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Memorandum on Foreign Trade Régime

The following Memorandum on Foreign Trade Régime has been received from the Permanent Mission of Bolivia. In order that the matter may be examined by the Working Party (L/6224/Rev.1), contracting parties are requested to communicate to the secretariat by 30 September 1988 any questions they may wish to put concerning the matters dealt with in the Memorandum, for transmission to the delegation of Bolivia.

88-1104

MEMORANDUM ON THE FOREIGN TRADE REGIME OF BOLIVIA

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[1]Annexes 2 to 15 are available for consultation in the secretariat (Development Division, Office 2010).

MEMORANDUM ON THE FOREIGN TRADE REGIME OF BOLIVIA

CHAPTER I

Summary

1. In the past three years, Bolivia has achieved noteworthy successes in its effort to overcome the most acute economic crisis of its entire history. The rate of inflation, which reached 24,000 per cent annually in September 1985, was cut back to 10.66 per cent in the twelve months up to August 1987 and has continued around that level during the past year. Hyperinflation was mastered through a programme of economic adjustments that proved very successful in stabilizing the Bolivian economy. This result is reflected, in particular, in the rate of exchange of the Bolivian currency in relation to the United States dollar, which has remained stable since the introduction of the New Economic Policy in August 1985.

2. Nevertheless, serious problems remain. Over the period 1982-1986, gross domestic product was declining on average by 3.19 per cent each year. This decline inevitably led to a high rate of unemployment, estimated to have reached 20 per cent in 1986. In that same year, on the other hand, under-employment reached 57.3 per cent, reflecting a pronounced expansion of the informal economy. Fortunately, the Government's resolute efforts toward economic recovery showed their first fruits in 1987; in the first six months of that year, GDP progressed by 0.4 per cent, despite continuing adverse external conditions. In this way, it has been possible to reverse the downward trend in output, after five years of continuing decline.

3. The principal problem facing the Bolivian economy at the present time is imbalance in the external sector, basically caused by the collapse of the tin market and the slump in prices of hydrocarbons - products which in 1985 made up 83 per cent of Bolivia's exports. The international market for tin plunged on 24 October 1985: the average quotation dropped from US$5.32 per pound of metalliferous ore in that year, to US$2.56 in 1986. The selling price of natural gas, which is regulated by an agreement with the Argentine Republic, fell from $4.76 per thousand cu.ft. to $3.32 over the same period. These two developments caused export earnings to drop back by $96 million in 1987, representing approximately 18 per cent of the value of exports in that year.

4. Once the first objective of the economic policy in force had been achieved - stabilization of the economy - the Government concentrated its efforts on the second major objective, namely re-activation, which in turn implies a process of reconversion of production structures, aimed at expanding and diversifying exports.

5. Another extremely important factor is the foreign debt. At 31 December 1986, Bolivia's foreign debt was at the level of $3,613 million. The part corresponding to bilateral operations with

foreign governments was negotiated within the framework of the Paris Club in June 1986, and a new negotiation is scheduled for the current year. Loans from international financial institutions are being repaid regularly. As regards obligations with private institutions, Bolivia has just reached an agreement with the negotiating committee of the private banking sector, for partial re-financing of its debt at market prices. As and when this agreement is implemented, Bolivia will be freed of a large part of its debt vis-à-vis private creditors - totalling some $680 million - thereby opening possibilities for tapping new external resources for the country's development.

6. Bolivia's economic policy is based on the principles of allocation of resources through the market, freedom of action, and transparency - principles which likewise guide its foreign trade policy.

7. In pursuance of that policy, the import régime is geared to the lifting of all types of restriction on imports of products and to the establishment of a single 10 per cent duty rate, which already applies to capital goods and as from 1990 will also apply to other products, through successive reductions in the (present) initial rate of 20 per cent. Imports in general are not subject to prior permit, except in the case of products affecting public health or security of the State, as specified in Section III.3. Nor are there any exchange restrictions.

8. Similarly, the export policy comprises no restrictions other than prohibitions in the context of repression of drug-traffic or those based on considerations of national security, conservation of the nation's cultural heritage, fauna and flora, subject to legal principles in force internationally. Non-traditional export products are eligible for the refund of import duties paid on products incorporated in the goods exported. In order to avoid double taxation, a tax credit is also granted to all exporters in respect of value-added tax paid on the purchase of inputs of domestic origin.

9. Bolivia is a member of the Latin American Integration Association and, as such, grants preferential tariff treatment to the other member countries of that organization, in pursuance of bilateral agreements which are listed in Section V.1. It is also a member of the Andean Group. Nevertheless, as explained in Section V.2, the agreements concluded within that Group on common tariff treatment and other trade provisions have not yet become fully effective. Moreover, those provisions will have to be adjusted to those of the Protocol Amending the Cartagena Agreement, adopted in May 1987, whose entry into force is subject to deposit of the relevant instrument of ratification by all member countries; this deposit took place only very recently. Bolivia's participation in other regional organizations does not involve the grant of any preferential tariff treatment.

10.[1] As regards their structure, Bolivia's imports mainly consist of capital goods (42 per cent), raw materials and intermediate products (33 per cent). Consumer goods account for 24 per cent of the total. The major part of imports come from LAIA member countries (47 per cent), followed in order of importance by the United States (22 per cent), the European Economic Community (14 per cent) and the Asian countries (8 per cent).

11. Bolivia's exports basically consist of natural gas (55 per cent) and tin (28 per cent). The principal export markets are: LAIA (60 per cent, of which Argentina 56 per cent), the European Economic Community (20 per cent) and the United States (13 per cent). For the moment, the sole market for natural gas is Argentina, but negotiations are proceeding for the construction of a gas pipeline and a sales contract with Brazil, with financing from the World Bank. Other important export items include mineral ores (antimony, zinc, wolfram), wood, coffee, sugar, hides and skins and soyabeans.

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[1] The figures in this paragraph and the ensuing one correspond to 1985 and are recorded in Tables 8 to 11 of Annex 1.

CHAPTER II

ECONOMIC PROFILE OF BOLIVIA

II.1 PAST DEVELOPMENTS AND PRESENT SITUATION OF THE ECONOMY

A. Background

Bolivia is the second least-developed country of Latin America. Gross domestic product (GDP) per capita in 1986 was $620, a figure resulting from the official figure for GDP and estimates of population growth. Nevertheless, the World Bank[1] places Bolivia last among the least-developed countries, with a GDP of only $470 per capita in 1985. The standard of living is now practically at the level of 1975, as a consequence of a 14 per cent decline in gross domestic product since 1980.

Bolivia has a population of approximately 6.5 million on a territory of some 1,100,000 square kilometres, situated in the centre of South America. Because of its geographical characteristics and the fact that it is a land-locked country, access to Bolivia is difficult as is the despatch of exports to international markets; this is the main cause of the high cost of transport. The major part of the population is established in the alti-plano (high plateau) region in the west of the country, at altitudes of more than 3,200 metres above sea level. Agricultural development in this region is limited by weather and ecological conditions which in general allow only production for self-supply, leaving a very small marketable surplus. In the eastern part of the country, there are extensive low-lying areas, suitable for agriculture and animal husbandry, which are being developed with considerable vigour, but, as in the western region, adequate infrastructure is lacking.

Although an underdeveloped country, Bolivia is rich in natural resources. Ever since the colonial era it has essentially been a mining country. The mountain region contains vast deposits of tin, gold, silver, wolfram, iron, zinc, antimony and other minerals. In the past two decades the natural resources of the eastern region have taken on growing importance: in addition to the agricultural potential, there are substantial reserves of hydrocarbons, in particular natural gas, and mineralized areas.

Without embarking on an analysis of the underlying structural causes which, in addition to those mentioned, account historically for the low level of Bolivia's development (low population density which restricts the domestic market, lack of diversification in the modern sector of the economy - contributing to aggravate its vulnerability - geographical

[1] Report on World Development, 1987, World Bank, 1987, page 228

dispersal, inadequacy of investment with very little foreign capital, political instability) it should be noted that our country's possibilities for advancement have been severely limited during the present decade by various external and internal factors.

Many of the contributory causes for the economic crisis that began early in this decade had been developing for some time already, for example the growing State bureaucracy, the deficit recorded by public undertakings (in particular COMIBOL, the State mining enterprise), legal rigidities in regard to employment, fiscal disorder and tax evasion. Nevertheless, others were of more recent origin. Early in the 1980s Bolivia began to feel the effects of negative economic influences on the entire Latin American region: falling commodity prices, the growing burden of debt servicing as a consequence of high real interest rates, escalating protectionism, etc.

Additional to these causes was the "de-dollarization" policy adopted by Bolivia in August 1982 and the financial chaos that ensued. The financial market most affected was that of the dollar. Transactions in foreign currency were severely restricted, and as a result there developed a parallel market for that currency, in which quotations reached a level more than fourteen times above the official quotation.

The crisis reached a peak with the highest inflation rate ever recorded in the economic history of Latin America, and the seventh highest in the history of mankind.

B. <u>Prices, exchange rate, interest rates</u>

The average annual rate of inflation increased from 123.54 per cent in 1982 to 11,749.63 per cent in 1985, reaching its highest point in August 1985 at 24,000 per cent in annualized terms. Interest rates reached 50 per cent monthly in July 1985. At the same time, various price control schemes were in effect in the country, causing further distortion of market signals and discouraging production.

The inflationary spiral was accompanied by a similar trend in the exchange rate. The dollar quotation, which continued stable at a level of $b.24.51 during the 36 months preceding January 1982, began an uncontrolled climb in December of that year, rising from $b.196 per US dollar to $b.1,692,000 in December 1985 (in the parallel market). In other words, the Bolivian peso lost 99.98 per cent of its value in relation to the United States dollar.

This situation was reversed from September 1985 onward, as a consequence of implementation of the New Economic Policy, laid down in Supreme Decree 21060.[1]

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[1] Supreme Decree 21060 is reproduced in Annex 2.

As is clear from the figures in Annex 1, Tables 1 and 2, inflation in 1987 reached a rate of 10.7 per cent - paradoxically the lowest in the South American region - and the exchange rate remained stable at around Bs. 2 per dollar from January 1986 onward.[1] Nominal interest rates have also declined substantially, although in real terms they have remained high. While the high level of interest rates has encouraged repatriation of capital, it has become a limiting factor for reactivation of producing activity.

C. Production

Gross domestic product (GDP) has been declining continuously since 1982, as may be seen from Annex 1, Table 4. The average annual rate of decline was 3.19 per cent until 1986. Because of their relative importance in the composition of GDP, the principal factors that contributed to economic recession were the downturn in mining production (-16 per cent on average during that period) and in manufacturing output (-28 per cent).

Taking into account the growth in population during this period (1982-1986), GDP per capita declined still further (-5.86 per cent annually on average during the period 1982-1986) and dropped to the alarming level of US$620 per capita in 1986.

Although with some delay, the economic policy initiated in August 1985 has also had a positive effect on the level of production, which rose by 0.4 per cent during the first six months of 1987. During the year 1987, GDP is estimated to have risen by approximately 2 per cent.

D. Employment

During the period 1982-1985, the downturn in production was accompanied by a high rate of unemployment which reached 18 per cent in 1985. In the course of 1987 it rose further to 22 per cent, because of the crisis in the Andean mining industry and adjustment measures that caused a substantial reduction in the number of workers in public undertakings. The State mining enterprise, COMIBOL, alone found itself obliged to lay off some 20,000 workers. Furthermore, the critical unemployment situation inherited from earlier administrations was reflected in a high rate of under-employment.

To solve the problem of unemployment, the highest priority in the social and economic area, the Government is applying a two-stage strategy.

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[1]With effect from January 1987, the Bolivian national currency has become the "Boliviano" in place of the "Bolivian peso" with the following equivalence: Bs. 1 = $b. 1,000,000.

For the short term, it has established an Emergency Social Fund with the objective of creating temporary employment, in particular for the relocated population of mining centres. The Emergency Social Fund is operating successfully: 16,200 jobs have been created and a total of 76,900 are planned by the end of 1989, with the investment of $30.21 million to date (to which will be added $44.25 million in the second half of the current year and $75.54 million in 1989); the appropriateness of this renewed and pragmatic approach has been recognized - an approach that involves the financing of labour-intensive community projects. Such recognition has led various governments of friendly nations to pledge contributions to the Fund totalling $37 million to be disbursed until 1989, and similarly the World Bank has granted to the Fund an initial credit of US$10.79 million and a supplementary credit of US$29.28 million, approved with an exceptional objective and negotiated in record time.

In the long term, it is hoped that the projects described in section II.4 will take up part of the currently idle labour force and that the country's economic stability will encourage private investment which in turn would contribute to reduce unemployment. The Financing for the various projects concerned is set forth in detail in Supreme Decree 21660 and in section II.3.

E. Foreign debt

Table 6 of Annex 1 shows developments in Bolivia's foreign debt since 1980. In December 1986 it totalled $3,614 million, a figure 43 per cent above the level in 1980. Of that total (1986), US$1,111 million was in respect of indebtedness vis-à-vis multilateral institutions, US$1,757 for bilateral creditors and US$684 for refinanced private debt. The rest corresponds to private creditors (suppliers, banks not participating in the consortium established for the negotiation, etc.) and short term indebtedness.

Still more revealing for the purpose of analysis is the contrast between these figures and Bolivia's exports and production level. Bolivia's foreign debt is equivalent to 130 per cent of its gross domestic product - one of the highest rates in the world. Data furnished by the Central Bank of Bolivia indicate that in 1985 the foreign debt was equivalent to 500 per cent of exports, and according to the World Bank interest payments alone were equivalent to 7 per cent of GDP.[1]

In these circumstances, timely compliance with foreign obligations was materially impossible. With a view to honouring its commitments and restoring confidence in the country, the Government adopted a strategy based on recognition of those obligations, and on elaborating negotiating

[1] Updating Economic Memorandum on Bolivia, World Bank, 15 December 1986, p. ii

terms compatible with Bolivia's payment capacity and its basic operating and development needs in priority areas. In this context, it made punctual payments on the multilateral debt, renegotiated the bilateral official debt in the Paris Club, and continued negotiations with the international private banking sector through the consortium of creditor banks.

The renegotiation with the Paris Club took place in July 1986, with results acceptable to the parties involved. The problem of Bolivia's foreign debt was approached through new interest terms and deferral of the pending debt. New re-programming of the bilateral debt is to take place in the near future in the Paris Club.

Despite this understanding, there are still problems with the two major regional creditors: Brazil and Argentina, with which countries negotiations have continued. Finally, in October 1987 an agreement was reached with Argentina, while negotiations with Brazil are continuing. The debt vis-à-vis this latter country is at the level of $164 million.

Servicing of the trade debt was suspended in 1984 because of the critical economic situation, and in July 1987 an unprecedented agreement was reached between the Republic of Bolivia and the consortium of creditor banks. This agreement, which has been supported by the International Monetary Fund, comprises the re-purchase of a large part of Bolivia's trade debt at its current selling price in the secondary market, which is in the region of US$0.11 per dollar.

Under this agreement, the funds to be used are to come from donations by third countries. The operation is channelled through a trust fund established for this purpose in the IMF. A number of governments have pledged substantial donations and it is hoped that the operation can be concluded in the coming weeks.

F. Balance of payments

Table 7, Annex 1 shows how the balance of payments developed over the period 1980-1986. Those figures reflect a continuing though fluctuating deficit.

The trade balance was in surplus during the period 1982-1985, though with upward and downward variations. Nevertheless, this surplus was not attributable to export expansion, as would have been desirable, but rather to the combined effect of a decline in exports and fluctuations in imports conditioned by the state of the national economy. Following the economic stabilization achieved in late 1985, and as the result of trade liberalization, imports increased substantially in 1986, while exports continued to decline. As a consequence of these two trends, a trade deficit of $165 million developed in the course of 1986.

Investment income has shown a deficit since 1980, reaching $309 million in 1986. Interest payments on the foreign debt make up the major part of this total. Substantial increases were recorded under this heading in 1981 and 1982, because of rising interest rates at world level.

On the capital account, the erratic performance of debt accounts is attributable to numerous re-programmings and short-term credits during this period. One may also note variations under the heading "errors and omissions" and the relative importance of these in recent years.

These elements combined to generate substantial deficits in the balance of payments throughout the period 1980-1986, and preliminary figures indicate that the situation deteriorated still further in the course of 1987.

In summary, trade-balance performance and foreign-debt re-programming are the factors encumbering the balance of payments. Control of the second of these is being achieved through serious negotiations with international creditors and a realistic exchange policy at domestic level. Nevertheless, improvement of the trade balance will be crucial for future developments in the balance of payments. Within the framework of the economic policy now being pursued, one can foresee a continuing increase in both imports and exports during the closing years of this decade, to the extent that economic recovery can be achieved. The end result for the trade balance will depend both on the impact of the current reactivation policies on consumption and on Bolivia's future possibilities for access to foreign markets in competitive conditions. It is in this context that Bolivia's accession to GATT is of particular importance as is its intention to participate actively in the Uruguay Round, once the accession procedures have been completed.

II.2 STRUCTURE AND EVOLUTION OF FOREIGN TRADE

A. Exports

Tables 8 and 9 in Annex 1 show the trend in Bolivia's exports in the period 1981-1987. As may be seen, these have declined steadily, by a total of 46 per cent between the beginning and the end of that period. Exports of mining products dropped back by 70 per cent. One should note in particular the steep decline in the value of tin exports, from $343 million in 1981 to only $60 million in 1987, i.e by 83 per cent. This fall in the value of tin exports was not accompanied by a comparable decline in export volume - only 63 per cent in the period considered - but reflected the collapse of the international price for this metal.

As may be seen from Table 8, while tin exports were declining, exports of natural gas took on growing importance during the same period. Although the total value of natural gas exports dropped back from $382 million in 1982 to $253 million in 1987, their relative share in total exports increased from 34 per cent in 1981 to 47 per cent in 1987. At the same time, the relative share of non-traditional exports fell back from 10 per cent to 5 per cent between 1981 and 1985, thus increasing the country's dependence on only two export products. Nevertheless, non-traditional exports have shown an encouraging increase since 1985, coinciding with implementation of the New Economic Policy; indeed, to date this is the only sector of Bolivia's foreign trade in which the downward trend has been reversed. In 1986 and 1987 these exports accounted for respectively 16 per cent and 20 per cent of the total.

As regards the destination of Bolivia's exports, Table 9 shows that their geographical distribution has varied in parallel with the relative importance of the products exported. The share of LAIA as an export market increased from 42 per cent in 1981 to 60 per cent in 1985, while exports to the United States fell back from 27 per cent to 13 per cent over the same period. This is another effect of the relative increase in gas exports, for which Argentina is at present the only market, and the decline in the value of tin exports to the United States.

The relative share of the European Communities has not varied substantially, remaining at around 20 per cent. Similarly, Bolivia's trade with the other Andean Group[1] countries has continued at a level around 4 per cent.

B. Imports

On the basis of 1986 statistics, the major part of Bolivia's imports consist of capital goods (40 per cent), in particular capital goods for industry (20 per cent) and transport equipment (12 per cent). Next in order of importance come imports of raw materials and intermediate products (35 per cent), destined almost entirely for the industrial sector (32 per cent). Surprisingly, the relative share of this heading in total imports has not diminished as much as might have been expected by reason of the economic crisis. From 38 per cent in 1982, that share increased to 41 per cent in 1983 and then dropped back to 35 per cent in 1986. This small decline was offset by a rise in the relative share of consumer goods - the third largest import item - from 17 per cent of the total in 1982 to 25 per cent in 1986.

The year 1982 saw a sharp decline in the value of imports, reflecting aggravation of the economic crisis which began around that year. As may be seen from Table 10 in Annex 1, imports dropped back from $917 million in 1981 to $554 million in 1982, i.e., by 40 per cent in just one year. In 1984, imports contracted still further. In recent years, the beginning of economic recovery has brought an appreciable increase in the value of imports, resulting from liberalization of trade policy and exchange policy. The value of imports increased in the years 1985, 1986 and 1987, with a negative impact on the balance of payments.

Table 11 shows the trend in imports by geographical region. As may be seen, in 1985 the major part of Bolivia's imports originated in LAIA countries (47 per cent). Next in order of importance came the United States (22 per cent), the EEC (15 per cent) and Asia (7.9 per cent). While the relative share of the United States and the Andean Group as

[1]The Andean Group comprises the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela.

supplying countries for Bolivia's imports remained at around its current levels during the five-year period under consideration, aggregate imports from the LAIA countries have made up a growing proportion of the total, increasing from 33 per cent in 1981 to 48 per cent in 1985. This increase was at the expense of the import share supplied by the EEC, other West European countries and Asia.

C. Trade Balance

With the exception of the year 1981, Bolivia's trade balance was in surplus during the first five years of the present decade. As may be seen from Table 12 in Annex 1, this was due to a decline in imports from their levels at the beginning of the decade, and not to any growth of exports which, on the contrary, diminished steadily.

From 1982 on, trade balance performance has been erratic. A substantial surplus was recorded in 1982, attributable to a sharp decline in imports. The surplus dropped back in 1983, due to shrinking exports, and moved upwards again in 1984, once more in response to a sharp fall in import levels. In 1985, the surplus again dropped back substantially, by reason both of the decline in exports and an increase in imports.

As mentioned in Section II.1, the trade balance began to show a deficit in 1986 ($165 million) due to an upward trend in imports combined with declining exports. In 1987, Bolivia's trade deficit reached $300 million, a figure equivalent to 66 per cent of exports.

According to World Bank estimates for the rest of the present decade[1], both exports and imports should increase from 1987 onward. Nevertheless, exports will rise more slowly than imports. If these projections are borne out in practice, Bolivia's trade deficit will grow progressively, with a consequent negative impact on the balance of payments.

II.3 OBJECTIVES OF THE NEW ECONOMIC POLICY

Bolivia's economic policy is based on the economic principles set forth in Supreme Decrees 21060 and 21660. Inter alia, those principles recognize the price system as being the mechanism for allocating resources and adjusting of State participation in economic activity, through rationalization of public enterprises and progressive reduction and eventually, elimination of the fiscal deficit.

For the time being, there is no centralized development plan, but only a number of priority national and regional projects which are described in the following section.

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[1] Updating Economic Memorandum on Bolivia, IBRD Report No. 6455-BO, 15 December, 1986, p. 33.

In the light of the economic situation described in Part II.1.A, economic policy objectives must be basically directed toward stabilizing the economy. To that end, on 29 August 1985 Supreme Decree 21060 was issued, implementing what is known as the "New Economic Policy".

Once the objective of stabilization had been achieved, a programme was launched to reactivate the economy, the second major objective which, as a consequence of the collapse of the international tin market in October 1985, also covers the need to reconvert Bolivia's production structure. Supreme Decree 21660 of 10 July 1987 was issued for these purposes. It also defines the essential elements of Bolivia's trade policy.

The general objectives of Bolivia's economic policy and trade policy are described as follows in Decree 21060:

> "...it is necessary to implement a new Economic Policy that can be realistic and pragmatic with the aim of tackling the central causes of the crisis within the framework of a set of fiscal, monetary and exchange measures as well as administrative adjustment measures for the State sector which, in addition being radically anti-inflationary, can afford the bases for relaunching, redefining and setting in motion a process of social development, endowed with a deep-rooted social content, to restore the moral values of the Bolivian people;..."[1]

The specific objectives set out in the decrees mentioned are the following:

(i) To achieve efficient allocation of national resources, while avoiding any distortion of the price system.

(ii) To restore the purchasing power of earnings.

(iii) To ensure supply of essential mass consumption products.

(iv) To combat unemployment and under-employment, and avoid excessive growth of the informal sector of the economy.

(v) To improve distribution of income.

(vi) To promote higher production and productivity levels and re-conversion of the production structure.

(vii) To promote growth and diversification of foreign trade, by ensuring conditions conducive to the competitiveness of Bolivian products in foreign markets.

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[1]Supreme Decree 21060 of 29 August 1985, page 11, reproduced in Annex 2.

(viii) To eliminate excessive bureaucratization of the public administrative system.

(ix) To reduce the fiscal deficit and rationalize public undertakings, including in certain cases their privatization or transformation into joint undertakings.

(x) To avoid excessive public indebtedness.

Financing of the economic re-activation programme established under Supreme Decree 21660 represents a total amount of $1,583 million for investment in the three-year period 1987-1989. These funds come from the following sources (in US$):

Inter-American Development Bank: 451 million;

Bilateral agreements: 322 million;

World Bank: 161 million;

Andean Development Corporation: 115 million;

Non-reimbursable external co-operation: 234 million;

Special Economic Reactivation Fund: 100 million;

Local counterpart contribution for public investment: 200 million.

Of these amounts, $1,079 million are earmarked for public investment in productive areas and social sectors, and $504 million for the financing of private and co-operative producting activity.

II.4 DEVELOPMENT PROJECTS

The principal development projects in the context of Bolivia's economic recovery drive are the following:

Gas pipeline to Brazil: Without doubt, this is the most important project, since the contract for the sale of natural gas to Argentina is due to expire in 1992. The project is currently being negotiated with the Brazilian authorities for joint financing with the World Bank, which attaches top priority to this project.

Rural electrification: The third phase of this project is being launched, and is expected to be completed within the next three years. It has financing from the World Bank and the Andean Development Corporation.

Telecommunications: The National Telecommunication Authority (ENTEL) has plans for installing thirteen relay stations in the departments of Santa Cruz and Beni, as part of the national telecommunication network. It also plans to establish a rural telephone system and instal digital inter-connection systems in La Paz and Santa Cruz. These projects will be largely financed by the Authority from its own resources.

Railway improvement: This project, financed by the World Bank, is in its fourth stage of implementation. It is designed to improve and modernize Bolivia's rail network, an objective of the utmost importance having regard to the tremendous transport difficulties resulting from the topography and huge area of Bolivia's territory.

Exploitation of Vuelta Grande field: This is one of the priority projects of Bolivia's State Petroleum Organization (YPFB) in order to meet growing fuel needs for domestic consumption and offset the gradual decline in production by YPFB and private oil undertakings operating in the country (Occidental, Tesoro); it will yield substantial quantities of condensed product (approximately 6,000 barrels per day initially) and LNG (287MT per day) and will process 100 thou.cu.ft. of natural gas per day. The project is at the implementation stage, with total investment of $86,679,000.

Electrical inter-connection of the Central and Eastern regions: The objective of this project is to incorporate Santa Cruz in the national inter-connected system, so as to allow exchange of energy and power between the central system (Cochabamba) and the eastern system (Santa Cruz), and to reduce reserve power requirements and improve reliability of service in six departments of the country, namely Santa Cruz, Cochabamba, Sucre, Potosí, Oruro and La Paz.

The approximate cost of the project, which is in course of implementation, is $35.6 million, of which 15.5 million are being financed by the Andean Development Corporation (CAF).

Bolivar Mine Project: The principal objective of this project is to generate industrial reserves and ascertain the distribution pattern of silver, zinc, lead and tin ores in the deposit, for later production. It is at the pre-investment stage and is important because of the potential for these ores for supplying concentrates for the Karachipampa smelting works, yielding foreign exchange earnings from the marketing of concentrates, and generating employment.

Approximate total investment is $33 million.

National Transport Programme: The programme was launched in November 1984 and is scheduled for completion in April 1990. Investment planned for 1987 totals $16.334 million ($10,830 million Inter-American Development Bank, $3,759 million Andean Development Corporation and $1,755 million Local Contribution Trust Fund). The project includes the following:

- construction of the Quiquibey-Yucumo highway (41 kilometres) and of 15 bridges on various highways in Bolivia;

- review of studies for the Cota Pata-Santa Bárbara section of the same trunk road;

- strengthening of maintenance capacity of the National Highway Authority.

Chimoré-Yapacaní Highway: Investment of the first loan of $86 million for this project from the Inter-American Development Bank was completed in 1987. In that same year two additional loans were negotiated, one of $40,400,000 with the Inter-American Development Bank and the other with the Andean Development Corporation in the amount of US$7,500,000.

The project comprises the construction of 102 kilometres of new highway, the reconstruction of 51 kilometres, building of twelve bridges, and metal and concrete structural works for drainage. The project should be completed in May 1989.

New Airport at Cochabamba: $10,020,000 will be invested in 1988, of which $8,310,000 furnished by the Italian Government, and $1,710,000 by the National Treasury.

Santa Cruz-Trinidad Highway: US$7,500,000 will be invested in 1988, of which the Plata Basin Fund (FONPLATA) is furnishing US$5,500,000 and the National Highway Authority US$2,000,000.

Other important projects, for which financing has not yet been arranged, include the following:

Lithium Exploitation Project: This covers the working of huge resources of lithium and potassium in the Uyuni salt pan, and other deposits situated in the alti-plano region of Bolivia.

Rio Grande-Rositas Integrated Project: This includes construction of a hydro-electric plant in the region, situated in the department of Santa Cruz, and a new water supply source for this city, the second largest of Bolivia.

San Roque Field: The project provides for extraction of 200 tons daily of liquid gas and 5,000 barrels daily of condensed gas. It is to be financed by the Inter-American Development Bank.

Renovation of COMIBOL: The Bolivian State mining authority, which has had to be considerably reduced, is planning to renovate six mining centres that are still in operation. It is expected that the World Bank could finance the project.

CHAPTER III

FOREIGN TRADE POLICY

III.1 TRADE POLICY OBJECTIVES

The Bolivian Government considers that even supposing that the results achieved since 1985 can be maintained during the rest of this decade, export projections in relation to repayment of the foreign debt renegotiated with the Paris Club would generate a balance-of-payments deficit that would make the country's economic recovery very difficult, if not impossible. Substantial expansion of exports is therefore essential for the country's economic future.

To this end, the principal objective of trade policy is to promote export diversification, by reducing the high degree of concentration of exports, through a scheme of incentives based on free competition and optimum use of the comparative advantages which Bolivia has in potential markets.

In this context, Bolivia's accession to the General Agreement, and thereafter its active participation in the Uruguay Round, could constitute important steps toward attaining that objective.

Bolivia's trade policy is fully consistent with these objectives, as may be seen from the following description of its principal component elements.

III.2 TARIFF POLICY

With a view to achieving optimum use of Bolivia's comparative advantages vis-à-vis other countries, the Bolivian tariff system grants neutral effective protection, the only differentiation being in respect of imports of capital goods. There are two tariff rates. The first, which is 10 per cent on the c.i.f. value at the frontier, is applicable to the capital goods listed in the Annex to Supreme Decree 21660 and in the Annex to Supreme Decree 21910, (Annexes 3 and 4, respectively, to this study). The second tariff rate - 20 per cent on the c.i.f. value at the frontier - is applicable to all other products. Under Supreme Decree 21910, this rate is to be reduced progressively, according to an established timetable, so as to reach the level of 10 per cent for all products in January 1990.

Imports of all goods are dutiable, without discrimination, the only exceptions being those mentioned in Article 127 of Supreme Decree 21660 concerning concessional tax treatment granted under earlier administrations, which are listed in Section III.4.

It should also be noted that Bolivia has taken on obligations under the Protocol Amending the Cartagena Agreement in regard to the common external tariff and the common minimum external tariff, as listed in Section V.2.B.

Exports are exempt from payment of customs duties.

III.3 NON-TARIFF MEASURES

There are no prohibitions, quotas, monopolies - whether State or private - nor any other type of non-tariff restriction, so that the objective of transparency in trade policy is assured.

Import liberalization has been established in Bolivia under Supreme Decrees 21060 and 21660, the only exceptions being goods affecting public health or security of the State, which are subject to permits as indicated below; permits are granted without any discrimination as to country of origin or consignment.

A. Products subject to prior licensing

Under Article 14 of the General Provisions of the import tariff, the import of certain products is subject to a prior licence which must be obtained before the goods are embarked in the country of consignment. Prior licences are granted by the following ministries for the products indicated:

(a) Ministry of National Defence: firearms, missiles, ammunition, explosives, percussion caps, detonators and the like, and likewise equipment and machinery for their manufacture.

(b) Ministry of Finance: coin, bank-notes and non-issued securities, and equipment for their manufacture.

(c) Ministry of Education and Culture: school text-books.

(d) Ministry of Social Welfare and Public Health: psychotropic narcotic drugs and alkaloids in general, and derivatives thereof, medicinal and non-medicinal.

(e) Ministry of Industry, Commerce and Tourism: Under Supreme Decree 21098 of 9 October 1985, supplementing the provisions of the tariff, a prior licence is required for the import of raw or refined sugar and is granted solely in the event of a supply shortage due to inadequate domestic production. Similarly, under Supreme Decree 21937 of 5 May 1988, a licence is required for all imports of wheat flour and derivatives thereof.

B. Import certificates

Under Article 15 of the General Provisions of the import tariff, the following certificates, in addition to the relevant certificate of origin, are required for the import of certain products:

(a) from the Ministry of Social Welfare and Public Health: sanitary registration for the import of medicaments;

(b) <u>from the Ministry of Social Welfare and Public Health</u>: in respect of foodstuffs, a certificate attesting that they are fit for human consumption;

(c) <u>from the Ministry of Rural and Agricultural Affairs</u>: animal or vegetable health certificate for the import of live animals, frozen semen and other forms of reproduction, eggs, plants, fruit, seeds and roots, and registration of inscription for the import of agricultural and livestock inputs.

C. <u>Products whose import is prohibited</u>

Under Article 13 of the import tariff, the import of certain products is specifically prohibited. They are the following:

(a) narcotic drugs and dangerous substances, and pharmaceutical and medicinal specialities the composition and formulae of which are not registered in Bolivia;

(b) foodstuffs and beverages in a state of decomposition or which contain substances harmful to health;

(c) animals affected by disease;

(d) plants containing germs or parasites declared to be harmful;

(e) foreign lottery tickets;

(f) advertising material imitating currency and banknotes, postage stamps and other fiscal assets, except numismatic and philatelic catalogues;

(g) roulette wheels, machinery and appliances used for the distribution of money on goods by chance;

(h) used clothing and garments (except when included in travellers' luggage) if not covered by a health certificate issued by the country of consignment;

(i) used footwear and headgear (except where included in travellers' luggage);

(j) obscene and pornographic periodicals, other printed matter and articles.

D. <u>Measures affecting exports</u>

In general, the export of goods and services is unrestricted and no permit or prior licence is required, except in respect of arms, ammunition, explosives and other goods and products included in the legal provisions in force in regard to national security, control of narcotic drugs and dangerous substances, protection of fauna and flora, and conservation of the artistic and cultural heritage of the nation.

Sanitary and phytosanitary certificates, and other documents required by the parties to which exports are consigned, are issued only upon request by the exporter.

III.4 SPECIAL CUSTOMS TREATMENT

The only exceptions to the tariff are those deriving from commitments entered into by Bolivia prior to the trade liberalization introduced under Supreme Decree 21060 of 29 August 1985. Those commitments correspond to international agreements or to the investment promotion scheme. They are listed in Article 127 of Supreme Decree 21660, which is reproduced in Annex 3 and is summed up below:

(a) imports under the Investment Law (Supreme Decree 18751 of 14 December 1981) (temporary);

(b) imports under international agreements and contracts with the State, concluded before the introduction of the New Economic Policy (Supreme Decree 21060);

(c) imports by services-contracting undertakings and undertakings operating in the hydrocarbon sector under agreements with the State. These are charged at the rate 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 Revenue;

(d) imports under special tax régimes stipulated in international integration agreements as listed in Chapter V;

(e) imports by the diplomatic corps, international organizations and officials thereof;

(f) imports of wheat donated to Bolivia[1];

(g) admission of personal effects of bona fide travellers, up to a value of US$3000;

(h) temporary imports or readmission of goods exported temporarily;

(i) donations legally accepted.

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[1]Under Supreme Decree 21660 imports of wheat are excluded, but Supreme Decree 21682 of 27 August 1987 makes an exception in the case of imports of donated wheat.

III.5 TARIFF NOMENCLATURE

The structure of the import tariff corresponds to the Common Customs Tariff of the Andean Group (NABANDINA) which in turn is based on the Tariff Nomenclature of the Brussels Customs Co-operation Council (CCCN). The application of the import tariff is governed by the general rules of the Tariff and of the Nomenclature, by the statutory, complementary and additional notes to sections and chapters and by the approved Spanish version of the explanatory notes.

The nomenclature of the import tariff in force comprises twenty-one sections, ninety-nine chapters and 1,099 tariff headings, which are reproduced in the copy of Bolivia's import tariff in Annex 6.

III.6 FOREIGN TRADE SURVEILLANCE MECHANISMS

A. Certification of quality and price

Both imports and exports are checked by specialized enterprises contracted by the State for the purpose of preventing over- or under-invoicing of goods as well as tax-evasion. The principle function of these enterprises is to establish the CIF-frontier value for tariff purposes, on the basis of certification of quantity, quality, price, packing, freight, insurance and other relevant elements, whose values are determined by comparison with the prices of similar goods and services.

These enterprises are contracted by the State for a given period by international tender. The cost of the service is specified in the contract signed with the State, on the basis of the bid made by the enterprise selected and appointed to provide the service. For example, the most recent contracts signed by the Government of Bolivia stipulate that the cost of surveillance of imports will amount to 1.90 per cent of the f.o.b. value in the case of one enterprise (Bureau Veritas) and 1.89 per cent in the case of the other (SSI - Specialists Services International).

The cost of surveillance of exports is covered by the Bolivian Government. The importer or exporter can choose among the enterprises contracted. Since, for an importer, the cost is a charge paid to a private enterprise for a service rendered by it, it in no way constitutes an indirect form of protection nor a tax or levy intended for fiscal revenue.

Disputes that may arise between suppliers or exporters and one of these enterprises, resulting from notices of non-compliance, are settled by the Ministry of Finance.

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[1]Under Supreme Decree 21660 imports of wheat are excluded, but Supreme Decree 21682 of 27 August 1987 makes an exception in the case of imports of donated wheat.

B. Advisory assistance for Government procurement

The purchase of goods or contracting of services from abroad or from Bolivian suppliers for the public sector is subject to a mechanism of qualification and selection entrusted by the Government to specialized agencies - governmental or international - which advise the contracting public entity by means of prior reports. For this purpose, the public entity concerned furnishes the agency with the terms of reference or list of technical specifications, as appropriate. The agency calls for tenders - which must be made on Bolivian territory - grades them and submits them for consideration to the public entity concerned, along with its opinions and recommendations. The final decision is taken by the institution in question. Article 205 to 218 of Supreme Decree 21660, reproduced as annex 3, detail the various aspects of this regulation as well as its exceptions.

III.7 INSTITUTIONAL ORGANIZATION OF FOREIGN TRADE

On the basis of the policy and strategy directives approved by the Cabinet, the Ministry of Planning and Co-ordination regulates and monitors their implementation and co-ordinates sectoral policies with the other Ministries. In this way, foreign trade policy is developed basically by the Ministries of Revenue and of Industry, Commerce and Tourism, and is implemented through the institutions mentioned below.

A. Institutions concerned with import policy

(a) Ministry of Industry, Commerce and Tourism

- Sub-secretariat of Commerce and Tourism: Administers the rules regulating the country's domestic and foreign commerce, and participates in the development and follow-up of regional and sub-regional integration policies.

- Directorate of Foreign Trade: Issues prior import licences and supervises compliance with provisions concerning the prohibition of imports in co-ordination with the Ministry of Revenue. It furnishes technical advice and trade information to Bolivian producers and exporters. It also decides on the acceptance of food donations.

(b) Ministry of Revenue

- Directorate of Tariff Policy: Authorizes the temporary admission of goods. Authorizes requests for total or partial exemption based on applicable legal provisions, including the integration agreements to which the country is a party. Chairs the Examining Commission of Customs Brokers. Deals with disputes on customs matters. Holds consultations on customs legislation and administration. Supervises the National Directorate of Customs.

- National Directorate of Customs: Effects collections pursuant to tariff policies. Regulates customs operations. Verifies the entry and exit of goods and means of transport.

- Autonomous Administration of Customs Warehouses (AADAA): Receives, stores and releases imported goods, and co-ordinates with the National Directorate of Customs in the classification, evaluation and clearance of such goods.

(c) Central Bank of Bolivia: Authorizes letters of credit of the national banking system issued against foreign banks and connected with its re-financed lines of credit.

(d) Ministry of Rural and Agricultural Affairs: Checks compliance with the rules regulating imports of agricultural products. Issues the certificates mentioned in section III.3.B. Issues decisions on the acceptance of food donations.

(e) Ministry of Social Security and Public Health: Checks compliance with the rules regulating imports of pharmaceuticals. Keeps the Public-Health Register of Pharmaceuticals.

(f) National Council of Economy and Planning: Chaired by the Ministry of Planning and composed of the Ministers with responsibilities in the economic area, this Council evaluates the provisions concerning international trade and reciprocal concessions agreed to by the country, and suggests amendments or additions. Approves economic integration policies. Issues resolutions deciding on the acceptance of food donations in cases where the Ministry of Industry, Commerce and Tourism, or the Ministry of Rural and Agricultural Affairs adopt a negative decision.

B. Institutions concerned with export policy:

(a) Ministry of Revenue

- General Directorate of Customs: Is responsible for verification of the requirements and necessary documents for export transactions. Issues the exporter's policy.

- Autonomous Administration of Customs Warehouses (AADAA): Receives, stores and ships export products at the request of exporters.

- General Directorate of Internal Revenue: Issues credit vouchers for domestic taxes paid on inputs to be exported (refund of VAT), a financial instrument described in chapter IV.

(b) Central Bank of Bolivia: Applies the rules concerning the handing in of foreign currency by exporters. Issues the Tariff Refund Certificate, an instrument of export promotion described in chapter VI.

(c) Ministry of Industry, Commerce and Tourism:

- General Directorate of Foreign Trade: Is responsible in matters concerning registers of exporters, issue of certificates of origin, authorization of temporary exports and re-exports of products.

- Bolivian Institute of Small Industry and Crafts (INBOPIA): Issues the "handmade" certificate, certifies the quality of handicraft products, inspects the shipment of small industry and handicraft products, advises on the foreign marketing of handicraft products.

- Bolivian Coffee Committee (COBOLCA): Determines coffee export quotas in the l[illegible] of international agreements signed by the country. Grants the certificate of origin for coffee exports. Inspects the shipment of such exports.

- General Directorate of Agro-industry: In consultation with the bodies representing producers of sugar-cane and sugar, establishes and administers the sugar export quota.

- National Institute of Export Promotion (INPEX): Is in process of organization. Will be responsible for the promotion of exports by means of studies, market surveys, technical assistance and other means summarized in chapter VI and detailed in Article 150 of Supreme Decree 21660, which appears in annex 3 to this memorandum. Chapter VI also summarizes the administrative organization of INPEX.

(d) Ministry of Rural and Agricultural Affairs: Issues certificates through its Plant and Animal Health services.

(e) Mining and hydrocarbons sector: the products of both the State and the private petroleum and mining sectors are exported by the enterprises responsible for their exploitation. The principal enterprises are:

- Corporación Minera de Bolivia (COMIBOL): This State enterprise is responsible for the marketing and export of its mineral products.

- Yacimientos Petrolíferos Fiscales Bolivianos (YPFB): Responsible for the marketing of oil, natural gas and other hydrocarbons.

- Empresa Nacional de Fundiciones (ENAF): Markets metals and other products of its founderies and refineries.

- Empresa Siderúrgica Nacional (SIDERSA): Markets iron ore and associated minerals.

- Banco Minero de Bolivia S.A.M.: Buys, sells and markets abroad ores and metals of private mining enterprises (small, medium and co-operative).

C. Information regarding foreign-trade regulations

The laws of the Republic concerning foreign trade and other matters adopted by the Legislative Branch and the supreme decrees issued by the Executive Branch are published in the Official Gazette of the Republic of Bolivia. The regulations and operational measures for implementation of those policies are determined by the competent ministries through ministerial resolutions. These are regularly distributed to the economic agents involved and are available, at the request of the interested public, in the ministries concerned.

CHAPTER IV

OTHER ECONOMIC POLICIES BEARING ON FOREIGN TRADE

IV.1 EXCHANGE-RATE POLICY

Like other aspects of Bolivian economic policy, the exchange-rate policy is transparent and unrestricted. There is an official single, real and flexible exchange-rate for the United States dollar.

Foreign currency is supplied to the economy through a free auction conducted daily by the Central Bank of Bolivia, to which any physical or legal person residing in the Republic has access. Institutions and enterprises of the public sector must also obtain foreign currency for their import needs through these auctions. The starting quotation and the amount of foreign currency to be sold at each session are determined by the Foreign-Exchange and Reserve Committee of the Central Bank of Bolivia. The sales are free of taxes and commissions.

The official exchange-rate is the weighted average resulting from the transactions of each session of official public sale of foreign currency conducted by the Central Bank. This official exchange-rate applies "for the purchase of foreign currency by the Central Bank of Bolivia and for any commercial, financial, exchange-rate or banking use or transaction that takes place in the country in connection with foreign currency".[1]

There is complete freedom of foreign-exchange transactions and currency acquired through the Central Bank's auction can be freely used.

There is also a "parallel" exchange-rate, which, since August 1985, has in practice differed very little from the official exchange-rate.

Exporters of goods and services, whether public or private, are obliged to sell to the Central Bank 100 per cent of the foreign currency generated by their export operations, less their sales or processing costs in foreign currency.

IV.2 TAX POLICY

A. General régime

The present Bolivian tax system is governed by the Tax Reform Act of 20 May 1986, which appears in annex 5. This Act replaced more than ninety different taxes with five regular taxes and one temporary tax.

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[1] Supreme Decree 21060, article 3, 29 August 1987, reproduced in annex 2.

The temporary tax was exclusively intended to normalize the tax situation prior to the new Act and was paid only during 1986.

The taxes which apply at present are:

(a) Value Added Tax (VAT): The rate is ten per cent, applicable to sales of goods and services and definitive imports.

(b) Income Tax: This is applied to the earnings of physical persons and undivided successions from work and the yield of investments in its various forms.

(c) Assets Tax: A rate of two per cent is applied to the net assets [patrimonio] of enterprises and of one to three per cent to personal assets (the formal titles of these taxes are "Tax on the Estimated Income [renta] of Enterprises" and Tax on the Estimated Income of Owners of Goods").

(d) Turnover Tax: A rate of one per cent is applied to the gross revenues derived from commercial, industrial and professional transactions, rental or sale of goods, interest received and any other activity - whether or not profit-making - including gift transfers of movable and immovable property and rights.

(e) Tax on Certain Consumer Goods: There is an additional tax on the consumption of the following products, whether domestic or imported: alcoholic beverages (30%), perfumery and cosmetic products (30%) and cigarettes, cigars and tobacco (50%). This tax is also applicable to imported jewellery and precious stones, whose rate is fifty per cent.

B. Régime for minerals and hydrocarbons

The exploitation of minerals and hydrocarbons is taxed by the payment of royalties as determined by the Mining Code and the General Hydrocarbons Act. Such royalties are usually collected at the time of export. However, they cannot be regarded as export duties on the mentioned products because they are really taxes on the estimated profits of mining and oil producers, in place of the similar tax on estimated income which applies to enterprises engaged in other activities. The royalties are collected at the time of export only for the purpose of facilitating control of the tax revenue concerned.

C. Foreign trade

Article 129 of Supreme Decree 21660 explicitly provides that imports are subject solely to the following levies:

(a) the consolidated customs levy (rates of ten per cent or twenty per cent mentioned in Section III.2 above);

(b) the value added tax and, on the articles concerned, the tax on certain consumer goods (referred to in section IV.2.A.(e)above);

(c) a monthly rate of two per cent, beginning with the second month, for storage in customs warehouses;

(d) the fees of the enterprises contracted by the State for the surveillance of foreign trade (mentioned in section III.6.A above).

Import documents are exempt from legal certification and the payment of consular fees, except for wholesale bills of lading for goods entering the country by rail, road, lake or river transport, whose legal certification is free of charge (article 128, Supreme Decree 21660).

Similarly there is no charge for certificates of origin, or health, plant health, quality and "handmade" certificates and other certificates required by the consignees of exports.

IV.3 FINANCIAL POLICY

Financial transactions connected with imports and exports of goods and services are normally channelled through the banking system. The banks are authorized to effect such foreign-trade transactions as letters of credit, guarantees and security bonds, advances and acceptances, loans for relevant financing with its correspondents abroad, and other generally accepted transactions in international banking.

The Central Bank of Bolivia does not intervene in these transactions except as regards approval of the opening of letters of credit where their financing comes from refinanced lines of credit administered by the Central Bank.

There are no restrictions concerning the currencies to be used provided that they are freely convertible.

Payments and transfers in respect of foreign-trade operations may also be made directly between the economic agents involved, since there are no foreign-exchange, monetary or other restrictions.

CHAPTER V

INTEGRATION AGREEMENTS

V.1 LATIN AMERICAN INTEGRATION ASSOCIATION (LAIA)

A. Regional Agreements

As a member of LAIA, the institution which replaced the Latin American Free Trade Association (LAFTA) following the Treaty of Montevideo of 1980, Bolivia has special trade commitments vis-à-vis the other countries members of the Association. As regards tariffs, the basic commitment is Regional-Scope Agreement No. 4, which, with its Amending Protocol of 12 March 1987, establishes a regional tariff preference. Both documents are reproduced in Annex 7.

The regional tariff preference starts from a basic rate of 10 per cent and varies according to the level of development of the member countries. As a relatively less economically developed country of the region and as a land-locked country, Bolivia enjoys higher preferences than other countries and, at the same time, grants a lower preference. Article V of the above-mentioned Amending Protocol details the preference percentages. For the case of Bolivia they can be summarized as follows:

To/from	Tariff preferences to be granted by Bolivia	Tariff preferences received by Bolivia
Land-locked relatively less economically developed countries	11%	11%
Relatively less economically developed countries	10%	11%
Moderately developed countries	6%	15%
Other	4%	22%

Despite Bolivia's obligations under the Agreement, the Amending Protocol contains a transitional provision which exempts it from initiating the application of the regional tariff preference pending normalization of its economic and financial situation. This exception was granted in view of the fact that the Government of Boliva "is carrying out a strict policy of financial adjustment and is engaged in the establishment of an integral transformation plan in its production structure".[1]

[1] Resolution 15 (III), Third Meeting of the LIAI Council of Foreign Ministers, reproduced in Annex 8

Moreover, under article 8 of the Agreement, each member country may submit a schedule of products to be excepted from the regional tariff preference. In the case of Bolivia, under the Amending Protocol, this schedule may not exceed 2,400 items of the NALADI, the tariff nomenclature used in the Agreement.

Article 7 of the Agreement (as amended) provides for the elimination of non-tariff restriction by 1 March 1988, a provision that does not affect Bolivia because it does not apply such measures.

Among the regional arrangements entered into by LAIA member countries, there are also market-opening agreements in favour of the relatively less economically developed countries. The Regional Market-Opening Agreement in favour of Bolivia, attached in Annex 9, is designed to establish favourable conditions for Bolivia's participation in the LAIA integration process through effective preferential treatment for placing its products on the markets of other member countries. The Agreement provides that the member countries shall, completely and immediately, eliminate in favour of Bolivia the customs levies and other restrictions that apply to imports of the products mentioned in the market-opening list contained in the relevant annex of the Agreement.

In addition, article 25 of the Treaty of Montevideo provides for the automatic extension to the relatively less economically developed countries, of the benefits resulting from agreements made between member countries with third countries. The concessions granted to non-member countries under this article, which apply also to Bolivia, are described in annex 10.

B. <u>Partial-scope agreements</u>

Within LAIA, Bolivia has signed Partial-scope Agreements with Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay, specifying reciprocal tariff concessions. Annex 11 reproduces Supreme Decree 21038, whereby the Government of Bolivia provided for the entry into force of Partial-scope Agreements signed by Bolivia with Argentina, Brazil, Chile, Mexico and Paraquay, and of their amending protocols, concerning the lists of products annexed to that Supreme Decree.[1]

The Partial-scope Agreement signed with Uruguay has not yet entered into force because a renegotiation is planned with the incorporation of additional products.

[1]Certain elements in the lists annexed to Supreme Decree 21038 are not now applicable, since the Decree was issued prior to Bolivia's present trade policy. The provisions in force are indicated in section III.3 of this memorandum.

C. Other agreements within the framework of LAIA

Bolivia has signed a Partial-scope Agreement with Uruguay for the tourism sector, establishing favourable conditions for the expansion of tourism between the two countries, with a view to contributing to a better understanding of their peoples through their history, culture and geography.

Further, the Third Meeting of LAIA Council of Foreign Ministers approved a series of resolutions on trade matters, reproduced in annex 8 of this memorandum.

V.2 ANDEAN GROUP

The trade and other commitments assumed by the countries of the Andean Group are contained in the Cartagena Agreement and its Amending Protocol of 11 May 1987, reproduced in annex 12, along with an aide-memoire which summarizes the principal changes introduced by that Protocol.

As regards foreign trade, the Agreement contains a Liberalization Programme and a Common External Tariff, as well as rules regarding safeguard clauses, commercial competition and origin of goods. With reference to the latter two mechanisms, it is worth mentioning that the Commission of the Cartagena Agreement adopted Decision 230 concerning "Rules for preventing or correcting practices which may distort competition within the Subregion in substitution of Decision 45" and Decision 231, "Special rules for description of the origin of goods", which are given in annex 14.

What is more, within the juridical framework of the Cartegana Agreement there are decisions concerning foreign investment, and Andean multinational enterprises, commmon minimum external tariff, international road transport, communications and other matters.

A. Liberalization programme

The programme has as its objective "to eliminate the levies and restrictions of every kind that affect the import of products originating in the territory of any member State".[1] It is automatic and irrevocable and comprises all products with the exception of limitations applied to products reserved for "Sectoral Programmes" and "industrial integration measures" (article 46), to be adopted by the Commission of the Agreement and the member countries (article 48). In addition, each country is entitled to submit a list of goods produced in the Subregion which it wishes to except from the Liberalization Programme or the Common External Tariff (article 55). In the cases of Colombia and Peru, these lists may contain up to 250 items of the Andean Group's tariff nomenclature (NABALALC), and in the cases of Bolivia and Ecuador up to 600 items of the nomenclature (articles 55 and 102).

The Cartagena Agreement provides for the possibility of employing safeguards to correct balance-of-payments imbalances or when the volume

[1] Cartagena Agreement, Article 41, reproduced in annex 12

of imports disrupts national production (articles 78 and 79). However, safeguards may not be applied to products contained in industrial integration programmes.

B. Common External Tariff and other trade provisions of the Agreement

Article 62 (as amended) of the Cartagena Agreement provides that the Commission of the Agreement shall adopt a Common External Tariff, with the objective of harmonizing the economic policies of the member countries. The member countries will have to initiate a process of approximation to this tariff at a date to be indicated by the Commission (articles 62 and 104). The member countries undertake not to change unilaterally the levies established by the tariff and to hold consultations within the Commission before entering into tariff commitments with countries outside the Subregion (article 68).

Bolivia and Ecuador, because of their situation as relatively less economically developed countries, have a Special Régime relating, *inter alia*, to the implementation of the Liberalization Programme and the Common External Tariff. This treatment concerns the time-limits for the execution of commitments and the number of exceptions authorized. Thus, it provides for the adoption of minimum tariff levels by Bolivia and Ecuador in favour of the other member countries in the light of the provisions in article 4 concerning the land-locked situation of Bolivia.

Although the Amending Protocal to the Cartagena Agreement does not mention differentiated treatment by Ecuador in favour of Bolivia, even more favourable treatment has been accorded Bolivia under a rule which authorizes the Commission of the Cartagena Agreement to establish more favourable conditions and procedures than the Special Régime, in the light of the country's degree of development and the extent to which it uses the integration mechanisms. In this connection, simultaneously with the adoption of the Amending Protocol, the Commission approved the following instruments in favour of Bolivia (annex 12):

- Decision 222, which, to replace the Special Programme of Support for Bolivia, creates the Programme of Andean Co-operation with Bolivia for the purpose of assisting the efforts of the Government of Bolivia to overcome the structural difficulties affecting various sectors of national activity.

- One of the provisions of the above Decision provides for the progressive and deferred application of the rules of origin and of certain origin-requirements for goods coming from Bolivia, as a form of compensation for the extra cost associated with the transport difficulties resulting from its land-locked situation.

- Decision 227, whereby Bolivia is enabled to postpone the implementation of the Liberalization Programme for two years after the entry into force of the Amending Protocol, non-tariff restrictions if any are eliminated, and annual and successive tariff reductions are introduced in the following twelve months for a list of products that are not sensitive to the country's economy. The subsequent stages of the Liberalization Programme will be determined by the Commission, after prior assessment by the Board [Junta] of the implementation of the Liberalization Programme in favour of Bolivia by the other member countries. This assessment will also serve as a basis for Bolivia's compliance with the Common Minimum External Tariff.

- The Administered Trade Régime, whose form of implementation is restrictive and based on quotas, will not be applicable to Bolivia, a country that will be governed by the general rules of the Agreement, which stipulate unrestricted trade.

As to the other provisions affecting intra-regional trade (taxes, rates and other domestic levies), there is the principle of "not less favourable treatment", whereby products originating in one member State enjoy, in the territory of another member State, treatment not less-favourable than that applied to domestic products (article 44).

C. Bilateral agreements

With a view to ensuring the implementation of undertakings assumed multilaterally with other member States, the Government of Bolivia has concluded bilateral understandings with Venezuela and Peru of a temporary character, pending entry into force of the Amending Protocol. The relevant texts are reproduced in annex 15.

D. Foreign investment[1]

Up to May 1987, foreign investment in the countries of the Andean region was regulated by "Decision 24" entitled "Common Régime of Treatment of Foreign Capital and Trade Marks, Patents, Licences and Royalties". This decision was amended and replaced by Decision 220 of the Commission of the Agreement of 11 May 1987, reproduced in Annex 12. Annex 13 contains an aide-memoire which summarizes the replacement of Decision 24 and related decisions.

Basically, Decision 220 authorizes direct foreign investments in the countries members of the Agreement, in accordance with their national legislation, and establishes the rights which the member countries undertake to grant such investment, for example, repatriation of profits (article 15), re-export of proceeds received from the sale of shares (article 7), etc. Some limitations are also established, but none is overly restrictive. They include one prohibiting the government of member countries from guaranteeing the external credit transactions of foreign enterprises (article 12) as well as certain limitations regarding contracts on the transfer of technology or patents (article 20).

The most important aspect of Decision 220 is possibly the fixing of conditions for converting foreign enterprises into national or mixed enterprises for purposes of benefiting from the Liberalization Programme of the Cartagena Agreement (see section V.2.A. above). These conditions are described in chapter II of the Decision, particularly in article 25.

[1]Although this topic does not come within the scope of the memorandum, it is included here only because it is felt that it might be of interest to the Contracting Parties.

CHAPTER VI

EXPORT PROMOTION

Since Bolivia's economic policy is based on the principle of neutrality, which means not granting differentiated incentives to the individual sectors of the economy, the promotion of exports does not involve granting subsidies to the export sector. The incentives specified below seek only to grant the Bolivian exporter the same conditions as those enjoyed by exporters of other countries and, in substance, not to export taxes so as to avoid international double taxation.

VI.1 ECONOMIC INCENTIVES

A. Tariff Refund Certificate

Its object is to return to the exporter the amounts paid as import duty on inputs that have been incorporated in the exported product. To that end, the above certificate is granted with a value equivalent to 10 per cent of the net value of the exported products.

The following products are excepted:

- crude oil, refined oil products, natural gas;
- minerals and metals;
- products whose sale is prohibited;
- logs or simply sawn wood;
- jewellery whose gold content exceeds fifty per cent of its value;
- goods produced under projects granted tariff concessions under the Investments Act, unless the exporters forego such concessions;
- goods temporarily exported or re-exported.

The certificate is issued by the Central Bank of Bolivia in terms of local currency at the time the exporter deposits the foreign currency. It is divisible, transferable and of indefinite validity, and may be used for the payment of any tax.

Although this instrument is a basic part of export-promotion policy, it has as yet not been introduced because of operational difficulties. It was established by Supreme Decree 21660 of 10 July 1987 and amended by Supreme Decree 21910 of 31 March 1988, the texts of which appear in Annexes 3 and 4.

B. Refund of VAT

Article 11 of the Tax Reform Act exempt exports from the value added tax. Consequently, exporters can deduct from the tax they owe 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. If the tax credit attributable to export operations cannot be compensated by operations taxed in the domestic market, the balance in favour of the exporter is refunded to him through negotiable credit vouchers which can be used for the payment of taxes and charges.

Exports are also exempt from payment of the turnover tax.

Rather than being an incentive, this system involves the elimination of a disincentive, with the purpose of avoiding the export of domestic taxes and thereby placing the Bolivian exporter on an equal footing as regards tax conditions with his foreign competitor.

VI.2 INSTITUTIONAL INCENTIVES

In July 1987, the creation of the National Institute of Export Promotion (INPEX) was authorized. The objectives of INPEX are to promote the expansion and diversification of exports as well as to encourage the growth of the country's export capacity and expand its access, under competitive conditions, to international markets. This institution is currently in the organizational stage.

The principal functions of INPEX will be to make recommendations on the export sector to the relevant authorities, conduct market surveys, provide technical assistance to exporters, prepare data bases, carry out training programmes, promote exportable supply, etc.

INPEX will be run by a Governing Board [Consejo Directivo] chaired by the Minister of Industry, Commerce and Tourism and composed of the Under-Secretaries for integration, agricultural affairs, mining and transport, and of the General Manager of the Central Bank of Bolivia. The private sector is represented by delegates appointed by the Confederation of Private Entrepreneurs and the co-operative organizations active in the export area, in numbers proportional to their contributions.

INPEX will be administered by an Executive Director appointed by the Governing Board.

VI.3 OTHER INCENTIVES

Article 154 of Supreme Decree 21660 authorizes the establishment of "Industrial Free Zones", under the principle of customs and fiscal segregation, for the purpose of promoting industrial development in export sectors. These free zones have as yet not been established or organized owing to economic difficulties.

There is another incentive deriving from, and justified by, transport management policy. It consists of a differentiated railway fare for export freight, which amounts to 40 per cent of the fare applicable to import freight. The latter is fixed at the level prevailing on the foregin railways interconnected with Bolivian railways whose fares do not benefit from State subsidies.

ANNEX 1

STATISTICAL TABLES

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Note: Full stops are used to separate decimals and commas to separate thousands.

ANNEX 1

TABLE 1

Variations in General Index of consumer prices
(Percentages)

Accumulated Variation at 31 December	
1980	23.94
1981	25.12
1982	296.55
1983	328.49
1984	2,177.23
1985	8,170.52
1986	65.96

	1983	1984	1985	1986	1987
Monthly Variation					
January	0.59	9.56	68.76	32.96	2.45
February	10.25	23.01	182.77	7.95	1.23
March	11.82	21.14	24.94	0.07	0.70
April	8.37	62.97	11.78	3.59	1.59
May	9.25	47.02	35.67	0.97	0.34
June	3.20	4.07	78.46	4.26	(0.22)
July	10.07	5.18	66.30	1.78	(0.05)
August	25.94	15.00	66.46	0.66	0.99
September	16.41	37.33	56.51	2.28	0.58
October	11.54	59.13	(1.86)	0.59	2.09
November	24.78	31.56	3.20	(0.11)	
December	25.92	60.88	16.80	0.65	
Accumulated Variation					
January	0.59	9.56	68.76	32.96	2.45
February	10.91	34.77	377.21	43.54	3.70
March	24.01	63.26	496.23	43.63	4.43
April	34.39	166.06	566.48	48.79	6.09
May	46.83	291.16	804.20	50.23	6.43
June	51.52	307.08	1,513.65	56.63	6.21
July	66.78	328.15	2,583.55	59.42	6.16
August	110.03	392.36	4,367.06	60.44	7.15
September	144.50	576.14	6,891.42	64.10	7.73
October	172.71	975.93	6,761.07	65.06	9.82
November	240.29	1,315.45	6,980.68	64.89	
December	328.49	2,177.23	8,170.52	65.96	
12 Months' Variation					
January	289.04	366.69	3,407.65	6,416.20	27.88
February	269.57	420.67	7,963.52	2,387.55	19.81
March	282.08	464.09	8,216.57	1,892.36	20.67
April	267.67	748.32	5,604.40	1,746.40	18.34
May	286.18	1,041.55	5,163.97	1,274.14	17.60
June	280.62	1,051.16	8,926.87	702.79	12.55
July	244.57	1,000.02	14,173.11	391.34	10.52
August	268.11	904.46	20,560.88	197.05	10.91
September	258.69	1,084.94	23,447.04	94.12	9.07
October	249.00	1,590.55	14,421.60	98.97	10.69
November	266.70	1,682.31	11,291.71	92.60	
December	328.49	2,177.23	8,170.52	65.96	

Source: Economic Policy Analysis Unit

ANNEX 1

TABLE 2

Rate of Exchange of the US dollar
(Bolivian pesos per US dollar)

At end of:	Official	Parallel
1976	20.40	20.40
1977	20.40	20.40
1978	20.40	20.40
1979	24.51	24.51
1980	24.51	24.51
1981	24.51	41.25

	1982		1983		1984	
	Official	Parallel	Official	Parallel	Official	Parallel
January	24.51	42.35	196.40	340.80	500.00	1,800.00
February	43.13	43.92	196.40	430.66	500.00	2,200.00
March	43.13	43.21	196.40	475.23	500.00	2,543.00
April	78.00	79.38	196.40	397.25	2,000.00	3,576.00
May	87.50	88.36	196.40	365.47	2,000.00	3,512.00
June	101.68	103.12	196.40	431.90	2,000.00	3,342.00
July	150.81	148.76	196.40	508.60	2,000.00	3,570.00
August	179.54	184.24	196.40	718.26	2,000.00	7,038.00
September	229.17	256.92	196.40	761.14	2,000.00	13,685.00
October	225.09	218.00	196.40	866.20	2,000.00	15,205.00
November	196.40	236.06	500.00	1,213.16	9,000.00	18,469.00
December	196.40	283.04	500.00	1,243.88	9,000.00	24,515.00

	1985		1986		1987*	
	Official	Parallel	Official	Parallel	Official	Parallel
January	9,000.00	73,016.00	2,057,645.00	2,240,216.00	1.93	1.95
February	50,000.00	141,101.00	1,835,786.00	1,916,881.00	1.94	1.95
March	50,000.00	128,137.00	1,836,762.00	1,962,669.00	1.99	2.00
April	50,000.00	167,428.00	1,904,967.00	1,928,161.00	2.01	2.03
May	75,000.00	272,375.00	1,904,448.00	1,964,323.00	2.03	2.05
June	75,000.00	481,756.00	1,904,857.00	1,946,611.00	2.06	2.09
July	75,000.00	885,476.00	1,904,097.00	1,933,145.00	2.07	2.09
August	75,000.00	1,182,303.00	1,909,550.00	1,934,355.00	2.09	2.10
September	1,077,887.00	1,087,441.00	1,915,090.00	1,924,233.00	2.11	2.14
October	1,102,065.00	1,120,206.00	1,921,130.00	1,935,113.00		
November	1,197,367.00	1,366,719.00	1,925,050.00	1,937,750.00		
December	1,583,613.00	1,715,869.00	1,925,400.00	1,949,607.00		

*With effect from 1987, the national currency was changed: with the elimination of six zeros, the "Bolivian Peso" has now become the "Boliviano".

Source: Economic Policy Analysis Unit

ANNEX 1

TABLE 3

Interest Rates
(Annual percentages, in national currency)

At end of:	Charged[1]	Paid[2]
1976	19.00	10.00*
1977	19.00	10.00*
1978	19.00	10.00*
1979	23.00	15.00
1980	24.88	17.00
1981	32.00	22.00
1982	43.00	30.00
1983	67.00	43.00
1984	155.00	110.00
1985	232.10	99.60
1986	65.78	29.57
January	243.25	115.78
February	238.50	124.85
March	223.30	112.75
April	158.60	76.22
May	102.11	46.97
June	98.05	40.99
July	91.39	36.15
August	82.53	32.89
September	79.55	32.43
October	67.49	31.45
November	66.51	30.01
December	65.78	29.57
1987		
January	60.70	28.77
February	57.19	27.32
March	50.76	25.40
April	48.79	24.96
May	49.17	24.97
June	49.26	25.01
July	43.30	24.20
August	54.50	24.84
September	53.49	25.30
October	52.67	24.42
November	51.10	24.15
December		

[1]Corresponds to effective rate for the producing sector.

[2]Saving banks

*Rate with maintenance of value, i.e. value of deposits is adjusted in relation with the official exchange rate of the dollar.

Source: Central Bank of Bolivia

ANNEX 1

TABLE 4

Gross Domestic Product by Type of Activity
(In $b. million of 1980)

Activity	1980	1981	1982	1983	1984	1985	1986
Agriculture	22.563	22.350	23.878	17.507	20.782	21.417	20.783
Mining	12.679	12.133	10.635	10.889	8.565	6.852	4.786
Petroleum extraction	6.728	7.157	7.704	7.219	7.037	6.899	6.172
Manufacturing industry	17.974	16.664	14.344	13.387	11.814	10.729	11.105
Construction	4.521	4.025	3.928	3.751	3.800	3.571	3.512
Trade	13.261	14.360	13.599	13.055	12.924	13.195	12.997
Transport and communications	7.321	8.196	7.770	7.931	7.988	8.067	7.865
Financial services	7.189	6.324	6.413	6.490	6.555	6.686	6.271
Government	12.940	13.291	13.504	13.907	13.965	13.686	13.560
Other*	14.482	15.122	14.968	14.783	14.401	14.625	14.566
GDP at producer prices	119.658	119.622	116.743	108.919	107.831	105.727	101.617
Plus indirect taxes	3.288	3.753	3.162	3.132	3.223	3.384	3.616
GDP at purchase prices	122.946	123.375	119.905	112.051	111.054	109.111	105.233
Growth rate (%)	0.57	0.35	(2.91)	(6.55)	(0.98)	(1.75)	(3.56)
GDP per capita	21.964	21.438	20.268	18.424	17.761	16.971	15.922 e)
Growth rate GDP per capita		(2.40)	(5.45)	(9.10)	(3.60)	(4.45)	(6.18)

*Includes housing, electricity, gas and water and other services.
e) Estimated on basis of average population growth for the decade.

Sources: GDP: Economic Policy Analysis Unit, Central Bank of Bolivia
GDP growth rate: Economic Policy Analysis Unit
GDP per capita and growth rate: Bolivian Mission, based on earlier data and population data from national Statistical Institute.

ANNEX 1

TABLE 5

Trend in Employment, 1980-1986

Breakdown	1980	1981	1982	1983	1984	1985	1986
Total Population	5,599,592	5,755,072	5,915,844	6,081,722	6,252,721	6,429,226	6,611,383
Economically Active Population	1,824,830	1,865,070	1,916,730	1,930,356	2,033,334	2,062,168	2,147,377
- Employed	1,719,590	1,684,535	1,707,950	1,678,570	1,717,898	1,686,300	1,717,902
- Unemployed	105,240	180,535	208,780	251,786	315,436	375,868	429,475
Unemployment rate[1]	5.77%	9.68%	10.89%	13.04%	15.51%	18.23%	20.00%
Underemployment rate[2]	48.50%	50.90%	53.50%	55.70%	57.30%	57.30%	57.30%

[1]Calculated on basis of economically active population.

[2]Estimated according to income and fluctuating time-table.

Source: Economic Policy Analysis Unit, based on data from the Ministry of Planning.

ANNEX 1

TABLE 6

Balance of Foreign Public Debt, by Credit Source
(In $million)

Breakdown	At 31.12.85	At 31.12.86
Total Foreign Debt	3,356.75	3,613.79
Medium- and Long-Term Debt	3,278.24	3,608.79
Multilateral	872.57	1,111.01
1. International Monetary Fund	30.90	25.60
2. International Bank for Reconstruction and Development	207.04	233.93
3. International Development Association	94.42	97.39
4. Inter-American Development Bank	469.60	589.83
5. Andean Development Corporation	31.58	41.21
6. International Fund for Agricultural Development	4.92	5.35
7. United Nations	0.10	0.10
8. Organization of Petroleum Exporting Countries	4.33	3.91
9. Savings and loan banks	4.15	3.39
10. Andean Reserve Fund	21.88	100.00
11. Santo Domingo Agreement		
12. Plata Basin Fund	3.65	10.30
Bilateral	1,665.05	1,757.52
13. Governments	657.01	718.13
Argentina	71.49	69.38
Brazil	164.66	164.66
Japan	107.61	137.97
US aid	263.00	287.44
Other	50.25	58.68
14. Official External Banks	517.90	524.15
Germany	79.84	103.98
Argentina	355.04	348.19
Brazil	21.99	21.99
United States	34.02	27.70
Other	27.01	22.29
15. Private foreign banks (creditor endorsement)	211.67	226.47
16. Official suppliers	22.01	21.33
17. Private suppliers (creditors endorsement)	71.21	82.71
18. Brazil/CACEX	50.23	44.37
19. Reserved debt	135.02	140.36
Private banking (refinanced)	681.83	684.89
20. Banking consortium	681.83	684.89
Private	58.79	55.37
21. Bonds	37.67	36.77
22. Banks	13.01	11.09
23. Suppliers'	8.11	7.51
Short-Term Debt	78.51	5.00

Source: Economic Policy Analysis Unit

ANNEX 1

TABLE 7

Balance of Payments
($million)

Item	1981	1982	1983	1984	1985	1986
Current Account	(465.70)	(175.80)	(138.10)	(127.80)	(281.90)	(399.80)
Trade balance	(63.00)	250.20	166.00	232.90	71.50	(164.90)
Exports f.o.b.	912.40	827.70	755.10	724.50	623.40	546.60
Imports c.i.f.	(975.40)	(577.50)	(589.10)	(491.60)	(551.90)	(711.50)
Investment income (net)	(363.40)	(413.80)	(362.30)	(369.00)	(373.40)	(308.90)
Interest paid (medium and long term)	(186.20)	(177.30)	(228.50)	(189.60)	(88.80)	(85.00)
Other	(177.20)	(236.50)	(133.80)	(179.40)	(284.60)	(223.90)
Other services (net)	(78.90)	(57.70)	(48.00)	(80.20)	(60.00)	(25.00)
Unilateral transfers (net)	39.60	45.50	106.20	88.50	80.00	99.00
Capital Account	71.50	(158.60)	(387.20)	(159.00)	(251.10)	10.30
Disbursements (medium and long term)					108.70	232.70
Debt repayment					(159.30)	(154.00)
Other	71.50	(158.60)	(387.20)	(159.00)	(200.50)	(68.40)
Errors and Omissions	(196.40)	43.40	132.00	(5.10)	180.50	209.90
Surplus or Deficit	(590.60)	(291.00)	(393.30)	(291.90)	(352.50)	(179.60)

Source: Economic Policy Analysis Unit

ANNEX 1

TABLE 8

Structure of Exports by Product
(c.i.f. values, in $million)

	1981			1982			1983		
Product	Volume*	Value	%	Volume	Value	%	Volume	Value	%
A. TRADITIONAL		902.5	90.7%		817.8	91.0%		767.4	93.9%
MINERAL ORES	126.5	556.0	55.9%	107.6	419.4	46.7%	95.6	347.3	42.5%
Tin	24.2	343.1	34.5%	21.9	278.3	31.0%	16.0	207.9	25.4%
Zinc	44.7	40.4	4.1%	44.5	38.4	4.3%	41.4	33.4	4.1%
Silver	0.2	71.7	7.2%	0.2	37.1	4.1%	0.2	58.3	7.1%
Wolfram	3.1	43.0	4.3%	3.3	33.8	3.8%	2.6	20.0	2.4%
Other	54.3	57.8	5.8%	37.7	31.8	3.5%	35.5	27.7	3.4%
HYDROCARBONS		346.5	34.8%		398.4	44.4%		420.1	51.4%
Natural gas	2,195.7	336.7	33.8%	2,296.9	381.6	42.5%	2,227.1	378.2	46.3%
Propane gas	10,067.1	3.1	0.3%	19,061.6	5.9	0.7%	11,618.4	3.7	0.5%
Butane gas	9,724.1	3.4	0.3%	19,061.6	6.4	0.7%	11,618.4	4.0	0.5%
Other[1]	89.2	3.3	0.3%	164.1	4.5	0.5%	1,193.7	34.2	4.2%
B. NON-TRADITIONAL	101.3	92.8	9.3%	127.5	80.4	9.0%	147.0	50.1	6.1%
Coffee	5.0	15.8	1.6%	6.8	15.5	1.7%	6.6	12.9	1.6%
Wood	33.2	18.0	1.8%	24.1	11.6	1.3%	22.7	7.8	1.0%
Sugar	18.8	5.7	0.6%	35.7	8.1	0.9%	47.6	12.3	1.5%
Rubber	1.5	3.2	0.3%	2.5	4.1	0.5%	4.0	2.7	0.3%
Hides and skins	1.3	5.2	0.5%	1.7	3.2	0.4%	0.7	0.8	0.1%
Engineering products	0.7	8.0	0.8%	0.4	4.9	0.5%			
Soya beans	9.1	3.6	0.4%	27.6	7.4	0.8%	32.4	4.6	
Other[2]	31.7	33.3	3.3%	28.7	25.6	2.9%	33.1	9.0	1.1%
TOTAL		995.3	100.0%		898.2	100.0%		817.5	100.0%

[1] Includes crude petroleum and petroleum spirit and derivatives thereof.

[2] Includes chestnuts, cotton fibre, handicraft products, cattle, cocoa butter and oilcake, beverages, ethyl alcohol, etc.

* The volume measurement units are:
Mineral ores: thousand fine metric tons
Hydrocarbons: natural gas: million cubic metres
Propane and butane gas: metric tons
Other: thousand barrels
Non-traditional products: thousand metric tons

Source: Prepared by Bolivian Mission in Geneva on basis of data from National Statistical Institute and Central Bank of Bolivia.

ANNEX 1

TABLE 8 (Cont'd)

Structure of Exports by Product
(c.i.f. values, in $million)

Product	1984			1985			1986			1987		
	Volume*	Value	%	Volume	Value	%	Volume	Value	%	Volume	Value	%
A. TRADITIONAL		752.9	96.3%		638.3	94.9%		530.5	83.7%		427.0	79.5%
MINERAL ORES	81.9	364.0	46.5%	67.0	263.8	39.2%	81.6	196.8	31.1%	64.9	166.8	31.1%
Tin	20.3	247.7	31.7%	16.1	186.6	27.7%	14.8	104.1	16.4%	8.9	60.5	11.3%
Zinc	36.9	37.3	4.8%	33.9	29.5	4.4%	35.6	28.0	4.4%	37.6	29.8	5.5%
Silver	0.1	21.4	2.7%	0.1	10.2	1.5%	0.2	27.3	4.3%	0.2	32.8	6.1%
Wolfram	2.5	18.9	2.4%	1.6	10.3	1.5%	1.5	6.6	1.0%	1.6	7.2	1.3%
Other	22.2	38.7	4.9%	15.2	27.2	4.0%	29.6	30.8	4.9%	16.7	36.5	6.8%
HYDROCARBONS		388.9	49.7%		374.5	55.7%		353.7	52.7%		260.2	48.4%
Natural gas	2,210.3	375.7	48.0%	2,216.1	372.6	55.4%		328.7	51.9%		253.5	47.2%
Propane gas	7,682.0	2.3	0.3%	3,524.9	0.9	0.1%	1.1	0.2	0.0%	1.5	0.4	0.1%
Butane gas	7,682.0	2.4	0.3%	3,524.9	0.9	0.1%	1.1	0.2	0.0%	1.5	0.4	0.1%
Other[1]	315.5	8.5	1.1%	4.0	0.1	0.0%	365.0	4.6	0.7%	500.0	5.9	1.1%
B. NON-TRADITIONAL	84.5	29.2	3.7%	79.6	34.2	5.1%	162.9	103.0	16.3%	150.8	110.1	20.5%
Coffee	3.3	6.6	0.8%	6.6	13.8	2.1%	4.2	13.0	2.1%	6.0	15.2	2.8%
Woods	21.7	6.0	0.8%	22.1	5.8	0.9%	48.1	21.3	3.4%	35.0	17.0	3.2%
Sugar	19.0	6.6	0.8%	6.0	1.8	0.3%	16.6	5.2	0.8%	12.5	3.0	0.6%
Rubber	3.4	0.8	0.1%	2.2	0.5	0.1%	3.3	3.2	0.5%	2.0	1.6	0.3%
Hides and skins	0.6	0.8	0.1%	1.0	1.4	0.2%	3.6	6.1	1.0%	4.0	7.2	1.3%
Engineering products			0.0%				0.3	5.8	0.9%	0.0	0.0	0.0%
Soya beans	12.5	1.5		29.3	5.3		75.9	17.3	2.7%	78.0	17.0	3.2%
Other[2]	24.0	6.9	0.9%	12.4	5.6	0.8%	10.9	31.1	4.9%	13.4	49.1	9.1%
TOTAL		782.1	100.0%		672.5	100.0%		633.6	100.0%		537.1	100.0%

[1] Includes crude petroleum and petroleum spirit and derivatives thereof.

[2] Includes chestnuts, cotton fibre, handicraft products, cattle, cocoa butter and oilcake, beverages, ethyl alcohol, etc.

*The volume measurement units are:
Mineral ores: thousand fine metric tons
Hydrocarbons: natural gas: million cubic metres
Propane and butane gas: metric tons
Other: thousand barrels
Non-traditional products: thousand metric tons

Source: Prepared by Bolivian Mission in Geneva on basis of data from National Statistical Institute and Central Bank of Bolivia.

ANNEX 1

TABLE 9

Structure of Exports by Country
(c.i.f. values, in $million)

Product	1981		1982		1983		1984		1985		1986	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
LAIA	423.44	42.5%	465.12	51.8%	428.58	52.4%	411.93	52.7%	407.77	60.6%	405.42	64.1%
Argentina	359.73	36.1%	399.93	44.5%	388.77	47.6%	381.59	48.8%	375.74	55.9%	340.59	53.8%
Brazil	12.70	1.3%	19.47	2.2%	12.72	1.6%	8.04	1.0%	4.47	0.7%	20.74	3.3%
Chile	8.44	0.8%	10.82	1.2%	8.33	1.0%	6.94	0.9%	10.66	1.6%	22.23	3.5%
Mexico	0.93	0.1%	0.24	0.0%	0.02	0.0%	0.00	0.0%	0.19	0.0%	0.00	0.0%
Paraguay	0.01	0.0%	0.18	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.70	0.1%
Uruguay	0.02	0.0%	0.37	0.0%	0.02	0.0%	0.01	0.0%	0.00	0.0%	0.05	0.0%
ANDEAN GROUP	41.61	4.2%	34.11	3.8%	18.73	2.3%	15.36	2.0%	16.71	2.5%	21.12	3.3%
Colombia	5.91	0.6%	5.87	0.7%	3.81	0.5%	4.59	0.6%	3.87	0.6%	1.86	0.3%
Ecuador	0.76	0.1%	0.93	0.1%	0.11	0.0%	0.04	0.0%	0.12	0.0%	0.09	0.0%
Peru	31.19	3.1%	23.01	2.6%	14.58	1.8%	9.37	1.2%	12.72	1.9%	19.16	3.0%
Venezuela	3.75	0.4%	4.31	0.5%	0.23	0.0%	1.36	0.2%	0.00	0.0%	0.01	0.0%
CACM	0.26	0.0%	0.01	0.0%	0.00	0.0%	0.01	0.0%	0.04	0.0%	0.00	0.0%
Canada	0.38	0.0%	0.07	0.0%	0.03	0.0%	0.04	0.0%	0.01	0.0%	0.10	0.0%
United States	266.21	26.7%	234.80	26.1%	169.85	20.8%	144.04	18.4%	90.86	13.5%	92.36	14.6%
COMECON	32.78	3.3%	7.89	0.9%	16.85	2.1%	17.10	2.2%	19.00	2.8%	5.74	0.9%
EEC	201.76	20.3%	134.66	15.0%	133.51	16.3%	175.22	22.4%	137.55	20.5%	117.03	18.5%
Germany, Fed. Rep.	36.34	3.7%	33.31	3.7%	23.95	2.9%	24.99	3.2%	33.54	5.0%	34.98	5.5%
Belgium	28.18	2.8%	18.80	2.1%	25.43	3.1%	27.22	3.5%	13.96	2.1%	10.87	1.7%
France	24.69	2.5%	14.98	1.7%	15.33	1.9%	5.56	0.7%	7.77	1.2%	6.35	1.0%
Netherlands	72.33	7.3%	35.66	4.0%	49.08	6.0%	76.23	9.7%	21.73	3.2%	2.60	0.4%
United Kingdom	38.34	3.9%	30.98	3.4%	19.12	2.3%	40.75	5.2%	59.63	8.9%	49.86	7.9%
Italy	1.85	0.2%	0.92	0.1%	0.60	0.1%	0.47	0.1%	0.80	0.1%	1.99	0.3%
Other EEC	0.03	0.0%	0.01	0.0%	0.00	0.0%	0.01	0.0%	0.11	0.0%	10.38	1.6%
EFTA	44.00	4.4%	18.98	2.1%	16.88	2.1%	14.78	1.9%	10.59	1.6%	7.20	1.1%
Sweden	0.86	0.1%	0.39	0.0%	0.15	0.0%	0.18	0.0%	0.00	0.0%	0.00	0.0%
Switzerland	42.49	4.3%	18.55	2.1%	16.54	2.0%	14.50	1.9%	10.55	1.6%	7.20	1.1%
Other EFTA	0.65	0.1%	0.04	0.0%	0.19	0.0%	0.10	0.0%	0.04	0.0%	0.00	0.0%
Rest of Western Europe	5.19	0.5%	4.83	0.5%	6.14	0.8%	2.95	0.4%	2.38	0.4%	0.00	0.0%
ASIA	9.50	1.0%	25.05	2.8%	15.37	1.9%	8.35	1.1%	2.67	0.4%	3.09	0.5%
Japan	9.35	0.9%	16.22	1.8%	15.36	1.9%	8.33	1.1%	2.60	0.4%	1.98	0.3%
Other	0.15	0.0%	8.83	1.0%	0.01	0.0%	0.02	0.0%	0.08	0.0%	1.11	0.2%
Rest of world	11.79	1.2%	6.77	0.8%	30.25	3.7%	7.70	1.0%	1.66	0.2%	1.66	0.3%
TOTAL	995.30	100.0%	898.18	100.0%	817.46	100.0%	782.12	100.0%	672.54	100.0%	632.59	100.0%

Source: Central Bank of Bolivia

ANNEX 1

TABLE 10

Structure of Imports by Use or Economic Destination
(c.i.f. and f.o.b. values, in $million)

Heading	1982		1983		1984		1985		1986	
	Value	%	Value	%	Value	%	Value	%	Value	%
1. CONSUMER GOODS	96.00	17.3%	65.60	11.4%	94.90	19.4%	132.50	24.0%	174.30	24.5%
a) Non-durable consumer goods	56.80	10.3%	46.40	8.0%	42.00	8.6%	52.40	9.5%	67.60	9.5%
b) Durable goods	39.20	7.1%	19.20	3.3%	52.90	10.8%	80.10	14.5%	106.70	15.0%
2. RAW MATERIALS AND INTERMEDIATE PRODUCTS	212.90	38.4%	239.00	41.4%	171.40	35.1%	182.10	33.0%	248.80	35.0%
a) Fuels and related products	9.00	1.6%	4.10	0.7%	1.50	0.3%	2.20	0.4%	4.90	0.7%
b) Raw materials and intermediate products for agriculture	7.30	1.3%	11.20	1.9%	17.50	3.6%	14.30	2.6%	18.50	2.6%
c) Raw materials and intermediate products for industry	196.60	35.5%	223.70	38.8%	152.40	31.2%	165.60	30.0%	225.40	31.7%
3. CAPITAL GOODS	234.10	42.2%	265.50	46.0%	216.80	44.4%	231.80	42.0%	283.00	39.8%
a) Construction materials	35.50	6.4%	43.30	7.5%	31.70	6.5%	33.10	6.0%	42.70	6.0%
b) Capital goods for agriculture	5.10	0.9%	7.30	1.3%	13.50	2.8%	13.80	2.5%	13.10	1.8%
c) Capital goods for industry	138.90	25.1%	156.30	27.1%	103.40	21.2%	110.40	20.0%	142.30	20.0%
d) Transport equipment	54.60	9.9%	58.60	10.2%	68.20	14.0%	74.50	13.5%	84.90	11.9%
4. MISCELLANEOUS	11.10	2.0%	6.60	1.1%	5.40	1.1%	5.50	1.0%	5.40	0.8%
TOTAL C.I.F. VALUE	554.10	100.0%	576.70	100.0%	488.50	100.0%	551.90	100.0%	711.50	100.0%
Plus: adjustment for non-registered, lawful imports	23.40		12.40		3.10					
ADJUSTED TOTAL C.I.F. VALUE	577.50		589.10		491.60		551.90		711.50	
Deduction for freight, insurance, etc.	(81.50)		(93.10)		(79.30)		(89.10)		(114.90)	
TOTAL F.O.B. VALUE	496.00		496.00		412.30		462.80		596.60	

Source: Central Bank of Bolivia

ANNEX 1

TABLE 11

Structure of Imports by Country
(c.i.f. values, in $million)

Product	1981		1982		1983		1984		1985	
	Value	%	Value	%	Value	%	Value	%	Value	%
LAIA	298.69	32.6%	167.54	30.2%	241.43	41.9%	219.49	44.9%	262.30	47.5%
Argentina	90.76	9.9%	73.55	13.3%	95.81	16.6%	70.80	14.5%	82.80	15.0%
Brazil	129.37	14.1%	52.74	9.5%	77.58	13.5%	98.51	20.2%	115.90	21.0%
Chile	36.41	4.0%	15.62	2.8%	18.14	3.1%	16.12	3.3%	27.60	5.0%
Mexico	5.48	0.6%	2.30	0.4%	24.39	4.2%	3.71	0.8%	2.80	0.5%
Paraguay	1.19	0.1%	5.03	0.9%	1.32	0.2%	1.04	0.2%	1.10	0.2%
Uruguay	1.77	0.2%	1.01	0.2%	2.45	0.4%	1.55	0.3%	1.70	0.3%
ANDEAN GROUP	33.69	3.7%	17.29	3.1%	21.75	3.8%	27.76	5.7%	30.40	5.5%
Colombia	3.57	0.4%	1.99	0.4%	2.37	0.4%	2.04	0.4%	2.20	0.4%
Ecuador	0.85	0.1%	0.66	0.1%	0.36	0.1%	0.15	0.0%	0.10	0.0%
Peru	28.79	3.1%	14.48	2.6%	18.53	3.2%	25.02	5.1	27.60	5.0%
Venezuela	0.46	0.1%	0.15	0.0%	0.49	0.1%	0.54	0.1	0.5	0.1%
CACM	1.29	0.1%	1.71	0.3%	0.74	0.1%	0.10	0.0%	0.10	0.0%
Canada	8.65	0.9%	6.79	1.2%	4.24	0.7%	4.33	0.9%	4.90	0.9%
United States	210.30	22.9%	162.79	29.4%	165.56	28.7%	106.54	21.8%	121.40	22.0%
COMECON	13.00	1.4%	9.90	1.8%	8.22	1.4%	24.07	4.9%	22.10	4.0%
EEC	178.10	19.4%	95.04	17.2%	89.72	15.6%	78.45	16.1%	80.50	14.6%
Germany, Fed. Rep.	74.06	2.1%	44.84	8.1%	31.67	5.5%	35.24	7.2%	39.70	7.2%
Belgium	11.09	1.2%	3.74	0.7%	2.96	0.5%	5.18	1.1%	4.40	0.8%
France	16.87	1.8%	7.85	1.4%	20.32	3.5%	9.71	2.0%	9.90	1.8%
Netherlands	15.49	1.7%	6.57	1.2%	7.40	1.3%	8.32	1.7%	9.40	1.7%
United Kingdom	44.14	4.8%	22.23	4.0%	19.36	3.4%	13.76	2.8%	11.00	2.0%
Italy	9.36	1.0%	6.60	1.2%	3.97	0.7%	4.52	0.9%	4.40	0.8%
Other EEC	7.10	0.8%	3.22	0.6%	4.04	0.7%	1.72	0.4%	1.70	0.3%
EFTA	38.33	6.4%	15.88	2.9%	12.77	2.2%	9.11	1.9%	9.90	1.8%
Sweden	44.52	4.9%	7.20	1.3%	6.19	1.1%	3.63	0.7%	3.90	0.7%
Switzerland	8.50	0.9%	6.28	1.1%	4.51	0.8%	4.28	0.9%	5.00	0.9%
Other EFTA	5.37	0.6%	2.40	0.4%	2.06	0.4%	1.20	0.2%	1.00	0.2%
Rest of Western Europe	12.38	1.3%	4.69	0.8%	2.08	0.4%	5.77	1.2%	5.50	1.0%
ASIA	137.82	15.0%	71.02	12.8%	45.14	7.8%	35.94	7.4%	43.60	7.9%
Japan	109.03	11.9%	58.44	10.5%	39.25	6.8%	30.36	6.2%	38.60	7.0%
Other	28.79	3.1%	12.59	2.3%	5.89	1.0%	5.58	1.1%	5.00	0.9%
Rest of world	18.51	2.0%	18.76	3.4%	6.86	1.2%	4.68	1.0%	1.60	0.3%
TOTAL	917.08	100.0%	554.14	100.0%	576.75	100.0%	488.48	100.0%	551.90	100.0%

Source: Central Bank of Bolivia

ANNEX 1

TABLE 12

Trade Balance
(In $million)

Heading	1981	1982	1983	1984	1985	1986
EXPORTS F.O.B.	912.40	827.70	755.10	724.50	623.40	618.00
IMPORTS C.I.F. (adjusted)	975.40	577.50	589.10	491.60	551.90	711.50
TRADE BALANCE	(63.00)	250.20	166.00	232.90	71.50	(93.50)

Source: Central Bank of Bolivia