BOLIVIA

TRADE SUMMARY

The U.S. goods trade deficit with Bolivia was $171 million in 2010, up $98 million from 2009. U.S. goods exports in 2010 were $507 million, up 17.6 percent from the previous year. Corresponding U.S. imports from Bolivia were $678 million, up 34.4 percent. Bolivia is currently the 92nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Bolivia was $138 million in 2009 (latest data available), down from $324 million in 2008.

IMPORT POLICIES

Bolivia's new constitution, adopted in February 2009, establishes broad new guidelines to give priority to local production. However, to date, implementing legislation has not been enacted.

Tariffs

In an effort to protect Bolivia's local industry, the government changed its tariff structure in November 2007. Under this scheme, imported capital goods designated for industrial development enter duty-free; non-essential capital goods are subject to a five percent tariff; and most other goods are subject to tariffs of 10 percent to 20 percent. In May 2009, Bolivia established a 35 percent tariff on most apparel and textiles, home furnishing products, and wooden furniture (Supreme Decree 125). According to the WTO, Bolivia's simple applied average tariff is 10.3 percent. The simple average is 12.4 percent for agricultural products and 10 percent for non-agricultural products.

Bolivia is a member of the Andean Community regional trade group. The other members of the Andean Community are Colombia, Ecuador, and Peru.

Nontariff Measures

The Bolivian government generally does not apply specific restrictions to trade in goods, such as permits or import licenses. However, beginning in January 2008, all importers must register with the Bolivian National Customs Office.

Since December 2008, Bolivia has prohibited the importation of cars more than five years old, diesel vehicles with engines smaller than 4,000 cubic centimeters, and all vehicles that use liquefied petroleum gas.

In February 2008, Bolivia established by decree a zero percent import tariff for: live bovine animals; fresh bovine meat; fresh, frozen and refrigerated chicken meat; wheat and wheat flour; corn; rice; and vegetable oil. The decree also prohibits the export of these products, except for vegetable oils and oilseeds. The decree has been modified several times to establish export quotas and certificates in order to ensure adequate domestic supply and control domestic prices for specific commodities.

Since January 2004, Bolivia has banned the importation of certain types of used clothing, including: old or damaged apparel; used bedding and intimate apparel; old shoes; and certain damaged textile articles, including rags, cords, string, and rope. In June 2006, the government of Bolivia renewed these prohibitions and banned all used clothing imports after April 20, 2007.

GOVERNMENT PROCUREMENT

Government expenditures account for a significant portion (44 percent) of Bolivia's Gross Domestic Product. The central government, sub-central governments (states and municipalities), and other public entities remain important buyers of machinery, equipment, materials, and other goods and services. In 2004, Bolivia enacted, through Supreme Decree 27328, the "*Compro Boliviano*" (Buy Bolivian) program. This program supports domestic production by giving preference and exclusivity to Bolivian products in government purchases.

In 2007, and again in 2009, the Bolivian government modified its rules for procurement and contracting of services. Under these rules, the government must give priority to small and micro producers and peasant associations in procurements under $100,000. In addition, the government requires fewer guarantees and places fewer prerequisites on vendors that qualify as small and micro producers or peasant associations.

Bolivian companies also are given priority in government procurement valued between $142,000 and $5.7 million. Importers of foreign goods can participate in these procurements only where locally manufactured products and service providers are unavailable or where the Bolivian government does not select a domestic supplier. In such cases, and where procurement exceeds $5.7 million, the government can call for an international tender. Foreign companies that want to submit a tender for government consultancy contracts must do so in association with a Bolivian company.

Bolivia is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Bolivia was listed on the Watch List in the 2010 Special 301 report. Key concerns cited in the report relate to rampant piracy and counterfeiting, including counterfeiting of medicines, that persist in Bolivia. The report noted a need for significant improvements to the Bolivian IPR regime, including with respect to the Bolivian copyright law. Despite one notable pharmaceutical-related success, the report noted that substantial additional resources and a greater commitment by enforcement and judicial authorities were necessary to improve enforcement actions against piracy and counterfeiting.

INVESTMENT BARRIERS

Government policy changes stemming in part from the adoption of a new constitution in February 2009 have raised concerns among some foreign investors. While the constitution has yet to be fully implemented, one of its most troubling provisions calls for a limit on foreign companies' access to international arbitration in cases of conflicts with the government. It also states that all bilateral investment treaties must be renegotiated to adjust to this and other new constitutional provisions. The United States–Bolivia Bilateral Investment Treaty (BIT), which entered into force in June 2001, could be affected by this requirement, as the treaty guarantees recourse to international arbitration. In a related action, in October 2007, Bolivia became the first country to withdraw from the World Bank's International Centre for Settlement of Investment Disputes (ICSID).

The current Bolivian administration has reversed the privatization trend set in motion by previous governments and has placed increasing emphasis on public enterprise. In an effort to control key sectors of the economy, the current administration has obtained through contract renegotiations, as required by Bolivian law, 51 percent ownership control in the following companies:

- *Empresa Andina* (Repsol – Spain) – oil and gas sector;
- *Compania Logistica de Hidrocarburos Bolivia* (German and Peruvian) – oil and gas sector;
- *Transredes* (British, American, Dutch) – oil and gas sector;
- *Chaco* (British Petroleum - British) – oil and gas sector; and
- *ENTEL* (Italian) – telecommunications sector.

In September 2009, as part of renationalization negotiations, the Bolivian government acquired 47 percent to 50 percent of the shares in electric companies that were privatized 12 years ago: producers *Corani* (French); *Guarachachi* (British); and *Valle Hermoso* (Bolivian); and distributor *Empresa Luz y Fuerza Electrica Cochabamba* (ELFEC) (Bolivian). On May 1, 2010, the government of Bolivia took control of 100 percent of the shares and assumed management control of these four companies. The government has also announced that additional sectors, including water and railways, could be nationalized.

The government is also using means other than nationalization to reestablish the public sector's role in the economy. In the past few years, the Bolivian government has created 18 public companies to operate in "strategic" sectors such as food production, industrialization of natural resources, and internal and external market sales. Private sector entities complain that these public companies generate subsidized, unfair competition and are leading to a state driven economic system.

The new Bolivian constitution also includes requirements for state involvement in natural resource companies. It states that all natural resources will be administered by the government of Bolivia. The government will grant ownership rights and control the exploitation, exploration, and industrialization of natural resources through public companies, communities, and private companies that will enter joint ventures with the public sector.

With respect to hydrocarbon resources, Article 359 of the new constitution stipulates that all hydrocarbon deposits, whatever their state or form, belong to the government of Bolivia. No concessions or contracts may transfer ownership of hydrocarbon deposits to private or other interests. The Bolivian government exercises its right to explore and exploit hydrocarbon reserves and trade related products through the state-owned firm *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB). YPFB benefitted from the new nationalization laws beginning in 2006 that required operators to turn all production over to it and to sign new contracts that give YPFB control over the distribution of gasoline, diesel fuel, and liquefied petroleum gas to gas stations. Article 359 allows YPFB to enter into joint venture contracts for limited periods of time with national or foreign individuals or companies wishing to exploit or trade hydrocarbons or their derivatives.

Outside the hydrocarbons sector, the government is considering a change to the mining code that would require all companies to enter into joint ventures with the state mining company, *Corporacion Minera de Bolivia* (COMIBOL).

Bolivian labor law limits foreign firms' ability to globally staff their companies by restricting foreign employees to 15 percent of the work force.