NATIONAL TRADE ESTIMATE REPORT

BOLIVIA

TRADE SUMMARY

Bolivia's trade deficit with the U.S. was USD 105,477,000 in 2002, a 48 percent decrease from 2001 (USD 155,504,000). U.S. goods exported to Bolivia in 2002 totaled USD 276,439,000, down 11.8 percent from the previous year (USD 313,315,000). U.S. imports from Bolivia totaled USD 170,992,000, up 8.4 percent from 2001 (USD 157,811,000).

U.S. foreign direct investment (FDI) in Bolivia in 2002 totaled USD 999,013,000, down 13.9 percent from 2001 (USD 877,112,000). FDI in Bolivia is concentrated primarily in the oil and gas (exploration and exploitation of crude oil and natural gas) and construction sectors.

IMPORT POLICIES

Tariffs

ATPA/ATPDEA

As a result of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), signed into law in August 2002, Bolivia's export sector has important growth opportunities.

With this law, the U.S. continues to be an important market for Bolivian wood, textiles, leather and jewelry manufactures. Exports of these sectors in 2002 showed a 4 percent increase from the previous year, totaling USD170.7 million. The U.S. market accounted for 63 percent of total exports from these sectors.

In an effort to establish incentives for export production as well as to improve the organization of small and micro manufacturers of these sectors, in April 2003 the GOB put into effect its ATPDEA "Short Term Action Plan" (Supreme Decree 27020). The GOB created two special funds initially totaling USD 3.6 million to finance new investments and working capital. Investment capital will be destined to the "maquicentros", or factory centers, where micro producers will come together and, on the basis of economies of scale, comply with international certification requirements. Operating capital will support business plans for exports to the U.S.

Import Controls

Import licensing requirements exist on only a few products such as firearms, munitions and explosives imported by private companies/persons, and chemical precursors that are applicable to cocaine production.

Safeguards

Bolivia currently does not have safeguards on any products.

Import Customs Tariffs
Bolivia has a three-tier tariff structure. Capital goods designated for industrial development pay no tariff, non-essential capital goods pay a 5 percent tariff, and most other goods pay a 10 percent tariff.

LABELING

As of February 2002, all pre-packed food products (national or imported) must comply with the labeling norms established under Supreme Decree 26510. Labeling must include:

1. the Sanitary Registry number issued by the National Food and Plant Safety and Inoculation Service (SENASAG); and,
2. the manufacturer, importer or distributor tax payer's number and address.

All labels must be approved by SENASAG.

Because food manufacturers and food importers have found flaws in this Decree, and have proposed major changes to it, this regulation is not currently being enforced by government authorities.

GOVERNMENT PROCUREMENT

All government purchases are regulated under Supreme Decree 25964 (basic norms for the administrative system of goods and services). Government entities in Bolivia usually do their own procurement, calling for public bids for large purchases. Even though there is no limitation on foreign participation in government purchases, a 10 percent preference margin is given to domestic firms. Local micro and small entities are also given priority on small purchases under USD 7,000. Bolivian law does not require the use of local distributors for private sector commercial sales. Most government purchases, however, call for local agents.

Foreign and local bidders on government tenders must post two bank or guarantee bonds:

1. seriousness or responsibility bond equivalent to 1percent of total bid;
2. specifications compliance, assurance and delivery date bond equivalent to 3.5 percent of total bid.

All government bids must be published in the Official Announcement Gazette (www.gaceta@comunica.gov.bo) and can be found on the Public Contracts website (www.sicoes.gov.bo).

EXPORT SUBSIDIES

Bolivia has eliminated its export subsidies programs and replaced them with drawback mechanism.

EXPORT POLICIES

The national policy for export promotion is based on the principle of “tax neutrality,” which avoids the export of taxes.

The Export Development and Taxation Law and the complementary Law 1963 established that exporters of products and services would be refunded their internal consumption taxes and the tariffs paid for materials incorporated into their final products.

Supreme Decree 25465 establishes the Value Added Tax (IVA) return, though a fiscal credit and debit system. The tariffs refunded depend on the size of exports (4% for minor exports and 2% for medium exports). For large exports, the return coefficient is calculated in accordance to the industry’s cost structure.

Exporters must register in the SIVEX (Export Window System) and obtain their RUE (export registration) that grants the export benefits. The documents required to obtain the RUE are:

- RUC (taxpayer registration number)
- Registration number in the National Commerce Registration Service (SENAREC)

To carry out export paperwork, the following documents are required:

- Customs exports declaration
- Exports commercial invoice
- Other certificates

Once merchandise has been formally exported, the exporter may request that the tax and tariff refund be paid. The paperwork to obtain this refund can be done by the company itself in places where SIVEX offices are available or through a Customs Agent.

The Temporary Importation for Exports Regime (RITEX) allows the entry – with an import tariffs suspension – of raw materials and intermediate goods to the national customs territory, for their exclusive use in the productive process of export products.

TRADE AGREEMENTS

Bolivia's experience with regional integration and free trade agreements has been disappointing with the exception of the CAN. Bolivia's soy exports enjoy preferential entry into Colombian, Venezuelan, and Ecuadorian markets, edging out more efficient production in Argentina and Brazil. With MERCOSUR and other liberalized trade arrangements, Bolivia has experienced mostly increased trade deficits.

Andean Community
Bolivia is a member of the Andean Community (CAN). The CAN adopted its Common External Tariff (CET) in November 1994. While this theoretically established a customs union, with a CET applicable to third countries, there have been many cases of non-compliance among members of the Community. To facilitate negotiation of the Free Trade Area of the Americas (FTAA), Bolivia, Ecuador, Peru, and Venezuela have agreed to common tariffs for 40 percent of products – these tariffs were reported to the negotiating committees of the FTAA on October 15, 2002. Tariffs on remaining products should be reported to FTAA sometime in 2004.

In 2002, 30 percent of total Bolivian exports were to the CAN (USD 339.10 million), and 13 percent of Bolivia's total imports came from the CAN.

MERCOSUR
Bolivia signed a free trade agreement with MERCOSUR, which became effective on March 1, 1997. In 2002, Bolivian exports to Mercosur totaled USD 291.9 million.

Mexico
Bolivia signed a free trade agreement with Mexico in September 1994. Exports to Mexico have nonetheless remained insignificant.

Cuba
Bolivia's free trade agreement with Cuba has led to little expansion in trade with that country.

Chile
Bolivia has a limited trade agreement with Chile, under which 360 Bolivian products are exempted from taxes in Chile and 270 Chilean products are exempted from taxes in Bolivia.

Bolivia today has a large trade deficit with Chile. In an effort to reverse the negative trade figures with that county, the former government began negotiating a new free trade agreement. It was hoped that, with a new agreement, up to 7,000 Bolivian products will enter the Chilean market duty free. Chilean products will enter the Bolivian market duty free in a period of five years, except those products deemed "sensitive," which will be able to claim tax exception for 8 to 10 years. Sugar was intended to be included in the list of items.

Under the new agreement, the products that will benefit the most are: soy, hydrocarbons, soy meals and sunflower seeds, sodium borates, tin, animal and vegetable fat, wood sawmill, alcohol, leather manufactures, palm hearts, bananas, apparels, beer, cigarettes and meat.

Shortly after taking office in October 2003, the Mesa government put a hold on FTA negotiations with Chile since the public's concern is that Chile would benefit more from the agreement than would Bolivia.

USA
In November 2003, USTR announced plans to begin negotiations for an FTA with Colombia and Peru, with subsequent "docking" provisions for Bolivia and Ecuador. Negotiations will likely begin in mid-2004.

INVESTMENT BARRIERS

Since 1985, restrictions on foreign investment have been removed in all sectors. The GOB established a program to sell Government-owned entities, modernize banking laws, free currency conversion, remove most trade restrictions and lower tariffs. During the 1993-97 presidential term, the GOB implemented the so-called "capitalization" (privatization) program. This program differs from traditional privatization in that the money paid by the new strategic partners for a fifty percent share of the business equity went directly into new investment rather than to the government.

In September 1990, the GOB approved the Investment Law. This law, together with other complementary legislation, opened the country's economy to foreign investment,
The law established guarantees such equal treatment of foreign companies, the unhindered remission of profits, convertibility of currency, and the right to international arbitration in all sectors. Bolivia has also signed bilateral investment protection agreements with several countries, including the U.S.

While foreign investments by law should be relatively simple exercises, the process of investing has become increasingly complex in recent years given Bolivia's widespread corruption and deteriorating social situation. Foreign companies have been the victims of social demonstrations and unrest, including roadblocks, occupations of facilities, looting, vandalism and even extortion attempts.

TRADE PROMOTION

Bolivian System for Productivity and Competitiveness

In November 2001, the GOB, in order to carry out a State policy to improve the country's competitiveness, created the "Bolivian System for Productivity and Competitiveness," with the objective of making the productive sectors and state administration increase investments and exports as well as create sustainable development.

Investment Promotion Institutions

The Ministry of Foreign Trade and Investment was created during the administration of President Hugo Banzer (1997 – 2001) with the objective (along with its three Vice Ministries of Investment and Privatization, Exports, and Tourism) of promoting private investment – both domestic and foreign – in the country, developing the country's tourist potential, and stimulating exports to regional and world markets. In 2003, the Ministry was folded into the Ministry of Economic Development; foreign trade and investments are now handled by the Vice Ministry of Industry, Commerce and Exports.

The Center for Promotion of Bolivia (CEPROBOL) is a decentralized institution, dependent on the Ministry of Economic Development. Its mission is to promote exports, stimulate the growth of the country's export capacity, increase access to international markets, promote national and foreign investments, and promote tourism. Unfortunately, the institution's small budget is not enough to carry out investment promotion and export programs.

The National Chamber of Exporters of Bolivia is a well-organized private institution actively involved in trade promotion. The Chamber, in coordination with the GOB, has prioritized four sectors – wood, textiles, leather and food products – and is currently promoting those products in the U.S., Europe, Chile and Japan. Financing for this institution is being provided by the Inter-American Development Bank (IDB), USAID and the Andean Development Cooperation (CAF).

WTO Agreements

GATT

Bolivia acceded to the GATT in 1989 and ratified its membership in September 1990. The Bolivian Congress ratified Bolivia's membership in the WTO in late 1995. In 2002, Bolivia ratified the Fifth Protocol of the WTO on Financial Services. Bolivia is several years overdue in achieving complete compliance with the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement.

COMMON EXTERNAL TARIFF

According to Decision 324 of the CAN's Cartagena Agreement, the creation of a free trade zone among Bolivia, Colombia, Ecuador and Venezuela should be coupled with an exemption of import duties for goods (GAC) coming from CAN member countries. Exceptions are allowed in the case of risks to public health or national security.

INTELLECTUAL PROPERTY RIGHTS

Bolivia's existing legislation governing protection of intellectual property rights (IPR) is insufficient, and enforcement efforts have been sporadic and largely ineffective. Piracy rates of videos, sound recordings, and software remain among the highest in Latin America. The 1992 Copyright Law recognizes copyright infringement as a public offense, and in May 2001 the new Bolivian Criminal Procedures Code began to provide for the criminal prosecution of IPR violations. However, laws are largely not enforced and U.S. firms have had little success in getting justice in this area from Bolivian courts.

The Government is undertaking steps to modernize both its legislation and enforcement capabilities regarding the protection of IPR. During 2000-2001, the Ministry of Justice completed a draft IPR reform law that was submitted to Congress for ratification. However, as of December 2003, the Congress has yet to approve it. Given CAN norms, CAN decisions – specifically Decision 486 on IPR – should take legal precedence over Bolivia's national IPR-related laws. Unfortunately, few judges are aware of the CAN decisions. USAID is undertaking a project to educate judges on the applicability of these decisions to Bolivian law.

In early 1999, the Bolivian Government established an independent National Intellectual Property Rights Service (SENAPI), uniting under one authority the previously disparate offices in charge of enforcing industrial property rights and copyrights. This effort has brought new coherency to government efforts to protect IPR effectively. During 2003, USAID, through its competitiveness program, began supporting the non-political institutionalization of SENAPI.

Bolivia has fully joined the World Intellectual Property Organization, and Congress approved accession to the Paris, Geneva and Bern Conventions.

Bolivia ratified the Patent Cooperation Treaty in 2003.

FREE ZONES

Free industrial and trade zones were established in Bolivia in 1991 in order to facilitate commercial and industrial operations.