

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

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## TRADE POLICY REVIEW MECHANISM

### BOLIVIA

#### Revision

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (BISD, 36S/403), the initial full report by Bolivia for the review by the Council is attached.

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## EXECUTIVE SUMMARY

For a better understanding of Bolivia's transformation in recent years, a comparative analysis is given below of some economic indicators from the culmination of the hyperinflationary process that affected the country during the first half of the 1980s until the present.

- Year-on-year inflation in 1985 exceeded 8,100 per cent; in 1992 the rate was around 10 per cent, one of the lowest in Latin America.
- Net international reserves were negative during the first four years of the 1980s. In 1985, months after the stabilization programme was introduced, they stood at about US\$100 million, and by December 1992 they were over US\$220 million.
- The tax burden (tax/GDP ratio), based on internal tax receipts, amounted to 2.2 per cent in the mid-1980s, compared with over 10 per cent today.
- The inflow of foreign exchange doubled during this period; foreign debt service absorbed nearly half of total foreign exchange inflows in 1985, compared with only one-sixth in 1992.
- The structure of the foreign debt changed significantly. In 1985, bilateral debt and debt with private financial entities, both on commercial terms, represented three-quarters of the total. At the end of 1991, they represented only half, the rest being made up of loans on concessional terms from multilateral financial institutions.
- The gross domestic product fell steadily from 1982 to 1986. Growth resumed in 1987, and the 1992 GDP was 16 per cent above that of 1988. The fastest growing sectors of the economy during this period were mining, industry, construction and electricity.
- The value of exports has been recovering since 1986, with greater diversification and more private sector participation, but without reaching the level of 1980, owing to the continuing decline in world prices.

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

The economic policy pursued, based on the principle that the market is the most efficient instrument for the allocation of resources, fully opened up the economy, eliminated all price controls, including the exchange rate, and overhauled public finances by reducing unnecessary expenditure and reforming taxation.

As of 1989 these measures were accompanied by radical structural reforms reflected in new laws on investment and on the hydrocarbons and mining sectors, as well as the start of a reduction in State participation in production activity.

Broadly speaking, the fundamental features of Bolivia's economic structure persist: high share of traditional agriculture and of the tertiary sector in the product, lack of infrastructure and insufficient domestic saving. Nevertheless, as a result of the stabilization measures and structural reforms, the Bolivian economy is beginning to show major structural changes. Commercial agriculture and manufacturing industry are growing and becoming more diversified on a more competitive footing, and in the case of commercial agriculture the sector is clearly export-oriented.

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

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

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

The industrial share of the product is around 16 per cent. Although problems linked with uncompetitiveness and shortcomings in transport and marketing infrastructure persist in the sector, in recent years more dynamic industries have emerged in the food and textiles branches, which are showing better ability to compete in foreign markets or replace imports. Manufacturing GDP in the last three years has risen at an average of 6 per cent compared with 4 per cent for the economy as a whole.

Fiscal policy is aimed at closing off the major source of money supply growth stemming from the fiscal deficit, through an increase in public saving. Money supply growth is linked with the demand for money and underpinned by international reserves. Growth of the means of payment responds to demands from economic operators, under two guiding principles: maintaining stability and meeting the needs of producers.

Exchange policy is aimed at a nominal exchange rate which reflects market conditions. The real exchange rate is the result of the relative scarcity of foreign exchange and hence of private and public sector demand, and of the relative movements of prices in the trading and non-trading sector.

Bolivia's trade policy aims at increasing economic efficiency by expanding economic relations with other countries and increasing trade flows of goods and services.

Since Bolivia's accession to the General Agreement, changes have been made with a view to further liberalization of the economy in accordance with GATT objectives and mechanisms.

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

Bolivia is a full member of the Andean Group, an agreement which has undergone major development in recent years with the lifting of tariff barriers among its members, harmonization of export promotion policies and adoption of a common external tariff with a narrow range of rates and low tariffs for trade with third parties.

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

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

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

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

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

With a view to continuity of export policy, the Government has submitted to the National Congress for study a draft "Law on the Development and Tax Treatment of Exports".

This bill covers three basic aspects:

- the guarantees provided to the export sector for carrying on its activities, in other words freedom to import and export without restriction, direct access to international financing, free transit through the national territory without restriction, and use, at the time of export, of the services of the enterprises or entities of the exporter's choice;
- tax treatment of the sector, which provides for the refund of consumption taxes and duties paid on imports of inputs; and
- the process of formulation of export policy.

The import régime is based on the principle of free trade in goods and services with the exception of those that affect public health and/or State security. Only goods affecting the health and physical and moral safety of the country's inhabitants are subject to an import prohibition.

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

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

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

The exceptions to this tariff régime stem from commitments entered into prior to the liberalization of trade and from international integration agreements to which the country is a party. There are also agreements on foreign aid and grants under which goods imported using these resources are exempt from the Consolidated Customs Duty.

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

Bolivia has acceded to the Customs Valuation Code.

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

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

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

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

## I. ECONOMIC ENVIRONMENT

### 1.1 Main features of the Bolivian economy

The Bolivian economy is undergoing a process of transformation and structural change. Although the traditional agricultural sector continues to account for a large share of the product, its relative importance has been declining in recent years. Industry's share of the product remains low, although in recent years it has been growing more rapidly than the average for the economy as a whole.

In addition, the country's size and geographical diversity, compounded by a lack of suitable infrastructure, raises transport costs, affecting the competitiveness of certain exportable goods and Bolivia's participation in the world economy.

At present, growth is strongest in sectors such as manufacturing, electricity, gas, water and construction. Growth of the agricultural sector has been affected, either positively or negatively, by weather factors, and the mining sector, which was showing signs of recovery, was once again hit by the fall in world prices of its export minerals.

Sectoral shares in the gross domestic product are shown in Table 1, while cumulative sectoral growth in recent years may be seen in Chart A.

Table 1

GDP by Economic Activity  
(percentage structure)

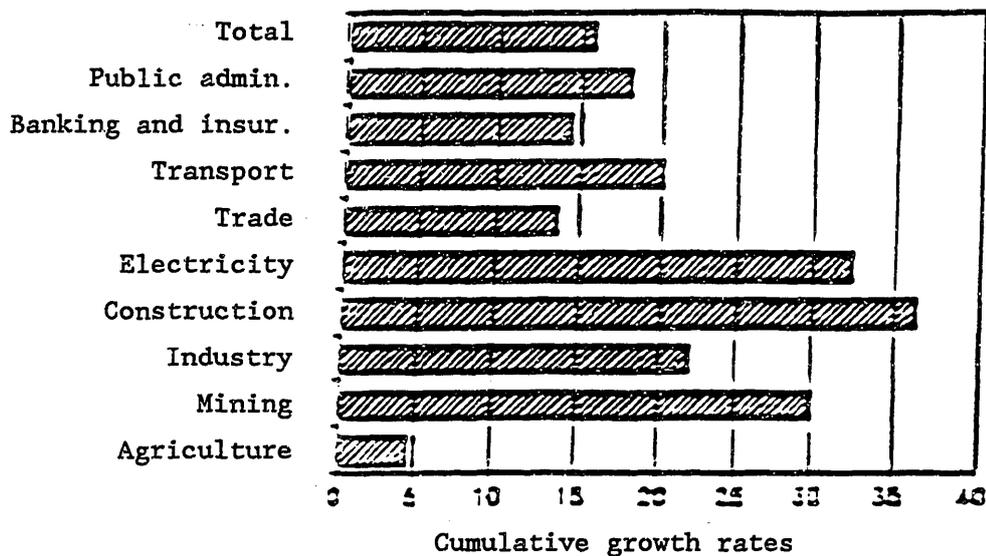
Economic activity	1988	1989	1990	1991	1992
Agri., hunting, forestry, fishing	18.44	17.51	17.02	17.99	16.65
Mining and quarrying	7.48	8.18	9.20	8.95	8.39
Manufacturing	15.63	15.60	15.95	16.34	16.49
Trade	10.83	10.44	10.41	10.48	10.64
Transport, storage, communications	10.79	10.92	10.80	10.68	11.19
Banking and insurance, housing, business services	8.34	8.25	7.99	7.73	8.25
Public admin. services	9.04	9.53	9.36	9.03	9.22
Other <sup>1</sup>	19.45	19.59	19.28	18.80	19.16
Total	100.00	100.00	100.00	100.00	100.00

<sup>1</sup>Includes: Electricity, Gas and Water; Construction and Public Works; Community, Social and Personal Services; Hotel Services; and Indirect Taxes.

Source: Department of National Accounts - I.N.E.

Chart A

Growth of GDP 1988-1992  
(Base: 1988 = 100)



1.1.1 Agricultural sector

Agriculture generates roughly 16.6 per cent of GDP and employs 42 per cent of the economically active population. In 1992, it received 9.6 per cent of programmed public investment.

The agricultural sector is still characterized by the preponderance of traditional activities, largely supplying consumer staples to urban areas. Production is practically geared to the domestic market, and is based in the altiplano and valley regions. The main problems lie in the use of inappropriate technology, deterioration of ecosystems, land tenure and use, lack of production infrastructure, organizational weaknesses and marketing difficulties.

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

1.1.2 Mining and metallurgy

The mining sector was traditionally the Bolivian economy's main prop, as the main source of foreign-exchange earnings. However, its relative

importance in exporting has declined. Thus, its share of exports was over 60 per cent in 1980 compared with a little over 50 per cent in 1992. The sector's share of the GDP has declined substantially. In 1980<sup>1</sup> (at 1980 prices) the mining sector's share of GDP amounted to 10.3 per cent, whereas in 1992 (at 1988 prices) it was only 5.8 per cent.

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

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

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

Despite a steady decline in international prices of minerals, this sector began a serious recovery in 1987. The output volume index in 1991 was double that of 1986, but is nevertheless 15 per cent below that of the beginning of the 1980s.

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

### 1.1.3 Hydrocarbons and energy sector

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

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<sup>1</sup>The National Statistical Institute changed the base year for the National Accounts, the results of which were presented in February 1993. Earlier accounts had 1980 as the base year while the present accounts use 1988. Although this change makes it easier to compare sectoral shares, because of the problem of different base years it is not suitable for measuring sectoral growth rates.

As far as petroleum is concerned, the aim is not only to ensure self-sufficiency but also, as a result of new investment in prospection, exploration and extraction, to create exportable surpluses in the future.

The new legal instruments for the sector, contained in the Hydrocarbons Law, within the context of the new Investment Law, provide a legal framework that seeks to ensure greater domestic and foreign private investment in the sector.

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

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

The private sector is now increasingly present in the various stages of hydrocarbon production, sharing production in this sector with the State Petroleum Company (YPFB).

In the electricity sector, demand for electricity has been growing as a result of the higher level of economic activity; in particular, stronger demand may be attributed to private mining and the manufacturing sector, as well as to the electrification of rural areas.

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

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

#### 1.1.4 Industrial sector

In 1992, the industrial sector's share of GDP was 16 per cent and its share of total exports 10 per cent, figures which indicate the country's insufficient industrial development.

The main problems of the sector are the lack of skilled labour, inadequate transport and marketing infrastructure, insufficient internal and external financing and, lastly, a total absence of producer services.

In addition, the limited amount of private investment and low direct foreign investment in the sector are factors that account for inadequate industrial development.

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

Despite all the above problems, strong growth has occurred in the food and textiles industries, which are showing an ability to compete on external markets and replace imports. In particular, the food, beverages and tobacco sector grew over the last three years at an average rate of over 8 per cent. During this same period manufacturing GDP grew at a rate of 6 per cent, as opposed to an average growth rate of 4 per cent for the economy as a whole.

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

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

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

## 1.2 General macro-economic factors influencing trade

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

The results of this process have led to positive growth rates of the product since 1987. While growth has been moderate (between 2.8 per cent and 4.6 per cent over the last four years), it has brought the GDP to a level higher than that of the beginning of the last decade.

These achievements were made possible by the implementation of the following measures since 1985: subsidies were drastically eliminated, thus removing one of the most important factors in the distortion of relative price formation; deregulation policies were applied, with the removal of tariff barriers and establishment of a uniform tariff, and price controls

were abolished. The labour market was liberalized, with the adoption of a system of free hiring; and the exchange market was unified, with the introduction of a single, flexible exchange rate.

Since 1989, structural reform has been pursued in conjunction with the continuing stabilization policy. The credit market was deregulated, and the auction system was adopted for the granting of development loans (for which the Central Bank acts as a second tier bank). Bank interest rates are not controlled, with the LIBO rate as a minimum nominal floor. The State banking system, consisting of the Housing Bank, the Agricultural Bank, the Mining Bank, the State Bank (Banco del Estado) and FONEM, was dissolved and most of its functions were transferred to the commercial private banks.

A large part of the debt with foreign private banks was repurchased, under a scheme involving the issue of investment bonds that could be swapped for debt certificates. An agreement to eliminate the remainder of the private debt has been negotiated and will be signed in Hamburg on 30 March 1993. Much of the foreign bilateral debt was renegotiated, forgiven or restructured under the Paris I-IV agreements, with the result that the total is now half that of 1987, when these negotiations were begun.

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

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

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

#### 1.2.1 Fiscal policy

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

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

A little over 60 per cent of public investment is financed by external saving resources, the bulk being non-repayable.

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

In 1993 efforts to reduce the budget deficit will be stepped up, on the basis of better tax receipts resulting from an increase in the rate of the value-added tax decided on in early 1992, and improved tax collection machinery. These improvements are aimed at offsetting the negative effects of the lower price of gas exported to Argentina. In addition, oil and gas prices were adjusted upwards in real terms, thus making it possible to balance the lost export earnings through higher income from the domestic market.

Table 2  
Public Sector Financial Flows  
(as a percentage of GDP)

	1984	1985	1986	1987	1988	1989	1990	1991
CURRENT INCOME	21.17	27.13	29.65	25.34	28.19	27.70	29.48	30.70
Tax income	2.22	3.04	6.63	8.18	8.24	7.60	7.91	8.10
Non-tax income	0.31	0.89	0.98	0.93	0.57	0.47	0.55	0.47
Dom. sales, of goods & services	3.93	10.40	12.13	9.62	11.13	10.60	11.31	12.90
Sales abroad, of goods & servs.	14.09	11.53	9.92	6.31	7.58	7.40	7.59	7.30
Other	0.63	1.27	0.00	0.31	0.68	1.53	2.12	1.93
CURRENT EXPENDITURE	42.35	33.54	27.75	27.78	27.30	25.58	26.68	27.07
Wages and salaries	14.54	10.18	7.33	8.12	9.98	10.60	11.05	10.90
Purchases, of goods & services	11.00	10.81	9.92	8.42	9.12	8.20	7.85	7.90
Int. and com. paid, on int. debt	0.13	0.53	0.15	0.08	0.00	0.00	0.02	0.17
Int. and com. owed, on ext. debt	3.10	7.19	5.55	4.30	4.14	3.70	3.30	3.20
Transfers	2.50	1.80	1.79	2.09	1.43	2.10	2.68	2.30
Other	1.20	0.33	1.77	3.41	3.19	0.98	1.79	2.60
Floating debt	0.56	0.24	1.24	0.71	0.18	0.00	0.00	0.00
Unidentified expenditure	9.32	2.46	(0.00)	0.65	(0.75)	0.00	0.00	0.00
CAPITAL INCOME	0.17	0.18	1.20	0.21	0.97	1.60	1.98	1.80
CAPITAL EXPENDITURE	4.48	4.38	5.48	6.15	8.18	8.80	8.90	9.30
TOTAL INCOME	21.35	27.31	30.85	25.55	29.16	29.30	31.47	32.50
TOTAL EXPENDITURE	46.84	37.92	33.22	33.93	35.48	34.38	35.58	36.37
TOTAL NFPS DEFICIT	(25.49)	(10.61)	(2.38)	(8.37)	(6.32)	(5.08)	(4.12)	(3.86)
TOTAL NFPS FINANCING	25.49	10.61	2.38	8.37	6.32	5.08	4.12	3.87
Net external credit	2.68	4.78	6.16	3.15	4.64	2.20	2.72	3.40
Net internal credit	22.81	5.84	(3.78)	5.22	1.68	2.88	1.40	0.47
QUASI-FISCAL DEFICIT	n.d.	n.d.	(0.13)	(0.75)	(0.61)	(0.92)	(0.68)	(0.63)
PUBLIC SECTOR DEFICIT	(25.49)	(10.61)	(2.51)	(9.12)	(6.93)	(6.00)	(4.80)	(4.50)
TOTAL PUBLIC SECTOR FINAN.	(25.49)	(10.61)	(2.51)	(9.12)	(6.93)	(6.00)	(4.80)	(4.50)
Net external credit	2.68	4.78	6.16	3.15	4.64	2.20	2.72	3.40
Net internal credit	22.81	5.84	(3.65)	5.97	2.30	3.80	2.08	1.10

Source: UDAPE and SAFCO

NFPS: Non-Financial Public Sector

### 1.2.2 Monetary and financial policy

The Bolivian Government's monetary policy is conditioned by the level of net international reserves (NIR), and is aimed at the gradual reduction of interest rates so as to encourage private investment and improve the liquidity of the economy. The combination of a suitable fiscal adjustment policy and the slight but gradual reduction in interest rates has led to a rise in lending to the private sector: banking system loans at December 1992 amounted to US\$1,854 million, which represents an increase of US\$509 million over December 1991.

By December 1992, net international reserves had risen more than US\$30 million above the level of December of the previous year. In addition, given the Government's intention of reducing public borrowing through Central Bank certificates of deposit, the latter has offered and placed a smaller amount of securities under a public auction system.

Lending interest rates declined appreciably from January 1989 to December 1992. High interest rates payable on foreign currency deposits are one of the major factors explaining the increasing inflow of external saving and the steady rise in net international reserves, as may be seen in the following table:

Table 3

#### Financial Variables

Period	Net international reserves (millions of US\$)	Total deposits (millions of US\$)	Total loans (millions of US\$)	Lending rate % <sup>1</sup>	Borrowing rate % <sup>2</sup>
December 89	36.0	588.6	770.7	15.98	24.35
December 90	123.3	797.4	973.3	14.57	22.29
December 91	192.6	1,183.5	1,345.8	11.42	19.06
December 92	224.1	1,557.5	1,854.4	11.70	18.60

<sup>1</sup>Refers to fixed term deposits in foreign currency

<sup>2</sup>Refers to the effective interest rate in foreign currency

Source: UDAPE

The financial and credit policy clearly leaves the market to act as the essential factor in the allocation of resources. Interest rates are freely determined by the market, under a system of financial liberalization.

This liberalization process is being consolidated, with the elimination of preferential interest rates for privileged groups of borrowers. This has naturally maintained lending rates at exaggeratedly high levels for almost seven years. Hence, the protracted severe rise in the cost of money has averted an outflow of foreign exchange and facilitated the system's capacity to absorb financial saving (see Table 3).

Deregulation of the credit market is the mechanism enabling the interest rate to attain an equilibrium level between supply and demand. The auction system, implemented through Central Bank development credits, ensures that the price of credit is determined exclusively by the market.

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

### 1.2.3 Exchange policy

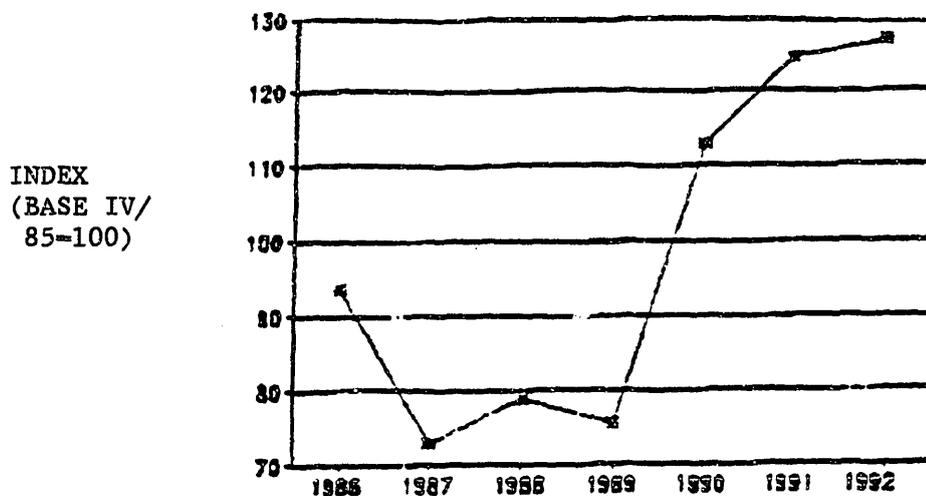
Bolivia's macro-economic policy is based on the strategic assumption that export-led growth is the most important factor to obtain a substantial increase in national income.

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

The following chart shows the trend of the real exchange rate index calculated on the basis of the movements in prices and the nominal exchange rate in Bolivia, in relation to the same trend for its major trading partners.

Chart B

Real Exchange-Rate Index



Real Exchange-Rate Index

Year	Index
1986	93.43
1987	72.95
1988	78.77
1989	75.45
1990	112.82
1991	124.48
1992(p)	127.20

(p): Preliminary to April

Source: UDAPE

The behaviour of the real-exchange-rate index shows that this key variable is being maintained at its real level (remaining in line with its equilibrium level), which boosts the international competitiveness of domestic industry producing tradeable goods.

1.2.4 Price policy

By efficiently controlling the money supply, the economic policy has succeeded in eliminating demand pressure on supply, while strict control has been established over fiscal spending: these were the two factors that had been generating inflation. It has thus succeeded in achieving price stability as well as one of the lowest rates of inflation in Latin America according to latest reports.

In 1992 inflation fell substantially, to an annual rate of 10.5 per cent. Among other macroeconomic projections, the average monthly rate of inflation in recent years is forecast at less than 1 per cent, and single-digit inflation should be attained by 1993. The prospect of lowering inflation to single-digit levels in 1993 will not only ensure domestic financial stability but also enable Bolivia to establish even more favourable conditions for increasing domestic private investment as well as direct foreign private investment.

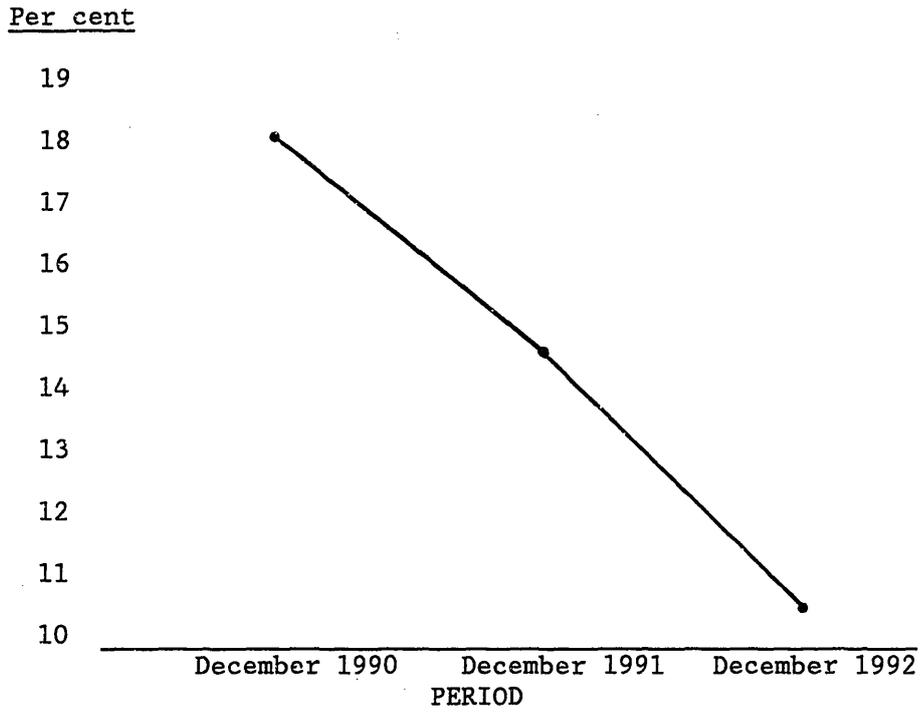
Table 4 shows the excellent performance of the Government's economic policy, with cumulative inflation falling from a rate of 18.8 per cent at the end of 1990 to 14.53 per cent for 1991 and 10.5 per cent at the end of 1992.

Table 4  
Price and Exchange Rate Trends

	Cumulative inflation	Cumulative depreciation
1990		
January	1.04	1.69
February	0.95	2.71
March	1.30	4.07
April	1.63	5.08
May	2.20	6.10
June	4.24	6.78
July	6.15	7.46
August	7.27	8.47
September	8.54	9.83
October	12.28	11.19
November	15.47	12.54
December	18.01	14.24
1991		
January	5.84	2.08
February	6.13	2.97
March	6.79	3.86
April	7.32	4.45
May	8.17	5.34
June	8.99	5.93
July	9.90	6.82
August	11.04	7.42
September	11.50	8.01
October	12.58	8.90
November	13.51	9.79
December	14.52	10.39
1992		
January	2.57	1.08
February	4.87	1.61
March	5.42	2.15
April	5.69	2.69
May	6.43	3.23
June	7.12	4.03
July	7.92	5.11
August	8.92	6.45
September	8.99	7.53
October	9.55	8.33
November	10.10	9.14
December	10.46	9.95

Source: BCB, INE

Figure C  
Price Trend  
Cumulative Inflation



Source: INE

## II. TRADE POLICY REGIME

### 2.1 Trade policy objectives

- (1) To raise the volume of international trade in order to increase the prosperity of those involved in business activity and of the population in general.
- (2) To raise the level of private investment by introducing policy measures that provide stable and favourable conditions for the production of tradable goods and for international trade.
- (3) To bring about resource allocation based on comparative advantage and economies of scale in production and trade. Open trade enables prices to provide the necessary information for focusing production efforts on the goods in which the country is most efficient owing to its relative factor endowment.
- (4) To take advantage of economies of scale and specialization in production, objectives which may be attained by expanding markets through bilateral and multilateral agreements.
- (5) To develop and strengthen the tradables-producing sector (exports and import substitutes) on the basis of neutral policies that place producers on the same footing as their international competitors.
- (6) To stimulate economic growth by developing a dynamic export sector.

### 2.2 Trade policy strategy

Trade policy is aimed at achieving a higher degree of openness and thereby creating further comparative advantages. Open trade leads to resource reallocation, stimulates private investment in industries where comparative advantages already exist, and boosts the acquisition of technology by which output and the volume of foreign trade may be further expanded.

This new technology gives rise to new internationally-competitive industries and thus paves the way for economic development.

### 2.3 Legal framework of foreign trade policy

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

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

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

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

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

(a) Investment

The Investment Law, No. 1182 of 17 September 1990, grants investors in a foreign enterprise the same rights, duties and guarantees as are granted to national investors under the laws and regulations, without any requirement of prior authorization or additional registration.

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

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

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

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

Tax obligations are covered by the tax régime.

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

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

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

(b) Export promotion

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

Law 843 of 28 May 1986 provides for the refund of value-added tax paid during the process of production of export goods. For exporters unable to offset the value of these taxes in full, the Certificate of Negotiable Credit Notes, (CENOCREN) is established, which allows them to recover the full amount of the tax refund accruing to them.

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

The creation and consequent concession of the administration of free zones was authorized and granted by Ministerial Resolution of the Ministry of Industry, Trade and Tourism (currently the Ministry of Exports and Economic Competitiveness) and Ministry of Finance on the basis of a report by the National Free Zones Council.

The creation of a Free Zone entails the concession of its administration to the body responsible for its development, for a period to be determined in accordance with the limits laid down by the Constitution.

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

Draft Export Law

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

This draft legislation is in three parts, dealing with guarantees for exporters, tax treatment and export policy formulation, respectively.

(c) Tariff régime

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

Since Supreme Decree No. 22585 of 20 August 1990, the GAC has been 10 per cent for goods in general and 5 per cent for those considered to be capital goods.

Supreme Decree No. 22775 of 8 April 1991 adopted the Import Customs Tariff and updated the rules and procedures for tariff treatment and other operational matters. It modified the customs legislation on imports with the incorporation of the main principles and rules of the GATT Customs Valuation Code into domestic law, as well as the new Harmonized Commodity Description and Coding System nomenclature, pursuant to multilateral agreements. It also adopted this nomenclature as the official nomenclature of the member countries of the Sub-Regional Andean Integration Agreement as the NANDINA.

The Import Customs Tariff comprises, in its general provisions on "customs duties", the "Consolidated Customs Duty" (GAC), internal taxes on import operations, the "Value-Added Tax" (IVA) and "Specific Consumption Tax" (ICE).

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

(d) Foreign trade inspection services

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

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

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

(e) Mining sector

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

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

(f) Accession of Bolivia to GATT

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

2.4 Institutional framework of foreign trade policy

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

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

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

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

The National Council of Economy and Planning (CONEPLAN) is the highest decision-making body of the National Planning System, which sets plans, programmes and strategies for the short, medium and long term in economic and social matters. Its titular President is the President of the

Republic, and the Minister for Planning and Co-ordination in his absence. The Council comprises the Ministers of Finance, Exports and Economic Competitiveness, Energy and Hydrocarbons, Mining, Transport, Communications and Civil Aviation, Labour and Manpower Development, and Rural Affairs and Agriculture.

The Ministry of Exports and Economic Competitiveness was set up to replace the Ministry of Industry, Trade and Tourism, by Supreme Decree No. 23202 of 8 July 1992. It is responsible for the formulation, definition and implementation of policy on exports, attraction of private capital, enhancement of Bolivian economic competitiveness and industry and tourism.

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

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

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

## 2.5 Trade integration agreements and conventions

The trade integration agreements operate at different levels in almost all the Latin American integration groupings. Bolivia is a member of the Andean Group (GRAN), and has also adopted a policy of closer links with MERCOSUR. It is in the process of negotiating an agreement establishing a free trade area with Mexico.

### 2.5.1 Andean Group

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

Decision 321, temporarily suspending for Peru its obligations under the Liberalization Programme and Common Minimum External Tariff until 31 December 1993.

In accordance with this Decision, on 12 November 1992 Bolivia signed a Bilateral Trade Agreement with Peru, in the framework of the Andean legal arrangements, which will permit entry of its export products into its neighbour's market.

Decision 322, establishing the guidelines for trade relations with countries of the LAIA, Central America and the Caribbean.

Decision 324, adopting the structure of the common external tariff in accordance with the provisions of the Caracas and Barahona Act.

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

The Free-Trade Area of the Active Andean Group has achieved the simultaneous elimination in its four member countries, as of 30 August 1992, of all existing tariff rates and all lists of exempted products, so that for the first time there is a free-trade integration process whose scope is not limited by lists of products that usually include all the most heavily traded goods.

At its Sixty-Eighth Ordinary Session, the Commission took major decisions on the following subjects: Decision 326 on customs valuation; Decision 327 on international customs transit; Decision 328 on Agricultural Health; Decision 329 on a Framework Agreement for Co-operation between the European Economic Community and the Cartagena Agreement and its member countries, Bolivia, Colombia, Ecuador, Peru and Venezuela; and Decision 330 on the Elimination of Subsidies and Harmonization of Export Incentives.

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

The strategic design coincides with Bolivian economic policy in that its external trade component provides for greater trade and economic openness, reflected in a market economy, as well as an incentive for the non-traditional export sector.

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

Thus, trade with Colombia increased from US\$4 million in 1990 to US\$30.15 million in 1991, or 654 per cent; during the same period trade with Ecuador increased by 687 per cent and trade with Venezuela by 49 per cent.

Major progress was made in 1992 despite the problems facing some members. The Andean Free Trade Area was strengthened with the signing of a bilateral agreement with Peru. Other highly significant measures were the

consolidation of the customs union and measures for market opening, expanded investment and export incentives.

#### 2.5.2 Latin American Integration Association (LAIA)

A major event was the Sixth Council of Foreign Ministers of LAIA, held in November 1991, which evaluated the regional integration process and laid down guidelines to re-orient the integration association so as to establish a wider Latin-American economic area by the end of this decade. The seventh LAIA Council of Foreign Ministers was held in early December 1992 with the same aim of self-evaluation as the previous meeting.

Bolivia has been making full use of the specific mechanisms of the LAIA, such as the partial-scope agreements and the market-opening lists, both in its bilateral integration arrangements with Chile and Mexico and in its process of forging closer links with MERCOSUR.

With Chile, there is currently a partial-scope agreement dating from 1983 that was recently renewed, but meetings are scheduled in the coming months at LAIA headquarters in Montevideo to explore the possibilities of concluding a more ambitious trade agreement that would increase the list of products covered by tariff preferences.

At present, Bolivia has economic complementarity agreements with Argentina and Uruguay and a partial-scope agreement with Paraguay.

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

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

#### 2.5.3 Trade integration agreements between Bolivia and the MERCOSUR member countries

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

On 30 September 1992, a first meeting on closer links between Bolivia and MERCOSUR was held in Brasília. Bolivia submitted its proposal for a real and effective closer relationship with member countries, and that proposal is to be analysed by MERCOSUR.

Relations between MERCOSUR and Bolivia have three key features that must be recognized as a common starting-point.

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

Secondly, the MERCOSUR countries are also members, together with Bolivia, of the Latin American Integration Association, and have negotiated among themselves regional-scope agreements making use of the integration mechanisms that are part of the LAIA framework of instruments. These include market opening lists, and partial-scope agreements actively used by Bolivia and the MERCOSUR member countries.

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

The Economic Complementarity Agreement with Argentina establishes tariff concessions concerning about 237 preferences in favour of Bolivia and 200 in favour of Argentina.

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

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

Thirdly, and most important, is the fact that Bolivia and the MERCOSUR countries have the real makings of tactical integration: in addition to

geographical features, physical infrastructure and communications, trade relations, migration, capital flows in the form of investment or credit, mutual policy influences, and the existence of installed capacity in transport and communications, are more intense.

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

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

- the River Plate Basin framework;
- the LAIA framework; and
- the complementarity of our countries.

### III. EXPORT POLICY

#### 3.1 Background

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

These changes confirm the continuity of the economic policy initiated in 1985, despite the fact that thus far the expansion of trade flows has been small. The factors accounting for this limited response include, at the domestic level, the deterioration of the production infrastructure as a result of the pre-1985 crisis. Externally, the prices of Bolivian traditional exports have declined steadily.

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

#### 3.2 Export trends

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

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

Table 5  
Composition of Exports  
(\$ million and %)

Year	Minerals		Hydrocarbons		Others		Total c.i.f.	
	Value	%	Value	%	Value	%	Value	%
1980	646.3	62.3	220.9	21.3	170.0	16.4	1,037.2	100
1981	556.6	56.6	332.6	33.8	94.8	9.6	984.0	100
1982	420.1	46.8	393.9	43.8	84.5	9.4	898.5	100
1983	347.7	42.5	415.2	50.8	55.1	6.7	818.0	100
1984	363.4	46.5	389.0	49.8	29.1	3.7	781.0	100
1985	263.8	39.2	374.5	55.7	34.5	5.1	672.8	100
1986	196.8	30.7	332.6	51.9	110.9	17.3	640.3	100
1987	207.5	36.4	256.1	44.9	106.2	18.6	569.8	100
1988	273.1	45.7	218.9	36.6	105.4	17.6	597.4	100
1989	403.4	49.2	214.0	26.1	201.8	24.6	819.2	100
1990	407.1	43.9	226.9	24.5	292.5	31.6	926.5	100
1991	356.3	41.9	241.2	28.3	253.5	29.8	853.0	100

Source: INE and BCB

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

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

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

Mineral ores such as zinc and gold, on the other hand, are gaining in importance and currently represent roughly half of total mining exports.

Table 6  
Composition of Mining Exports  
(\$ million and %)

Year	Tin met.		Tin conc.		Silver		Zinc		Gold		Other min.		Total c.i.f.	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
1980	238.8	34.1	139.3	27.6	118.3	16.9	41.4	5.9	0.0	0.0	108.9	15.5	646.3	100
1981	265.9	47.8	77.2	13.9	71.7	12.9	40.4	7.3	0.0	0.0	101.4	18.2	556.6	100
1982	237.3	56.5	41.1	9.8	37.1	8.8	38.4	9.1	0.0	0.0	66.3	15.8	420.2	100
1983	175.5	50.5	32.4	9.3	58.3	16.8	33.4	9.6	0.0	0.0	48.1	13.8	347.7	100
1984	190.8	52.5	57.0	15.7	21.4	5.9	37.3	10.3	0.0	0.0	56.9	15.7	363.4	100
1985	133.9	50.8	52.6	19.9	10.2	3.9	29.5	11.2	5.5	2.1	32.1	12.2	263.8	100
1986	55.3	28.1	48.8	24.8	27.3	13.9	28.0	14.2	7.2	3.7	30.2	15.3	196.8	100
1987	12.6	6.1	56.2	27.1	33.4	16.1	32.8	15.8	37.5	18.1	35.0	16.9	207.5	100
1988	43.5	15.9	33.4	12.2	44.9	16.4	60.1	22.0	59.9	21.9	31.3	11.5	273.1	100
1989	81.4	20.2	45.1	11.2	58.8	14.6	132.2	32.8	44.5	11.0	41.4	10.3	403.4	100
1990	82.5	20.3	23.5	5.3	50.8	12.5	145.9	35.8	64.6	15.9	39.8	9.8	407.1	100
1991	80.0	22.5	19.7	5.5	43.1	12.1	139.7	39.2	39.1	11.0	34.7	9.7	356.3	100

Source: INE and BCB

The loss of importance of tin mining reflected the fall in the world price of that metal (from US\$7.61/lb. in 1980 to US\$2.53/lb. in 1991) and the ensuing contraction of the volumes exported, compounded by the exhaustion of the major deposits.

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

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

Table 7 and Chart D clearly illustrate events in the mining sector over the last twelve years, namely the steady decline in the price index of mining exports, in contrast to the volume exported which, after declining sharply during the period of hyperinflation (1983-1985), grew steadily as of 1988 to surpass the levels of the beginning of the 1980s by nearly 40 points.

Chart D

PRICE, QUANTITY AND VALUE INDEX  
MINERAL EXPORTS

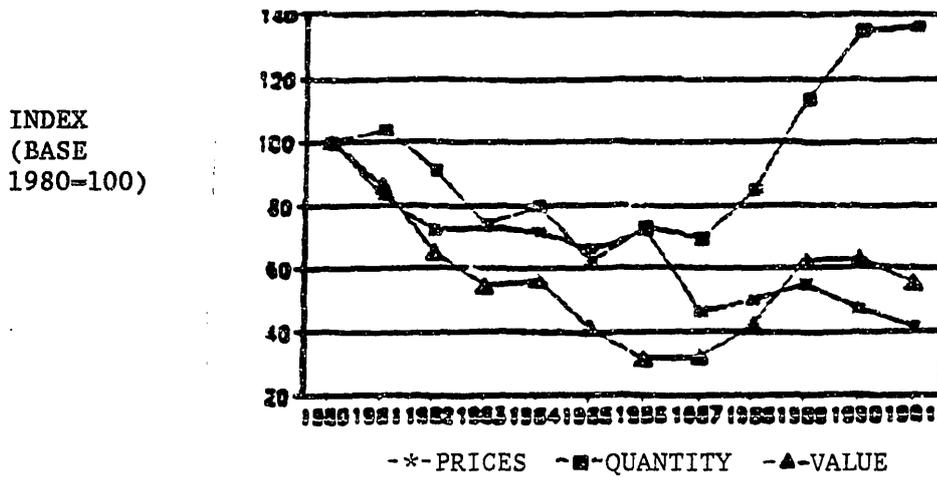


Table 7

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

	Price	Quantity	Value
1980	100	100	100
1981	83	104	86
1982	72	91	65
1983	73	74	54
1984	71	80	56
1985	66	62	41
1986	72	73	31
1987	46	69	32
1988	50	85	42
1989	55	114	62
1990	47	135	63
1991	41	136	55

Source: INE and BCB

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

Exports of hydrocarbons fall into a different framework from those of mineral ores as they are basically governed by a contract for the sale of natural gas to Argentina, in force since 1972, with fixed quantities and prices that are negotiated periodically.

The contract expired during 1992 and was renegotiated for a three-year term at substantially lower prices as a result of the deregulation of Argentina's domestic gas market. This will have a negative impact on the value of exports for that and coming years.

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

Chart E  
 PRICE, QUANTITY AND VALUE INDEX  
 HYDROCARBON EXPORTS

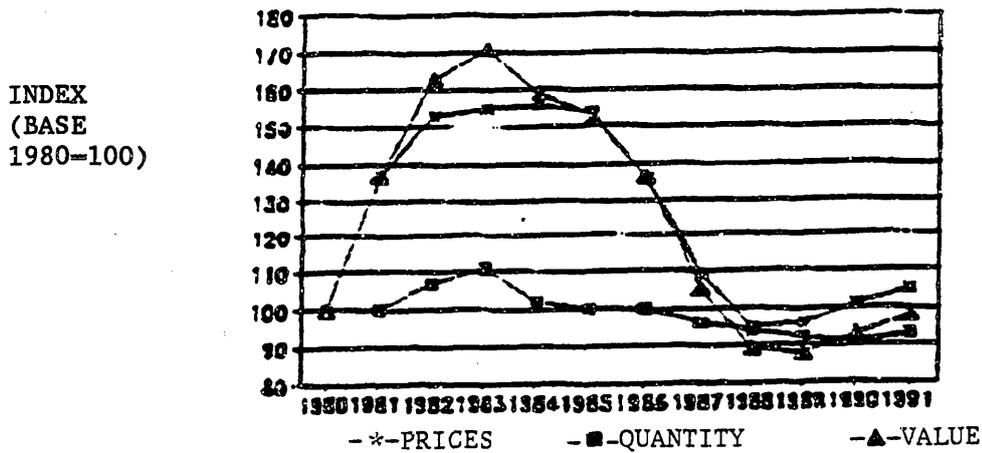


Table 8  
Price, Quantity and Value Index  
Hydrocarbon Exports  
(Base 1980=100)

	Price	Quantity	Value
1980	100	100	100
1981	137	100	137
1982	153	107	163
1983	155	111	171
1984	156	102	159
1985	154	100	153
1986	136	100	136
1987	109	96	105
1988	95	94	89
1989	96	92	88
1990	101	91	93
1991	105	93	98

Source: UDAPE, on the basis of data from the Ministry of Energy and Hydrocarbons

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

The make-up of the "other products" category is highly varied and comprises essentially agricultural and industrial products. Table 9 shows their composition, and includes only those products whose export value exceeded \$10 million in any year between 1980 and 1991. However, there are many other export articles, numbering 80 tariff items in 1980 and 250 in 1991.

Table 9

Composition of Other Exports  
(\$ million and %)

Year	Cattle		Soya		Coffee		Sugar		Wood		Hides		Other prod.		Total c.i.f.	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
1980	1.3	0.8	6.9	4.1	20.7	12.2	47.2	28.0	28.6	16.8	4.7	2.8	60.2	35.4	170.0	100
1981	0.9	0.9	5.3	5.6	15.7	16.6	5.2	6.0	17.9	18.9	3.2	3.4	46.1	48.6	94.8	100
1982	0.6	0.7	8.2	9.7	15.5	18.3	8.9	10.5	13.7	16.2	1.7	2.0	35.9	42.5	84.5	100
1983	1.3	2.4	4.7	8.5	13.1	23.8	12.4	22.5	7.0	12.7	0.6	1.1	16.0	29.0	55.1	100
1984	1.7	5.8	2.2	7.6	6.5	22.3	6.3	21.6	3.6	12.4	0.5	1.7	8.3	28.5	29.1	100
1985	1.2	3.5	5.3	15.4	13.9	40.3	1.6	4.6	4.8	13.9	0.5	1.4	7.2	20.9	34.5	100
1986	13.4	12.1	18.7	16.9	13.3	12.0	4.9	4.4	23.0	20.7	1.1	1.0	36.5	32.9	110.9	100
1987	6.8	6.4	18.5	17.4	11.5	10.8	8.6	8.1	30.0	29.0	8.0	7.5	22.0	20.7	106.2	100
1988	0.5	0.5	20.0	19.0	17.1	16.2	6.3	6.0	24.1	22.9	18.3	17.4	19.1	18.1	105.4	100
1989	6.2	3.1	54.3	26.9	12.7	6.3	19.3	9.6	44.1	21.9	17.7	8.8	47.5	23.5	201.8	100
1990	49.4	16.9	48.2	16.5	14.3	4.9	31.7	10.8	50.1	17.1	27.0	9.2	71.8	24.5	292.5	100
1991	14.9	5.9	69.3	27.3	7.2	2.8	30.8	12.1	48.8	19.3	12.5	4.9	70.0	27.6	253.5	100

Source: INE and BCB

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

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

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

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

Chart F

PRICES, VOLUME AND VALUE INDEX  
OF NON-TRADITIONAL EXPORTS

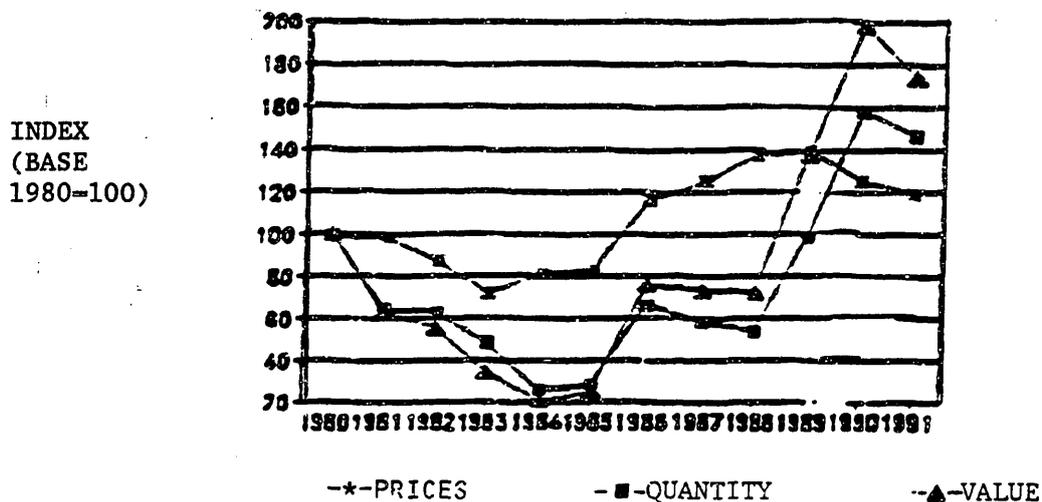


Table 10

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

	Price	Quantity	Value
1980	100	100	100
1981	98	64	63
1982	87	63	55
1983	72	48	34
1984	81	25	20
1985	83	28	24
1986	116	66	76
1987	125	58	73
1988	137	53	72
1989	140	99	138
1990	125	158	198
1991	119	147	174

Source: UDAPE, on the basis of data from INE and BCB

The fall in the value of exports during the hyperinflationary period resulted from the exchange-rate distortion<sup>1</sup> which encouraged the growth of contraband exports, and also from the collapse of the international prices of the principal export products.

International prices recovered gradually as of 1983, but with no effect on export volumes until 1986 when the economy stabilized. As of that year, despite slight fluctuations during 1987 and 1989, export volumes grew steadily but were checked by a new fall in prices at the beginning of the 1990s.

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

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

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

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

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

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<sup>1</sup>The value of the dollar in the parallel market in August 1985 was fifteen times the official rate.

Chart G

PRICE, QUANTITY OF VOLUME INDEX  
TOTAL EXPORTS

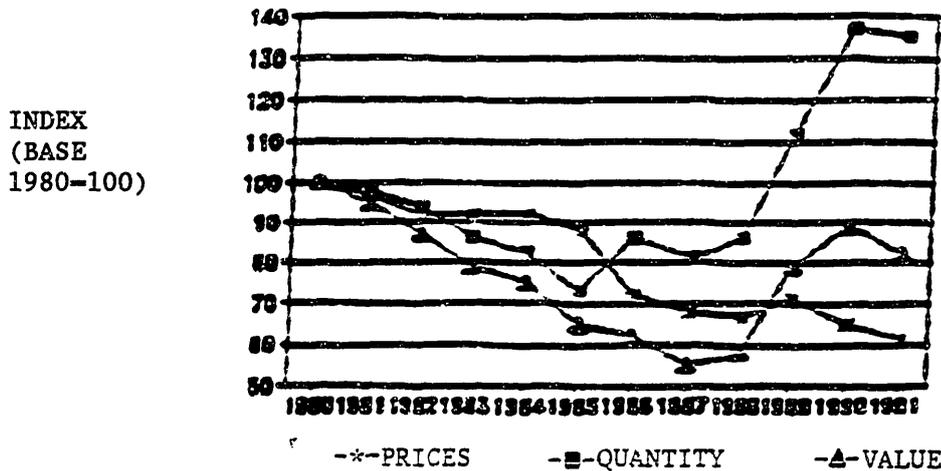


Table 11

Price, Quantity of Volume Index  
Total Exports  
(Base 1980=100)

	Price	Quantity	Value
1980	100	100	100
1981	97	98	95
1982	92	94	87
1983	92	86	79
1984	92	82	75
1985	88	73	65
1986	72	86	62
1987	68	81	55
1988	67	86	58
1989	71	112	79
1990	65	137	89
1991	61	135	82

Source: UDAPE, on the basis of data from INE and BCB

It is clear that since 1980 export performance has been greatly influenced by world price movements. The 1991 price level was 40 per cent below that of the beginning of the 1980s, although as from 1988, when the stabilization of the economy began to produce results, export volume grew considerably.

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

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

### 3.3 Principal export markets

Two thirds of Bolivia's exports are concentrated on three countries - Argentina, United States and the United Kingdom. Exports to Argentina comprise mainly natural gas, while in the case of the other two countries exports are more varied, although mining exports play a central rôle.

When exports are grouped by economic area, it emerges that the countries of MERCOSUR (principally Argentina and Brazil) are Bolivia's main trading partners. However, excluding gas sold to Argentina, Bolivian exports to that country amount to only US\$12.6 million. Exports to the countries of the Andean Group are clearly less than those to Argentina, Brazil or the United States, but it should be mentioned that neither gas nor mineral ores are exported to the Andean Group. Excluding these products, non-traditional exports to the Andean Group are higher than those to any other LAIA country.

Non-traditional exports have increased in both volume and price; furthermore, the highest growth rates for Bolivian exports are precisely with some members of the Andean Group, such as Colombia.

The establishment of an Andean Group Free Trade Area (August 1992) will certainly lead to considerable growth of Bolivia's trade with these countries. Exports to the sub-region currently represent about 10 per cent of total exports.

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

Country	1986	1987	1988	1989	1990	1991
Argentina	341	260	227	229	236	259
United States	97	96	123	157	185	166
United Kingdom	51	61	72	111	114	104
West Germany	38	33	34	51	40	28
Brazil	26	19	11	46	78	38
Peru	22	24	23	45	53	47
Chile	20	17	14	22	34	33
Belgium	11	18	35	63	68	82
Switzerland	3	7	8	18	20	18
Japan	3	3	5	2	3	2
Netherlands	1	0	1	3	3	1
Other countries	21	27	36	61	72	63
<b>Total</b>	<b>640</b>	<b>570</b>	<b>597</b>	<b>819</b>	<b>926</b>	<b>853</b>

Source: UDAPE, based on data from INE and BCB

### 3.4 Bolivian exports and Generalized Systems of Preferences (GSP)

Despite the broad scope of the Generalized Systems of Preference under which Bolivia benefits, it makes very little use of them.

#### 3.4.1 Exports to the United States and the GSP

In 1991, Bolivia exported a total of 98 products worth US\$160 million to the United States. Of these, 15 products worth \$25.8 million benefited under the Generalized System of Preferences. The reason for this low percentage of exports benefiting from the GSP is that 37 products, worth US\$114.9 million, (71.82 per cent of the total) enjoy duty-free access (m.f.n.). Exports subject to quotas (sugar) account for 5.9 per cent, for a total value of US\$9.2 million.

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

### 3.4.2 Exports to the European Economic Community and the GSP

Exports to the European Economic Community in 1991 amounted to US\$237.8 million for 83 products traded. Of this total, 2.65 per cent (46 products with a value of US\$6.3 million) represented products exported under the system of preferences granted to eligible developing countries; 8 products worth US\$6.1 million (2.56 per cent) fell under the system of preferences for Andean countries; 94.41 per cent (22 products) represented products exported at zero m.f.n. tariffs, worth US\$224.6 million. The remaining 0.24 per cent represented products subject to regulatory duties (para-tariff measures) and dutiable items.

### 3.4.3 Exports to Japan and the GSP

Bolivian exports to the Japanese market in 1991 totalled US\$1.7 million, covering 14 products, of which 6 benefit from that country's GSP, or 25 per cent of the total, for a value of US\$430,000. Four products, worth US\$750,000 (44.01 per cent), enjoy duty-free m.f.n. access and four products worth US\$530,000 (31.10 per cent) are dutiable.

## 3.5 Export régime

### 3.5.1 General aspects

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

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

This is done chiefly by:

- Maintaining a real and flexible exchange rate that is attractive for the export sector and for import-competing industries.
- Providing the exporter with a free-trade régime by means of instruments that enable him to purchase inputs at world market prices.
- Maintaining competitive prices for goods and services used by the sector.

### 3.5.2 Export tax policy

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

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

#### Negotiable tax credit certificates (CENOCREN)

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

#### Drawback

The drawback system is designed to return to the exporter duties incorporated in the exported products as a result of importing raw materials and inputs for that product. Based on input/output studies, three levels of refund have been determined.

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

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

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

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

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

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

#### Temporary Import Régime (RITEX)

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

#### Free zones

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

#### 3.5.3 Compulsory surrender of foreign exchange

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

#### 3.5.4 Simplification of export formalities

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

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

Prior registrations in:

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

Export documents:

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

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

3.5.5 National Export Promotion Institute

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

It has the following powers and functions:

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

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

3.5.6 Export Law

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

The Bill has three parts:

The first concerns the guarantees provided to exporters for carrying on their activities, which include freedom to import and export without restriction, direct access to international financing, free transit through the national territory without restriction, and use, at the time of export, of the services of the enterprises, public and private entities and trade associations which they consider provide the best and most suitable services.

The second refers to tax treatment of the sector, and provides for exemption from any export tax and the refund of consumption taxes and import duties paid during the production process.

The third part refers to the process of formulation of export policy, and provides that the guiding Executive bodies in this field are the Ministry of Exports and Economic Competitiveness (as lead agency), Ministry of Finance, Ministry of Foreign Affairs and Ministry of Planning and Co-ordination.

#### 3.5.7 Export subsidies

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

#### IV. IMPORT POLICY

##### 4.1 Global framework

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

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

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

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

The following table shows that for 1991, the bulk of Bolivia's imports comprised capital goods (38.6 per cent) broken down as follows: capital goods for industry 25.4 per cent, transport equipment 10.7 per cent and goods for agriculture 2.5 per cent, while raw materials and intermediate goods represented 37.8 per cent.

The following table gives a breakdown of imports:

Table 13

Goods Imports According to CUODE  
(US\$ million)

Classification	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Consumer goods	233.6	96.0	65.6	94.9	133.4	133.7	190.3	128.3	137.5	156.4	206.0
Intermediate	341.9	248.4	282.3	203.1	278.0	235.5	306.5	228.3	258.0	265.5	375.4
Capital	334.8	198.6	222.2	185.1	253.0	281.6	262.5	231.8	220.8	270.8	383.5
Others	6.8	11.1	6.6	5.4	26.5	23.4	7.0	2.1	2.6	10.0	28.7
Total c.i.f. value	917.1	554.1	576.7	488.5	690.9	674.0	766.3	590.5	619.9	702.7	993.6

Source: BCB

The year that presented the most difficulties from the economic standpoint was 1982, with plummeting import values reflecting the worsening economic crisis as from that year. Reduced imports inevitably meant slower growth. Stringent exchange controls were then applied, as a result of the shortage of foreign exchange, along with trade controls by means of prior licensing, quotas, etc. These are the factors that led to the contraction of imports, and specifically those of intermediate and capital goods, which in turn helped to depress output.

Thus, imports fell from US\$917 million in 1981 to 554 million in the following year, or about 40 per cent in a single year. This pattern repeated itself in 1984 with a sizeable contraction of imports. As of 1985 economic recovery got under way and the value of imports rose appreciably thanks to the liberalization of trade and exchange-rate policies.

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

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

Table 14

Bolivian Imports by Economic  
Area and Country  
(US\$ million)

Area	1986	1987	1988	1989	1990	1991
LAIA	239.8	319.0	251.0	251.7	293.1	413.8
Andean Group	17.4	15.3	16.5	20.3	29.9	42.2
Canada	4.7	8.5	2.5	5.0	6.4	9.0
United States	150.0	159.0	125.1	161.9	154.5	218.1
COMECON	22.7	9.2	4.9	3.9	5.0	7.1
EEC	132.8	113.8	75.0	80.4	102.3	144.1
EFTA	15.9	18.1	13.3	19.1	14.8	20.8
Asia	73.3	96.4	88.1	68.7	80.5	113.7
Rest	17.4	27.0	14.1	8.9	16.1	23.8
<b>Total</b>	<b>674.0</b>	<b>766.3</b>	<b>590.5</b>	<b>619.9</b>	<b>702.6</b>	<b>992.4</b>

Source: BCB

#### 4.2 Import régime

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

#### 4.3 Tariff policy

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

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

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

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

- Imports under international agreements and contracts with the State that stipulate special tax treatment. These agreements must be approved by the National Congress in order to enter into force.
- Imports by the accredited diplomatic corps in keeping with international agreements in force, subject to reciprocity for Bolivian representatives in the country concerned.
- Imports by international organizations and by their duly authorised officials, in accordance with the same treatment.
- Admission of personal effects of bona fide travellers up to a value of US\$300.
- Temporary imports into the country.

- Grants or gifts accepted by the country in accordance with the law.
- The re-admission of goods exported temporarily in keeping with the laws in force.

#### Charges, taxes and fees

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

- (a) Fees to foreign trade inspection companies, Inspectorate Griffith or SGS, amounting to 1.92 per cent of f.o.b. value.
- (b) The 10-per-cent Consolidated Customs Duty on the c.i.f. border value or c.i.f. customs value (air freight).
  - The rate is 5 per cent on the c.i.f. border value or c.i.f. customs value in the case of an established list of capital goods.
  - Products imported under integration agreements enjoy a reduction in the Consolidated Customs Duty, which varies between 0 and 9 per cent.
- (c) VAT on the sum of the c.i.f. border value and the Consolidated Customs Duty, service fees, and customs and other charges.
- (d) Specific Consumption Tax (ICE) at rates varying according to the type of product from 10 to 60 per cent, where applicable, on the sum of the c.i.f. border value plus the Consolidated Duty, service fees, and customs and other charges.
- (e) Fees for services rendered (customs warehouse handling).
- (f) Payment to the customs broker who carries out the import formalities (this payment varies between 0.25 and 2 per cent, depending on the value of the imported good).

#### 4.4 Import requirements

The requirements are as follows:

1. Commercial invoice (in Spanish)
2. Certificate of origin
3. Certificate of conformity (issued by one of the inspection companies contracted by the Government)

4. Transport document
5. Insurance certificate
6. Animal and plant health certificates (where required)
7. Duly assessed import document which must show:
  - Importer's RUC number;
  - Importer's trade name;
  - District;
  - Name of the agency;
  - RUC number of customs broker;
  - F.o.b. value and other costs making up the c.i.f. value (taxable base);
  - Tariff description of the goods;
  - Tariff heading under which the goods fall;
  - Determination of the taxable value for the purposes of VAT assessment;
  - Determination of the taxable value for the assessment of the consumption tax (IGR) where appropriate;
  - Date and place of submission of the import document;
  - Signature of the duly registered customs broker.

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

#### 4.5 Customs valuation

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

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

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

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

#### 4.6 Import prohibitions

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

- (a) Pharmaceutical and medicinal specialities the decomposition and the formulae of which are not registered in Bolivia, as well as those set out in Decree Laws 20311 and 18715 of 26 December 1985 on narcotics and hazardous substances.
- (b) Foodstuffs and beverages in a state of decomposition or harmful to health.
- (c) Diseased animals.
- (d) Plants, fruits, seeds and other vegetable products that contain germs or parasites declared to be harmful by the authorities of the Ministry of Agriculture and Rural Affairs.
- (e) Foreign lottery tickets.
- (f) Advertising material imitating currency and bank notes, postage stamps and other revenue stamps, excepting numismatic and philatelic catalogues.
- (g) Obscene and pornographic books, magazines and other printed matter, pictures, illustrations and articles.
- (h) Containers, labels, tags and other means of identifying goods, whether of national or foreign manufacture.
- (i) Used clothing and garments (except in travellers' luggage) not covered by health certificates.

#### 4.7 Import licences

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

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

- (a) Ministry of National Defence:
  - Firearms, missiles, ammunition and explosives, and material and machinery for their manufacture;

- Gunpowder, dynamite, gelignite and other explosives, percussion caps and detonators for pyrotechnical articles as well as material, equipment and machinery for their manufacture.
- (b) Ministry of Finance:
- Coins and bank notes, drafts and notes, stamps, mortgage securities, Government and other bonds, insurance policies, stocks and other securities and these only for the exclusive account of the institutions or entities responsible for issuing them.
- (c) Ministry of Education and Culture:
- Text-books for elementary education.
- (d) Ministry of Transport, Communications and Civil Aviation:
- Radio, telephone and radio and television broadcasting transmitters and receivers;
- (e) Ministry of Social Welfare and Public Health:
- Psychotropic narcotics and alkaloids in general and their medicinal and non-medicinal derivatives, only by authorized bodies and under the conditions envisaged under the pertinent law (Law 1008 of 19 June 1988).

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

The application requirements for prior licences are:

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

Certificates:

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



- Imports of live animals, plants, fruits, seeds and roots are subject to certificates of animal and plant health issued by the Ministry of Agriculture and the corresponding certificates from the country of origin.
- For the importation of medicaments, Article 100 of the Health Code (Decree Law No. 15629) provides that "any natural or legal person may import only medicaments registered with the Ministry of Social Welfare and Public Health, after meeting all requirements, above all as regards nature, purity, quality, safeness and effectiveness. Article 101 stipulates that "no medicament shall be registered for import purposes if its use, consumption, trade and distribution are not authorized in the country of origin".

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

- The Administrative Law on the Executive Power empowers the Ministry of Social Welfare and Public Health to steer and implement the national policy on health, preventive and curative medicine and human rehabilitation.
- The Health Code provides for protection and surveillance of foodstuffs and beverages.
- The Sanitary Regulations on Foodstuffs and Beverages, implemented by Supreme Decree No. 5190 of 24 April 1959, set forth the sanitary standards for the transportation, manufacture, storage, distribution, retailing and importation of food and beverages.
- International standards recognized by the CODEX Alimentarius are used when necessary to take decisions on some foodstuffs that do not come within national standards.
- The Health Code, Chapter 4 of which regulates activities subject to health control, stipulates the monitoring of medicinal substances, health apparatus and equipment, narcotics and hazardous substances, medicaments and other substances.
- The Regulations on Pharmacies and Laboratories contained in the Health Code.
- The National Pharmacological Commission created in order to establish standards for and regulate aspects of the selection, prescription, use, dispensing, registration, similarity and supply of foodstuffs.

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

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

#### 4.8 Technical standards and other regulations

The metrology system, technical standards and other existing regulations apply to both domestic and foreign trade and can therefore not be viewed as serving as a discriminatory or restrictive means of halting or reducing the flow of imports.

The objectives of establishing technical standards, as well as creating efficient quality control and standard-setting mechanisms in Bolivia are part of the industrial policies.

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

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

#### Procedures

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

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

Bolivia's system of metrological standards is not very advanced, the Government employs the services of inspection companies such as SGS and Inspectorate Griffith, to be responsible for monitoring and controlling the quality and quantity of imports and exports, by means of inspection, testing and subsequent certification.

The Directorate-General of Technical Standards, which forms part of the Ministry of Exports and Economic Competitiveness, is the hub of a national network of test laboratories.

#### 4.9 Rules of origin

Trade policy encourages imports from regional and sub-regional groupings to which Bolivia belongs, by granting tariff preferences to the countries members of these agreements. There is no other deliberate policy of discrimination affecting imports from countries which do not enjoy these preferences.

In this regard, the LAIA adopted the General Régime of Origin on 24 November 1987, in Resolution 78 of the Committee of Representatives.

This resolution classifies as originating in member countries:

- (a) Goods entirely produced in a territory exclusively from materials originating in any of the countries members of a treaty or agreement.
- (b) Goods whose origin is determined by the mere fact of being produced in a territory.
- (c) Goods produced in a territory using materials from countries not members of an agreement, provided that they are the result of processing carried out in a member country and as a result of which they acquire a new identity as characterized by being classified under a NALADI tariff heading different from those of the said materials.
- (d) Goods that are assembled in the territory of a signatory country using materials originating in the countries members of the Agreement and in third countries, if the c.i.f. value at the port of destination or the c.i.f. seaport value of the materials originating in third countries does not exceed 50 per cent of the f.o.b. export value.
- (e) Goods which, in addition to being produced in a territory, meet the specific requirement laid down in the relevant annex.

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

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

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

- (a) Products entirely produced in any one of the member countries.
- (b) Products meeting the specific requirements of origin set by the Board.
- (c) Products for which no specific rules of origin have been set and which are produced using materials imported from outside the region and from specified regions.
- (d) Assembled products for which no specific rules of origin have been set, provided that they have been produced with materials originating in the territory of member countries and the c.i.f. value of the materials imported from third countries does not exceed 50 per cent of the product's f.o.b. value. For Bolivia and Ecuador this percentage is 60 per cent.

During the 1980s, Bolivia faced problems concerning rules of origin vis-à-vis countries members of the Andean Group, above all because they maintained a high degree of protection.

At the internal level, as of December 1991 the Integrated Single Export Window System (SIVEX) was created with responsibility, inter alia, for verifying rules of origin.

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

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

A major technical challenge arises from the verification, authentication and certification of rules of origin, especially when a product uses inputs from several origins, as this requires highly developed administrative machinery which Bolivia specifically lacks. This new method of delegating functions of monitoring and certifying origin is being studied for adoption by various sub-regional agreements.

#### 4.10 Minimum import prices

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

#### 4.11 Government procurement

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

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

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

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

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

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

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

#### 4.12 Anti-dumping measures and countervailing duties

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

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

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

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

Both the Supreme Decree and the regulations have taken account of Articles VI, XVIII and XIX of the General Agreement, in accordance with the commitment assumed by Bolivia when acceding to GATT. The Supreme Decree has so far not been applied as no complaints have been lodged.