

COUNTRY COMMERCIAL GUIDE ***BOLIVIA***



Fiscal Year 2003

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1. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Bolivia's commercial environment, using economic, political and market analyses. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC, a multi-agency task force) to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

The commitment of Bolivia's successive governments to the free-market economic system for the last 17 years – following the trauma of hyperinflation in the early 1980s – has created conditions that have led to a period of steady economic growth. This growth has been largely non-inflationary, thanks to the Bolivian Central Bank's strict control of money supply growth. The rate of economic growth over this period has been disappointing, however, and its distribution has been uneven across the population. Bolivia remains the poorest country in South America, with a significant portion of its population participating only marginally in the formal economy.

Bolivia has a relatively low level of industrialization and remains highly dependent on imports – especially of capital and consumer goods – and foreign direct investment (FDI). The United States is Bolivia's largest trading partner: in 2001, the United States exported goods worth US\$281.7 million to Bolivia and imported goods worth US\$157.2 million. The U.S. also the single largest investor in Bolivia, with a stock of investment of about US\$1.8 billion at the end of 2001, which represents approximately 38% of total FDI.

We expect that Bolivia's GDP will grow by between 1.0 to 1.5%, with nominal GDP equaling roughly US\$8.8 billion. Bolivia's engine of growth in recent years has been the hydrocarbons and telecommunications sectors. Investments in the hydrocarbons sector were spurred by the opening in August 1999 of the gas pipeline to Brazil, which is expected to absorb significant amounts of Bolivia's natural gas production. Inflation in consumer prices increased in 2000 by 3.4% and less than 1.0% in 2001.

Bolivia welcomes foreign direct investment throughout its economy, with very few restrictions. The Investment Law guarantees national treatment and the free convertibility of currency; a U.S.-Bolivia Bilateral Investment Treaty that came into effect on June 7, 2001, provides the means for U.S. investors to defend these rights.

Potential investors should be aware, however, that there is a severe lack of transparency in the country's judicial system. The Sanchez de Lozada administration, which took office on August 6, 2002, recognizes this deficiency and plans to address this and other corruption issues. In the meantime, it can be difficult to enforce contracts through a court system in which corruption and inefficiency are significant problems. Incidents of corruption are also not uncommon among low-level officials of the executive branch as well. It is also not uncommon for officials to apply regulations in an arbitrary manner.

The United States and Bolivia have had a long-standing cooperative relationship in the promotion of the country's social and economic development, the strengthening of its democratic institutions, the eradication of illegal coca production and the interdiction of the trade in cocaine and related products. The new administration has committed to continue Bolivia's good relations with the United States.

The best prospects for U.S. trade and investment in the coming years are in the hydrocarbons, manufacturing, and telecommunications sectors. The approval by the U.S. Government of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) in August 2002 opened up new possibilities for investment in the area of textiles, which now enjoy duty-free access to the U.S. market, subject to an annual regional cap.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank as CD-Rom or via the Internet. (Please contact STAT-USA at 1-800-state-usa for more information.) Country Commercial Guides can also be accessed via the World Wide Web at "<http://www.stat-usa.gov>"; "<http://www.state.gov>" and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE.



2. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

After twelve years of moderate economic growth, the Bolivian economy has faced an economic downturn since 1999, its economic growth rate dropped from an average of 4.5% annually to only 2.3% in 2000 and around 1.2% in 2001. As a result of lower export prices, unfortunate weather conditions and an international financial crisis in the region, economic growth declined, resulting in decreasing GDP per capita for the last three years. GDP per capita for 2001 is estimated at US\$933.

Bolivia's capitalization program (a variation of privatization), carried out in 1996-1997 by the first Sanchez de Lozada Administration, effectively turned over operation of the five largest state-run enterprises to private hands, with the Bolivian Government retaining a 50%, non-operational share in each newly capitalized company. The introduction of foreign companies as "strategic partners" in the capitalized companies resulted in almost US\$1.7 billion in new investment in the country's transportation, energy, hydrocarbons, and communications infrastructure.

Capitalization provided needed investment and introduced new technology and management skills to these key companies. The program has been criticized, however, for having created few jobs outside the capitalized sectors and for having eliminated some jobs from the over-staffed state corporations. It is expected that the introduction of greater efficiencies through continuing investment in these sectors will have a positive impact across the entire economy. In particular, the development of the country's infrastructure should create an environment far more conducive to unrelated investments, which should lead eventually to the job-creation needed to spread the benefits of the capitalization program more widely across the economy.

Under the terms of its agreements with international donors, the present administration plans to use its limited public investment resources to develop programs such as road construction, housing, irrigation, and domestic connecting to natural gas lines. These sectors should, therefore, be more attractive as well in the coming years to U.S.-based providers of goods and services. The Government has committed itself to improve social indicators over time.

Bolivia's successive administrations since the hyperinflationary period of the early 1980s have maintained fiscal and monetary discipline and thereby successfully avoided recurrences of the scourge of uncontrolled inflation. By 1993-94, the government was able to bring inflation in consumer prices down to single digits. The economic downturn was also a key factor in 2001's very low inflation rate of less than 1%.

While Bolivia was able in the mid-1990s to reduce significantly its fiscal deficit, pension reforms in 1998, as well as poor performance of the economy as a whole, caused the fiscal

deficit to rise in 2001 to 6.5% of GDP. In 1998, the Government renewed its commitments to the International Monetary fund (IMF) under an Enhanced Structural Adjustment Facility (ESAF), and the debt relief program under the Highly Indebted Poor Country (HIPC) program came into force. This has caused the Government of Bolivia to rely increasingly on the issue of domestic bonds in order to finance the deficit due to the corresponding restrictions on international borrowing.

Despite its generally encouraging prospects, Bolivia's endemic poverty and public indebtedness remain daunting challenges. A large percentage (estimates range between 65 and 85%) of the population lives outside of the formal economy, while many more face the grinding reality of securing a livelihood through small-scale agriculture. Successive Bolivian administrations have made improving the lives of Bolivia's most poor a top priority, working in conjunction with international financial institutions (IFIs) and bilateral donor agencies to achieve this challenging objective.

As of the end of 2001, Bolivian mid- and long-term foreign debt was US\$4.4 billion, of which US\$1.2 billion was owed to governments (bilateral debt), US\$3.1 billion to multilateral institutions, and US\$15.3 million to private banks. Bolivia's inclusion in the Heavily Indebted Poor Countries (HIPC) Initiative provided significant debt relief by both bilateral and multilateral creditors during the last two years. The HIPC Initiative included a strategy of social policies with respective social indicator targets to gauge their effectiveness. US\$79.7 million was allocated to public investment during 2000, and US\$97.4 million in 2001, targeted toward rural health and education, among other areas.

Principal Growth Sectors

The three major sectors of the Bolivian economy are energy, mining, and agriculture. The hydrocarbons sector in particular enjoys solid future prospects due to the gas exports to Sao Paulo, Brazil, via the Bolivia-Brazil Pipeline and the operation of a smaller pipeline to Cuiaba, Brazil. Both pipelines will allow gas exports to increase over the next few years.

Companies from the United States, the United Kingdom, France, Brazil, Argentina and Spain are actively exploring for hydrocarbons, investing a total of US\$330 million in 2000 and US\$404.7 million in 2001 in exploration and development activities. As a result of exploration activities conducted by TotalFinaElf (TFE) and Petrobras alone, Bolivia has dramatically increased its natural gas reserves to 52.3 trillion cubic feet (TCF) as of December 2001 and will certify additional reserves during 2002.

Although mining remains an important economic sector, mining investment has been sluggish due to low world prices for metals, registering US\$28 million in 2000 and US\$32.3 million in 2001. As a result of new technologies employed by international mining firms, significant new silver and zinc deposits have been discovered in San Cristobal, Potosi, home of the famed "Cerro Rico" (or "Rich Hill") that fueled Spanish colonization efforts in the 16th Century. The mining sector continues to be an important source of employment for many poor Bolivians. While companies continue to discover

and upgrade ore reserves, the rebound of the mining sector will depend largely on higher world prices.

The agricultural sector has experienced impressive growth as land in the Department of Santa Cruz is being shifted increasingly to the production of soy, sunflower seed, and sugar. Bolivia exports soy and oilseed products, principally to Colombia and Venezuela under the Andean Community tariff regime. However, the past year was a difficult year for farmers as poor weather conditions and a drop in soy prices slowed agricultural growth. The agricultural sector -- principally in the Santa Cruz region -- has enjoyed annual growth rates of over 9% during 1994-1998, but dropped to less than 1.5% growth during 1999-2001. Bolivian farmers have faced a credit crunch in recent years, causing some farmers to resort to pre-selling crops to processing facilities as a form of quasi-financing. New investments and new technologies in this sector could greatly boost future production.

Government Role in the Economy

Total government expenditure accounted for 39.3% of GDP in 2001, of which about 10% was spent on investment. The public deficit was around 6.5% of GDP in 2001. The capitalization program of 1996-97 significantly reduced the Government's presence as an economic player. The Bolivian Government increasingly sees its role as a provider of general guidelines and the overseer of economic activities. In the future, the Government will be increasingly focused on addressing the severe deficiencies Bolivia faces in such public services as education, health and the maintenance of road infrastructure.

The fiscal deficit is projected to decline to 5.7% of GDP during 2002. While Bolivia will still have to contend with significant current payments to finance pension reform, the non-pension deficit is expected to improve as revenue collection improves. Fiscal austerity will be a major issue for negotiations with international financial institutions.

In 1994, the first Sanchez de Lozada Administration launched the "Popular Participation Program," which requires that a fixed percentage of federal revenues be passed with relatively few conditions to the country's 314 municipalities. This program gave municipalities much more flexibility in directing government expenditures toward the most relevant needs of their respective communities. The challenge remains to develop the managerial skills of the municipalities so that they are able to handle finances effectively and to provide good governance to their citizens. The national government has created programs and oversight mechanisms to assist municipalities in these efforts.

Balance of Payments Situation

The trade deficit fell from US\$446.5 million in 2000 to US\$292.4 million in 2001, a drop of 34.5%. According to the Bolivian Central Bank (BCB), imports decreased by 11 %, reflecting to some extent the economic downturn of the last years; exports, on the other hand, increased slightly by about 3% during 2001. Although Foreign Direct Investments (FDI) has been waning for the last two years, the capital account was still buoyed by continued FDI flows. FDI was down 24.1% in 2000 and declined an additional 7% in

2001. Bolivia had a negative balance of payments during 2001, resulting in a small loss of international reserves of about US\$28 million. International reserves were pressured by the presidential campaign cycle of 2002; this setback, however, should be reversed eventually as the new Administration takes actions that increase investor confidence.

Bolivian exports increased by only 3% in 2001 despite the significant rise in natural gas exports to Brazil, which almost doubled in 2001. Mineral exports decreased by 26% over the previous year, and non-traditional exports (soy and other cooking oils) decreased by 9%. At the same time, heavy oil exports and manufactured goods exports decreased slightly.

As previously mentioned, the total medium- and long-term debt of the Bolivian government as of December 2001 stood at US\$ 4.4 billion. The Bolivian Treasury is responsible for about 70% of this total, with another 13 % owed by the Central Bank. The National Rural Development Fund is responsible for another 3%, with private companies and municipalities owing the remaining 14%. As a result of the capitalization process, about US\$150 million of public debt was transferred to private companies.

Infrastructure

Bolivia's deficient infrastructure – particularly its lack of adequate transportation links - figures prominently among the obstacles the country faces to further its development.

There are various road projects under development or construction, principally in the Departments of Beni, Santa Cruz, Potosí, La Paz and Tarija, which total an estimated investment of US\$1 billion. The Bolivian Government passed a law authorizing the granting of concessions for public works, with an eye principally to creating non-traditional means to finance new road projects. Concessions are granted to local or foreign contractors for up to 40 years. Although the Government has awarded several contracts to international and domestic private companies, most concessions were not fulfilled or applied to manage existing roadways. In an effort to reform Bolivia's National Road Service (SNC), the Government of Bolivia institutionalized the SNC in 2001, mandating an SNC President and board of directors appointed by the President of Bolivia and approved by Congress, as well as a professional staff. The new administration has placed priority on building several new highways, most notably, a highway linking Santa Cruz to Puerto Suarez on the Brazilian border.

Bolivia's is currently experiencing a surplus in electricity generating capacity. Bolivia has approximately 1000 megawatts (MW) in generating capacity, with a demand of only about 640 MW as of December 2001. ENDE - the former parastatal generating company - had an installed generating capacity of 497 MW, all of which was purchased in 1995 through the capitalization program by three U.S. consortia. Energy Initiatives and GPU International purchased the Guaracachi thermo-plant (248 MW) located in Santa Cruz for US\$447 million. Dominion Energy purchased the Corani (54 MW) and Santa Isabel (72 MW) hydroelectric plants, both located in Cochabamba, for US\$59 million. Duke Energy bought Dominion Energy shares in Corani S.A. in April 2000. Constellation Energy

purchased the Valle Hermoso thermo-plant (87 MW) located in Cochabamba for US\$34 million. U.S.-based NRG owns the Bolivian Power Company (COBEE), which supplies the La Paz area and has 160 MW installed generating capacity; COBEE currently has plans underway to add another 66 MW. Since its initial purchase, U.S. energy firm GPU International expanded its generating capacity by 144 MW with the opening of the new Carrasco Plant in Santa Cruz in June 1999. On May 2002, the U.S. company Tenaska opened its 50 MW hydroelectric plant in La Paz Department through its local subsidiary, Hidroeléctrica Boliviana, S.A.

There are several companies that offer long-distance and international telephony. Prior to November 2001, these were monopoly markets controlled by ENTEL, the former state telephone company which was capitalized by an Italian telecommunications company in 1996. Supreme Decree 26005, dated November 30, 2001, opened the telecommunications market to competition in national and international long distance services. As a result of competition in the market, rates have declined. Two of the four current market participants have U.S. investors: AES Communications Bolivia, of AES Corporation, and Teledata, which received an investment from ITCX of New Jersey. Western Wireless is expected to enter the long distance market in the near future.

Cellular phones have proven to be very popular in Bolivia, as aggressive competition has resulted in consumers enjoying some of the lowest prices offered in the hemisphere. There are currently three cell phone providers in Bolivia: Entel (Italia Telecom), Telecel (Millicom), and Nuevatel/Viva (U.S.-based Western Wireless).

While ENTEL has invested in fairly sophisticated switching systems, the cooperatives generally have not been able to modernize their systems, due to lack of financing. The three largest cooperatives (COTAS, COMTECO, and COTEL, in Santa Cruz, Cochabamba and La Paz, respectively) control almost 85% of the country's local telephony. To facilitate market access, it is a common practice for a foreign investor to make a "strategic alliance" with one of the cooperatives. AES has an alliance with COTEL, Teledata with COTAS, and Western Wireless with COMTECO.

Two airlines -- American Airlines and Lloyd Aereo Boliviano (LAB) -- offer daily non-stop service to Miami. The Brazilian Airline VASP purchased half of LAB in 1995 during the capitalization process. Financial troubles rocked the airline in 2001, however, resulting in a takeover by a Bolivian company. A second domestic carrier is Aerosur and, during the first half of 2001, a third carrier, Amazonas, began operations. UPS Air Cargo also services Bolivia. A variety of foreign airlines offer flights to neighboring countries, most on a daily basis.

The national railroad system has two distinct parts separated by the eastern Andes. The western system, called Andina, connects the cities of La Paz, Cochabamba, Oruro and Uyuni with the Chilean ports of Arica and Antofagasta. Its primary customers are in the mining sector. The eastern line, called the Oriental, connects the city of Santa Cruz with Brazil and northern Argentina and, with the barge service on Paraguay-Parana River system, reaching Uruguay and Argentine ports. Oriental's primary customers are in the

soy, petrochemical and construction materials sectors. Both systems were placed under private control in 1996. The Andina line is operated by a Chilean concern, while the Oriental line is operated by U.S. investors, most notably Genessee & Wyoming of Connecticut. The Oriental line has received significant investment over the last five years in order to meet the needs of its customers, and has become a profitable company.



3. POLITICAL ENVIRONMENT

Nature of the Political Relationship with the United States

The United States remains Bolivia's largest bilateral provider of foreign aid, its principal trading partner and the largest source of foreign investment. The United States today enjoys influence at nearly all levels of the Bolivian economy, society and culture. There is an active anti-neoliberalism movement in Bolivia that rejects U.S. influence. Although internally divided and a minority among politically active Bolivians, this group has in the recent past interfered with U.S. and other foreign investments.

U.S.-Bolivian relations are very good and will remain so following the inauguration of Gonzalo Sanchez de Lozada to a second, non-consecutive five-year term as president on August 6, 2002. Both countries share a strong commitment to fostering and strengthening democracy, to combating terrorism, to fomenting sustainable economic growth and to fighting the common threat posed by drug trafficking. Regular high-level visits help maintain strong ties between the leaders of both governments.

Major Political Issues Affecting the Business Climate

Counter-narcotics has been the overarching focus of U.S.-Bolivia cooperation over the past five years. The Government of the late-President Hugo Banzer (1997-2002), which was guided through its final year by President Jorge Quiroga, made significant progress on its pledge to remove Bolivia from the "coca/cocaine circuit." It forcibly eradicated thousands of hectares of illegal coca in the Chapare region. The U.S. Government has provided extensive technical support to drug crop eradication and drug traffic interdiction efforts, as well as substantial assistance to promoting alternative economic activities in former coca-producing regions. The Sanchez de Lozada Administration has committed to continue the fight against illegal coca in Bolivia (Bolivian law permits 12,000 hectares of legal coca in the Yungas region for traditional uses).

The Movement Toward Socialism (MAS) party, led by illegal coca advocate Evo Morales, took second place in the June 30, 2002, national election. The first-place finisher, centrist Sanchez de Lozada, easily won the congressional run-off to become president, but the MAS and minor allies on the far left comprise almost one-third of the seats in both houses of Congress. The MAS espouses reflexively anti-U.S., anti-market views, and their strength in Congress will complicate new reform initiatives by the MNR-led government.

In 2001-2002, Bolivia held leadership of the Andean Community, a symbol of Bolivia's active participation in various regional and multilateral organizations, including MERCOSUR (as an associate member) and the World Trade Organization (since 1995). Bolivia is generally supportive of U.S. goals on international trade and political issues.

Bolivia qualified for a second major reduction of its outstanding multilateral debt in 2001 through the Enhanced Heavily Indebted Poor Countries (HIPC II) Initiative. The debt

treatment was contingent on the development of an anti-poverty program in consultation with civil society. Savings on debt service produced by HIPC II are to be directed toward education, health and other social investments by the GOB, operating largely through municipalities. The U.S. Agency for International Development (USAID) has long maintained an important development assistance program in Bolivia. Major ongoing efforts include programs focused on child, maternal and reproductive health, sustainable forestry, micro-finance and economic opportunity, and democratic strengthening.

Through USAID, the Embassy provided assistance to Bolivia in establishing a new Code of Criminal Procedures that is transforming the justice system to improve transparency, accountability and efficiency. Improved administration of justice is crucial to diminishing corruption and regulatory inconsistency in the Bolivian business climate. Bolivia and the United States signed a Bilateral Investment Treaty in 2001 that provides additional protections to U.S. investors in Bolivia (see Section 7).

Synopsis of Political System

Bolivia held free and fair presidential elections on June 30, 2002. President Gonzalo “Goni” Sanchez de Lozada and Vice President Carlos Mesa (of the centrist MNR party) polled 22.46% of the popular vote in a field of eleven candidates. Sanchez de Lozada won a congressional run-off on August 4, 2002, with support from three other political parties, and he took office two days later. This was Bolivia’s sixth successive democratic transfer of power, a clear indication of the maturity of the country’s democratic institutions. Once known for political instability and a dizzying string of military coups, Bolivia is now among South America’s leaders in building democratic political institutions and a sustained system of market-oriented economic policies.

Bolivia’s electoral system mixes proportional representation of parties in Congress with direct, district-based elections of other representatives. The system encourages participation by multiple parties and makes it difficult for any one party to gain a legislative majority. Consequently, coalition governments are the rule. Sanchez de Lozada currently governs in a coalition with the left-of-center MIR (led by former President Jaime Paz Zamora) and the centrist UCS party. Despite the wide array of interests within the coalition, Sanchez de Lozada has indicated a continued adherence to the current market-driven economic model.

Outline of the Political System

Executive

The Cabinet includes the President, Vice President and 18 Ministers. The President and Vice President are elected to a five-year term, either with a straight popular majority or, much more likely, in a second-round run-off between the top two candidates in the Congress. Although elected by Congress, the President does not need to maintain a congressional majority to stay in power, as in a parliamentary system.

The Bolivian Cabinet as of August 2002:

President	Gonzalo Sanchez de Lozada (MNR)
Vice President	Carlos Mesa (IND)
Foreign Minister	Carlos Saavedra Bruno (MIR)
Minister of Government	Alberto Gasser Vargas (MNR)
Minister of Defense	Freddy Teodovic Ortiz (MNR)
Minister of the Presidency	Carlos Sanchez Berzain (MNR)
Minister of Finance	Javier Comboni (IND)
Minister of Economic Development	Oscar Farfán Mealla (IND)
Minister of Justice and Human Rights	Gina Mendez (UCS)
Minister of Education, Culture and Sports	Isaac Maidana Quisbert (MIR)
Minister of Health and Social Prevision	Javier Torres-Goitia Caballero (MNR)
Minister of Labor	Jaime Navarro Tardío (MIR)
Minister of Agriculture and Rural Development	Arturo Liebers (MIR)
Minister of Housing and Basic Services	Carlos Morales Landívar (MNR)
Minister of Sustainable Development and Planning	José Guillermo Justiniano (MNR)
Minister of Foreign Trade and Investment	Juan Carlos Virreira Méndez (MIR)
Minister of Indigenous Affairs*	Silvia Amparo Velarde Olmos (MBL)
Minister for Municipal Development*	Hernán Muñoz Paredes (MIR)
Minister for Hydrocarbons*	Fernando Illanes (MNR)

**Ministers “without portfolio”*

Legislative

A two-chamber Congress includes a 27-member Senate (chosen by party slate; three per department) and a 130-member Chamber of Deputies (half-elected directly, and half from party slates; apportioned roughly by population). Senators and deputies serve five-year terms and may be re-elected consecutively.

The Major Parties Currently Represented in Congress are:

Governing Coalition	MNR: Nationalist Revolutionary Movement (centrist)
	MIR: Movement of the Revolutionary Left (center-left)
	UCS: Civic Solidarity Movement (populist)
	MBL: Free Bolivia Movement (leftist, but linked to MNR)
The Opposition	MAS: Movement Toward Socialism (leftist)
	NFR: New Republican Force (center)
	MIP: Pachakuti Indigenous Movement (leftist)
	PS: Socialist Party (leftist)
	ADN: National Democratic Action (center-right, voted for Goni as President but has initially entered opposition)

Judiciary

The judicial system has four levels of trial: investigative, trial, superior court, and Supreme Court or Constitutional Court appellate review. The twelve Supreme Court Justices are nominated by the Judicial Council and elected by the Congress (with two-thirds approval); they serve one ten-year term. The Attorney General is independent from the executive branch; he is also appointed by the President, confirmed by the Congress and serves one ten-year term.

Suffrage is universal and compulsory at age 18. An estimated three million people voted in the 2002 elections. The next national elections will be held in June 2007, and nationwide municipal elections will be held in December 2004.



4. MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

The population of Bolivia is extremely centralized, with 69% of all inhabitants living in the cities of La Paz (29%), Santa Cruz (22%) and Cochabamba (18%). Many companies locate in La Paz, with sales agents in the other two major cities. However, Santa Cruz, Bolivia's fastest growing city and the country's economic center, may prove to be an attractive base from which to market in Bolivia for many companies.

The most common method of distribution is the appointment of a representative. Distribution through the establishment of a local subsidiary or branch office has also become very popular.

Transportation is an important factor that should be taken into account in a marketing strategy. Because Bolivia is landlocked, merchandise must be delivered through seaports in Chile, Peru, Brazil or Argentina. Occasional bad weather, roadblocks and port congestion are possible complications that may be encountered when using ports in these cities. As a result, air cargo transportation may be preferable even for heavy items.

Use of Agents and Distributors - Finding a Partner

Bolivian law does not require the use of local distributors for private sector commercial sales. However, most government purchases call for local agents. Agents are required to have a minimum paid-in capital of US\$2,000 to initiate a business transaction in Bolivia. Agents must also meet certain other requirements and register with the National Chamber of Commerce, the Internal Revenue Service, the Vice Ministry of Industry and Commerce, the National Directory of Commerce and the Municipality in which they are based. To register, agents and representatives require a letter or agreement from a firm appointing them as its agent or representative. This document should clearly indicate the contract's period of validity, the sales area covered by the agent (be it national or regional), the financial terms and whether the exporting firm has the right to appoint other agents in other areas of the country. Legal counsel is recommended in drawing up the contract, which enables the agent to act on behalf of the foreign firm in government tenders.

It is important to be thorough in the selection of an agent or representative; companies may therefore wish to take advantage of U.S. Department of Commerce services by contacting the nearest Commercial Service Export Assistance Center (EAC) in the United States. Services include the International Partner Search (IPS), which helps identify interested agents and distributors; the Gold Key Service (GKS), which identifies potential distributors and arranges meetings with them; and the International Company Profile (ICP), which reports on the credit and business history of individual companies.

It is important to take into account Bolivia's informal economy, in which hundreds of thousands of Bolivians are engaged in merchandising, usually in small facilities or as street

vendors. Although many goods are available through legitimate wholesalers, a significant percentage still enters the country as contraband. Many wholesalers import directly and then distribute goods through their own retail outlets in major cities and through these informal channels. A great majority of the retail establishments are small operations, often family-owned.

Franchising

Bolivia has no specific legislation regarding franchising; however, there are clear rules governing its operation. A foreign-based company wanting to grant a specific franchise in Bolivia must first register the brand name with the office of National Intellectual Property Service (SENAPI). Once the brand name is registered, the foreign company may grant the local company a franchise through a contract specifying the terms of mutual agreement.

Franchise operations have become popular during the last five years, mostly in fast food services, delivery services, language centers, clothing and drug stores.

Direct Marketing

Direct marketing among financial institutions is fairly well established in Bolivia. Databases for direct marketing are not freely available. Commercial information can be obtained through the local chambers of commerce, trade associations and the Commercial Section of the Embassy in La Paz.

Joint Ventures/Licensing

A joint venture in Bolivia is defined as a specific business venture carried out by two or more parties with separate legal licenses. Once the objectives are clearly defined, a contract is signed between the parties, and each party becomes liable for debts according to the percentage each owns. The separate business interests of any party are not affected by the joint venture's activities unless specifically stated. Corporations and/or individuals (foreign or domestic) may enter into joint venture agreements. While foreign companies are not required to possess a local legal license in advance, they must be able to demonstrate their legal status in their country of origin. The Investment Law governs the operations of joint ventures and its implementing regulations are laid out in Supreme Decree 22526 (June 13, 1990).

Steps to Establishing an Office

Foreign investments are welcome in Bolivia. Although there are specific laws designed to minimize the bureaucratic hurdles to establishing an office in Bolivia, we strongly suggest that companies hire the services of a local attorney to avoid unnecessary delays and pitfalls. Under Bolivia's Commercial Code, business can be conducted under the following types of business entities:

Stock Company or Corporation (S.A):

A company in which common capital consists of transferable shares. The liability of each stockholder is limited to the number of shares he has taken. The management of a corporation is the responsibility of its Board of Directors, which is made up of three to twelve directors (which may be shareholders) elected by the stockholders. Business may be conducted by one or more shareholders, or by third parties appointed for this purpose for a limited period of time as indicated in the company by-laws.

Limited Liability Company (S.R.L.):

A company in which liability of each partner is limited to the amount invested. There may be between two and 25 partners. Common capital is divided into shares, which in no case may represent ownership. Capital shares must be paid in full at the time of incorporation of the company.

General Partnership (S.C.):

Participants are partners who have both joint and individual liability.

Limited Partnership (Comandite):

A partnership consisting of one or more general partners, jointly and severally responsible as ordinary partners, and one or more limited partners who are not liable for the debts of the partnership beyond the sum contributed as capital to common stock.

Joint Stock Companies

Partners are liable for obligations as ordinary partners, whereas limited partners incur no liability beyond the number of shares subscribed.

Temporary Association for Commercial Purposes without Formal Partnership

An association in which two or more persons take interest in one or more transitory or particular operation.

Branch of a Foreign Company

Sole Proprietorship

The corporation, private company and branch are the most common vehicles for foreign investment.

Taxation on foreign companies is similar to that applied to local companies. Since 1995 all companies face a tax equal to 25% of profits. U.S. companies can use the tax paid in Bolivia as a tax credit in the United States under the worldwide income taxation system. Companies should consult a knowledgeable accounting firm in Bolivia for more detailed information.

Selling Factors/Techniques

Price competitive products from Asian countries such as Taiwan and Korea are very popular in Bolivia. Because of this, price is an important selling factor. Quality is, however, an important factor in capital goods, electronics and construction machinery. Most representatives in La Paz have small regional offices in Santa Cruz and Cochabamba. The rest of Bolivia is under-populated and does not offer an attractive market for many imported goods.

Advertising and Trade Promotion

The Bolivian advertising industry has become increasingly professional and competitive. The tremendous increase in private television ownership in recent years has prompted the industry to devote special attention to television commercial spots. La Paz remains the principal advertising center. Nine advertising agencies operate in La Paz, of which GRAMMA Ltda.; Nexus; Leo Burnett-Acresis; SMART (McCann-Ericsson), Ltda.; and J. Walter Thompson are the leaders. All nine are members of the Chamber of Advertising Agencies. The Chamber can be contacted at:

Camara Paceaña de Empresas de Publicidad, CAPEP
Calle Lisímaco Gutierrez 513
La Paz, Bolivia
Contact: Javier Garcia G. Presidente
Tel / Fax: (591-2) 241-4151
capep@mail.megalink.com

Advertising agencies usually charge a 15% commission, although this percentage is negotiable.

Radio

Radio has the largest audience of all communications media in Bolivia, reaching even the most isolated areas where electricity is not available. Radio stations are effective in reaching rural populations, particularly given the proliferation of programs in the two dominant native languages, Aymara and Quechua. Bolivia has approximately 477 radio stations.

Newspapers

Newspapers have the second largest audience of all communications media in Bolivia. The five newspapers in La Paz have a combined daily circulation of between 30,000 and 80,000 copies. The major La Paz newspapers are: La Razon, La Prensa and El Diario, all of which circulate nationally. The major newspapers from Santa Cruz, El Deber and El Mundo, and from Cochabamba, Los Tiempos, are also sold nationally.

Television

Television has become increasingly available to rural audiences. All TV stations are in private hands except for one government-owned national broadcasting station and those belonging to the major state universities. While several networks of stations broadcast common programming throughout the country, only the government station is considered to be truly “national” since it alone transmits to all areas of Bolivia. The regional television stations owned by universities and the private sector rent an interconnection system from ENTEL to broadcast nationally.

Access to Cable television is still limited, serving approximately 30,000 homes in different areas of Bolivia. The two major companies are Supercanal and Multivisión. Their packages include CNN, major U.S. networks and programming from other Latin American and European countries.

The Superintendent of Telecommunications regulates the industry. The Superintendent controls the hours of broadcasting but sets no price controls on commercial time.

Market Research

Bolivia’s two major market research firms are Price Waterhouse/Lybrand and KPMG; another ten Bolivian market research firms represent other foreign consulting companies. Most of these firms also provide engineering and industry feasibility studies. All market research and consulting companies are required to register with the National Chamber of Consulting Companies. All correspondence to the association may be addressed as follows:

Camara Nacional de Empresas Consultoras (CANEC)
Casilla 8560
Avenida 6 de Agosto 2464
Edificio Los Jardines, Oficina 5D
La Paz, Bolivia
Contact: Fernando De La Barra, President
Tel: (591-2) 244-3819; Fax: (591-2) 211-7109

Pricing Products

Bolivia enjoys an open market, with the Government of Bolivia imposing price controls only on petroleum products, the price of which is set by the Superintendent of Hydrocarbons. Prices of some basic consumer goods are set by the respective municipal governments, such as bread, meat, and vegetables.

Sales Service/Customer Support

The competitive advantage of U.S. products against similar European and Japanese products is in price, quality, reputation and customer support. Service and maintenance provided by local agents of U.S. companies are probably the most important competitive

factor. U.S. suppliers have traditionally provided after-sales service by training their local agents.

Selling to the Government

Since 1999, the control of the most significant entities once owned by the Bolivian Government has been in private (mostly foreign) hands. Government expenditures, however, still account for a significant portion of Bolivia's GDP. The central government, the regional governments (the prefectures and municipal governments) and other government agencies remain important buyers of machinery, equipment and materials, as well as of other products and services. They are legally required to call for bids when proposed purchases are above US\$ 8,000. Although any local or foreign firm can present proposals for government bids, only those firms legally established under Bolivian law may sign contracts for government purchases. Bolivian regulations require that all public entities purchasing goods or contracting services must utilize the following bid methods for selection, based on the amount of the transaction:

Small Purchases: Each institution may purchase through a direct invitation without calling for bids if the purchase does not exceed US\$ 8,000.

Public Bid: When the purchase exceeds US\$ 8,000.

Exceptional Contracts: Purchases of national security items for the armed forces or any other products or services of national interest, with no limit in value.

Bid specifications containing technical and commercial requirements are made available through the relevant government entity and are published in the local media and at www.sicoes.gov.bo. The qualifying procedure and the awarding decision are entirely in the hands of the chief executive officer of the public entity involved. Domestic goods and services receive a 10% preference in any bidding to encourage local industrial development. Both the price and the quality of the product/service will be considered when awarding the contract.

In cases involving World Bank or Inter-American Development Bank (IDB) project, bids follow the specific rules of those institutions.

Protecting Against IPR Infringement

A foreign company wishing to protect its product, trademark or name in Bolivia must first register with the National Industrial Property Service (SENAPI, see Appendix E). Protection of intellectual property rights (IPR) in Bolivia falls short of U.S. and international standards. IPR enforcement is inconsistent at best; companies should be prepared to defend their IPR aggressively.

Need for a Local Attorney

You will need a local attorney to establish a company in Bolivia or to register a brand name with SENAPI; local legal counsel is always highly recommended when doing business in Bolivia. A complete list of patent and commercial attorneys, as well as of general practice attorneys, is available in the Commercial Library of the U.S. Embassy in La Paz.

Performing Due Diligence/Checking Bona Fides

U.S. businesses considering exporting to or investing in Bolivia are recommended to perform due diligence on their potential clients, associates or partners. The International Company Profile (ICP) program of the U.S. Commercial Service can provide a background check on the reliability of potential clients or partners. The ICP report includes information on the company's owners, year established, size, sales, financial information and reputation in the market.



5. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

Best Prospects Non-Agricultural Goods and Services

Rank 1 -Hydrocarbons Sector (OGS)

Bolivia's natural gas reserves have increased ten-fold in the last five years to 52.3 trillion cubic feet (TCF), the second largest in South America. In addition, there are more than 477 million barrels of crude oil in proven reserves. Increased activity in the hydrocarbons sector is due to three principal events: passage of progressive hydrocarbons legislation in 1996; the capitalization/privatization of Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), the state-run hydrocarbons company; and, completion of the Bolivia-Brazil pipeline in 1999. Under the new law, YPFB enters joint venture contracts for a limited period of time with private companies. YPFB also administers a General Sales Agreement (GSA) with Brazil's state-run oil company Petrobras, which calls for the sale of 7.3 TCF to Brazil through 2019.

The discovery of massive natural gas reserves in a country with very little consumption has led to the development of several interesting projects aimed at monetizing Bolivian gas. Among these projects are:

Pacific LNG

Repsol-YPF, British Gas, and British Petroleum have formed a consortium to explore the possible export of liquefied natural gas (LNG) via a Pacific port to southern California. The US\$5 billion project has the potential to project Bolivia into the world energy market. Pacific LNG hopes to deliver gas to California markets, via a re-gasification plant in Mexico, beginning in 2006-7.

Gas-to-liquids (GTL)

Several foreign companies have expressed interest in deploying as-yet unproven gas-to-liquids technologies to produce synthetic diesel fuel. Proposals range from a 10,000 barrel per day (bpd) plant to feed domestic demand to 50,000-100,000 bpd plants for export. Bolivian gas is uniquely suited to GTL applications due its extremely low sulfur content. Investments in GTL plants are costly, ranging between US\$400 million and 1 billion.

Petrochemicals

Brazilian oil company Petrobras has been studying the possibility of a US\$1.4 billion petrochemicals plant in Bolivia. If built, the plant would have the capacity to produce 100,000 tons of polyethylene for the Bolivian market and 500,000 tons for export to Brazil.

Fertilizers

Two groups are considering the construction of an Urea fertilizer plant on the Bolivia-Brazil border. Brazil and Bolivia are potential markets for such fertilizers.

Exploration/Drilling/Production

If new markets can be found for Bolivian natural gas, exploration and drilling will continue to be an important part of the Bolivian economy. These activities would increase demand for pipeline and drilling services.

Rank 2 - Mining Sector (MIN)

Mining remains one of Bolivia's most important sectors for development. It is estimated that only 10% of Bolivia's mineral resources have been exploited. The principal metals and industrial minerals are: gold, silver, nickel, antimony, copper, zinc, lead, tin, sulfur, potassium, lithium, borax and semi-precious stones. Mining still generates about one-fourth of Bolivia's foreign exchange (approximately US\$340 million), and some U.S. companies are either engaged in or contemplating major projects to exploit recently discovered silver, gold and zinc deposits.

The mining industry was dominated by the state for hundreds of years until the sector was opened to private investment starting in the 1980s. Lands previously held by the Bolivian Mining Corporation (COMIBOL) are open to joint venture contracts with private companies. In response to an international mining scandal, the Government of Bolivia passed Law 2400 in July 2002. This law states that judicial intervention is permitted in joint venture contracts when in cases involving "bankruptcy, fraudulent bankruptcy, incompetence, or non-compliance with a contract." It is not yet known how this new law will affect private investment in the mining sector.

Historically, the Government was the main purchaser of mining equipment. Today the private sector buys virtually all imports of mining equipment. The best immediate sales prospects for mining equipment are in supplying the needs of medium-sized open pit mines and heap leaching operations and small-/medium-sized alluvial gold mining cooperatives. For medium-sized open pit operations, the best prospects include drills used in open pit production, crushers and pulverizers, conveyors, compressors, front-loaders, bulldozers, 15- to 30-ton heavy-duty trucks, gravimetric or flotation concentrators and pumps. In the small-scale sector, the best prospects include small jack-leg drills, front-loaders, crushers, concentration tables, flotation concentrators, hand tools and explosives. New developments – particularly in southern Potosí – are promising and could lead to significant new imports of mining equipment.

Rank 3 – Textiles

Textile industries are expected to grow significantly in the next five years as a consequence of the preferential tariff treatment which granted to textiles under the Andean Trade Program and Drug Eradication Act (ATPDEA) in August 2002. Under the program, apparel made from regional fabric may enter duty-free to the United States, subject to a cap of 2% of the volume of apparel imports into the United States. Products made from alpaca, vicuña, and llama are also excepted. The ATPDEA is expected to have the effect of lowering prices of Bolivian products in the U.S. market by 17 to 20%.

A combination of high quality raw materials, such as cotton, alpaca, angora and llama fiber, coupled with low labor costs, has made Bolivian products very competitive in the international market. As this sector continues to develop, there are investment prospects for laundry, stamping, transfer and packaging machinery; synthetic fibers and threads and decorative accessories; laboratory and packaging supplies; and, equipment and design software.

Rank 4 – Forestry and wood manufactures

Half of Bolivia is covered by forests. Of the 53 million hectares of forest, only 6.9 million hectares are used under the forest concessions system. An estimated 16 million hectares of permanent forest production are expected by the year 2005. Bolivia is a leader in sustainable (or renewable) forestry, having the largest certified tropical forest in the world.

Bolivia has more than 200 varieties of wood, 172 of which are considered fine or exotic, such as moradillo, rosewood and jacaranda. Mahogany represents 77% of the total wood production, followed by oak at 8%.

Exports have grown in recent years and currently consist mainly of furniture and parts and pieces made of wood, rather than sawn timber. Bolivian producers have a great deal of experience in finished products made of mahogany wood. In recent years, the wood industry has introduced new technology into the sawing and drying processes by acquiring modern equipment and machinery.



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6. TRADE REGULATIONS AND STANDARDS

Trade Barriers, Including Tariffs and Import Taxes

The following list describes the charges imposed on imports in Bolivia, including tariffs, domestic taxes and customs fees. Bolivian import charges, including domestic taxes (most of which are creditable) and fees, range from 30-45%, making the effective cost of imports considerably higher than the stated 0, 2, 5 or 10% tariff.

The various components of the landed cost of an import to Bolivia include:

1. Cost, Insurance and Freight (CIF): the value at the border of the imported product.
2. Inspection Company Fees: SGS or Inspectorate (the inspection companies appointed by the Bolivian government) charge 1.72% of the FOB cost of the imported product or US\$52 if the cost is less than US\$1,000. Inspection is now only mandatory for some products.
3. Custom Tariff: A 10% flat rate is applied to CIF unless the product is classified as a “capital good,” in which case the rate is 0% or 5%; books and publications pay only 2%. The government of Bolivia (GOB) implemented on March 23, 2001, a new customs regulation (Supreme Decree 26110) by which all turnkey imports of equipment and machinery from countries outside the Andean region have (0) zero duty.
4. Custom Warehouse Fee: Customs warehouses are privately owned. Rates vary depending on volume.
5. Internal Revenue Service Fees: The value-added tax (IVA) is 13%; added customs fees bring the effective rate to 14.94%, which is charged on the accumulated base (items 1+2+3+4+7+8+9). This tax can later be offset against the importer’s value-added tax liability upon resale. (See example under Customs Valuation).
6. Specific Consumption Tax (ICE): The ICE is charged at an additional percentage rate on the accumulated base (items 1+2+3+4+7+8+9) if the product is defined as a “luxury good.” This affects such product lines as automobiles, perfumes, cosmetics, liquors, cigarettes and beer. Tax rates may be obtained at www.sidunea.aduana.gov.bo
7. Customs Forms and Fees: There are no customs fees related to forms. The new customs entry procedures and payment of duties are performed via the

Automated System Customs Data (ASYCUDA), which allows brokers and exporters to submit via Internet the customs declaration. This cost of this service is US\$1.50.

8. Customs Broker Charges: The following rates are applied to CIF for land cargo and CIF airport value for air cargo, as customs broker fees:

From US\$:	1	to	10,000	--	2.00%
	10,001	to	20,000	--	1.50%
	20,001	to	30,000	--	1.25%
	30,001	to	50,000	--	1.00%
	50,001	to	100,000	--	0.75%
	100,001	and	above	--	0.50%

In addition, customs brokers charge 17.65% on the value of their total bill to cover their own IVA tax liability.

9. Trade and Industry Associations: Such groups as the Chambers of Commerce, Industry and Construction charge an additional fee of between 0.03 and 0.04% of CIF.

Customs Valuation

The Bolivian Customs Authority has been reformed and modernized over the last several years, with help from international donors. As a result, customs procedures are almost completely automated. Local customs tariff rates may be found at the following website: www.sidunea.aduana.gov.bo

The following is a practical example of how Bolivia import charges are imposed on an automobile with a FOB price of US\$9,000 and a CIF border value of US\$10,000:

Structure of Import Charges	
CIF border value	US\$ 10,000.00
Inspection Company Fee = 1.92% of US\$9,000	US\$ 172.80
Custom Tariff = 10% of US\$10,000	US\$ 1,000.00
Customs Warehouse = 0.5% of US\$10,000	US\$ 50.00
Specific Consumption Tax (ICE), Gasoline 21% of 11,511.10	US\$ 2,417.33
Value-added tax (VAT - 13.33%) plus fees = 14.94% of US\$11,510.10 (\$10000+\$172.80+ \$1000+ \$50+\$50+\$200+\$35.30+\$3)	US\$ 1,719.75

Customs forms	US\$ 50.00
Customs Broker fee = 2% of US\$10,000	US\$ 200.00
Customs Broker charge = 17.65% of US\$ 200	US\$ 35.30
Specific Chambers = .03% of us\$10,000	US\$ 30.00
Total Tariff, taxes and fees to withdraw car from customs	US\$ 5,648.18 (or 56.48% of CIF value)

The US\$1,719.75 in VAT paid by the importer reduces the importer's tax liability when the car is resold. Subtracting that amount means the actual import tariff and fees amount to US\$3,928.43 or 39.28% of the CIF value.

The Economic/Commercial Section of the U.S. Embassy in La Paz can provide a list of reliable customs brokers who can handle the related paperwork.

Import Licenses

Products requiring import licenses are firearms, munitions and explosives imported by private persons and chemical precursors (applicable to cocaine production). A complete list of these products may be found at www.sidunea.aduana.gov.bo

Import/Export Documentation Requirements

The following documents are required for imports:

- Document Description Form (Form 135)
- Invoice
- Bill of Lading (when applicable)
- Proof of insurance
- Certificate of inspection done prior to shipment (when applicable)
- Port expenditures (when applicable)
- Transportation invoice
- Packing list
- Certificate of origin (when applicable)
- Certificates (when applicable)

If the product is imported from the Andean Community (Colombia, Venezuela, Peru and Ecuador), a certificate of origin is required to qualify for tariff preferences.

Temporary Entry

The Temporary Importation for Exports Regime (RITEX) allows the entry, without import tariffs of raw materials and intermediate goods to Bolivia for their exclusive use in manufacturing processes that make products for export.

The requirements to have access to this regime are the following:

- Registration number of the commerce register issued by the National Commerce Registration Service (SENAREC);
- RUC (taxpayer) number “Registro Unico de Contribuyentes;”
- RUE (taxpayer) number “Registro Unico de Exportadores;”
- Original fiscal solvency certificate, emitted by the General Controller of the Republic;
- Maximum percentage of raw materials and temporarily admitted food leftovers and waste;
- Technical coefficients specifications, granted through experts reports;
- Warehouses and/or processing units location;

Labeling Requirements

Labeling requirements for food products were established in 2002. Although products normally retain their original labels, complementary labeling showing the importer or distributor’s taxpayer identification number (RUC) and translation of ingredients into the Spanish language is now required.

Standards

The government has no specific standards required for imports. The National Certification and Standardization Organization (IBNORCA) is in charge of developing Bolivian product standards.

Military and Other Restricted Material

A ministerial resolution from the Defense Ministry is required to import the following: firearms, munitions, explosives, chemical precursors (applicable to cocaine production), and other chemical products. Importing firms must be registered at the Ministry of Defense.

Imports of Insecticide Products

There is no production of insecticides in Bolivia; all are imported. Major suppliers of insecticides are Argentina, Brazil, Colombia, France and the United States. Bolivia’s most developed agroindustry area is located in Santa Cruz (eastern region). Prior to import or sale, all insecticide products must have a sale permit certificate granted by SENASAG (Bolivia’s sanitary/phytosanitary authority), pest and fertilizer division and a sanitary certificate, approved by the National Institute of Occupational Health. Both certificates will allow foreign insecticides to be freely sold in the local market.

Import Requirements and Restrictions For Tobacco and Tobacco Products

Bolivia does not impose any restrictions for the importation of tobacco and tobacco products. However, an import license is required from the Office of Internal Revenue. The import permit must be obtained prior to shipping. Tobacco and tobacco products are

also considered luxury items, which means the specific consumption tax (ICE) is applied as well as an additional import tax of 50% ad-valorem.

Import Regulations for Used/Refurbished Medical Equipment

The Government of Bolivia does not impose restrictions on the importation of any kind of used/refurbished equipment into Bolivia. All imports of used equipment are treated the same as new. However, one of the two official Bolivian government inspection companies, SGS or Inspectorate, must determine the real FOB value of the equipment before shipping to Bolivia, for which they charge a 1.92% of the FOB cost of the imported product.

The products then have to pay the respective customs tariff, as if new, which is 10% of the CIF price, plus other taxes and duties, which amounts to about 28% of the CIF value. Products that are classified as a “capital good” pay a duty rate of only 5%. While most industrial equipment falls into this category, medical equipment does not.

The market for used medical equipment has always been open for U.S. products. In fact, a number of small businesses are look for suppliers of used/refurbished equipment because they find U.S products more attractive for reasons of quality, easy access to spare parts and quick maintenance if required.

Public health institutions can buy used or refurbished medical devices. To do so, they normally call for public bids with a deadline between 30 to 45 days to present proposals. Consequently, it is advantageous for U.S. companies to have a local representative to keep them abreast of new projects in the public sector

There has been special preference for used/refurbished medical equipment, such as medical diagnostic systems, optical instruments, anesthesia apparatus, operating room furniture, patient room furniture, other hospital furniture, and surgical instruments and apparatus.

Import Regulations In Bolivia Concerning Seeds Either Treated Or Non-Treated

The importer of seeds, except vegetable and flower seeds, must obtain a certificate granted by the National Service for Food Safety and Security (SENASAG). The imported seed must, whatever the variety, have a phytosanitary certificate issued by the agricultural authorities of the country of origin. The Bolivian importer must present the phytosanitary certificate of the country of origin, certified by a Bolivian Consulate. This certificate must be presented before the customs authorities at the port of entry. The importer must inform the customs authorities of the arrival date of the seeds at least one week in advance. The seeds must be placed in an adequate warehouse for inspection by Bolivian agricultural authorities. The inspection must take place before the seeds are sold or used directly by the importer. The seeds must comply with the required quality and phytosanitary requirements specified in Supreme Decree No.10283 before the Regional Office of Seeds will issue a seed certificate and labels, which must be obtained before the seeds can be marketed.

Used Clothing

Import permits from the Vice Ministry of Industry and Commerce are required for used clothing and rags. There are restrictions for used clothing without a sanitary certificate (fumigation) from the proper health authorities in the exporting country (except in personal baggage). And there is a total prohibition for the importation of used hats, shoes, underwear and lingerie. The permit must be obtained prior to shipping.

There are no other special non-tariff requirements, that affect the import of used goods. The import of “transformed” cars (modified to make them left-hand drive) from Japan and other right-hand drive countries was banned as of 1998.

Bolivian Registration Requirements for Pharmaceuticals

Pharmaceutical products must be approved under World Health Organization guidelines and registered with the Vice Ministry of Health. The Bolivian pharmaceutical market is open to imports and domestic production. However, prior to fabrication, importation, exportation, or sale and marketing locally, all pharmaceutical products, both generic and brand name, including over-the-counter drugs, must have a sanitary registration, as established by Pharmaceutical Law 1737 and its regulations. Also, pharmaceutical products must be approved by the National Pharmacology Directorate of the National Secretariat of Health. The Secretariat will grant a sale permit certificate to foreign products that are FDA approved in the U.S. We recommend including FDA permission, if available, in the application package.

The Pharmacology Directorate requires a copy of the monograph for each new product, except for essential pharmaceutical products. This monograph must include the quantitative formula specifying active ingredients, pharmaceutical formula, recommended dosage, expected product benefits and possible side effects. Three samples of the product, as sold to the public, must be provided so the National Laboratory (INLASA) can verify its contents. The Directorate requires that products comply with regulations of the World Health Organization and the Pan-American Health Organization.

The Directorate takes an average 6 to 12 months to review new products and only one month for essential products. Its full address is as follows:

Ministerio de Salud y Prevision Social
Direccion Nacional de Medicamentos
Plaza del Estudiante
La Paz, Bolivia
Tel.: (591-2) 249-2848
Fax: (591-2) 249-2900
www.cns.gov.bo

If the product contains drugs that are covered by the Vienna Convention, a special import permit must be obtained from the Ministry of Health. An imported product can be sold via established agents or distributors or through a subsidiary. It is easier to market the product through an agent or representative because they normally have easier access to the Directorate for Registration. If registration is done by an agent or representative, it is mandated by law that they have the exclusive right to import and they become the legal representative in Bolivia.

Establishing a subsidiary can prove to be a difficult process taking four to eight months. The company's statutes must be notarized and then published in a local newspaper. Approval to operate must then be obtained from the Internal Revenue Office, the Secretary of Industry and Commerce, and the local municipality.

In order to import, produce or distribute pharmaceuticals, the company must also be registered with the Secretariat of Health. Registration fees are 5,000 bolivianos (or Bs., approx. US\$690) for manufacturers and importers and Bs.1,000 (approx. US\$138) for distributors. This registration process takes from 10 days to one month after the subsidiary has been established.

Brand names must also be registered with the National Intellectual Property Service at the following address:

Servicio Nacional de Propiedad Intelectual
Av. Camacho esq. Bueno
La Paz, Bolivia
Tel.: 591-2-237-2047
www.senapi.gov.bo
senapi@ceibo.entelnet.bo

Import Requirements for Fishery Products

A sanitary health certificate is required for entry of imports of perishable products, such as seafood products. There are other technical requirements, such as product specification standards and labeling and marking standards. The competent authority in Bolivia to contact for public health concerns of imported fishery products is:

Ministerio de Agricultura y Desarrollo Rural
Dirección General de Ganadería y Pesca
Contact: Dr. Orlando Aguirre Banzer, Director
Tel.: (591-2) 379057 or 374270

Current sanitary importation regulations for fishery products are available from the following office divisions of the above Ministry:

Servicio Nacional de Sanidad Agropecuaria e
Inocuidad Alimentaria (SENASAG)

Contact: Dr. Raul Añez, Director
Tel./fax: (591-2) 310396
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Duties/Taxes and Customs Procedures for Information Technology Products

Any information technology product in Bolivia has a flat tariff rate of 10% ad valorem; however, VAT taxes and others increase the value of the total duty to 28% of the total value of the product. Whether personal computer is purchased as a system or as individual components, duties/taxes are assessed the same for both. Business travelers may enter a portable computer into Bolivia as a tool of trade without payment of duties/ taxes, and the computer may contain encrypted software. No ATA carnet or other type of documentation or posting of a bond is required.

Duties and taxes on software are assessed on the commercial invoice.

If updates are sent at a later date, duty and taxes must be paid by the purchaser based on the price of the updates only. Consequently, only the price of the update should be shown in the commercial invoice. Duties and taxes are levied on the ad-valorem price. No withholding or other taxes are applied on software licenses. Services related to the sale of software are taxed at 16% value added tax and 3% transaction tax making a total of 16% on the total income.

U.S. information technology providers are permitted to send personnel into Bolivia to set up hardware/software related items.

No special work visas or professional certifications are required if the residence will not exceed three months.

No import duties and taxes are applied, for the time being, to software delivered to the end-user over the Internet. It is expected, however, that this issue will be included in the IPR legislation pending before the Bolivian Congress.

If software is sent to a distributor, duties and taxes must be applied. This generally makes the product more expensive because the distributor's commission will be included in the price. Duties and taxes will then be applied on the combination of the medium and the intellectual property.

Customs Procedures

The necessary documentation requirements for the tangible import of software are: commercial invoice, freight and insurance costs and verification certificate by one of the two foreign verification companies hired by the Government of Bolivia, if the import is over US\$ 1,000. For the time being, no document requirements apply to the import of digital products over the Internet.

The importation of remanufactured parts for photocopiers, fax machines, laser printers and toner cartridges is permitted. When any of the above is refurbished, it requires a special label stating that the equipment has been refurbished. The real value should be shown in the invoice, and duties and taxes are assessed on the ad-valorem price.

Duties and taxes on the re-import of repaired computer equipment are assessed on the repair or refurbished price. The commercial invoice should show only the repair or refurbished price.

Export Controls

To become a legal exporter from Bolivia, the interested company must obtain a legal solicitorship. Once the solicitorship is obtained, the local company must register with SIVEX (Sistema de Ventanilla Unica del Exportador), the Exporter's "one-stop" system at the Vice Ministry of Industry and Commerce.

In order to export, the exporter must first present the following documents: a commercial invoice, a packing list and a certificate of inspection issued by one of the two government-contracted inspection companies. Next, Customs issues an exporter's bond. If the exported product is animal or vegetable, a sanitary certificate must be obtained from the Vice Ministry of Agriculture.

SIVEX then grants the certificate of origin, which makes the exporter eligible for duty-free treatment in countries offering Bolivia duty-free benefits.

Special Documentation

- *Sanitary and Purity Certificates for Livestock:* Certificates of origin indicating the livestock's state of health are required for the import of live animals. Purebred livestock imported for breeding purposes also require a pedigree certificate. Live plants and all seeds, except for vegetable and flower seeds, require sanitary certificates.
- *Certificate of Analysis for Pharmaceutical Products:* Pharmaceuticals are subject to strict quality control regulations. A certificate of analysis in Spanish, which may be issued by a reliable manufacturer, must accompany imports. This certificate must include expiration dates. The FDA certificate fulfills the requirements of Bolivian authorities.
- *Product Labels for Pharmaceutical Products:* Labels on pharmaceutical products should be in Spanish. In addition, pharmaceuticals must be registered with the Vice Ministry of Health before they are imported.
- *Sale Permit Certificate for Insecticides:* Prior to import or sale, all insecticides must be approved by the Ministry of Agriculture and Livestock (MAG). The MAG will issue a sale permit certificate for products previously approved in their country of origin.

- *Sanitary Certificate for Food Products*: Food shipments require a sanitary certificate issued by the pertinent authority of the exporting country -- e.g., from the U.S. Department of Agriculture. Foodstuffs may be subject to analysis by an official entity in Bolivia, and most food and beverage labels must be registered in Bolivia. Exporters are encouraged to check with importers regarding relevant policies prior to shipment.

For specific information regarding existing foreign agricultural standards and testing, packaging, and certification systems, please contact:

Technical Office for International Trade
 U.S. Department of Agriculture
 Building 1072, Barc-East
 Beltsville, MD 20705
 Tel: 301/344-2651

For more information on procedures relating to animals and plants, and their by-products, please contact:

Animal and Plant Health Inspection Service (APHIS)
 U.S. Department of Agriculture
 6505 Beltcrest Road
 Hyattsville, MD 20782
 Tel: 301/436-8590 (Veterinary Services); 301/436-8537 (Plant Inspection)

APHIS maintains a service office in the U.S. Embassy in Santiago, Chile (Tel: 56-2-330-3480); Fax: 56-2-335-6442).

Air Cargo

Air cargo shipments require airway bills instead of bills of lading. Follow IATA or ICAO rules governing labeling and packaging of dangerous and restricted goods. Check with your air carrier for further information and the appropriate forms.

Parcel Post

An authorized customs broker must intervene for parcel post shipments valued at over US\$100. A private person may receive parcel post valued up to US\$100 without the intervention of a customs broker just by filling out a customs form at the post office.

Entry and Warehousing

Bolivia is a landlocked country that uses ports of entry in Chile, Peru, Brazil, Argentina and Uruguay (by river) through free transit agreements with these countries. Arica (Chile) is generally considered to be the best port of entry. Other main ports are Antofagasta (Chile); Matarani and Ilo (Peru); Santos (Brazil); and Rosario (Argentina). Bolivian customs maintains warehousing facilities in each of these ports, where incoming goods may be stored for 90 days. The charge for customs storage is 0.5% of CIF for each 30-day

period or fraction thereof. Once clearing documents are signed, goods must be removed from storage within eight days to avoid an additional charge of 2% of CIF.

Imported merchandise may be considered abandoned either by an explicit request or by failure to claim it within the required 90 days. By law such goods are subject to public auction, the proceeds of which go to the interested party after expenses are deducted.

If importers wish to remove their merchandise after the 90-day period but before the auction takes place, they must pay a 5% charge over the customs tariff plus 2% of CIF. Due to the expense and time involved in reshipment, U.S. exporters usually prefer to sell refused goods in Bolivia.

Prohibited Imports

Prohibited items for import include:

- Firearms and other weapons without special permission from the Ministry of Defense;
- Pharmaceuticals and drugs not registered in the country;
- Spoiled or adulterated beverages and food products, or products that contain noxious substances;
- Selected liquors, such as pisco and similar products;
- Diseased animals;
- Plants, fruits, seeds and other vegetables that contain parasites and germs or plants that are declared harmful by the Vice Ministry of Agriculture;
- Foreign lottery bills;
- Advertisements imitating money or bank certificates, postage stamps and other government-valued papers;
- Pornographic books, booklets, paintings, engravings, figures and other obscene objects;
- Roulette machines and devices used for gambling;
- Merchandise with the same registered trademark as a product made in Bolivia;
- Used clothing without a sanitary certificate from the country of origin (except in personal baggage);
- Used hats, shoes and lingerie (except in personal baggage);
- Vicuña skins, hair and products; and
- Certain chemical products without the proper import permit

Free Trade Zones/Warehouses

Bolivia has established nine Free Trade Zones (FTZ), six of which are now in full operation:

1. El Alto (serving La Paz)
2. Puerto Aguirre (near Puerto Suarez, on the border with Brazil)
3. Cochabamba
4. Santa Cruz
5. Oruro

6. Desaguadero (near La Paz, on the border with Peru)

Two others -- in San Matias in the Department of Santa Cruz and Guayaramerin in the Department of Beni -- are not yet fully operational. Another -- Cobija, in northern Bolivia -- has not proven to be attractive to investors because of the lack of roads and other basic infrastructure.

Bolivian FTZs are regulated by the National Council of Free Trade Zones (CONZOF), which was created by the 1990 Investment Law. FTZs are operated by private companies selected by the Government through public bids. There are special procedures that must be followed to obtain approval to operate in these zones. Export processing zones have up to 180 days duty-free treatment (RITEX) to assemble kits and produce parts for re-export.

Special Import Provisions

Samples and advertising materials are usually subject to regular duty rates, except those articles specifically prepared as samples -- for example, shoes cut in half, small patches of fabric and pharmaceutical products and liquors contained in small bottles clearly marked "free sample" ("muestra gratuita"). If commercial samples do not exceed US\$25 in value, they do not require commercial invoices.

Duty Exemptions and Reductions

Either exemptions or reductions in duties are permitted for:

- Imports made under current international agreements and government contracts;
- Imports under intra-regional agreements that specifically provide for duty exemptions;
- Imports made by the diplomatic and consular corps;
- Travelers' personal effects not exceeding US\$300; and,
- Imports of gold, except jewelry.

Membership in Free Trade Arrangements

Bolivia signed a Free Trade Agreement with MERCOSUR (Brazil, Argentina, Paraguay, Uruguay and Chile), which became effective on March 1, 1997. Under the Agreement, Bolivia became an associate member of MERCOSUR, just as Chile is. In March 1997 more than 30% of all products traded between Bolivia and the four full MERCOSUR members became tariff-free, and the vast majority of the remainder will enjoy zero tariffs after ten years. (Some sensitive products will not become tariff free for up to 18 years.)

Bolivia is also a member of the Andean Community (with Colombia, Venezuela, Ecuador and Peru), which has reduced significantly most internal trade barriers. Bolivia has also signed Bilateral Trade Agreements with some South American countries that eliminate or reduce tariffs on explicit lists of products. Bolivia signed a free trade agreement with Mexico in September 1994. The European Union, Japan and the United States allow most Bolivian exports to enter their markets at either duty-free or reduced duty rates. Bolivia acceded to the GATT in 1989 and ratified its membership in September 1990. The

Bolivian Congress subsequently ratified Bolivia's membership in the World Trade Organization (WTO) in 1995.

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7. INVESTMENT CLIMATE

Openness to Foreign Investment

Once macroeconomic stability was achieved in 1986, four successive Bolivian governments have avidly sought to attract foreign investors to augment the country's asset base. These governments have been aware that large infusions of foreign direct investment are necessary -- but not sufficient -- if Bolivia is to achieve significant per capita growth. The Capitalization Program (Bolivia's version of privatization) was the centerpiece of the investment strategy of the Sanchez de Lozada administration (1993-1997). Since then, investments in hydrocarbons and, to a lesser extent, telecommunications have been the main areas of concentration.

Foreign ownership is allowed virtually throughout the economy, with no requirement to register foreign direct investment separately. The Bolivian Constitution restricts investments by foreigners in operations along the border areas, unless the investment or project is declared of national interest. Foreign investment is neither screened nor treated in a discriminatory manner. There are no registration requirements for foreign direct investors in Bolivia or any special incentives for domestic or foreign investment.

Since 1990 successive governments have passed laws that set clear "rules of the game" governing private investment of all types and sectors. The Investment Law (Law 1182, 1990) guarantees foreign investors will receive national treatment, have access to free currency conversion, and enjoy unrestricted remittances the right to international arbitration in most industries.

Laws governing activities in the mining (Law 1777, 1997) and hydrocarbon (Law 1689, 1996) sectors authorized joint ventures with state-owned corporations and modified the tax system to allow foreign firms paying taxes in Bolivia to obtain foreign tax credits in their home countries. The Mining Law also allowed foreign firms to operate within 50 kilometers of international borders through joint ventures or service contracts with the Bolivian Mining Corporation (COMIBOL), with the exception of firms that are residents of the country adjacent to the affected border. The Hydrocarbons Law mandated settlement of disputes through arbitration. The Arbitration and Conciliation Law (Law 1770, 1997) provided procedures and enforcement mechanisms for international arbitration.

The Banking Law (Law 1488, 1993) established regulations for new activities such as factoring, leasing and foreign currency hedging. It also authorized banks to maintain accounts in foreign currencies, clearly a popular development as over 90% of all deposits in the Bolivian banking system today are denominated in U.S. dollars or held in dollar-

pegged accounts. The Banking Law also clarified the roles of the Central Bank and the Superintendent of Banks and redefined capital and reserve requirements.

Bolivia has no laws that directly regulate competition, such as anti-trust laws in the United States. Instead, articles regulating unfair competition are scattered throughout the country's laws governing activity in the various economic sectors. Between 1995-1997, the capitalization program created five temporary monopolies under private control in the hydrocarbons, transportation and electricity sectors. While the length of these monopolies varied according to the respective contract, the last of the five will expire by the end of 2002.

The Government of Bolivia created the Sectoral Regulatory System (SIRESE) to balance the potential market power of these monopolies. SIRESE is an autonomous regulatory body made up of a General Superintendent and five Superintendents, who regulate many aspects of business in the telecommunications, electricity, transport, hydrocarbons and water sectors. Prices of most public utilities are reviewed and approved by the respective Superintendent. Market forces largely set prices, though where necessary a regulated price is established through relatively transparent procedures and formulas. The exception to this is in potable water and garbage collection, where municipalities set the local rates.

Most hydrocarbons exploration activity is carried out via joint venture contracts, which is administered by Yacimientos Petroliferos Fiscales Bolivianos (YPFB, the Bolivian state hydrocarbons company). Although most of the mines currently owned by the state-run Bolivian Mining Corporation (COMIBOL) cannot be purchased outright, as stipulated by the Bolivian Constitution, they can be operated in a joint venture or under a leasing contract with COMIBOL.

The Agrarian Law (Law 1715, 1996) set out the rights and obligations of land ownership; incorporated the concept of sustainable development; established a new institutional framework for the development of land use; and created an independent Agrarian Superintendent to administer the law's provisions. A definitive registry of land titles -- essential to the provision of credit -- continues.

Foreign firms are able to participate in government research programs, although few if any programs exist. Work permit, visa and residence requirements are non-discriminatory.

The government sets a minimum monthly wage each year; currently it is about US\$ 60, although nearly all workers in the formal private sector earn more than the minimum wage. On average, factory workers earn the equivalent of US\$ 100 per month plus benefits. The hydrocarbons sector has the highest paying jobs at US\$ 400 monthly.

Although some bureaucratic procedures have been reduced, plenty of red tape and archaic policies remain at all levels of the Bolivian Government. The last two administrations worked to "de-bureaucratize" the government, with modest success at best. Public sector corruption also remains a major challenge. The scale of corruption in Bolivia was reduced significantly by the capitalization program, which passed control of the largest state

entities to private hands. Until further dramatic changes are undertaken, companies will still be tempted to pay bribes with the hope of moving their paperwork faster through the bureaucratic maze or to gain contracts. Evasion of taxes and duties remain a common practice.

Conversion and Transfer Policies

There is free currency conversion at local banks and exchange houses. The official exchange rate is set by a daily auction of dollars managed by the Central Bank. The Central Bank offers a given amount of U.S. dollars each day but sets an undisclosed minimum floor price. In this way, the Central Bank has, since 1985, managed a steady depreciation of the local currency, the Boliviano, in line with the rate of inflation and competitive devaluations of trade partners. The parallel rate has tracked the official rate closely, suggesting that the market finds the Central Bank's policy acceptable. There are no restrictions on any kind of remittances.

Expropriation and Compensation

Article 22 of the Bolivian Constitution provides that property may be expropriated for the public good or when the property does not fulfill a "social purpose;" it also stipulates that just compensation must be provided. The Mining and Hydrocarbons Laws provide the means to expropriate land needed to develop the underlying concession.

A significant expropriation in Bolivia occurred in 1969, when the Government nationalized petroleum concessions granted to the local branch of Gulf Oil. Although the compensation agreement allowed for a 30-year payment period, the entire compensation due to Gulf Oil was paid off in seven years.

An additional incident occurred in 2000 that involved the cancellation by the GOB of a water concession in the city of Cochabamba, an action that meets the definition of an expropriation. In 1997, the GOB issued an international bidding process to call for tenders to privatize Cochabamba's water company (SEMAPA). Although the concession contract was awarded in April 1999 to Aguas del Tunari -- an international consortium lead by International Water Limited/Bechtel -- the water regulator revoked the contract after violent protests in Cochabamba during March and April of 2000. In early 2002, Bechtel and GOB submitted the case to the International Center for Settlement of Investment Disputes (ICSID) in New York. The arbitration request was based on the Bilateral Investment Treaty between Bolivia and the Netherlands, as the consortium's incorporating entity was Dutch. As of June 2002, the parties were conferring on the selection of arbiters.

Dispute Settlement

Property and contractual rights may be enforced in Bolivian courts, but the legal process at best is time-consuming and at worst can be subject to political influences and pervasive

corruption. For that reason, the National Chamber of Commerce -- with assistance from the U.S. Agency for International Development -- has established a local Arbitration Tribunal. The Investment Law provides that investors may submit their differences to arbitration in accordance with the constitution and international norms. The U.S.-Bolivia Bilateral Investment Treaty (BIT) signed on June 7, 2001 extended these rights even further for U.S. investors.

The Bolivian Government accepts binding international arbitration in all sectors. The 1997 Arbitration and Conciliation Law created an alternative means by which businesses can resolve commercial legal disputes and provided a more comprehensive framework for national and international arbitration. This law stated that international agreements, such as the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitrage Awards, must be honored. It also mandated the recognition of foreign decisions and awards and established procedures for the Supreme Court to execute any such decision/award.

There are a number of efforts under way to reform and improve Bolivia's justice system, which are beginning to bear fruit. However, entrenched interests continue to resist the implementation of many reforms. We note that the decisions of the Supreme Court in the past have been influenced by outside factors, throwing into doubt any ability to enforce these decisions effectively.

Nevertheless, there have been Bolivian court decisions that have been fair and have benefited U.S. companies, including a landmark decision by the Constitutional Tribunal in late 1999 affecting a U.S. telecommunications company. However, neither Bolivian nor foreign companies can yet rely on the judicial system to enforce respect for contracts or other forms of fair and impartial justice. It is highly recommended that U.S. companies include an international arbitration clause in all contracts with Bolivian private and public entities.

Bolivia has a Commercial Code (Decree Law 14379, 1977) whose roots date from 1939. Although many of its provisions have been modified and overruled by other specific laws, the Bolivian commercial law continues to serve as general regulation for commercial activities.

Performance Requirements/Incentives

The Bolivian Government does not impose any performance requirements as conditions for establishing, maintaining or expanding an establishment. Nor does it provide tax or investment incentives that discriminate against foreign investors.

Right to Private Ownership and Establishment

Foreign and domestic entities share the same rights to establish, acquire and dispose of interests in business enterprises, as well as to engage in remunerative activity. All private enterprises enjoy the same access to markets, credit, licenses and supplies as public enterprises, given the exceptions noted above regarding the legal sanctioning of temporary monopolies.

Protection of Property Rights

In general, Bolivian law guarantees property rights. Both chattel and real property rights are recognized and enforced. The Office of Property Registry provides a means to protect and facilitate acquisition and disposition of property rights for land, real estate and mortgages. Mortgages exist and can be obtained through the local financial system.

Successive administrations have sought to improve the enforcement of private property rights with varying degrees of success. The first Sanchez de Lozada Administration (1993-1007) enacted the Agrarian Law to reform the National Service of Agrarian Reform and the Institute of Colonization, both of which handled land registry. Despite these reform efforts, challenges to land titles are common and an adequate system for title searches is lacking. Competing claims to land titles and the absence of a reliable legal process to resolve land title disputes creates risk and uncertainty in real property acquisition. By 2002, there were several allegations of corruption against the National Institute of Land Reform (INRA), the land titling agency.

Intellectual Property Rights

Bolivia's existing legislation governing protection of intellectual property rights (IPR) is weak, and enforcement efforts have been sporadic and largely ineffective. Piracy rates of videos, sound recordings, and software remain among the highest in Latin America. The only way one can currently ensure the effective protection of trademarks or other intellectual property is to hire a local attorney to initiate a civil court action against offenders. The 1992 Copyright Law recognizes copyright infringement as a public offense, and in May 2001 the new Bolivian Criminal Procedures Code began to provide for the criminal prosecution of IPR violations. However, laws are largely not enforced and U.S. firms have had little success in getting justice in this area from Bolivian courts.

The Government is undertaking halting steps to modernize both its legislation and its enforcement capabilities regarding the protection of IPR. During 2000-2001, the Ministry of Justice completed a draft IPR reform law that was submitted to Congress for ratification. However, as of June 2002, the Congress was not able to approve it. As a member of the Andean Community, Bolivia is obligated to comply with Andean Community Decisions, specifically Andean Decision 486 on IPR. In May 2002, the Bolivian Senate failed to ratify the Patent Cooperation Treaty (PCT), a worldwide treaty that provides reciprocal treatment for patents, though a Senate commission recommended its quick approval.

In early 1999, the Bolivian Government established an independent National Intellectual Property Rights Service (SENAPI), uniting under one authority the previously disparate offices in charge of enforcing industrial property rights and copyrights. In May 1998, the Government enacted Supreme Decree 25055, which sets general guidelines for SENAPI. This effort has brought new coherency to government efforts to protect IPR effectively. Bolivia has joined the World Intellectual Property Organization, and the Congress has approved its accession to the Paris, Geneva and Bern Conventions.

The Bolivian Copyright Law (Law 1322, 1992) provides IPR protection for literary, artistic and scientific works for the lifetime of the author plus 50 years. It protects the rights of Bolivian authors, of foreign authors domiciled in Bolivia, and of foreign authors published for the first time in Bolivia. Foreigners not domiciled in Bolivia enjoy protection under the Copyright Law to the extent provided in international conventions and treaties to which Bolivia is a party. Bolivian copyright protection includes the exclusive right to copy or reproduce work; to revise, adapt or prepare derivative works; to distribute copies of the work; and to communicate the work publicly.

Although the exclusive right to translate the work is not explicitly granted in the law, it does prevent unauthorized adaptation, transformation, modification and editing. The law also provides protection for software and databases.

The Bolivian Film and Video Law (Law 1302, 1991) also contains elements of IPR protection. The law created the National Movie Council (CONACINE) to coordinate, control and carry out various activities related to the movie industry. The law also requires that all films and videos shown or distributed in Bolivia be registered with CONACINE.

Television stations have been among the worst IPR violators in Bolivia, often not paying rights to broadcast TV programs. The Superintendent of Telecommunications has implemented some measures designed to ensure that only licensed material is televised, but these actions have been limited, and TV piracy continues to thrive.

Presently, patent registration inquiries are reviewed by clerks for form rather than for substance. A notice of the proposed patent registration is then published in the Official Gazette. If there are no objections within 50 days, a patent is granted for a period of 15 years. The patent must be used in Bolivia within two years to preserve its validity.

The registration of trademarks parallels that of patents, except that the period for objections to a trademark registration is 18 months after publication. Once obtained, a trademark is valid for a 10-year period and is renewable. It becomes null if not used over an 18-month period.

Until February 2002, there had been a significant backlog in patent and trademark registrations. Even though SENAPI receives only 500 to 600 patent applications per year, there is a backlog of about 800 unprocessed cases, with some applications dating back to as far as 1996. However, SENAPI issued some domestic and international patents in July 2002 and will continue to do so for the foreseeable future. SENAPI has made quick

progress since February 2002 with the appointment of its new director; it has registered about 5600 trademarks as of June 2002. Nevertheless, SENAPI still lacks qualified technical personnel, and lacks the institutional capacity to enforce IPR laws and regulations.

There are presently no laws protecting trade secrets.

Transparency of the Regulatory System

The Sectoral Regulation System (SIRESE) was established in October 1994 to control and supervise the activities pertaining to electricity, telecommunications, hydrocarbons, transportation and water sectors. A group of individual laws formed the legal framework for the capitalization of various formerly state-owned entities. The Electricity Law (Law 1604, 1994), the Telecommunications Law (Law 1632, 1995) and the Hydrocarbons Law (Law 1689, 1996) defined the characteristics and functions of their respective superintendents.

The five superintendencies, each headed by a separate superintendent, are autonomous institutions whose activities are financed through the assessment of percentage fees on firms operating in their respective sectors. SIRESE is headed by the General Superintendent, whose office is empowered to hear appeals of any decision by a superintendent. Concessions of public services and licenses are granted by administrative resolution issued by the respective superintendent.

The SIRESE Law (Law 1600, 1994) establishes general principles governing anti-competitive practices. Specifically, companies engaged in regulated activities are forbidden from participating in agreements, contracts, decisions and/or practices whose purpose or effect is to hinder, restrict or distort free competition.

A similar system has just been created for the financial sector. The Superintendent of Higher Recourse (or *Recursos Jerárquicos* in Spanish) is an administrative office for appeals of decisions by the Superintendent of Banks and the Superintendent of Pensions, Insurance, and Securities.

The Bolivian Congress approved in April 2002 a new Administrative Procedures Law (Law 2341, 2002) designed to enhance public participation in the rulemaking process and strengthen the administration of public agencies. Although important provisions of the original bill were deleted in the final law, it represents a step forward in improving Bolivia's administrative system.

Efficient Capital Markets and Portfolio Investment

Historically, Bolivian commercial banks were closely held operations that lent only to persons or firms well known to the bank. Banks today are under increasing pressure from new foreign entrants to the market to reform their in-house procedures. As a result,

Bolivian bankers are slowly developing in-house capabilities to adjudicate credit risk and to evaluate expected rates of return according to international norms.

In the interim, foreign investors may find it difficult to qualify for loans from local banks due to the requirement that domestic loans be made only against domestic collateral. However, the Superintendency of Banks issued new regulations designed to facilitate bank lending to companies based on a cash flow analysis. Since commercial credit is generally extended on a short-term basis at high interest rates, most foreign investors prefer to obtain credit from foreign sources.

Another option available to established Bolivian companies is the issuance of short- or medium-term debt in the local stock market. Currently, the principal activity of the exchange is to provide a secondary market for Central Bank certificates of deposit. The Bolivian stock market seeks, however, to increase its handling of local corporate bond issues, and the passage of the Securities Law (Law 1834, 1998) provides the groundwork for creating a truly modern exchange. The Securities Law also established a securities commission that has already approved the establishment of several Bolivian mutual funds. Several Bolivian companies and some foreign companies have been able to raise significant amounts of funding from the Bolivian capital market over the last three years.

Unfortunately, few local companies issue stock, making the choices for these funds quite limited. Although most accounting regulation follows international principles, Bolivian accounting procedures and reports do not yet conform to world standards. It is common for Bolivian firms to maintain various sets of books: one set for the tax authorities; another for its bankers; and another for the management's own use.

The Banking Law (Law 1488, 1993) was a first step towards modernizing the Bolivian banking system. This law addresses such emerging areas as establishing rules governing factoring and leasing and set parameters for bank holding companies. The Central Bank Law (Law 1670, 1995) refined the Central Bank's authority over the banking sector, setting higher reserve requirements and eliminating the insider lending that has led to the collapse of many Bolivian banks.

The Banzer/Quiroga Administration (1997-2002) enacted additional changes to the regulatory financial framework. The Law of Property and Popular Credit (Law 1834, 1998) modified the regulatory system governing the non-banking financial system. It created a Prudential Norms Financial Committee (CONFIP), which issues financial regulations for the whole financial system without interfering in currency exchange and monetary policies, which remain the purview of the Central Bank. The law also created the Superintendent of Higher Recourse (or *Recursos Jerárquicos* in Spanish) that forms the first instance of appeal to decisions made by the Superintendent of Pensions, Insurance and Securities. The new law also authorized the creation of private financial funds, savings and loans cooperatives and non-governmental organizations that can grant credit, in an effort to promote better access to credit and other financial services throughout the country, much of which has no banks. Also, the GOB approved the Financial

Strengthening Law (Law 2297, 2001), which modifies previous laws and establishes additional financial regulation regarding closing and restructuring of financial institutions.

Commercial banks dominate the Bolivian financial system, though the largest bank – with total equity of approximately US\$ 90 million as of December 2001 – is not large by international standards.

As a result of the economic downturn during 1999-2002, most bank indicators worsened. Banks' portfolios significantly decreased from US\$ 4,053 million in 1999 to US\$ 2,882 million as of May 2002. Deposits have fallen by US\$ 325 million so far during 2002, from US\$ 3,621 million to US\$ 3,297 million as of May 2002. Liabilities with foreign creditors decreased from US\$ 179.1 million in December 2001 to US\$ 118.2 million as of May 2002. Medium- and short-term banking obligations fell by half in the same period of 2002.

The portfolio of loans in arrears increased significantly from around 11.57% at the end of 2000 to 19.3% as of May 2002. During 1999 and 2001 the economic crisis was reflected in rising indebtedness rates. As a result, bank managers have reacted by conducting financial operations more carefully and closely following strict and prudential norms.

There is a body of financial regulation that establishes some limits in order to promote stability for shareholders and prevent conflicts of interest. Regulations also restrict financial transactions for managers and senior managers.

The securities regulator is in the process of drafting several regulations that will prevent hostile takeovers and to protect minority shareholders. There are no regulations that limit foreign investment or participation in or control of domestic enterprises.

Political Violence

Bolivia suffered two major periods of social unrest in 2000. The first, in March-April 2000, was catalyzed by protests against foreign investment in the municipal water system of Cochabamba but ultimately spread throughout the country in the form of roadblocks and sometimes violent demonstrations. Roadblocks were even more serious in September/October 2000, when rural indigenous groups, illegal coca growers, and a variety of labor and social movements coalesced in opposition to Government of Bolivia policies. Concessions by the Government ended those protests, but not before the roadblocks had caused serious economic hardship and disrupted Bolivian exports. Less serious but also disruptive social protests occurred in July and October-November 2001 and January-February 2002.

Corruption

Corruption is a problem throughout Bolivia's political structure, including at various levels of the executive, legislative, and judiciary branches. There have been notable instances of

action against corruption. For example, two Supreme Court judges -- including the Chief Justice -- were removed in 1994 after they were found guilty of soliciting and accepting bribes. Although there is no overt government interference in the court system, judges in Bolivia are political appointees and susceptible to political pressure.

The threat of corruption complicates the activities of U.S. firms that have invested in or that trade with Bolivia. The most egregious cases have involved individuals employing the legal system to harass firms or to exact exorbitant payments. There have even been cases of representatives of U.S. firms threatened with detention for criminal charges of "sabotage," as well as others served with notices prohibiting them from leaving the country.

Despite occasional high-profile cases with political implications, consistent and successful prosecution of government officials is rare. In 2002, however, a judge received a temporary suspension for the alleged solicitation of a bribe while presiding over a commercial case. Certain acts of corruption are illegal under specific provisions of laws, and laws and institutions are being strengthened to improve this dismal record.

The judicial system's weaknesses are well known, and the last three administrations -- headed respectively by presidents from the MIR, MNR and ADN parties -- have all worked consistently towards the goal of reforming the system. The first fruits of this multi-party effort are just now becoming evident, with new institutions being created which could fundamentally change how justice is provided in Bolivia. Not surprisingly, there is resistance from entrenched interests, which makes full implementation of reforms difficult.

Additionally, the GOB is working with the IMF to overhaul and cleanse the National Customs Service from top to bottom and with the IBRD to implement a wider-ranging reform to address corruption within the bureaucracy of the national government. The Banzer Administration enacted a Customs Reform Law in August of 1999, which was implemented over a 36-month period. Under the leadership of a dynamic customs director, the National Customs Service made a significant dent in contraband imports into Bolivia during 1999-2000, though continued progress is a challenge due to new floods of contraband from neighboring countries that have experienced currency devaluations.

Bilateral Investment Agreements

Bolivia has signed bilateral investment agreements (BITs) with Argentina, Belgium/Luxembourg, China, France, Germany, Italy, Mexico, the Netherlands, Peru, Romania, Spain, Switzerland, the United Kingdom and the United States (1997). The U.S.-Bolivia BIT was fully implemented on June 7, 2001.

There are six basic reciprocal provisions of the U.S.-Bolivia BIT:

- U.S. investors are entitled to the better of national treatment or most favored nation (MFN) treatment when they seek to initiate investment and throughout the life of that investment, subject to certain limited and specifically described exceptions listed in annexes or protocols to the treaties.
- Expropriation can occur only in accordance with standards put forth in international law, that is, for a public purpose, in a nondiscriminatory manner, under due process of law, and accompanied by prompt, adequate, and effective compensation.
- BITs provide U.S. investors the right to transfer funds into and out of the host country without delay using a market rate of exchange. This covers all transfers related to an investment, including interest, proceeds from liquidation, repatriated profits and infusions of additional financial resources after the initial investment has been made.
- Limits the ability of either government to require investors to adopt inefficient and trade distorting practices. For example, performance requirements, such as local content or export quotas, are prohibited.
- Gives investors the right to submit an investment dispute with the treaty partner's government to international arbitration. There is no requirement to use that country's domestic courts.
- Gives investors the right to engage the top managerial personnel of their choice, regardless of nationality.

OPIC and Other Investment Insurance Programs

An Investment Insurance Agreement signed in 1985 by Bolivia and the U.S. Overseas Private Investment Corporation (OPIC) provides for a full range of OPIC programs, including insurance, financing and use of OPIC's Opportunity Bank. OPIC provides financing assistance through direct loans and through guarantees of loans by private U.S. financial institutions for investments by U.S.-based firms in Bolivia. OPIC has worked with a growing number of new investors -- particularly in providing project loans, insurance against inconvertibility, expropriation and political risk -- and is open to doing more business in Bolivia.

The IBRD's Multilateral Investment Guarantee Agency (MIGA) has offered a complete line of investment guarantees to foreign investors in Bolivia since October 1991.

The U.S. Export-Import Bank (EXIM) also hopes to expand its as yet limited operations in Bolivia. It has offered credit guarantee facilities to local banks, with terms of up to five years. EXIM is also willing to work directly with qualified private companies in providing loans and insurance. EXIM will also consider individual transactions with Bolivian banks that do not yet have sufficient net worth to qualify for the establishment of a credit guarantee facility.

Labor

About half of Bolivia's population of 8.3 million is considered "economically active" (working at least one hour a week), a figure that includes early teenagers and as well as children who are formally prohibited from working by law. Official unemployment in the year 2001 was 8%, and of those employed only one-third were working 40 hours a week. The liberal definition of an "economically active" or employed person masks substantial underemployment and subsistence-level "informal" economic work.

As of June 2002, the official minimum wage amounted to US\$ 60 per month. General economic stagnation over the last three years has resulted in slipping nominal wages, with the average in formal, urban employment at just US\$ 70 per month. Bolivia's still substantial rural population, often self-employed in subsistence agriculture, makes less. Overall, between 60 and 65% of working Bolivians are considered to be participants in the "informal economy," where no contractual employee-employer relationship exists.

Foreign investors have found the labor force to be stable, with low rates of turnover and high levels of manual dexterity. The country's generally low levels of education and literacy tend to limit the productivity of Bolivia's labor, in line with its low cost. There is abundant manpower readily available for foreign as well as domestic investors, although skilled manpower is harder to find.

The average wage for a factory worker is about US\$ 90 per month. Benefits -- including a Christmas bonus "aguinaldo" equal to one month's salary, as well as retirement payments - - can add another 30% to the wage bill.

Bolivian Labor Law guarantees workers the right to organize and bargain collectively. Most companies are unionized. Nearly all unions belong to the Confederation of Bolivian Workers (COB), a militant organization whose calls for strikes often go unheeded. In fact, extensive labor unrest is uncommon in Bolivia, and most foreign firms active here enjoy positive relations between labor and management.

Bolivian Labor Law guarantees workers the right of association, restricts child labor and provides for worker safety. Effective enforcement, however, often proves to be lacking.

Foreign Trade Zones/Free Ports

The Bolivian government created free trade zones (FTZs) by way of two Supreme Decrees (D.S. 22410 and D.S. 22526). All FTZ operations must be authorized by the National Council on Free Trade Zones (CONZOF), which coordinates, sets and controls all industrial and commercial free zones. Currently FTZs exist in the cities of El Alto (the Department of La Paz), Santa Cruz, Cochabamba, Puerto Aguirre (Santa Cruz), Oruro, and Desaguadero (La Paz). One other – in Guayaramerin in the Department of Beni – IS not

yet fully operational. Another -- in Cobija, in northern Bolivia -- has not proven to be attractive to investors because of the lack of roads and other basic infrastructure. All Bolivian labor laws apply in FTZs.

Foreign Direct Investment

The Ministry of Foreign Trade and Investment reports that U.S. companies as a group were the largest source of Foreign Direct Investment (FDI) in Bolivia in 2001, totaling US\$ 344 million or 42% of the approximately US\$ 819 million invested. Most foreign direct investment is in the mining, telecommunications, electricity and hydrocarbons sectors. Of total FDI that went into Bolivia in 2001, US\$ 401 million went to the hydrocarbons sector, US\$ 299 million to commerce/services, US\$ 32 million to mining, and US\$ 86 million to agriculture and industry. Details of total investment are given in the table below:

Private FDI Flows for 2001:
(in US\$ millions)

Hydrocarbons	401.3
Mining	32.3
Industry and Agroindustry	86.3
Commerce/Services	299.3
Total	819.2

Source: Ministry of International Trade and Investment

There are no registration requirements for foreign direct investors in Bolivia. Also, there have been investments made recently throughout the economy by investors from Brazil, Argentina and Chile.

Bolivian FDI by Major Country

(In US\$ millions)	2000	2001(p)
United States	343.7	344.0
Argentina	8.1	98.9
Italy	51.8	63.3
Chile	2.8	4.8
Brazil	40.3	72.0
Canada	1.9	4.9
Spain	39.9	13.8
Peru	6.1	5.7
Holland	47.4	57.8
(p)Preliminary		

Source: Ministry of International Trade and Investment



8. TRADE AND PROJECT FINANCING

Description of the Banking System

The Central Bank and 13 privately owned banks comprise Bolivia's banking system. Commercial banks account for over 85% of the deposits and loan portfolio of the formal Bolivian financial system. The remaining 15% have been concentrated in savings and loans, credit unions and other financial institutions. As of December 2001, total deposits in the banking system were US\$3.1 billion, of which over 95% were in U.S. dollar-denominated deposits.

Citibank is presently the only U.S. Bank with an interest in a local bank. This bank, formerly known as BHN/Multibanco, was renamed "Citibank, S.A." and is now 100% owned by Citibank. The purchase of BHN has caused a number of problems for Citibank. During 1999, Citibank began to offer mortgage loans with very competitive conditions for the Bolivian financial market. However, Citibank sold all its retail business to domestic banks and announced that it was going to concentrate in corporate banking during 2001.

All commercial banks provide regular banking services, accepting deposits for both checking and savings accounts and offering short- and medium-term loans. Local banks are authorized to hold U.S. dollar-denominated time deposits.

The 1993 Banking Law was a first step towards modernizing the Bolivian banking system. The new law addresses such emerging areas as establishing rules governing factoring and leasing and set parameters for bank holding companies. The 1995 Central Bank Law refined the Central Bank's controls over the banking sector, setting higher reserve requirements and eliminating the insider lending that has been the bane of Bolivian banks and has led to the collapse of many.

The Banzer Administration enacted additional changes to the regulatory financial framework. The Law of Property and Popular Credit (1998) modified the regulatory system governing the non-banking financial system. It created a Prudential Norms Financial Committee (CONFIP) to issue financial regulations for the whole financial system without interfering in currency exchange and monetary policies, which remain the purview of the Central Bank. The law also created the Superintendent of Appeals that forms the first instance of appeal to decisions made by the Superintendent of Pension, Insurance and Securities. The new law also authorized the creation of private financial funds, savings and loans cooperatives and non-governmental organizations that can grant credit, in an effort to promote better access to credit and other financial services throughout the country, much of which has no banks.

Foreign Exchange Controls Affecting Trade

Bolivia places no controls on foreign exchange transactions, beyond those that intended to curb money laundering. (See the section entitled “Conversion and Transfer Policies” for more details.)

The Boliviano (“Bs”) is divided into units of 100 centavos (cents), although coins in denominations of less than 50 centavos are rarely used. Traveler’s checks, dollars and currencies can be readily exchanged in exchange houses, banks and major hotels. Most automatic teller machines (ATM’s) in major cities offer cash withdrawals in Bolivianos and U.S. Dollars with many U.S. bank or credit cards, including those that operate on the “PLUS” or “Honor” networks. ATM’s are nonexistent outside major cities. It can be difficult for non-residents to cash personal checks in Bolivia. The Boliviano is freely convertible for all transactions; the U.S. Dollar can also be used as legal tender in the country. As of mid-August 2002 the exchange rate was around 7.26 Bs per US\$1.

Several money exchange houses legally operating in Bolivia offer prompt conversion of several currencies at legal rates, in addition to providing transfers.

General Financing Availability

Credit is generally difficult to obtain in Bolivia without using unencumbered local assets as collateral. Collateral requirements for all but the most valued clients are very high. Interest rates are influenced by the Central Bank’s certificate of deposit rates, as well as by high administrative costs resulting from the general operational inefficiency seen throughout the local banking system. Although there are no formal restrictions on foreign companies borrowing through the local financial system, few do so because of the small size of the Bolivian financial system.

Available Export Financing and Insurance

International and bilateral financial institutions provide some credit lines at lower-than-market interest rates. These lines are granted by the IDB, the World Bank and the Andean Development Corporation (CAF) and are usually channeled through the Central Bank for lending via private Bolivian banks. OPIC and EXIM also offer insurance and/or financing products to the private sector.

Project Financing

Interested parties should consult the IDB, IBRD and CAF. OPIC, EXIM and the U.S. Trade and Development Agency (TDA) can also be consulted.

List of Banks with Correspondent U.S. Banking Arrangements

The following banks have correspondent banking arrangements with U.S. Banks:

Banco de Credito de Bolivia S.A.

Banco de la Union
Banco Economico S. A.
Banco Industrial S.A. (BISA)
Banco Mercantil S.A.
Banco Nacional de Bolivia
Banco Santa Cruz S.A.
Citibank
Banco Ganadero S.A.
Banco Solidario S. A.
Banco Do Brasil S. A.

Interested parties should contact ASOBAN, the national association of banks, for the most up-to-date information on activities in this sector at the following address:

Asociación de Bancos Privados de Bolivia (ASOBAN)
Edif. Cámara Nacional de Comercio Piso 1
Tel.: (591-2) 2361308
Fax: (591-2) 2391093
E-mail: info@asoban.bo
Website: www.asoban.bo



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9. BUSINESS TRAVEL

Business Customs

Many members of Bolivia's private sector are experienced, with ample direct exposure to U.S. and European business customs and procedures. Visiting U.S. travelers will find that their Bolivian counterparts for the most part are adept in their respective field of interest.

The local representative is a vital component in the successful operation of foreign-based firms. A local representative is required by law in the case of investment contracts, direct sales for major projects, and all government agency purchases.

Bolivia's small market requires that most agents represent more than one line of merchandise with regard to product promotion and distribution. The amount of effort given to promoting a particular product line is determined in part by the interest and support expressed by the supplier, as well as by the agent's ability and interest.

The importance of occasional personal visits from company representatives, as well as prompt, responsive handling of communications, cannot be overstated, given the key role played by local representatives. After a business relationship has been established, local distributors and agents generally expect to receive an offer to visit the foreign company's plant facilities and head offices in order to become better acquainted with the company's personnel and its operating techniques.

Although capitalization and privatization have placed most of the former government-owned enterprises in private hands, Bolivia's economy still remains highly influenced by decisions taken in the public sector. Businesses should be prepared to deal with government officials and their sometimes-convoluted procedures. U.S. exporters or shippers should adhere closely to the instructions of the Bolivian importer, as well as to the instructions laid out in the "trade regulations" section of this report, regarding shipment of goods in order to avoid difficulties and customs fines.

Regretfully, business practices in Bolivia in both the governmental and local business sectors can involve different sets of standards than are common in the United States and some that might be illegal or unethical under U.S. law. U.S. companies should exercise the utmost care and discretion in their business dealings and come to the Embassy for advice on how to proceed if confronted with corrupt practices.

Travel Advisory and Visas

Any foreigner wishing to work in Bolivia must first obtain a permit ("Carnet Laboral") from the Ministry of Labor. To obtain this permit, the foreigner must file an application with the Ministry of Labor and have a passport with a valid visa; this paperwork takes from three weeks to one month. Bolivia has three different non-immigrant visa categories:

Tourist Visa: A tourist visa is not required for U.S. citizens traveling to Bolivia. However, travelers planning to stay in Bolivia for over 90 days must obtain an extension from the National Immigration Service valid for an additional 30 days, upon payment of a US\$25 fee.

Temporary Residence Visa: A temporary residence visa is valid for up to one year and may be obtained from the National Immigration Service for a fee of US\$254. To obtain a temporary residence visa, the applicant must present the following documents to the National Immigration Service:

- valid passport containing a specific-purpose visa (for any purpose other than tourism);
- legal petition addressed to the Director General of Immigration requesting temporary residence;
- work contract certified by the Ministry of Labor specifying the duration of the contract;
- certificate from the institution for which the person is going to work (or for students, a certificate of studies);
- police security clearance issued by the Bolivian National Police;
- legal address registered with the National Police; and
- temporary residence request form; and, a change of visa request form (required even if this is a first time visa request).

Permanent Residence Permits: To obtain a permanent residence permit the applicant must pay a fee of US\$422 and present the following documents to the Immigration Service: a valid passport containing a two-year temporary residence visa; a legal petition addressed to the Director General of Immigration requesting indefinite residence; a medical certificate issued by the National Institute of Employment Health; a security clearance issued by Bolivian National Police; a legal address registered with the Bolivian National Police; a birth certificate legalized by a Bolivian Consulate; a police security clearance issued in the country of origin and legalized by a Bolivian Consulate; an indefinite visa request form; a change of visa request form; and a work contract certified by the Ministry of Labor. The Bolivian Government reserves the right to accept or deny the indefinite residence of foreigners in Bolivia.

Temporary and permanent resident visas cover principals, managers and trained- and specially qualified-employees who are involved in the company's operations. No special qualifications are required for entry into Bolivia. The individual is not limited in the type of work that can be performed once a visa is granted. There are no requirements on the amount of money invested to qualify for entry.

There are no specific restrictions on an investor wishing to live and work in Bolivia once a visa is granted. The spouse and children of the visa holder are entitled to enter the country with the visa holder provided their names are included in the legal petition presented to the Director General of Immigration.

For additional information please contact:

Arq. Manuel Melgar Suárez

Servicio Nacional de Migracion
Ministerio de Gobierno, La Paz
Tel: 591-2/2110960; Fax: 591-2/2110960

Visa information may also be obtained on the Internet at
<http://www.bolivia.gov.bo/paginas/visas.htm>.

Holidays

National Holidays

New Year's Day	January 1
Carnival	varies, usually in February
Good Friday	varies, March or April
Labor Day	varies* around May 1
Corpus Christi	varies, usually in late May
Independence Day	August 6
All Saints Day	November 1
Christmas Day	December 25

*By Supreme Decree 26597 dated April 26, 2002, the Labor Day, previously on May 1, now moves to the closest Monday.

*Departmental Holidays**

Oruro Day	February 10
Tarija Day	April 15
Sucre Day	May 25
La Paz Day	July 16
Cochabamba Day	September 14
Santa Cruz Day	September 24
Pando Day	October 11
Potosi Day	November 10
Beni Day	November 18

*Supreme Decree 26597, dated April 26, 2002, modifies all the Departmental holidays, changing them to either the previous or next Monday.

Business Infrastructure

Transportation is hindered by a lack of developed infrastructure. Bolivia has 54,000 km of roads, of which only 3,700 km are paved, 16,460 are gravel, and 33,840 are dirt roads. There are paved roads from La Paz all the way to Desaguadero (at the Peruvian border on Lake Titicaca), Arica (Chile), Cochabamba and Oruro. Except for a crucial 30-km stretch, the "new" road between Cochabamba and Santa Cruz is also paved. A new paved road from Santa Cruz to Trinidad (580 km), was recently inaugurated. Other roads, including all those to Brazil, are often impassable or extremely slow from time to time due to regularly occurring rain coupled with poor maintenance. For instance, during the rainy

season, the 400-mile road from Santa Cruz to the Argentine border can often take a week to travel.

The Bolivian national railroad system has a total of 3,630 km of track, divided into two non-connecting segments. The western segment is 2,262 km long and serves the Pacific ports of Arica and Antofagasta (Chile), as well as the lake port of Guaqui and the major cities in the Altiplano and the Andean valleys. The eastern segment is 1,370 km long and links Santa Cruz with Brazil and Argentina. Much of the rail system is in disrepair.

There are airline connections to other Latin American countries and to Miami out of La Paz and Santa Cruz. See also the “Infrastructure Section” for more information.

Utilities throughout the country are good, with reliable electric power in the major cities. Residential current in La Paz is 110 and 220 volts, 50 cycles. Cochabamba, Santa Cruz and most other cities operate on 220 volts, 50 cycles. Water shortages may occur in the dry season in various parts of the country, including La Paz and Cochabamba. Water is not potable by U.S. standards in any Bolivian city, although the major cities have improved the quality of their water supply systems in recent years. The long-term water supply situation in Cochabamba, may be resolved with the construction of the Misicuni tunnel project, which is expected to be completed in the coming year.

Spanish is both the official language and the language of commerce in Bolivia. Although Aymara and Quechua are also spoken extensively, Spanish is understood in all but the most remote parts of Bolivia. English is also widely spoken among business leaders and public officials, but most prefer to speak Spanish.

Office hours are the same throughout the year but vary somewhat from city to city. In La Paz and Cochabamba office hours are generally from 9 a.m. to 12 noon and from 2:30 p.m. to 6:30 or 7 p.m., except for government offices which are from 8:00 a.m. to 4:00 p.m. with no break at lunch time. In Santa Cruz the tropical climate demands that work begins and ends earlier, beginning at 8 a.m. and ending about 6:30 p.m., with a two-hour lunch break in the middle of the day.

The altitude of La Paz’s El Alto airport is 13,300 feet above sea level. The altitude alone poses a serious risk of illness, hospitalization, and even death, whether or not you have a medical condition that affects blood circulation or breathing. Healthy individuals can have problems. It is a good idea to consult a doctor before visiting. Recent arrivals are advised to limit their activities and refrain from consuming alcoholic beverages until they acclimate, which can take between a few hours to several days.

To help prevent complications caused by the high altitude, some travelers to La Paz take acetazolamide (diamox) 125 mg twice a day – starting two days before traveling, on the day of the trip, and two to three days after arriving at high altitude. This medication inhibits the enzyme carbonic anhydrase, has a slight diuretic effect, and stimulates respiration. It is available only by prescription in the U.S. Pregnant women and nursing

mothers cannot take Diamox. If you have a severe allergy to sulfa drugs, you may not be able to take Diamox.

Sanitary conditions throughout the country are such that it is advisable to boil water at least 20 minutes or to consume only bottled water, refuse ice, and treat fresh fruits and vegetables. Even the best restaurants in the major cities may inadvertently serve tainted food. Americans also have been victims of e-coli and typhoid. Hepatitis and rabies are common in Bolivia, although with proper vaccinations both can usually be avoided. Malaria, leishmanioses, and yellow fever are found in the jungles in Bolivia's northern and eastern regions, and white leprosy and yellow fever are sometimes found in the Yungas Region of La Paz.

National and international telephone services are available in La Paz and even in rural towns, but cost much more than in neighboring countries. Direct dialing is available throughout the country. Most business establishments have fax and telex machines, with electronic mail becoming increasingly popular. The Internet has been operational in Bolivia since 1996.

Taxi fares from the El Alto Airport to La Paz generally run 60 Bs. Within the city, fares average between 6 and 12 Bs, depending on the length of the trip, with small additional charges for extra passengers and for travel after 10 p.m. Rental cars are also available but are expensive; some companies oblige you to hire a driver as well. U.S. drivers licenses are valid in Bolivia for 90 days after arrival.

All of Bolivia experiences a rainy season during the summer months (December-March). In La Paz the average daytime temperature is 60 degrees Fahrenheit for most of the year, with temperatures dropping quite a bit after darkness falls. Santa Cruz is a tropical city, generally hot and humid, while Cochabamba has a climate similar to and slightly warmer than that of La Paz.

There are several good, comfortable hotels in La Paz, where single rooms range between US\$35 and US\$120 a night, including taxes and breakfast. The better hotels include the Radisson Plaza, the Hotel Plaza, the Europa and Hotel Presidente, as well as such apartment/hotels as the Ritz Apart-Hotel, the Camino Real Apart-Hotel, and Casa Grande. There are several good hotels in Santa Cruz (including Los Tajibos, Camino Real, Buganvillas, Yotau and La Quinta) and in Cochabamba (Hotel Portales, Gran Hotel Cochabamba, Aranjuez, and Santa Rita).



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10. ECONOMIC AND TRADE STATISTICS

Appendix A - Country Data

Population (a): 1992	6,420,792
2001	8,274,325
2005	9,231,671

Population Growth Rate 1992-2001 (a): 2.74%.

Distribution: Roughly 62.4% of the population lives in urban areas.

Religion: Catholicism is the dominant religion; freedom of religion exists.

Government System: Representative democracy. Executive, legislative and judicial branches are separate. The President is elected every five years; the upper and lower houses of the bicameral Congress are elected every five years; the judiciary is appointed by executive branch, with Supreme Court judges appointed for ten years.

Languages: Spanish (official), Aymara, Quechua and other native tongues.

Business Week: Monday through Friday, 9 a.m.-12 noon, 2:30 p.m. - 6:30 p.m. See "Business Customs" above for more detailed information.

Source: (a) *National Institute of Statistics (INE)*.

Appendix B - Domestic Economy	2000	2001	2002
GDP (US\$ million)	8455	8256	8290
GDP growth (%)	2.37	1.3	2.5
GDP per capita (US\$)	1015	977	980
Government spending as pct of GDP	32.7	39.5	37.0
Inflation (consumer prices; pct)	3.41	1.0	3.0
Unemployment rate (b)	7.6	8.0	9.0
Public sector external debt (US\$ billion)	4.5	4.4	4.5
Debt service/exports ratio (c)	13.0	14.0	15.0
Debt service/GDP ratio	2.0	1.8	2.0
U.S. assistance to Bolivia (US\$ million)	136.3	176.0	180.0

Notes: (b) based on surveys of urban areas; data does not consider underemployment.

(c) Effective Services includes Foreign Exchange adjustments and Debt Relief.

Sources: National Institute of Statistics (INE); Central Bank of Bolivia; U.S. Embassy, La Paz.

Appendix C – Trade

(in US\$ million)	2000	2001	2002
Bolivian exports FOB	1246.1	1284.0	1320.0
Bolivian imports CIF	2020.3	1707.2	1457.5
Exports to U.S.	353.7	157.2	197.0
Imports from U.S.	454.5	281.7	320.0

Source: Central Bank of Bolivia and INE. 2002 figures are estimates.

Appendix D - Investment Statistics

	2000	2001	2002
Foreign Investment (US\$ million)	821.1	825.6	850.0
Foreign Investment (as % GDP)	8.9	9.0	9.0
U.S Foreign Investment	337	345	360.0

Source: Central Bank of Bolivia and INE. Figures for 2002 are estimates.

Appendix E - Reports on Commercial and Economic Conditions in Bolivia

Below is a current list of selected reports available from various sources:

Reports of the Department of Commerce and those of the Department of State are generally available through the U.S. Government Printing Office (Tel: 202/512-0376) and website: www.access.gpo.gov. The reports are also available on the National Trade Data Bank (NTDB, Tel: 202/377-1986), which may be accessed at most local or university libraries. In addition, there are a number of valuable reference works and periodicals, the most important of which are listed below. The best way to obtain guidance on using these information resources is to contact the Bolivia Desk Officer, U.S. Department of Commerce, Washington D.C. 20230, Tel: (202) 482-0428 or the website: www.mac.doc.gov. Another good website to get information on statistics is www.export.gov.

To get information on publications from the Department of Commerce, please contact the following website: www.mac.doc.gov.

U.S. Department of State Publications:

Background Notes: Bolivia, available periodically from the Department of State, Office of Public Communications, Bureau of Public Affairs, Washington D.C.20520. Background Notes provides political and other background information on Bolivia. (Annual subscriptions to the Background Notes series may be purchased by contacting the

Superintendent of Documents, Government Printing Office, Washington
D.C. 20402.)

Area Handbook for Bolivia; periodic

The Commercial Section of the U.S. Embassy in La Paz (Tel: (591-2)
2430251; Fax: (591-2) 2433710) can provide a list of publications related to
Bolivia, including those published in Bolivia.



11. U.S. AND COUNTRY CONTACTS

Ministry of Foreign Relations and Worship

Lic. Carlos Saavedra Bruno
Minister
Plaza Murillo esq. Ingavi
Tel.: (591-2) 2408293, 2408189
Fax: (591-2) 2408293

Ministry of Government

Dr. Alberto Werner Gasser Vargas
Minister
Av. Arce esq. Belisario Salinas
Tel: (591-2) 2440213 2440114
Fax: (591-2) 2442589

Ministry of National Defense

Lic. Freddy Teodovic Ortiz
Minister
Plaza Abaroa
Tel: (591-2) 2431183 - 2430130
Fax (591-2) 2433159

Ministry of Justice and Human Rights

Dra. Gina Mendez
Minister
Edif. Ministerio de Justicia -El Prado
Tel: (591-2) 2356781 2392982
Fax: (591-2) 2392982

Ministry of Agriculture and Rural Development

Sr. Arturo Liebers
Minister
Av. Camacho, 1471 – Piso 2

Tel: (591-2) 2203980 2367968
Fax: (591-2) 2375919

Ministry of Finance

Dr. Javier Comboni
Minister
Palacio de Comunicaciones Piso 19
Tel: (591-2) 2392220, 2392779
Fax: (591-2) 2359955

Dr. Bruno Guissani
President, National Customs Service
Calle Potosi, 940
Tel: (591-2) 2419307
Fax: (591-2) 2419341

Ministry of Economic Development

Sr. Oscar Farfán Mealla
Minister
Palacio de Comunicaciones, Piso 20
Tel: (591-2) 2356741 375000
Fax: (591-2) 2360534

Ministry without Portfolio for Hydrocarbons

Ing. Fernando Illanes
Palacio de Comunicaciones, Piso 12
Tel: (591-2) 2391354; Fax: (591-2) 2392758

Ministry of the Presidency

Dr. Carlos Sanchez Berzain.
Palacio de Gobierno
Casilla 7832
Tel; (591-2) 22034039; 2202321;
Fax: (591-2) 2203588

Ministry of Education, Culture and Sports

Dr. Oscar Maidana Quisbert
Arce 2147
Casilla 3116
Tel: (591-2) 2440160
Fax: (591-2) 2440376

Ministry of Health

Dr. Javier Torres-Goitia Caballero
Plaza del Estudiante
Tel: (591-2) 2371379
Fax: (591-2) 2492900

Ministry of Labor and Microbusiness

Lic. Jaime Navarro Tardio
Yanachocha esq. Mercado
Tel: (591-2) 2407740
Fax: (591-2) 2406988

Ministry of Agriculture and Livestock

Lic. Arturo Liebers
Camacho 1471
Tel: (591-2) 2203980
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Ministry without Portofolio for Financial Services

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Ministry of Housing and Basic Services

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Please contact the Commercial Library of the U.S. Embassy in La Paz for a complete list of all ranking officials. All phone/fax numbers use country and city code for La Paz (591-2) unless otherwise noted. All addresses are in La Paz unless otherwise noted; "Casilla" means P.O. Box.

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Country Trade Associations/Chambers of Commerce

Camara Americana de Comercio de Bolivia
American Chamber of Commerce of Bolivia
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Carlos Alberto López, President
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Confederacion de Empresarios Privados de Bolivia
(Confederation of Private Entrepreneurs)
Lic. Carlos Calvo, President
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Website: www.cepb.org

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(National Chamber of Commerce)
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Website: www.megalink.com.camara

Camara Nacional de Industria

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Website: www.bolivia-industry.com

Camara Boliviana de la Construcción
(Bolivian Chamber of Construction Companies)
Ing. Roberto Torres Ponce de Leon, President
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www.mweb.unete.com.bo/caboco

Camara Nacional de Minería
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Ing. Saturdino Ramos, President
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(National Assoc. of Medium-sized Mining Firms)
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Camara Agropecuaria del Oriente (CAO)
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Website: www.cao.bo.org

Asociación de Bancos Privados de Bolivia
(Bolivian Private Bankers Association)
(ASOBAN)

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Website: www.asoban.bo

Asociación Nacional de Industriales
Textiles
(National Association of Textile Firms)
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Country Market Research Firms

All market research and consulting
companies are required to register with:

National Chamber of Consulting
Companies
Edificio Los Jardines, Piso 5 Of. 5D
Casilla 8560
Ing. Fernando de la Barra, President
Tel: (591-2) 2117109; Fax: (591-2) 2444266
Website: www.canec.cpm.bo

Commercial Banks

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Santa Cruz, Bolivia
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Banco Mercantil S. A.
Calle Ayacucho esq. Mercado, 277
Casilla 423
La Paz, Bolivia
Tel: (591-2) 2315131; Fax: (591-2) 2311324

Banco Nacional de Bolivia S.A.
Av. Camacho, esq. Colon; Casilla 360
La Paz, Bolivia
Tel: (591-2) 2313232; Fax: (591-2) 2331418

Banco Ganadero S.A.
24 de Septiembre, 110
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Banco Industrial S. A. (BISA)
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Banco de Credito Bolivia S.A.
Calle Colon, 1308; Casilla 907
La Paz, Bolivia
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Citibank N.A.
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Casilla 250
La Paz, Bolivia
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Banco Económico S.A.
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Banco Union
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Banco Do Brasil
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Banco Solidario S.A.
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Inter-American Development Bank
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12. MARKET RESEARCH REPORTS

Computers and Peripherals Sector, April 1995

Telecommunications Industry Sub-Sector Analysis, July 1999

Environmental Legislation, June 1997

Environmental Monitoring and Pollution Control Equipment, June 1997

Power Generation Sector, August, 1999

Hydrocarbons Industrial Sector Analysis, 2002

Mining Industrial Sector Analysis, 2002





13. TRADE EVENT SCHEDULE

“Expocruz” - Santa Cruz International Trade Fair - September 18 – 28, 2003

“FIC” Cochabamba International Trade Fair – April 24 – May 4, 2003

