BOLIVIA

TRADE SUMMARY

The U.S. goods trade deficit with Bolivia was $73 million in 2009, down $49 million from 2008. U.S. goods exports in 2009 were $432 million, up 10.9 percent from the previous year. Corresponding U.S. imports from Bolivia were $505 million, down 1.3 percent. Bolivia is currently the 91st largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Bolivia was $308 million in 2006 (latest data available).

IMPORT POLICIES

Bolivia's new constitution, adopted in February 2009, establishes broad new guidelines to give priority to local production. 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 textile products and wooden furniture (Supreme Decree 125).

Nontariff Measures

The Bolivian government generally does not apply specific restrictions to trade in goods, such as permits or prior licenses. However, as of 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 (33 percent) of Bolivia's Gross Domestic Product. The central government, sub-central governments (state and municipal levels), and other public entities remain important buyers of machinery, equipment, materials, and other goods and services. In 2004, Bolivia enacted through a Supreme Decree 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.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Bolivia was listed on the Watch List in the 2009 Special 301 report. Key concerns cited in the Report relate to the rampant piracy of software, music and movies, and counterfeiting, including counterfeiting of medicines, that persist in Bolivia. There are also concerns about the erosion of intellectual property protection for pharmaceutical products.

INVESTMENT BARRIERS

Foreign investment has been negatively affected by recent government policy changes, which stem in part from the adoption of a new constitution in February 2009. 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 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 ever to withdraw from the World Bank's International Centre for Settlement of Investment Disputes (ICSID).

The current Bolivian administration is reversing a previous privatization trend and placing increasing emphasis on public enterprise. In an effort to control key sectors of the economy, the current administration has through contract renegotiations required by Bolivian law obtained 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 of hydroelectric plants that were privatized 12 years ago: *Corani* (French), *Guaracachi* (English), and *Valle Hermoso* (Bolivian). The government has also announced that additional sectors, including water and railways, could also be nationalized.

Nationalization is not the only means the government is using to re-establish the role of the public sector in the economy. In the past three years, the Bolivian government has created ten public companies (with three more proposed) in the strategic sectors of 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 will control the exploitation, exploration, and industrialization of natural resources through public companies, communities, and private companies who will enter joint ventures with the public sector.

In the case of 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 previous government measures in 2005 that required operators to turn all production over to it and to sign new contracts that gave YPFB control over the distribution of gasoline, diesel, 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).

Finally, Bolivian labor law also limits the ability of foreign firms to globally staff their companies by restricting foreign employees to 15 percent of the work force and only as technical staff.

OTHER BARRIERS

Contraband and corruption continue to mar the business climate in Bolivia, reflecting the country's large informal economy and the prevalence of tariff and tax evasion. Approximately 34 percent of total imports are smuggled into the country. Recently, a U.S.-based, privately held worldwide distributor of mobile phone and wireless infrastructure products and services announced that it was canceling plans to establish a cellular telephone assembly plant in Bolivia due to the fact that it was impossible to compete in a market where 90 percent of the cell phones are sold on the informal market.