exports peaked, in both value and volume terms, at US$64.6 million (5.16 tonnes) in 1990, falling by 39.4 per cent in 1991 to US$39.1 million (3.3 tonnes). The United States Department of Commerce estimated unrecorded gold exports at US$100 million (or 5 tonnes) in 1989.

431. In the same period, silver exports reached their highest value in 1989 (US$58.8 million) while in volume, the peak was reached in 1990 (354 tonnes). In 1991, silver export receipts were US$43.1 million, or 26.7 per cent lower than their 1989 level.

(iv) Raw hides and skins, leather and furskins

432. In the past twenty years, exports of hides, skins and leather goods have grown strongly (Table AV.1 and Chart V.15). Since 1988, leather exports have increased substantially, to reach US$27 million in 1990. In 1991, a sharp fall in exports to the EC (mainly Italy, Spain and Portugal) and Asia (excluding Japan) reduced the sector’s exports to less than half of their previous level.

433. Exports in 1990 were mainly composed of unprocessed items, such as wet blue hides (51.7 per cent), salted hides (25.9 per cent) and leather articles (7.4 per cent). In 1991, regional dependence increased because of the reduction of sales to the EC. LAIA countries imported 68 per cent the main markets were Chile (42.7 per cent) and Peru (15.1 per cent).

434. State involvement in the leather industry is through two plants which are owned by the Ministry of Defence.

---

53 USDC (1989b).
54 In 1990, the EC bought 56.8 per cent of Bolivia’s exports while in 1991 this share fell to 22.2 per cent.
55 These are: Fábrica Militar de Utiles de Cuero and Fábrica de Botas (COSSMIL).
Chart V.15
Imports and exports in 1980 and 1989/90: Raw hides and skins, leather and furskins
US$ million and per cent

Imports

<table>
<thead>
<tr>
<th>Description</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather artificial, reconst.</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Calf leather</td>
<td>0.0%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Leather bovine n.e.s., equine</td>
<td>0.0%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Leather n.e.s.</td>
<td>0.0%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Leather belting, etc.</td>
<td>0.0%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Leather clothes, accessories</td>
<td>0.0%</td>
<td>40.3%</td>
</tr>
<tr>
<td>Others</td>
<td>0.9%</td>
<td>58.7%</td>
</tr>
</tbody>
</table>

Total imports 1980 (US$ million): 0.14
Total imports 1989 (US$ million): 0.11

Exports

<table>
<thead>
<tr>
<th>Description</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bovine, equine hides</td>
<td>7.1%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Sheep skin, common wool</td>
<td>0.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Hides and skins n.e.s.</td>
<td>0.3%</td>
<td>65.7%</td>
</tr>
<tr>
<td>Leather bovine n.e.s., equine</td>
<td>17.8%</td>
<td>88.8%</td>
</tr>
<tr>
<td>Leather n.e.s.</td>
<td>8.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Leather clothes, accessories</td>
<td>0.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Total exports 1980 (US$ million): 5.63
Total exports 1990 (US$ million): 24.50

Source: UNSO Comtrade Data Base.
Wood and cork

435. Despite the immense volume of standing timber, the contribution of forestry to Bolivia's GDP has been minor, mainly because of lack of road access for exploitation. In 1988, more than 66 per cent of the forest industry production was export-oriented and the sector has demonstrated considerable potential.

436. Government sectoral policies and practices generated insecurity of tenure through short-term concessions which accelerated the pace of exploitation, and prevented efficient administration of resources. The lack of effective Government control over the forest industry led to unsound forest management practices.

437. Governmental action under an "Historical Ecological Pause" of January 1990, promulgated in 1991, consists of a suspension of new medium- and short-term forest concessions until 1997, when appropriate legislation and regulations are expected to be put in place. Timber exports should then be authorized only if wood meets requirements set out in these regulations.

438. Despite this, Bolivia is still experiencing one of the world's highest depletion rates, with a loss of about 0.5 per cent of forest cover every year. Responsibility for this rapid deforestation is due to the logging concessions on 22.5 million acres, granted by the Government, representing half the country's forests; badly paid forestry officials vulnerable to corruption; lack of control over land-hungry migrants who have lost their jobs in mining; and the spread of coca and soybean farms with intensive use of fertilizers and herbicides.

439. Overall average annual export growth was reduced sharply in the 1980s because of falling exports of veneer sheets and builders' woodwork. However, exports of plywood, wood simply worked and non-coniferous lumber shaped increased (Table AV.1 and Chart V.16).

---

56 In 1980 was 1.7 per cent while in 1990 it did not exceed 2.5 per cent.
57 MACA (1990), Diagnóstico Forestal.
58 Supreme Decree 22884 of 3 August 1991.
Chart V.16
Imports and exports in 1980 and 1989/90: Wood and cork
US$ million and per cent

Imports

<table>
<thead>
<tr>
<th>Item</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saw-, veneer-logs conifer</td>
<td>18.6%</td>
<td>0%</td>
</tr>
<tr>
<td>Plywood</td>
<td>15.6%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Lumber shaped conifer</td>
<td>40.7%</td>
<td>40.7%</td>
</tr>
<tr>
<td>Wood simply worked n.e.s.</td>
<td>6.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Wood manufactures, domestic, etc.</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other wood manufactures</td>
<td>10.1%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Cork manufactures</td>
<td>40.5%</td>
<td>40.5%</td>
</tr>
<tr>
<td>Other</td>
<td>25.9%</td>
<td>25.9%</td>
</tr>
</tbody>
</table>

Total imports 1980 (US$ million): 0.83
Total imports 1989 (US$ million): 0.47

Exports

<table>
<thead>
<tr>
<th>Item</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plywood</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Railway sleepers n.e.s.</td>
<td>12.1%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Lumber shaped non-conifer</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Lumber shaped conifer</td>
<td>73.2%</td>
<td>73.2%</td>
</tr>
<tr>
<td>Veneer sheets</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Wood simply worked n.e.s.</td>
<td>3.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Builders woodwork, prefabs</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Other</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Total exports 1980 (US$ million): 32.34
Total exports 1990 (US$ million): 49.82

Source: UNSO Comtrade Data Base.
440. Between 1986 and 1990 wood exports increased by 400 per cent, reaching a peak of US$49.9 million in 1990. In 1991, they fell slightly, to US$48.8 million. Wood exports are based on a few high-quality and high-value species such as \textit{mara} (mahogany) and oak. In 1990, exports were composed mainly of non-coniferous sawn wood (74.5 per cent), railway or tramway sleepers of wood (10.7 per cent), wood sawn lengthwise (around 5 per cent) as well as veneered panels, wooden beadings and mouldings, etc.

441. Wood is another non-traditional product which is heavily dependent on regional exports. In 1991, LAIA countries imported 51.2 per cent of total wood exports, MERCOSUR countries 35.7 per cent (mainly Argentina) and the Andean Group 6.4 per cent. The main markets for Bolivian wood were the United States (44.6 per cent), Argentina (34.6 per cent), Mexico (6.3 per cent) and Venezuela (5.7 per cent).  

442. Forest taxes (mountain tax, forest plantation tax and royalties, see Chapter IV) apply on the basis of annually updated rates per cubic metre or log. The World Bank (1992a) estimates the combined incidence of the mountain and forest plantation taxes at 2.25 per cent, while royalties stand at a nominal rate of 11 per cent. It also considers that the current system of forest fees and charges fails to collect significant revenue both because they are set at low rates and because they are widely evaded.

443. The National Forest Chamber of Santa Cruz (Câmara Nacional Forestal or CNF) which represents all wood industries and traders (e.g. the industry lobby group), is authorized to issue certificates of origin accompanying wood exports. It participates in fairs and promotes training and afforestation projects. CNF is funded by the forest plantation tax (recaudaciones por concepto de plantaciones forestales) which is a "voluntary" contribution to support plantations (Chapter IV).

444. The Forest Development Centre (Centro de Desarrollo forestal or CDF) of the Ministry of Agriculture and Rural affairs collects the mountain tax.

(vi) \textbf{Textiles and clothing}

445. In 1990, Bolivia's textile and clothing exports of US$17.3 million consisted mainly of llama and alpaca hair (37.5 per cent), cotton knitwear (19.6 per cent) and clothing from llama and alpaca hair (13.9 per cent). Exports of textiles and clothing increased during the 1980s (Table AV.1 and Chart V.17).

---

\textsuperscript{60} Central Bank of Bolivia (1991).

\textsuperscript{61} DICOMEX (1990).
Chart V.17
Imports and exports in 1980 and 1989/90: Textiles and clothing
US$ million and per cent

### Imports

<table>
<thead>
<tr>
<th>Item</th>
<th>1980</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synthetic fibre to spin</td>
<td>18.3%</td>
<td>26.2%</td>
</tr>
<tr>
<td>Grey cotton yarn in bulk</td>
<td>4.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Yarn of synthetic fibres</td>
<td>7.6%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Woven synthetic fabrics</td>
<td>9.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Coated, etc. textiles, n.e.s.</td>
<td>16.3%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Bags, sacks of textiles</td>
<td>5.8%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Textile clothes not knit</td>
<td>39.4%</td>
<td>33.2%</td>
</tr>
<tr>
<td><strong>Total imports 1980 (US$ million):</strong></td>
<td>21.05</td>
<td></td>
</tr>
<tr>
<td><strong>Total imports 1989 (US$ million):</strong></td>
<td>24.62</td>
<td></td>
</tr>
</tbody>
</table>

### Exports

<table>
<thead>
<tr>
<th>Item</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine hair, uncombed</td>
<td>15.0%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Raw cotton, excl. linters</td>
<td>22.9%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Cotton linters</td>
<td>1.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Grey cotton yarn in bulk</td>
<td>0.0%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Blankets, coverlets, etc.</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Textile clothes not knit</td>
<td>65.0%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Clothing, accessories knit</td>
<td>0.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Total exports 1980 (US$ million):</strong></td>
<td>4.07</td>
<td></td>
</tr>
<tr>
<td><strong>Total exports 1990 (US$ million):</strong></td>
<td>20.23</td>
<td></td>
</tr>
</tbody>
</table>

Source: UNSO Comtrade Data Base.
(viii) Transport equipment

446. Transport equipment is the largest import sector for Bolivia, accounting for one-fifth of total imports. The average annual growth rates declined considerably in the 1980s. However, imports of buses and aircraft parts grew rapidly from 1980 to 1989. In the 1970s, imports of passenger cars and tractors experienced high annual average growth rates which declined in the following decade (Table AV.1).

447. Price Waterhouse (1988) refers to tractors and motor vehicles assembly activities carried out in Bolivia. The Ministry of Defence owns an automobile plant which produces certain categories of vehicles, components and parts for the Andean Group countries. It appears that, in the framework of the Andean Pact, Bolivia has been assigned truck-building capacity. Renault has installed an assembly plant for vehicles between three and nine tonnes.

\[62\] Empresa Nacional Automotriz is property of COFADENA (Corporacion de las Fuerzas Armadas para el Desarrollo Nacional) the armed forces conglomerate.

\[63\] World Bank (1983).

\[64\] Nicanovich (1985).
VI. TRADE DISPUTES AND CONSULTATIONS

(1) GATT Dispute Settlement

448. Bolivia has never been subject to a complaint under any GATT dispute-settlement procedure.

449. Bolivia has never been a complainant under Article XXIII, nor has it made any submission to any GATT panel.

(2) Other Disputes

450. No notifications have been made by Bolivia against other contracting parties. No notification against Bolivia in the area of non-tariff measures has ever been submitted to the GATT Secretariat.
REFERENCES

Banco Central de Bolivia (1991), Memoria 1990, La Paz.

Banco Central de Bolivia (1991), Boletín del sector externo No 6, La Paz, December.

Cámara Nacional de Exportadores de Bolivia, Exportemos, several issues.


Cámara Nacional de Exportadores de Bolivia (1992), Las Exportaciones ¿Porqué caen?, III Congreso Nacional de Exportadores, La Paz, May.


G. Chávez Alvarez (1991), Macroeconomía de la Privatización en Bolivia, La Paz, August.


GATT (1990), BISD 36th Supplement, Geneva, July.


Latin American Economy & Business, several issues.

Latin American Weekly Report, several issues.


Morales (1990), *The Transition from Stabilization to Sustained Growth in Bolivia*, Universidad Católica, La Paz, April.


Müller y Asociados (1988), Análisis de los Acuerdos con el Brasil, Boletín No 36, La Paz, September.


Müller y Asociados (1991), Sector informal y crecimiento económico en Bolivia, Boletín No 67, La Paz, November.


Müller y Asociados (1992), La política sectorial de hidrocarburos, Informe Confidencial No 70, La Paz, April/May.


Presidencia de la República (1992), Fondo de Inversión Social, La Paz, March.


Ramírez C. P. (1991), Análisis de los determinantes del tipo de cambio real de equilibrio en Bolivia, La Paz, August.


UDAPE (1990), Exchange Rate Policy in Bolivia: Recent Developments and Further Prospects, Prepared by the Harvard Institute for International Development Project, La Paz, November.

UDAPE (1991), Grado de Implementación del D.S.22407, La Paz, December.

UDAPE (1992), Bolivia: Capacidad Global de Endeudamiento, La Paz, January.

UDAPE (1992), Perspectivas para el Sector externo Boliviano durante el Período 1991-2000 (Versión Preliminar), La Paz, February.


UDAPE (1992), Política de Exportaciones, La Paz, May.


UDAPE-IICA (1992), Bolivia y la Política Agropecuaria en el Grupo Andino, La Paz, March.


