

**Working Paper**

**BOLIVIA'S PARTICIPATION IN INTERNATIONAL TRADE  
NEGOTIATIONS**

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**October 2001**

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ISBN 0 85003 567 8

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## **Acknowledgements**

I am grateful to the Department of International Development, UK, for financing this study. This paper forms part of the Effective Participation by Developing Countries in International Governance, Institutions and Negotiations study which is in turn part of the Globalisation and Poverty programme, which now includes fourteen projects on the relationship between the global economy, and global institutions, and poverty, and on how the developing countries can influence this. For further information on this project, please contact Sheila Page, [s.page@odi.org.uk](mailto:s.page@odi.org.uk). For further information on the Globalisation and Poverty Programme, see [www.gapresearch.org](http://www.gapresearch.org) or email [globpov@ids.ac.uk](mailto:globpov@ids.ac.uk).

## Acronyms

ALADI	Latin American Integration Agreement
CAN	Andean Community of Nations
CET	Common external tariff
EU	European Union
FTZ	Free Trade Zones
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
G77/China	Initially a Group of 77 developing countries (now 134)
GRILA	Latin American Initiative Group
GRULAC	Latin American and Caribbean Group
GSP	Generalised System of Preferences
ITF	International Trade Fora
MFR/MRREE	Ministry of Foreign Relations
MCEI	Ministry of External Trade and Investments
MERCOSUR	Common Market for Southern cone countries
NAFTA	North American Free Trade Area
RITEX	Temporary Import Regime for Exporters
TCA	Amazon Basin Cooperation Treaty
UNDP	United Nations Development Programme
UNTAD	United Nations Conference on Trade and Development

## 1. The Context of Bolivia's Foreign Trade

In 2000, Bolivia exported goods and services with a value of \$US 1,229 million, which represented nearly 13 % of the country's GDP. Most of these exports are made up of primary products such as minerals (zinc, silver, tin and gold) and agricultural products (soybeans, coffee, cocoa, brazil nuts and sugar). Manufactured goods represent only 13.4 % of exports (gold jewellery, wooden furniture, doors and windows, cotton textiles and glass bottles). In the last 10 years exports have been growing at rates of around 10% p.a. although most of this growth is the result of increases in agricultural products. In the last two years there has been no growth. It is important to note that new products such as quinoa, meat, wines and beer have been added to the traditional export list. The recently inaugurated gas pipeline to Brazil is expected to give gas an important share in exports in the coming years. Talks have also started over exporting liquefied gas to California in the near future (INE 2001).

The main markets for Bolivia's exports are: the European Union (27%), NAFTA (20%), the Andean Community of Nations - CAN (21%), MERCOSUR (18%), with the rest of the world 14%, (INE 2001). See table 1 for detailed trade figures.

Regarding the country's imports (table 2), most consist of capital and intermediate goods (50%), transport (19%) and consumption goods (20%). The principal suppliers are NAFTA, EU and MERCOSUR. Imports in 2000 were of the order of \$US 1,977 million giving a deficit in the balance of trade. Comparing tables 1 and 2 we can observe that export value over the last 20 years has remained almost constant whereas import present an increasing trend, widening the deficit every year.

**Table 1: Value of Bolivian exports period 1980-2000 (in million of US dollars)**

DETAIL	1980	1985	1990	1995	1996	1997	1998	1999	2000
<b>a) Traditional Products</b>	891.4	638.3	634.4	663.2	619.3	606.6	531.8	472.2	602.4
i. Minerals	646.3	263.8	407.7	510.5	478.0	499.6	435.2	397.1	424.9
Tin	340.9	176.9	107.6	89.6	83.5	81.6	66.1	69.4	76.5
Silver	111.2	9.5	33.6	70.8	64.0	59.3	73.1	68.1	74.0
Zinc	41.1	29.5	146.8	151.3	151.7	200.0	158.2	154.3	170.6
Tungsten	47.4	10.3	4.6	4.8	3.5	2.7	2.4	1.4	1.9
Antimonium	26.5	15.9	12.7	12.4	9.6	8.9	6.5	3.6	1.7
Lead	14.2	0.5	15.3	12.6	12.1	11.1	9.1	4.8	4.8
Gold	-	1.2	65.3	130.8	119.6	110.5	112.7	89.1	88.0
Other	64.9	20.0	21.8	38.1	34.0	25.4	7.0	6.4	7.4
ii. Hydrocarbons	245.1	374.5	226.7	152.6	141.3	107.0	96.7	75.1	177.5
Natural Gas	220.9	372.6	225.3	92.4	94.5	69.9	55.5	35.5	121.4
Other	24.3	1.9	1.4	60.2	46.8	37.1	41.2	39.6	56.1
<b>b) Non Traditional products</b>	145.5	34.2	288.3	474.5	595.2	647.2	576.3	570.0	642.9
Soybean & derivatives	6.9	5.3	40.2	142.1	200.6	242.5	231.7	222.8	299.2
Coffee	20.7	13.9	14.1	16.9	16.5	26.0	15.0	13.8	10.4
Cacao	1.8	1.2	3.7	0.6	0.6	0.8	0.8	0.8	1.1
Sugar	47.6	1.6	31.6	16.8	27.9	22.1	23.6	9.2	7.2
Beverage	1.6	0.3	2.7	7.3	9.3	6.9	9.5	9.6	6.3
Wood & wood manufactures	32.3	5.9	49.8	75.9	82.6	87.6	67.5	72.6	75.3
Leather and leather goods	5.8	1.4	27.1	12.4	12.2	14.8	11.3	12.7	23.2
Rubber	4.6	0.5	2.0	0.1	0.0	0.0	0.0	0.0	0.0
Brazilian Nut	1.8	1.5	13.0	18.7	28.6	31.1	30.9	30.9	33.8
Cotton	1.0	0.6	6.4	30.1	32.8	40.7	16.9	19.8	10.6
Jewellery				78.5	39.8	20.0	3.4	15.4	31.9
Jewellery, with imported Gold				11.6	49.5	54.3	44.8	32.0	13.7
Textiles & apparel								41.3	46.1
Food Products								47.8	52.1
Other	21.5	1.8	97.5	63.5	94.9	100.6	121.1	41.2	32.0
<b>Sub-total</b>	1,036.9	672.5	922.7	1,137.6	1,214	1,253.9	1,108.2	1,042.3	1,245
<b>c) Re-Exports (2)</b>	6.1	2.5	32.7	42.1	79.2	16.5	214.7	360.6	211.6
<b>d) Personal Belongings</b>	0.3	0.3	0.2	1.5	1.7	1.8	1.9	2.5	2.6
<b>e) Electrical Goods</b>								0.1	0.1
<b>Official Value</b>	1,043.3	675.3	955.7	1,181.2	1,295	1,272.1	1,324.8	1,405.4	1,459
<b>F.O.B. Value</b>	942.2	628.4	845.2	1,041.5	1,132	1,166.5	1,104.0	1,051.1	1,229

Source: Instituto Nacional de Estadística.

**Table 2: Value of Bolivia's imports**

<b>Details</b>	<b>1980</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000 (p)</b>
<b>Consumer Goods</b>	170.1	134.8	151.1	282.4	386.6	505.7	412.5	466.0
Consumer Goods – Perishables	83.1	46.6	62.6	137.9	183.2	213.1	224.2	293.4
Consumer Goods – Durables	87.0	88.2	88.6	144.4	203.4	292.6	188.3	172.6
<b>Raw Materials and Intermediate Goods</b>	279.9	304.8	288.1	604.0	730.1	891.8	742.7	902.9
Fuels and lubricants	10.7	2.4	3.6	67.0	135.1	99.1	72.6	94.9
Raw materials for agriculture	10.7	18.4	10.9	27.4	44.5	43.2	42.9	52.8
Raw materials for industry	200.7	236.5	229.5	416.3	467.4	639.0	491.2	621.2
Material for Construction	23.3	17.7	25.1	50.6	51.5	72.7	101.7	81.6
Parts and accessories for transport equipment	34.5	29.8	19.0	42.8	31.6	37.8	34.3	52.4
<b>Capital Goods</b>	210.4	225.2	253.6	535.0	748.4	1,006.8	918.8	594.3
Capital Goods for Agriculture	15.1	27.4	16.3	17.4	16.2	15.9	17.2	12.5
Capital Goods for Industry	144.7	142.3	173.4	313.8	469.8	528.1	540.1	406.0
Equipment for Transportation	50.6	55.5	63.9	203.7	262.4	462.8	361.5	175.8
<b>Other</b>	3.4	23.9	9.4	12.2	44.2	45.6	24.0	13.5
<b>Personal Effects</b>	1.5	2.3	0.5	0.0	0.0	0.0	0.0	0.0
<b>Total Value CIF</b>	665.4	690.9	702.7	1,433.6	1,909.4	2,449.8	2,098	1,976.6

(p) preliminary.

Source: Instituto Nacional de Estadística.



## **2. Bolivia's Output and Growth**

During the last 15 years, Bolivia's GDP growth rate has been running between 2.5 and 5.2%. However, since 1999 Bolivia has experienced near zero growth rates, owing to a sharp fall in prices of exported minerals, and tougher control on cocaine production. It is predicted that this situation may improve owing to the new contract with Brazil to export large volumes of natural gas. This gas contract has encouraged a large increase in foreign investment which has grown three-fold since 1995 (From US\$335 million, to US\$1.1 billion in 2000). As illustrated in Table 3, the main components of Bolivia's GDP are agriculture, mining and quarrying, manufacturing, transport, and communications, and financial services. Agriculture continues to represent the largest component, reflecting the low scale of development of the industrial sector. In addition, Table 3 illustrates that over the past 20 years there have not been significant changes in the overall structure of the GDP.

**Table 3: Bolivia's GDP in percentages by economic activity**

Activity	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 (p)	2000 (p)
	100	100	100	100	100	100	100	100	100	100	100	100	100
<b>Agriculture</b>	16.5	19.7	18.9	19.7	18.6	18.5	18.8	18.3	18.6	18.5	16.9	17.2	17.3
- Agricultural Products - Not Industrial	6.9	10.4	8.9	9.4	8.9	8.7	8.6	8.1	8.2	8.0	7.2	7.6	7.7
- Agricultural Products - Industrial	1.1	1.4	1.8	2.5	2.1	2.5	2.9	3.1	3.6	3.7	3.3	3.1	3.2
- Coca	0.7	1.3	1.6	1.4	1.3	1.2	1.1	1.1	1.0	1.0	0.8	0.4	0.2
- Livestock	6.3	5.6	5.4	5.2	5.2	5.1	5.1	4.9	4.8	4.8	4.7	5.0	5.0
- Forestry, hunting and fishery	1.4	1.0	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.1
<b>Mining and Quarry</b>	15.5	13.0	12.6	12.2	12.2	12.4	12.2	12.5	11.7	11.8	12.0	11.2	13.2
- Petroleum and Natural Gas	5.8	6.9	5.3	5.1	5.0	4.9	5.1	5.0	4.9	5.3	5.8	5.4	7.4
- Minerals: Metallic & non- metallic	9.7	6.2	7.3	7.2	7.2	7.4	7.1	7.5	6.8	6.5	6.2	5.8	5.8
<b>Manufacturing</b>	23.2	19.8	20.9	20.8	20.5	20.4	20.5	20.9	20.9	20.4	19.8	20.0	19.9
- Food, drink and tobacco	8.0	8.5	9.5	9.7	9.3	9.2	9.4	9.7	9.8	9.6	9.4	9.5	9.7
- Other Industries	15.2	11.3	11.4	11.1	11.2	11.2	11.1	11.3	11.1	10.8	10.3	10.5	10.2
<b>Electricity (Gas &amp; Water)</b>	1.3	1.7	2.0	2.0	2.1	2.3	2.4	2.5	2.5	2.5	2.4	2.5	2.5
<b>Construction/Public Works</b>	4.4	3.9	3.8	3.8	4.2	4.2	4.1	4.1	4.3	4.3	5.6	4.5	4.0
<b>Commerce</b>	11.1	10.4	11.0	11.0	11.0	10.8	10.7	10.5	10.6	10.6	10.3	10.1	10.2
<b>Transport, Storage and Communications</b>	7.3	10.2	11.5	11.6	12.0	12.0	12.1	12.2	12.5	13.0	13.5	13.3	13.4
<b>Financial Sector/ Insurance</b>	12.8	13.5	12.5	12.3	12.9	13.2	13.3	13.2	13.7	14.7	15.8	17.6	15.8
- Financial Services	2.6	2.5	2.1	2.2	2.7	3.0	3.2	3.3	3.9	4.4	5.1	5.4	5.4
- Company Services	3.8	3.4	3.1	3.1	3.2	3.3	3.5	3.4	3.5	4.2	4.8	6.2	4.5
- Home Ownership	6.4	7.6	7.3	7.0	7.0	6.8	6.6	6.4	6.3	6.1	5.9	5.9	6.0
<b>Services (Community, Social and Personal)</b>	5.4	4.8	4.7	4.7	4.8	4.8	4.7	4.7	4.7	4.7	4.6	4.8	4.9
<b>Restaurants and Hotels</b>	4.7	4.6	4.0	4.0	4.2	4.2	4.0	4.0	3.9	3.8	3.8	3.9	3.9
<b>Banking Services</b>	(2.2)	(1.8)	(2.0)	(2.1)	(2.5)	(2.8)	(2.9)	(2.9)	(3.4)	(4.3)	(4.6)	(5.1)	(5.0)
<b>B. SERVICES - PUBLIC ADMINISTRATION.</b>	14.0	14.4	12.4	11.8	12.2	12.0	11.7	11.5	11.1	11.1	11.0	11.0	10.9
<b>C. DOMESTIC SERVICES</b>	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6

Source: UDAPE & INE, 2000

### 3. Trade policy

Bolivia has maintained a relatively open trade regime with very few restrictions on imports and with no subsidies on exports, since 1985, when a rigid structural adjustment programme was applied. The tariff law establishes a general and uniform *ad valorem* tariff of 10% on CIF value for all imports, except for capital goods which only have a 5% tariff, and books and publications some 2% (MCEI 2001). The WTO review of Bolivia's trade policies has highlighted the benefits of a 10% uniform tariff regime in terms of its predictability, transparency and promotion of an efficient allocation of resources (WTO 1999). In other words, Bolivia pursues a liberal trade policy for goods and services and does not apply permits or other types of non-tariff barriers, except for those cases where human and animal health are at risk or for cultural and artistic heritage reasons. There is no trade discrimination, as there is no sector in the economy that is subsidised. Due to Bolivia's tax neutrality, there are no significant distortions in the trade regime (WTO 1999).

VAT taxes and import tariffs for capital goods used in export products are handed back to the exporting firms in order to create export incentives, and improve the negative commercial balance (law 1489 of 1993). Decree 23944 established that tariffs on capital goods used in export products can be handed back, at rates between 2 and 4% of the FOB value, when the total export value is less than \$US 3 million (MCEI 2001).

As a part of trade policy there are two special regimes: (1) the temporary import regime for re-exporting (RITEX), and (2) the free trade zones or FTZ. The first exempts exporting firms from paying VAT and import tariff on both capital goods and raw material, for up to a maximum period of 120 days, in which the exporters should process and export the final goods. The free trade zones are intended to promote foreign investment and new opportunities for trade. However, they have not been able to fulfil such goals, with only one of the eight FTZs operating in a satisfactory manner (WTO 1999). In addition to these trade incentives there is a system to reduce export bureaucracy, simplify export procedures, and negate the need for exporters to hand their foreign exchange earnings back to the state (SIVEX). The foreign investment law provides a broad scope for free movements of capital without heavy taxation.

## **4. Investment policy**

Law 1182, the Investment Law, was passed and came into effect in September 1990 under President Jaime Paz Zamora. The fundamental implications of this law are as follows:

- Stimulation of investment, through guarantees, national and foreign investors were given same rights and obligations.
- Private investment does not require previous authorisation or additional registration.
- Property rights guaranteed for all investors.
- Free conversion of currency allowed.
- No restrictions for capital flows (inflows or outflows of capital).
- No restrictions on profit remittances.
- No State endorsement or guarantee of credit contracts required.
- Joint Venture investments recognised.

Law 1182 in its entirety and in the original language (Spanish) is given as Appendix 1.

## 5. Integration and Regional Trade Agreements

As a result of its geographical location in the centre of South America, Bolivia belongs to a series of economic integration agreements such as ALADI (Latin American Integration Agreement) and acts as a sort of hinge between two customs unions: the Andean Community of Nations (Bolivia, Colombia, Ecuador and Venezuela) and MERCOSUR (Argentina, Brazil, Paraguay and Uruguay).

Bolivia is keen to become a full MERCOSUR member as this would facilitate access to a larger market and new technological innovations. In other words, Bolivia seeks to enjoy the benefit of being part of a “richer man’s club” than the Andean community where the trade partners do not provide as many opportunities. It would appear that Bolivia’s integration strategy aims to move discreetly away from the Andean community, and towards MERCOSUR. The principal reasons for staying in the Andean community, however, centre around historic linkages within Andean countries, and the current trade of soya beans with Colombia plus some additional trade with Peru and Ecuador. The current strength of the trade flows between Bolivia and Brazil and Argentina also influences political decisions in Bolivia in terms of bilateral relationships.

In MERCOSUR, Bolivia’s reasons of for participation are:

- To be able to rely on a legal framework of cooperation and economic and physical integration that will create an economic environment that facilitates the movement of goods and services and the full utilisation of regional factors for production.
- To create a free trade area with the MERCOSUR member countries within a period of 10 years, through the expansion and diversification of trade and the elimination of all trade barriers that affect regional trade, thus producing an increase in trade with those countries.
- To promote the development and use of physical infrastructure, with a special emphasis in the progressive opening of communications, and waterway and overland transportation.
- To receive greater economic, scientific and technological cooperation assistance.

Nevertheless, in practical terms the agreement has so far limited itself to a programme of removal of tariffs resulting in a slight benefit in preferences. Regarding agriculture, there is a benefit from the FTA for exports of some agricultural products, such as canned hearts of palm and fruits.

Bolivia is actively participating in the preparatory meetings for the launch of the FTAA (the Free Trade Area of the Americas), due to be inaugurated in 2006, although it is not expected that the FTAA will provide Bolivia with substantially larger benefits than it currently enjoys from existing beneficial trade agreements not only with MERCOSUR and CAN, but with other Latin American countries such as with Chile, Mexico and Cuba. On the contrary, this agreement may have a negative impact on agricultural production because of Bolivia’s low competitiveness. In other words it may be potentially damaging for Bolivia’s economy to pursue a highly liberal policy that would be inconsistent with its own interests. With the FTAA, Bolivia hopes to gain wider market access for its agricultural production and a regime for agricultural trade which takes into account the asymmetries of the countries that participate in the process. Therefore, Bolivia proposes the elimination of export subsidies in

all the FTAA countries without exception, and the waiving of past and future rights under the WTO to apply such subsidies in the Hemisphere.

In addition, Bolivia proposes the elimination of other measures and practices that could distort trade and production except for developing countries. These countries could maintain those subsidies that are permitted exclusively for developing under the WTO Agreement on Agriculture (Article 6.2).

In addition to these agreements Bolivia also belongs to the Amazonian Cooperation Treaty (TCA), an agreement which promotes physical integration of the Amazon basin countries and environmental conservation. This treaty, however, does not include trade.

Finally, Bolivia enjoys unilateral preferential and zero tariffs for a list of products from the USA (in the framework of the preferential tariffs law for Andean countries) and from the European Union under its General System of Preferences, GSP, scheme which gives additional preferences to the Andean Community (as part of the strategy against drugs production), known as Andean GSP. This agreement, signed in 1990, allows most Andean countries' exports to enter the European Union countries with a zero tariff, and no quota restrictions.

With regards to agricultural exports, although these have preferential conditions in these markets in terms of tariffs, Bolivia is still somewhat constrained by sanitary measures. These non-tariff barriers are partly protective measures from importing countries, but also reflect low internal quality standards. Since 1996, Bolivia has been a member of the Cairns group which supports liberal agricultural trade policies, in search of new markets for its agricultural produce.

In all these agreements Bolivia promotes the liberalisation of trade and seeks to increase market opportunities for its products. This requires that a significant amount of resources and negotiating skills be devoted to participating in all these agreements. But, because of the limited resources available, in many cases its participation is limited to very small delegations.

Although there are no in-depth studies which show how the country has benefited or can benefit from these major integration efforts and the preferential regimes, Bolivia enthusiastically supports them in the hope that free trade will increase its possibilities of expanding its exports. Preferential regimes in developed countries and lately by Brazil (for textiles) have significantly helped to promote Bolivia's exports. The fact so far has been, however, that Bolivia's economy and its "infant" industry is vulnerable (in relation to neighbouring countries) to foreign competition due to its low productivity and its large proportion of unskilled labour.

## 6. Public Sector Institutional Arrangements for Trade

The government of Bolivia continues to expand its trade development capacity and to allocate more resources to these matters. An example of this effort is the creation of the Ministry of Foreign Trade and Investments (MCEI) in 1997, which has responsibility for formulation and implementation of trade policy.

Foreign trade policy in Bolivia is set within two ministries: the Ministry of Foreign Relations (MFR) and the Ministry of Foreign Trade, but the Ministry of Foreign Relations is the one which takes the lead and the official representation of the country in International Trade Fora (ITF). Within the MFR the Vice Ministry of Foreign Trade one coordinates the negotiations of Bolivia in ITF. Because of the large number of trade agreements in which Bolivia participates, this Vice-Ministry is organised in several divisions according to the type of foreign relations i.e. bilateral, regional or multilateral. Of special interest for us is the division of International Economic Organisations (DOEI) which deals with multilateral economic agreements such as: WTO, UNCTAD, CELA (Latin America), OAS, WIPO and UNIDO. It must be pointed out that the division only has 5 staff members including the director to take care of all these responsibilities and only two of them are trained to deal with international economic organisations and the unit is very much under equipped (e.g. computers are old models).

The Ministry of Foreign Trade and Investments (MCEI) has a Vice Ministry for export promotion and within that the Department for International Trade. These are the institutions responsible for trade policy formulation and for supporting/conducting Bolivia's participation in trade negotiations. This Vice-Ministry receives policy advice on export strategies from the National Export Council (CONEX), a public and private body made up by key organisations involved in foreign trade.

The staff of these two Vice-Ministries have a close working relationship and exchange information to set the national positions on international trade issues, prepare most of the documents for ITF and implement trade related commitments.

In addition to these two divisions (within the two Vice-Ministries), the Bolivian representation in Geneva (with the rank of embassy) plays a key role in setting the Bolivian positions on trade at WTO. As in other trade negotiations, Bolivia has only a small representation, made up of four negotiators including the ambassador and his/her staff. These personnel have to participate not only in WTO discussions, but in all the additional international organisations, based in Geneva. There is no representation in this embassy from sectoral ministries, or from financial institutions. Once again, as frequently reported, there are many complaints pertaining to the budget shortages which impede full performance of their mandate.

Within the Bolivian public sector, other Ministries (e.g. Economic Development, Agriculture, Finance, Sustainable Development) also conduct important activities in trade issues and are responsible for implementing foreign trade policy in their respective fields. These ministries all have small units that manage technical trade issues, particularly sanitary measures, fiscal implications of trade, and environmental concerns. They all form part of CONEX, and they come together in other groups for specific purposes according to the agreements with which they are involved.

## **7. Bolivia and the GATT**

Although Bolivia joined the General Agreement on Trade and Tariffs in September 1990, it did not assume any commitments at that time. However, its (liberal) domestic economic policy was very much in line with GATT principles. Given the small size of its economy it has little effect on the overall performance of international trade.

Bolivia became a GATT member in the middle of the Uruguay Round (1986-1994), and soon after joining, the Bolivian delegates were active in negotiations, and in 1994 signed the Marrakech agreement which gave birth to the WTO. In addition Bolivia was in favour of and worked to promote the new round of negotiations, which was intended to emerge from the failed Ministerial conference of Seattle, although its support was conditional on greater liberalization from Developed countries in their agricultural policies. The main issues of concern of Bolivia during the Uruguay round were agriculture, services and intellectual property issues, which are still at the core of WTO policy debate.



## **8. Bolivia in the WTO**

Bolivia ratified its WTO membership under national law in September 1995. The main interest of the country in participating in this global organisation was to increase access to developed country markets, and particularly to obtain reductions in the non-tariff barriers to trade which are the main constraint to Bolivian exports.

### **8.1 Pre-Seattle**

Bolivia actively participated in most discussions Pre-Seattle. One of the main demonstrations of its commitment to the Marrakech agreement was its active participation in the review by the WTO of its Trade Policy. Here, it showed its high degree of openness and liberal trade policies. Bolivia's trade policy was praised as a model of autonomous liberalisation, by a country which applies the principles of WTO and does not distort international trade. In spite of all this, the government of Bolivia considers (as do other developing countries) that instead of receiving benefits from Developed countries, the country has been penalised by having to compete with subsidised exports or with products that have received much domestic support, and that it faces sanitary barriers, which are used as an excuse to avoid imports from developing countries. Bolivia supports the G-77 position, and considers that such penalisation increases poverty, the fiscal deficit and trade imbalances.

In the pre-Seattle discussions, Bolivia stressed the implementation problems of the Marrakech agreement and worked with the G-77 to place such worries in the Seattle declaration (which was not approved). Most of the efforts of Bolivian delegations in the Pre-Seattle period were concentrated within the G-77 and the GRULAC, and on an attempt to get admitted to the Cairns group. Little was done within the Andean community, or with MERCOSUR.

Just before the Seattle conference, Bolivia was admitted to the Cairns group and much of its work during the conference was done within this group. The two central objectives which led to the participation of Bolivia in this group were differential and preferential treatment for the Least Developed countries and fundamental reforms for trade in agricultural products. Of special interest were the rules for genetically modified agricultural products and the treatment of tropical products. Bolivia supported the draft declaration of the Cairns group, which clashed with the EU position. This clash, as well known, was one of the main causes for the Seattle failure.

### **8.2 The Seattle Conference**

As part of the GRULAC, Bolivia supported a position which asserted that Latin America continued to move towards an increasingly open trade and investment regime. This has been accomplished through autonomous measures and regional initiatives such as MERCOSUR, the Andean community, the Central America Common Market and CARICOM. But these have not been matched by similar openness by developed countries. During the conference (on the 2nd of December) the Minister of Foreign Relations of Bolivia, in Seattle, called for a meeting of the GRULAC to search for ways of finding a compromise between the extreme positions that were held on the Seattle declaration. In this meeting criticisms were made of

the way the conference was being conducted and of the lack of transparency and openness to wider participation. The tensions within the GRULAC meant that it did not reach a consensus position in Seattle.

After this set back, Bolivia went back to supporting the Cairns Group position on the need to implement the “fundamental reform” of the international trade in agricultural products, as agreed in the Uruguay round. Bolivia considered that the lack of implementation of such reform was the main cause for the failure to arrive at a consensus which could have led to a negotiation round in Seattle. In addition Bolivia observed that WTO’s rules prevented a democratic participation by developing countries. It believes that the Doha conference must take appropriate measures to change this if another failure is to be avoided.

From this account, we can conclude that Bolivia has pursued its liberal policy within WTO and has advocated a reduction in trade barriers (tariff and non-tariff) as well as in all types of subsidies, which can distort trade, affecting developing countries’ competitiveness.

Because of the failure of the Seattle conference there have not been any positive outcomes for Bolivia, so far, from participating in the WTO. Most gains enlarging the country’s export markets have come from bilateral negotiations with developed countries.

### **8.3 Preparations for Doha**

For the fourth Ministerial conference on trade to be held in Doha, Qatar, the Bolivian delegation in Geneva is participating in the preliminary meeting of where an effort is being made to reach consensus, pre-negotiation, on the future declaration and on launching a new round. Several developing countries have argued against a new round. Others, like Bolivia, have argued that a new round should be conditional on the implementation of promised reform and on fully including agricultural trade within the WTO rules. Bolivia, working in the framework of the G77, supports its declaration which rejects protectionism and the exclusion of small economies and supports an evaluation of the Uruguay round benefits particularly for developing countries and the need to improve technology transfer mechanisms from developed to developing countries. Once again the Bolivian delegation argues against export subsidies and for the need to obtain technical and financial assistance for those poor countries that comply autonomously with the principles of WTO. In these preparatory meetings Bolivia holds the position that implementation by developed countries is the touchstone of any future agreement within WTO. The new issues that Bolivia wants to bring to Doha are sanitary restrictions and textiles trade.

In preparing for Doha Bolivia is participating in the positions taken within the Cairns group, which demands that any new round should change the current status of agricultural trade. Bolivia is also stressing that the Doha declaration must include special and differential treatment for countries that have liberalized their trade autonomously. They should receive credit for this in the negotiations. Regarding one of the “hottest” topics for Doha, the new rules on relationships between trade and environment, Bolivia holds that it is not fair that developed countries want to impose environmental trade barriers while they have a highly polluting agriculture that is being subsidised. Developing countries have the right to increase their share of agricultural trade, with products that are less harmful to the environment.

As in Seattle, during the Doha preparations CAN and MERCOSUR are showing a low profile and it is unlikely that these groups will submit joint proposals. GRULAC, G77 and Cairns are the main groups through which Bolivia expresses its position. On June 25th 2001, Bolivia gave a presentation to the General Council of the WTO, preparatory meeting to the IV Ministerial Conference in Doha, in which it stated its position, and its special interest in agriculture, for the next round of the WTO.

In addition, the Bolivian delegation expressed its concern that the current negotiations form part of a series of never ending agricultural negotiations, which have very modest achievements and which are extended into the future. It was also stated by Bolivia that superficial reforms in agricultural trade are totally inconsistent with launching a new WTO Round. Developed countries must not continue to subsidise those sectors that are not competitive with developing countries and thereby increase poverty in developing countries.

In the meeting of the General Council that took place on the 30th and 31st of July in Geneva, Bolivia presented a more definite, concrete proposal. Bolivia's proposal makes reference to the MERCOSUR and Chile statement, which supported the launching of the next WTO Round, only if and when it includes a mandate on agriculture that addresses specific objectives such as: the elimination of subsidies for exports in all their forms, the reduction of internal subsidies, and the elimination of those subsidies that distort production, impair trade, and prevent significant improvement of developing country access to world markets. The statement also expressed concern about the marginal position given to agriculture in the preparatory process for the Ministerial Meetings in Doha, signalling the danger to the Ministerial, if the subject of agricultural trade keeps being postponed.

To achieve internal coordination to address the issues of the up-coming Round, Bolivia has established working groups that will deal with and follow up each of the issues. In the case of the Ministry of Agriculture, its participation in the coordination and preparation of the Bolivian position is through the following working groups: Agricultural Agreement and Agreement on the Application of Sanitary and Phyto-sanitary Measures.

Bolivia coordinates its position within the framework of the Cairns Group. In the XXII Cairns Group Ministerial Meeting which took place from the 3<sup>rd</sup> to the 5<sup>th</sup> of September in Punta del Este, Uruguay, the Ministers, in consensus, emphasised that the Doha Conference should provide the following.

- A clear commitment to end discrimination against agriculture and fully integrate it into WTO rules.
- A clear commitment to achieve fundamental reform of agricultural trade through elimination of all forms of export subsidies, substantial improvement in market access and substantial reduction of domestic support, including the elimination of trade – and production – distorting forms of support.
- A reaffirmation that the main focus of work should be on these three pillars, and that non-trade concerns relevant to the Agreement on Agriculture will be dealt with in non-trade distorting ways, to preclude possible surges of new types of non-tariff barriers.
- A confirmation that enhanced and concrete special and differential treatment provisions for developing countries should be an integral part of the outcome of the negotiations.

- A clear understanding of the timetables and benchmarks for concluding the agriculture negotiations, and a structure that will enable work to advance.

For the reasons previously mentioned, Bolivia's position in agriculture will follow the terms stated above.

## **9. Assessment of the negotiations**

### **9.1 Assessing Bolivia's negotiating capacity**

As previously indicated, Bolivia forms part of several trade agreements and thus civil servants responsible for international trade are overloaded with negotiating responsibilities. Until recently most foreign trade negotiations were conducted by the Ministry of Foreign Relations (MFR) with the support of some divisions in other Ministries. Currently, the recently created MCEI has specialised in foreign trade and is helping the MFR to formulate national policy. It also collects market information and supplies it to exporters. Nevertheless, key negotiations are in the hands of the MFR.

One of the main constraints is that in most negotiations Bolivia is represented by small and understaffed delegations with budget restrictions. These delegations are rarely composed of experienced and skilled negotiators, partly because of high personnel rotation in the public sector and partly because of low wages in the public sector. This restricts the possibility of "attracting the best men or women for the job". Bolivia lacks both a trade negotiation tradition and the aggressive policies found in other countries in Latin America, (e.g. Colombia, Chile). In many cases it also lacks sound strategies which can lead to an improved performance of its exports. As mentioned, Bolivia, in the last two years, has reduced its export value and very few new markets have been opened and expanded. In other words Bolivia has a limited trade negotiating capacity and because of that has not been very successful in expanding its export earnings, and maintains a chronic deficit in its balance of trade. This in turn has led to an underdeveloped manufacturing sector.

When participating in International Trade Fora, Bolivia tends to support group positions (for example GRULAC, G-77, Cairns), which are in line with its free trade policy, but rarely presents new proposals or displays strong leadership. Among its main negotiating techniques and methods of getting a better bargaining position we can mention: (a) to look for partners with common interests, (b) to claim credit for autonomously liberalised trade policy in order to complain about developed countries' non-tariff barriers, (c) to stress that poverty can not be alleviated if the trade barriers to Bolivian products are not removed, and (d) to be present at all possible events in spite of the small number of trade negotiators.

### **9.2 Constraints on more effective participation by Bolivian delegates.**

Bolivia requires a qualitative jump to improve its negotiating capacity if it is to take better advantage of the trade possibilities that globalization brings about. This implies that it has to increase the number and the skills of its delegates as well as improving information systems and increasing its budgets. Furthermore it should improve its mechanisms of strategy formulation so as to be able to be more proactive (or aggressive) and to increase its export earnings.

Bolivia so far has made little use of existing technical advice or mechanisms within UNCTAD or the WTO to strengthen its negotiating capacity either at the domestic level or in the delegations outside the country. The donors in Bolivia could also be more pro-active in formulating projects to support the national trade strategies, and be more production and

export oriented. Although Bolivia, as mentioned, is in general an “over-aided” country, this is an area where few donors are contributing effectively.

In terms of agricultural negotiations within the WTO, there are no international organisations that are assisting Bolivia in its negotiations or in the preparation of its position. However, as was mentioned before, Bolivia has joined the Cairns Group in order to strengthen its negotiating position. In this context, Bolivia is able to make use of what is provided by Australia the Technical Secretary to the Cairns Group, and by those joint resolutions that are adopted by the Group.

### **9.3 Efficacy of negotiations for economic development and poverty alleviation**

The poor performance of Bolivian exports and the still high levels of poverty indicators could lead us to conclude that, in spite of all the efforts of Bolivia in trade agreements, little has been achieved that goes beyond paperwork. This conclusion is rather simplistic because there are other major causes that can explain this situation, Trade policy (or participation in ITF) on its own cannot be the solution to structural lack of competitiveness and widespread poverty. Even more, in the absence of such policy and efforts, it is more likely than not that the situation would have been worse. Worded differently, trade is a necessary condition for economic development but not sufficient.

Furthermore, to be effective to alleviate poverty, trade strategies should be focused on products that are or can be produced by the poor and that can be traded in international markets (e.g. quinoa, llamas, coffee, brazil nuts). It is important to increase the productivity of traditional products that are produced by the poor in order to be able to compete with foreign products. A case in point is potatoes, (main staple crop of the Andean peasants) whose market has been disrupted by imports from Argentina where productivity levels are at least twice as high as in Bolivia.

The above implies that effective poverty-targeted trade policies need to be complemented with actions that can improve the capacity of the poor to produce for the international market or to be able to compete with imports.

### **9.4 Further research recommendations**

Until now Bolivia has conducted only a few, and shallow, studies on the possible impact on the economy of trade agreements particularly of free trade areas (integration agreements). Many decisions are taken under the assumption that liberal policies are good for economy *per se* without considering or measuring which sectors can be negatively affected. A case in point is the FTAA, which Bolivia is supporting, although there is a lack of any serious study on the likely effects on domestic productive sectors. Bolivia lacks a research centre (and capacity) to be able to study these matters thoroughly and systematically.

There is also a need to improve the understanding of the effect (positive or negative) of the liberal policy and of free trade areas on the products of the poor, and on the livelihoods of the poor in general.

It is difficult for a poor country which derives a good deal of its income from tariffs to afford to give away this income. Thus it is important that these trade-offs are better understood in order and formulate appropriate policies that can make use of the advantages of trade without compromising government revenues.

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## **Appendix 1: Investment Law 1182**

### **Capítulo I: Del Objeto Y Ambito de Aplicacion de la Ley**

Artículo 1º.- Se estimulará y garantiza la inversión nacional y extranjera para promover el crecimiento y desarrollo económico y social de Bolivia, mediante un sistema que rijan tanto para las inversiones nacionales como extranjeras.

Artículo 2º.- Se reconoce al inversionista extranjero y a la empresa o sociedad en que éste participe, los mismos derechos, deberes y garantías que las Leyes y Reglamentos otorgan a los inversionistas nacionales, sin otra limitación que las establecidas por ley.

Artículo 3º.- La inversión privada no requiere autorización previa ni registro adicional a más de las determinadas por Ley.

### **Capítulo II: De las Garantías**

Artículo 4º.- Se garantiza el derecho de propiedad para las inversiones nacionales y extranjeras sin ninguna otra limitación que las estipuladas en la Ley.

Artículo 5º.- Se garantiza un régimen de libertad cambiaria, no existiendo restricciones para el ingreso y salida de capitales, ni para la remisión al exterior de dividendos, intereses y regalías por transferencia de tecnología u otros conceptos mercantiles. Todas las remisiones o transferencias estarán sujetas al pago de los tributos establecidos por ley.

Artículo 6º.- Se garantiza la libre convertibilidad de la moneda. Los agentes económicos están facultados a efectuar sus actos jurídicos, operaciones o contratos tanto en moneda nacional como extranjera.

Artículo 7º.- El inversionista puede contratar libremente seguros de inversión en el país o en el exterior. Las garantías para inversión extranjera, establecidas en la presente disposición legal, estarán respaldadas por instrumentos bilaterales o multilaterales que el Gobierno de Bolivia haya acordado o acordare con otras naciones y organismos internacionales.

Artículo 8º.- Se garantiza la libertad de importación y exportación de bienes y servicios con excepción de aquellos que afecten la salud pública y/o la seguridad del Estado.

Artículo 9º.- Se garantiza la libertad de producción y comercialización de bienes y servicios en general, así como la libre determinación de precios. Se exceptúan aquellos bienes y servicios cuya producción y comercialización estén prohibidos por ley.

Artículo 10º.- Los inversionistas nacionales y extranjeros podrán acordar someter sus diferencias a tribunales arbitrales, de conformidad a la Constitución Política del Estado y normas internacionales.

Artículo 11º.- Los inversionistas nacionales y extranjeros podrán acogerse a los incentivos otorgados por el Gobierno Nacional.

### **Capítulo III: De Las Obligaciones**

Artículo 12°.- En materia impositiva, las inversiones nacionales y extranjeras estarán sujetas al Régimen Tributario en vigencia.

Artículo 13°.- Las remuneraciones a empleados y trabajadores serán establecidas entre las partes. Los contratos de trabajo pueden convenirse o rescindirse libremente en conformidad a la Ley General del Trabajo y sus disposiciones reglamentarias. Los inversionistas deben respetar asimismo el Régimen de Seguridad Social vigente en el país.

Artículo 14°.- De acuerdo a lo dispuesto en la Constitución Política del Estado no se reconoce ninguna forma de monopolio privado. Las actividades de producción, comercialización interna, de exportación e importación así como de intermediación financiera no podrán invocar privilegios proteccionistas del Estado, debiendo realizar sus actividades dentro de un marco de eficiencia económica y competitividad.

### **Capítulo IV: De los Creditors**

Artículo 15°.- El Estado no avalará ni garantizará contratos de crédito externo o interno suscritos por personas naturales o jurídicas de derecho privado, nacionales o extranjeras.

### **Capítulo V: De Los Contratos de Riesgo Compartido**

Artículo 16°.- Se reconocen las inversiones conjuntas entre inversionistas nacionales y/o extranjeros, bajo la modalidad de Riesgo Compartido (Joint Venture) u otras.

Artículo 17°.- Las sociedades constituidas en el país, las entidades del Estado, incluyendo las empresas autárquicas así como las personas naturales nacionales o extranjeras, domiciliadas o representadas en el país, pueden asociarse entre si mediante contratos de Riesgo Compartido para toda actividad permitida por Ley.

Artículo 18°.- Las personas individuales o colectivas extranjeras que suscriban contratos de Riesgo Compartido se registrarán por las leyes nacionales, debiendo constituir domicilio legal en Bolivia y cumplir con los demás requisitos establecidos en la legislación nacional.

Artículo 19°.- El Contrato de Riesgo Compartido no establece personalidad jurídica. Los derechos y obligaciones de Riesgo Compartido se rigen por lo acordado en el respectivo contrato.

### **Capítulo VI: De Las Zonas Francas**

Artículo 20°.- Las zonas francas industriales orientadas a la exportación, zonas francas comerciales o terminales de depósito, así como el régimen de internación temporal para la exportación, autorizadas por el Poder Ejecutivo, funcionarán bajo el principio de segregación aduanera y fiscal con exención de imposiciones tributarias y arancelarias.

Artículo 21°.- Los Ministerios del ramo son los organismos nacionales competentes para los efectos de la ejecución, aplicación y cumplimiento de la presente Ley en coordinación con el Ministerio de Industria, Comercio y Turismo.

### **Capítulo VIII: Disposiciones Especiales**

Artículo 22°.- Los regímenes estipulados en el Capítulo V y el Capítulo VI de la presente Ley serán reglamentados mediante Decreto Supremo del Poder Ejecutivo.

Artículo 23°.- Abrógase el Decreto Ley N° 18751 de 28 de diciembre de 1981 y toda otra disposición contraria a la presente Ley.

Pase al Poder Ejecutivo, para fines constitucionales.

Es dada en la Sala de Sesiones del Honorable Congreso Nacional, a los once días del mes de septiembre de mil novecientos noventa años.

Fdo. Gonzalo Valda Cárdenas, Fernando Kieffer Guzmán, José Luis Carvajal Palma, José Taboada Calderón de la Barca, Luis Morgan López Baspinerio, Julio Mantilla Cuéllar.

Por lo tanto, la promulgo para que se tenga y cumpla como Ley de la Republica.

Palacio de Gobierno de la ciudad de La Paz, a los diecisiete días del mes de septiembre de mil novecientos noventa años.

FDO. JAIME PAZ ZAMARO, Guido Céspedes Argandoña, Enrique García Rodríguez.

## **Appendix 2: List of Persons Interviewed**

Oswaldo Cuevas  
Director of International Economic Organizations  
Ministry. Foreign relations

Alvaro Calderon  
Deputy Director of Vice Ministry of Foreign Trade  
Ministry of Foreign Relations

Giovanna Miranda  
Director of Foreign trade, DGCE  
Ministry of Foreign Trade

Juan Rojas  
UDAPE  
Ministry of Economic Development

Bruno Solían  
Cámara Nacional de Exportadores.

Hellen Smidt  
DGCE  
Ministry of Foreign Trade