SUMMARY

1. Since 2006, the Plurinational State of Bolivia (Bolivia) has pursued an economic policy whose objective is the structural transformation of the country. The policy is based on the so-called economic, social, communitarian and productive model (MESCP) in which the State plays a vital role by steering and controlling the strategic sectors and participating directly in the economy. According to the authorities, this model seeks to redistribute income and reduce poverty by transferring resources from the strategic sectors that generate surpluses (above all mining and hydrocarbons) to other sectors that promote income and employment. The measures adopted to implement the MESCP include the nationalization of hydrocarbons in 2006 and the consolidation of the role of State enterprises in the Bolivian economy. The model aims to satisfy domestic consumption first, followed by exports, and this priority is reflected in a number of policies adopted (see below). Bolivia's trade policy has developed in the light of these objectives, adapting to an increased presence of the State in economic activities and the prioritization of the domestic market.

2. Real GDP grew at an average annual rate of 5% between 2006 and 2016 as a result of a favourable international environment and an increase in domestic demand, particularly investment and public consumption. Although net exports initially contributed to GDP growth, their contribution has been negative since 2011 owing to the fact that for most of the period, import growth outpaced export growth. During the period from 2006 to 2016, per capita GDP increased from US$1,227 to US$3,100. Alongside the rise in income and the social welfare policies that were implemented, there was a significant reduction in the poverty and extreme poverty rates, and income redistribution was improved. However, despite the progress achieved during the period, further efforts are needed in these areas.

3. Since the launching of the MESCP, the government has been introducing measures to increase tax revenues, including expanding the tax base, creating new taxes, and applying additional rates for corporate profits tax. According to the authorities, the nationalization of natural resources and the reform of public enterprises also contributed to revenue growth. The increase in tax revenue improved the public sector accounts, and in the period 2006-2013 the average fiscal surplus of the non-financial public sector (NFPS) amounted to 1.8% of GDP. However, the consolidated fiscal outturn recorded a deficit as from 2014. The fiscal deficit came in at 6.9% of GDP in 2015, and 6.6% of GPD in 2016. These performances are partly the result of the lower tax revenues following the fall in the prices of minerals and oil, while the decrease in spending was less pronounced. The total public debt dropped during the review period from 73.6% of GDP to 30.2% in 2016 thanks to the cancellation of the debt, GDP growth, and public finance results up to 2014. However, keeping the public debt at reasonable levels will require a more vigorous fiscal consolidation, particularly in view of the recent decline in public sector accounts (in 2015 and 2016).

4. Bolivia's monetary policy is countercyclically oriented, and has been supported by the high level of international reserves. Since mid-2014, monetary policy has adopted an expansionary stance, injecting significant amounts of liquidity into the financial system and bringing interest rates close to zero. Bolivia operates a crawling-peg exchange rate regime with respect to the US dollar. In practice, in order to anchor inflationary expectations, the national currency (the boliviano) has been stabilized against the US dollar since November 2011, and only slight fluctuations have been permitted.

5. The balance-of-payments current account was in surplus for most of 2006-2016, registering an average positive balance of US$617 million per year, a trend which largely reflects the significant surpluses in merchandise trade reported up to 2014 when the trade balance turned negative. This was due to a sharp contraction in the value of exports following the fall in international raw materials prices, accompanied by a smaller reduction in the value of imports. Reflecting this, the current account balance deteriorated and began to report deficits, which reached 5.7% of GDP in 2015 and 5.6% of GDP in 2016.

6. Bolivian exports continue to be relatively concentrated. Mineral products and hydrocarbons still lead the way, although their share in the total value of exports fell from 69.8% in 2006 to 57% in 2016. The main export product is natural gas, which in 2016 accounted for 31.6% of the total value of exports. Zinc and silver are among the main mineral exports. Bolivia also exports soya beans and soya products as well as other agricultural products. The main export markets are

on the American continent, and, to a lesser extent, in Asia and Europe. Brazil is the leading destination, followed by Argentina and the United States. The composition of imports has remained relatively stable since 2006, and consists mainly of raw materials and capital goods. In 2014, China became Bolivia's main supplier, relegating Brazil to second place, followed by Argentina and the United States.

7. Bolivia's legal and institutional framework has changed radically since its last review, particularly with the entry into force on 7 February 2009 of the new Political Constitution of the State. Under the Constitution, the State recognizes, respects and protects private initiative that contributes to economic development, strengthens the country's economic independence and plays a social role. At the same time, however, the Constitution gives the State the right and duty to spearhead the process of economic and social planning; to manage and control the strategic sectors of the economy (hydrocarbons, mining/metalworking, electricity and environmental resources); to regulate the processes of production, distribution, marketing and consumption of goods and services; to play a direct role in the economy by producing economic and social goods and services in order to promote economic and social equity and stimulate development; to promote food sovereignty for the population; and to control production and commercial activities on the grounds of public utility.

8. Bolivia is a founding Member of the WTO; this is its fourth Trade Policy Review. It has submitted a number of proposals under the Doha Development Agenda (DDA), some of them jointly with other small economies and/or landlocked countries. Bolivia did not take part in any dispute under the WTO dispute settlement mechanism during the review period. Although it has regularly submitted notifications to the WTO, at the end of 2016 it had many outstanding notifications, mainly concerning agriculture, import licensing, sanitary and phytosanitary measures, and subsidies and countervailing measures. As of July 2017, Bolivia had yet to ratify the Trade Facilitation Agreement and the Amendment to the TRIPS Agreement. It is not a party to the Agreement on Trade in Civil Aircraft or the Agreement on Government Procurement, and it does not have observer status in either of the two Committees; nor is it a signatory to the Information Technology Agreement. A more active role in the WTO would provide Bolivia with opportunities to improve its integration in world trade.

9. Bolivia has signed nine trade agreements with 12 countries, one of which was concluded during the review period. It is a founding member of the Andean Community of Nations (CAN), and participates in the Latin American Integration Association (LAIA), where it has signed a number of partial scope agreements. Bolivia enjoys unilateral preferences under the Generalized System of Preferences (GSP) and is a member of the Global System of Trade Preferences Among Developing Countries (GSTP).

10. Since the preceding review in 2005, the investment regime has undergone significant changes owing to the fact that the Constitution provides that the State should play a leading role in the production process. For example, the Constitution provides the State enterprise Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) with the authority to conduct any type of activity relating to the production and marketing of hydrocarbons, and to sign service contracts with Bolivian or foreign public, mixed or private enterprises for the performance against payment of particular activities. At the same time, starting in 2005, efforts were made to create and strengthen public enterprises in strategic or social sectors as a driver of the new economic model. Thus, since 2006, 12 enterprises deemed strategic have been nationalized. Public enterprises may be 100% State-owned, or mixed State enterprises (between 70% and 100% central State-owned) or mixed enterprises (between 51% and 70% central State-owned).

11. Bolivia has denounced 22 bilateral reciprocal investment promotion and protection agreements (APPRI) that were deemed contrary to the Constitution. However, foreign investors continue to be protected under the APPRIs for a period of ten years. In the current legal framework, Bolivian or foreign investors must submit any dispute with the State to national arbitration, unless the parties agree that the arbitration should take place elsewhere, in which case it is deemed to be an international arbitration subject to the rules agreed among the parties, provided that they do not infringe the Constitution and Bolivian law.

12. In recent years, investment policy has sought to open up to private investment. 2014 saw the enactment of a new investment law establishing the system of generally applicable incentives for investment promotion. These incentives run for one to 20 years depending on the economic

activity and investment recovery time. In 2015, a law on conciliation and arbitration was also adopted in order to increase legal certainty for investors. However, improving investor confidence will involve a number of challenges, such as further increasing legal certainty and improving the business climate. To meet these objectives a number of structural reforms are needed: for example, reduction in the number of administrative formalities and the time required to complete them, better training of human capital, and consolidation of the progress achieved in the fight against corruption.

13. Under the Constitution, trade policy, as well as industrial and production policy, must be applied in such a way as to ensure that domestic demand for products considered essential and for the inputs required for the production of strategic goods can be met. To meet that objective, imports may be regulated, if necessary, through changes in tariffs or the use of quotas or prior licencing. Similarly, the export of certain products may be made subject to prior verification of the domestic market supply. In other words, the use of various trade policy instruments depends on domestic market conditions, and this can lessen the predictability of the trade regime.

14. Although Bolivia has not ratified the Trade Facilitation Agreement, it did implement a number of measures to facilitate trade during the review period. Imports have been facilitated by permitting the single import declaration (DUI) to be submitted before the goods reach Bolivian customs territory. Moreover, the use of a customs clearing agent is now optional, and in the case of some easily recognizable products in large quantities, clearance may take place outside the customs area. Similarly, in 2015 the authorized economic operator (AEO) programme started to be implemented both for importers and exporters, and by the middle of 2017, the single window for foreign trade was being set up.

15. Bolivia bound all its tariffs during the Uruguay Round. The majority were bound at 40% with 19 lines bound at 30%. As in the case of the bound tariffs, all of the applied tariffs are *ad valorem*. The simple average of applied MFN tariffs in 2017 is 11.1% (8.2% in 2005). The average tariff on agricultural products is higher (13.3%) than on non-agricultural products (10.8%). The products with the highest average tariff are clothing, with a tariff of 40%, and alcoholic beverages and tobacco (25.2%). The most common tariff rates are 5% and 10%; a rate of 10% or less applies to 70.9% of tariff lines.

16. As mentioned earlier, there are instances in which tariffs on certain products have been reduced temporarily to meet sectoral policy objectives, for example to guarantee food security or energy supply. In 2009, for example, tariffs were temporarily cut to 0% for imports of live bovine animals, fresh and frozen bovine meat, wheat and meslin, wheat flour, and fats and oils. Likewise, in order to increase the area under agricultural production, in 2011 and 2016 tariffs were reduced to 0%, for periods of five years, on imports of certain agricultural machinery and equipment and some agricultural inputs, such as seeds, cattle feed, vaccines and veterinary medicines. On more than one occasion, the tariff on the import of liquefied petroleum gas (LPG) and fuel oils was temporarily reduced from 10% to 0%. Tariff concessions are also granted under various schemes such as the industrial free zones regime and the temporary admission for inward processing (RITEX) procedure.

17. Both imported and domestic products are subject to a value added tax (VAT) of 13%, except for books, newspapers and publications, on which the rate is 0%. The specific consumption tax (ICE), which may be *ad valorem* or compound, applies to cigarettes and tobacco, alcoholic and non-alcoholic beverages, and vehicles, whether domestically produced or imported. A compound or specific tax applies to beverages, depending on their nature. In the case of vehicles, the ICE is *ad valorem*, and ranges from 0% to 50% according to the type of fuel used and the age of the vehicle. The ICE is *ad valorem* for tobacco products and has two rates: 50% and 55%. Hydrocarbons, whether imported or domestically produced, are subject to a special tax on hydrocarbons and hydrocarbon derivatives (IEHD). This is a specific tax which varies depending on the product, and each year a maximum rate is fixed.

18. The General Customs Law prohibits the importation of goods which affect human and animal life or health, or are prejudicial to the protection of plants, morality, the environment, the security of the State and the country's financial system. Currently, in 2017, prohibitions apply to 33 ten-digit HS tariff lines, and include the importation of radioactive residues; halogenated derivatives of hydrocarbons; worn clothing; and some types of used vehicle and motor vehicles and those using liquefied gas. Furthermore, imports of goods of 719 ten-digit HS tariff lines

require prior authorization, which may be automatic or non-automatic. Although prior authorization is customarily used to protect human and animal health or life, or to protect plants and conserve exhaustible natural resources, or to protect security, it is also used to monitor the volume of imports and, in line with the Economic and Social Development Plan 2016-2020, to protect industry.

19. Bolivia did not adopt any anti-dumping or countervailing measures during the review period. It has no domestic legislation providing for the imposition of such measures, which are considered to belong to competition policy. In 2012 an exceptional temporary safeguard was imposed for a period of 90 days on imports of fresh or chilled potatoes and prepared or preserved potatoes. Bolivia has not reserved the right to use special safeguards for agricultural products.

20. Generally speaking, the free export of goods is guaranteed, but when the domestic production of a staple product is considered insufficient to meet domestic demand, the export of that product may be prohibited or suspended temporarily, or quotas or other requirements prior to export may be imposed. During the review period, this type of measure was used in respect of certain agricultural and agro-industrial products. The goods subject to export quotas require an authorization before they can be exported. The type of permit varies according to the product. Basic food products considered sensitive from the point of view of food security require a domestic supply and fair price certificate (CAIPJ) which is issued once it has been established that there is an exportable surplus.

21. Although measures are applied to regulate certain exports, instruments such as drawback are also applied. This customs procedure allows certain exporters to obtain a refund of all or part of the customs duty and other taxes, such as VAT and ICE, paid for the import of inputs and other materials incorporated into the exported goods. The percentage of taxes refunded varies according to the goods exported and the value of the exports. The procedure promotes the export of value added goods, and is designed to give new exporters and small-scale exporters larger refunds.

22. Bolivia has a number of support programmes to boost exports, attract investment and create jobs, some of them directed at micro, small and medium-sized enterprises (MSMEs) and/or less developed areas. They provide financial assistance and grant tax concessions. In addition to these general programmes, Bolivia also has sectoral programmes, mainly in support of the hydrocarbons and agricultural sectors, as well as programmes with specific objectives such as the agricultural insurance scheme introduced in 2013, and other single-product programmes such as the Dairy Production Complex Support Fund (PROLECHE).

23. The development of standards is entrusted to the Bolivian Standardization and Quality Institute (IBNORCA) which, together with other institutions and ministries, forms part of the Bolivian Standardization, Metrology, Accreditation and Certification System (SNMAC). The development of standards chiefly involves the adoption or adaptation of international standards. Bolivia does not have any national legislation on the development of technical regulations which, as notified to the WTO, is governed by the Code of Good Practice in the WTO Agreement on Technical Barriers to Trade (TBT). Since 2006, Bolivia has notified the adoption of only three technical regulations to the WTO Committee on Technical Barriers to Trade, concerning protection of the environment, health, and consumers. Two technical regulations implemented within the Andean Community (CAN) framework were also notified.

24. Agricultural health and food safety are national priorities, as stated in the 2011 Agricultural Health and Food Safety Policy. In drawing up sanitary measures, the Bolivian authorities refer to the rules of international organizations. The National Agricultural Health and Food Safety Service (SENASAG) is responsible for certifying the health-safety status of products for domestic consumption, as well as imports and exports where necessary, and for issuing sanitary and phytosanitary import permits. Bolivia has submitted only four notifications to the Committee on Sanitary and Phytosanitary Measures since 2006.

25. Competition policy is regulated by the Constitution and by Supreme Decree No. 29519, which defines practices considered to be anti-competitive. The Business Control Authority (AEMP) is responsible for protecting competition. State enterprises, however, as well as those operating in strategic sectors which have their own regulations, are not under the responsibility of the AEMP. Most of the cases relating to anti-competitive practices dealt with by the AEMP in recent years

were initiated *ex officio*, for the most part concerned price discrimination, and applied in particular to products such as almonds, sugar, beer and milk. In the majority of cases, monetary sanctions were imposed and/or those responsible were prohibited from engaging in business.

26. To prevent supply shortages and price speculation on the domestic market the authorities, when deemed necessary, may regulate the trade flows, domestic marketing and prices of the main products in the family shopping basket or of the inputs needed to guarantee that the domestic demand for food is met. A price monitoring policy is therefore applied to determine whether it is necessary to adopt measures to mitigate the rise in prices of sensitive products. These measures could include the imposition of a permit and/or export quota, a reduction in tariffs, direct imports by the State or price regulation. Thus, price bands were established for certain staple agricultural products, in particular rice, maize, soya beans and wheat, which are marketed by the Food Production Support Enterprise (EMAPA), a State enterprise responsible for helping to ensure food security and combatting food price speculation.

27. According to current legislation in Bolivia, public enterprises must play a social role and contribute towards economic and social growth by creating jobs, providing services, meeting demand and intervening in order to prevent market distortions. There are currently 62 public enterprises operating in various sectors of the economy. In each case, the State has a majority holding and in most of the enterprises its share is 100%. The largest public enterprises include Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and the Bolivian Mining Company (COMIBOL). Public enterprises' share of trade remains significant: their exports now account for 57% of total exports, owing chiefly to the fact that YPFB is responsible for marketing hydrocarbons.

28. Bolivia is neither party to the WTO Plurilateral Agreement on Government Procurement nor an observer at the Committee. All public sector entities, including State public enterprises, are governed by the same legislation when it comes to procurement procedures. There are six government procurement methods, mostly used according to the amount of the contract. The method used most often between 2006 and 2015 was public invitation to tender, while in 2016 it was direct procurement of goods and services. Greater recourse to the public tendering system would provide the Bolivian government procurement regime with greater transparency. According to the authorities, government procurement is used as a mechanism to support domestic production by seeking to ensure that MSMEs, small farmers' economic organizations and small producers' associations play a larger part in procurement. Public entities must, therefore, first consider the options on the domestic market when procuring goods or contracting services and may import or award contracts abroad only when the goods and/or services are not produced in the country. Bolivian suppliers or producers are also offered preference margins ranging from 5% to 35%, margins which in most cases depend on national content. MSMEs also receive an additional preference margin of 20% in all government procurement procedures.

29. The intellectual property regime is governed by domestic legislation and by the CAN provisions. The National Intellectual Property Service (SENAPI) is responsible for administering the industrial property and copyright and related rights regimes. SENAPI processes patent applications within an average period of four years from the date of receipt, while the average time needed to complete registration of an industrial design is six months, and for a trademark five months. The protection of new plant varieties is the responsibility of the National Agricultural and Forestry Innovation Institute (INIAF). During the review period, in addition to the general campaigns, specific measures were taken to promote the protection of intellectual property. For example, to encourage artisans and MSMEs to register trademarks, they were granted a 30% reduction in the registration fee. At the same time, the VAT on Bolivian-produced and imported books was reduced to 0% in order to discourage piracy.

30. Bolivia's current rural development policy is framed by the Constitution, the Law on the Communitarian Agricultural Production Revolution (2011) and the Economic and Social Development Plan 2016-2020. It's fundamental objective is to guarantee the production of food and its supply at "fair prices", to which end the State may take whatever measures it justifies as necessary: regulation of imports and exports through tariffs, permits, quotas or prohibitions; price monitoring; and production and marketing support measures. The policies of subsidizing the production and marketing of agricultural products are chiefly designed to support small and medium-sized indigenous and aboriginal farming communities' production. During the period under review, the agricultural sector grew at an average annual rate of 2.8%. The Bolivian agricultural sector is relatively concentrated. Oilseeds, especially soya, and cereals represented 71.8% of

agricultural output in 2016 (69.3% in 2006). Bolivia is a net exporter of agricultural products; its main export product is soya bean residues.

31. Historically, mining has been the main pillar of Bolivia's economy and is one of the leading sources of foreign exchange. During the period under review, growth in the sector fluctuated with the swings in international prices and the opening up of a new mine. Mining is concentrated primarily on the extraction of zinc and lead, followed by tin. Together these three minerals accounted for more than 95% of production in 2016. Mineral exports, chiefly zinc, represented 28.2% of total exports of goods in 2015. Bolivia possesses one of the largest lithium reserves in the world, in the Salar de Uyuni. During the review period, there were substantial changes in the legal framework for the mining sector resulting in a restructuring of mining activities. The Law on mining and metallurgy gives the State the authority to direct mining policy and to grant mining rights (not concessions) through contracts and licences. The State also has the authority to participate in the mining production chain through the State mining companies (COMIBOL and its subsidiaries).

32. The hydrocarbons sector continues to be of primary importance to the Bolivian economy, in spite of the fact that its share in nominal GDP declined between 2006 and 2016, and the sector's annual growth has fluctuated with the swings in international prices. Hydrocarbons, led by natural gas, are the country's main export product. The sector is governed chiefly by the Constitution (2009), the Hydrocarbons Law (2005), and the Supreme Decree on nationalization of hydrocarbons (2006). The Constitution modified the hydrocarbons ownership regime and stipulates that "they are the inalienable and imprescriptible property of the Bolivian people". The State exercises rights of ownership on behalf of the people and is alone empowered to market hydrocarbons. Among its general objectives, the national hydrocarbons policy stipulates that energy security must be guaranteed and domestic demand met, and provides for the promotion of the processing and marketing of value-added products. The State implements a number of programmes to promote hydrocarbons production, most of which provide monetary compensation that varies according to the extraction area and world crude prices, or a tax incentive.

33. The Financial Services Law of 2013 and Supreme Decree No. 1842 of 2013 regulate the sector and provide for a high degree of State intervention. For example, the Executive Branch may establish minimum interest rates for deposits and maximum interest rates for loans of social interest, and requires commercial banks to hold at least 60% of their total portfolio in loans to the production and social housing sectors; and the production sector portfolio must be at least 25% of the total. The Financial System Supervisory Authority (ASFI) is responsible for monitoring and supervising compliance of the finance entities with the targets fixed. The geographical coverage targets which financial intermediation entities are obliged to meet are set out in the Economic and Social Development Plan 2016-2020 and in the Patriotic Agenda 2025. The Plan provides that, by 2020, 75% of municipalities will have financial services, and the Agenda indicates that 100% of municipalities should have financial coverage by 2025 (currently approximately 50%).

34. During the period under review, a new law was promulgated to regulate the provision of telecommunication services and adapt the sector's legal framework to the Constitution. The new law introduced changes to the regulatory framework, including: the creation of a new type of authorization (titulo habilitante) to provide services; limitation on foreign participation in the provision of broadcasting services; inclusion of consumer protection provisions; and design of a programme to promote universal access.

35. The General Transport Law allows foreign companies to provide international transport services in accordance with the international agreements in force or, failing that, by means of an authorization issued by the competent authority. Cabotage is prohibited in all modes of transport. As regards air transport services, operating permits are granted to foreign airlines if there is an air transport agreement between the country/territory of origin and Bolivia. If there is no air transport agreement, an authorization can be granted as long as the service is found to be necessary and useful. Operating permits and authorizations are granted for a maximum period of five years, with the possibility of renewal.