U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

**Executive Summary**

Investing in Bolivia is challenging for both domestic and international companies due to a general lack of transparency, a slow and cumbersome legal system, corruption, and a regulatory system in transition. The investment climate in Bolivia receives a low ranking in independent international indices mainly because Bolivia awaits full implementation of the more than 100 laws and regulations needed to bring the country's legal framework into agreement with the nation's Constitution.

The latest Constitution, passed in 2009, stipulates that Bolivian investment will be prioritized over foreign investment (Article 320); economic activity cannot damage the collective good (Article 47); the right to private property -- as long as it serves a social function and is not against the collective interest (Article 56); transferring national resources that are the "social property of the Bolivian people" in favor of companies, people, or foreign States can be considered an act of treason (Article 125); and Bolivian Constitutional law supersedes international law and treaties (Article 410) (the exception is in the case of human rights treaties). The Bolivian government has signaled that its upcoming legislative agenda will include new mining, hydrocarbons, electricity and arbitration regulations. Such regulations have been in the works for years, with frustratingly little progress. However, there is hope, as a new investment law was passed in early 2014 (Law 633).

While the investment law suffers from a lack of specificity and any mention of arbitration, many Bolivians hope its passage indicates a change in the government's attitude towards investment. Aspects of the law that may improve the investment climate are that it recognizes foreign investment (Article 4); it recognizes legal security for national and foreign investment (Article 3); says that the government will establish incentives for investment in key sectors within three months; and an arbitration law will be enacted within three months.

Potential investors in Bolivia should conduct very careful due diligence before settling on an investment. Investors cannot rely on the Bolivian judicial system to settle disputes, as resolution of cases is slow and decisions can be arbitrary. The Government of Bolivia will not recognize third country arbitration in any of its commercial agreements, so potential investors working directly with the government should consider how disputes would be resolved if they arise. Companies in Bolivia are subject to arbitrary requirements such as the 2013 announcement of the requirement to provide a second Christmas bonus, as well as annual, retroactive wage increases.

Despite the real challenges to investing in Bolivia, investors who have adequately assessed the risks can find many profitable opportunities. With real GDP growth of 6.7% in 2013, Bolivia experienced an 11% increase in nominal per capita GDP; similar growth is projected for 2014. This increased wealth led to a 30% increase in imports from the U.S. Sectors such as heavy construction equipment, hydrocarbon and mining machinery, and telecommunications have all benefitted from Bolivia's strong economy.

## 1. Openness to and Restrictions on Foreign Investment

Bolivia remains generally open to foreign direct investment. The new investment law guarantees equal treatment for national and foreign firms, however it also stipulates that public investment has priority over private (both national and foreign) and that the public sector will define in which sector private investment is required.

U.S. companies interested in investing in Bolivia should note that Bolivia has abrogated the Bilateral Investment Treaties (BIT) it signed with the United States and a number of other countries. The Bolivian Government claimed the abrogation of the BIT was necessary to come into compliance with its new constitution. Companies that invested under the U.S. BIT will be covered until June 10, 2022, but investments made after June 10, 2012 are not covered.

An important change in the Constitution that directly affects possible foreign investments is that Bolivia no longer recognizes international arbitration forums (Article 320). In case of controversy, the parties cannot settle the dispute in an international court. However, the legal standard of implementation is still uncertain because there is no implementing law to accompany the Constitutional framework.

Article 320 of the Bolivian Constitution states the following regarding foreign investments in Bolivia:

I. Bolivian investment takes priority over foreign investment.
II. Every foreign investment will be subject to Bolivian jurisdiction, laws, and authorities, and no one may invoke a situation for exception, nor appeal to diplomatic claims to obtain more favorable treatment.
III. Economic relations with foreign states or enterprises shall be conducted under conditions of independence, mutual respect and equity. More favorable conditions may not be granted to foreign states or enterprises than those established for Bolivians.
IV. The state acts independently in all decisions on internal economic policy, and will not accept demands or conditions imposed on this policy by states, banks or Bolivian or foreign financial institutions, multilateral entities or transnational enterprises.
V. Public policies will promote internal consumption of products made in Bolivia.

Article 262 of the Constitution states the following regarding foreign investments near the border:

> "The fifty kilometers from the borderline constitute the zone of border security. No foreign person, individual, or company may acquire property in this space, directly or indirectly, nor possess any property right in the waters, soil or subsoil, except in the case of state necessity declared by express law approved by two thirds of the Plurinational

> Legislative Assembly. The property or the possession affected in case of non-compliance with this prohibition will pass to the benefit of the state, without any indemnity."

Part of the stated purpose of the Bolivian judicial system is to uphold the sanctity of contracts. In practice, however, the judicial system faces a huge backlog of cases, is short staffed, and has problems with corruption. Swift resolution of cases, either initiated by investors or against them, is unlikely. Also, the Marcela Quiroga Anti-Corruption law of 2010 makes companies and their signatories criminally liable for breach of contract with the GOB, and can be applied retroactively. Authorities can use this threat of criminal prosecution to force settlement of disputes. Commercial disputes can often lead to criminal charges. Cases are processed slowly, and suspects can be held legally for 18 months without formal charge as a case is investigated and for 36 months before their case is resolved by a judge. Foreigners are more likely to be deemed a flight risk than Bolivian nationals and, as such, may not receive bail in lieu of pretrial incarceration. Foreigners considering investing in Bolivia would do well to review our Human Rights Report as background on the judicial system, labor rights and other important issues.

With the exception of the broadcasting sector, there is no requirement that Bolivian nationals own shares of companies, or that foreign equity be reduced over time. There are some areas where investors may judge that special treatment is being given to their Bolivian competitors, for example in key sectors where private companies compete with state owned enterprises. Additionally, foreign investment is not allowed in matters relating directly to national security, and only the GOB can own natural resources.

The Constitution specifies that all hydrocarbon resources are the property of the Bolivian people and that the state will assume control over their exploration, exploitation, industrialization, transport, and marketing (Articles 348 and 351). The state-owned and operated company, *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB) manages hydrocarbons transport and sales and is responsible for ensuring that the domestic market demand is satisfied at prices set by the hydrocarbons regulator before allowing any hydrocarbon exports. YPFB benefitted from government action in 2006 that required operators to turn over all of their production to it and to sign new contracts that gave YPFB control over the distribution of gasoline, diesel, and liquid petroleum gas (LPG) to gas stations. The law allows YPFB to enter into joint venture contracts for limited periods with national or foreign individuals or companies wishing to exploit or trade hydrocarbons or their derivatives. For companies working in the industry, contracts are negotiated on a service contract basis and there are no restrictions on ownership percentages of the companies providing the services.

The Constitution (Article 366) also specifies that every foreign enterprise that conducts activities in the hydrocarbons production chain representing Bolivia will submit to the sovereignty of the state, and to the laws and authority of the state. No foreign court case or foreign jurisdiction will be recognized, and foreign investors may not invoke any exceptional situation for international arbitration, nor appeal to diplomatic claims.

According to the Constitution, no concessions or contracts may transfer the ownership of natural resources or other strategic industries to private interests. The GOB needs to renegotiate more than 10,500 commercial agreements related to forestry, mining, telecommunications, electricity, and water services in order to comply with these regulations. Since the new mining law and other sector laws that would outline the associated requirements have not yet been approved, the government issued Supreme Decree 726 in December 2010, which allows private companies temporary authorization to exploit natural resources under the old regulations until new laws are enacted.

The Telecommunications, Technology and Communications General Law (Law 164, Article 28) stipulates that the licenses for radio broadcasts will not be given to foreign persons or entities. Further, in the case of broadcasting associations, the share of foreign investors cannot exceed 25% of the total investment, except in those cases approved by the state or by international treaties.

Table 1

| **Measure** | **Year** | **Index or Rank** | **Website Address** |
|---|---|---|---|
| TI Corruption Perceptions index | 2013 | (106 of 177) | http://cpi.transparency.org/cpi2013/results/ |
| Heritage Foundation's Economic Freedom index | 2014 | (158 of 178) | http://www.heritage.org/index/ranking |
| World Bank's Doing Business Report "Ease of Doing Business" | 2013 | (162 of 189) | http://doingbusiness.org/rankings |
| Global Innovation Index | 2013 | (95 of 142) | http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener |
| World Bank GNI per capita | 2012 | $2,220.00 | http://data.worldbank.org/indicator/NY.GNP.PCAP.CD |

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less.

A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards.
Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf"

## 2. Conversion and Transfer Policies

Currency is freely convertible at Bolivian banks and exchange houses. The official exchange system is described as an "incomplete crawling peg." Under this system, the exchange rate is fixed, but undergoes micro-readjustments which are not pre-announced to the public. There is a spread of ten basis points between the exchange rate for buying and selling US dollars. The Peso Boliviano (Bs) has remained fixed at 6.96 Bs/$1 for selling and 6.86 Bs/$1 for buying since October 2011. The parallel rate closely tracks the official rate, suggesting the market finds the Central Bank's policy acceptable. In order to avoid distortions in the exchange rate market, the Central Bank requires all currency exchange to occur at the official rate ±1 basis point.

The banking law (#1488, 1993) establishes regulations for foreign currency hedging and authorizes banks to maintain accounts in foreign currencies. A significant, but dropping, percentage of deposits are denominated in U.S. dollars (currently less than 30% of total deposits). Bolivian law currently allows repatriation of profits, with a 12.5% withholding tax. However, a provision of the 2009 Constitution (Article 351.2) requires reinvestment within Bolivia of private profits from natural resources. Until specific implementing legislation is passed, it is unclear how this provision will be applied. In addition, all bank transfers in U.S. dollars within the financial system and leaving the country must pay a Financial Transaction Tax (ITF) of .03%. This tax applies to foreign transactions for U.S. dollars leaving Bolivia, not to money transferred internally.

Any banking transaction above $10,000 in one operation or in total in three consecutive days requires a form stating the source of funds. In addition, any hard currency cash transfer from or to Bolivia equal to or greater than $10,000 must be registered with the customs office. Amounts between $50,000 and $500,000 require authorization by the Central Bank and quantities above $500,000 require authorization by the Ministry of the Economy and Public Finance. The fine for underreporting any cash transaction is equal to 30% of the difference between the declared amount and the quantity of money found. The reporting standard is international, but many private companies in Bolivia find the application cumbersome due to the requirement of the GOB for detailed transaction breakdowns rather than allowing for blanket transaction reporting.

Administrative Resolution 398/10 approved in June 2010 forces Bolivian banks to reduce their investments and/or assets outside the country to an amount that does not exceed 50% of the value of their net equity.

The Central Bank charges a fee for different kinds of international transactions related to banking and trade. The current list of fees and the details can be found at http://www.bcb.gob.bo/webdocs/2011/Normativa/Resoluciones/resolucion159.pdf

Of the less favorable laws for foreign investments, the Tax Reform (Law 843) is the one that directly affects the transfer of all money to foreign countries. All companies are charged 25% tax on profits under the Tax Reform Law, but when a company sends money abroad, the presumption of the Bolivian Tax Authority is that 50% of all money transmitted is profit. Under this presumption, the 25% tax is applied to half of all money transferred abroad, whether actual or only presumed profit. In practical terms it means there is a payment of 12.5% as a transfer tax.

## 3. Expropriation and Compensation

The Bolivian Constitution allows the government to expropriate property for the public good or when the property does not fulfill a “social purpose" (Article 57). In the case of land, this social purpose is understood as "sustainable land use to develop productive activities, according to its best use capacity, for the benefit of society, the collective interest and its owner." In all other cases where this article has been applied, the Bolivian government has no official definition of collective interest and makes decisions on a case-by-case basis. Noncompliance with the social function of land, tax evasion, or the holding of large acreage is cause for reversion, at which point the land passes to "the Bolivian people" (Article 401). In cases where the expropriation of land is deemed the necessity of the state or for the public good, such as when building road or laying electricity lines, payment of just indemnification is required, and the GOB has paid for the land taken in such cases. However, in cases where there is non-compliance, or accusations of such, the GOB is not required to pay for the land because the land title reverts to the state.

The Constitution also gives workers the right to reactivate and reorganize companies in the process of bankruptcy, insolvency, or liquidation, or those closed in an unjust manner, into employee-owned cooperatives (Article 54). The mining code of 1997 (last updated in 2007) and hydrocarbons law of 2005 both outline procedures for expropriating land to develop underlying concessions.

The Bolivian government has signaled its intent to nationalize all companies that were previously privatized in the 1990s under the process of capitalization. In this process, state-owned companies were privatized up to a 50% interest (the state controlled the other 50% interest). Thus far, the government nationalized all of hydrocarbons transport and sales (private and foreign state owned firms remain in production and services), a majority of the electricity sector, the biggest telecommunications company, a tin smelting plant, and a cement plant. To take control of these companies the government forced private entities to sell shares to the government, but often at below market prices. Some of the affected companies have cases pending with international arbitration bodies.

There are still some former state companies that are under private control, including the railroad, and some electricity transport and distribution companies. The first company not previously owned by the government was nationalized in December of 2012. The nationalization process has not discriminated by country; some of the countries affected were the United States, France, the UK, Spain, Argentina, and Chile, amongst others. In numerous cases the Government of Bolivia has nationalized private interests in order to appease social groups protesting within Bolivia. Although the 2014 investment law does not prohibit nationalization of companies, President Morales has signaled in the press that the new law will curb future nationalizations.

## 4. Dispute Settlement

Property and contractual rights are enforced in Bolivian courts, but the legal process is time consuming and may be subject to political influence and corruption. Although many of its provisions have been modified and supplanted by more specific legislation, Bolivia’s Commercial Code (Law 14379, 1977) continues to provide general guidance for commercial activities. Still, the Commercial Code is irregularly applied and may soon be irrelevant since a new code may be drafted during 2014 that could significantly change the business environment in Bolivia. The Constitution has precedence over international law and treaties (Article 410), and stipulates that the state will be directly involved in resolving conflicts between employers and employees (Article 50).

The status of international arbitration is unclear due to conflicting Bolivian law. Previous investment contracts between the government of Bolivia and the international companies granted the right to pursue international arbitration in all sectors and states that international agreements, such as the Convention on the Settlement of Investment Disputes between States and Nationals of Other States and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, must be honored. It also mandates the recognition of foreign decisions and awards and establishes procedures for the Supreme Court’s execution of decisions. However, these rights conflict with the new Constitution issued on 2009, which states (Article 366) that arbitration is not recognized in any case and cannot proceed under any diplomatic claim, and specifically limits foreign companies' access to international arbitration in the case of conflicts with the government. It also states that all bilateral investment treaties must be renegotiated to incorporate relevant provisions of the new Constitution. The Investment Law of 2014 states that arbitration provisions must be drafted within three months, as of this time they have not been completed.

In November 2007, Bolivia became the first country ever to withdraw from the International Center for the Settlement of Investment Disputes (ICSID). In August 2010, the Bolivian Minister of Legal Defense of the State said that the Bolivian government would not accept ICSID rulings in the cases brought against them by the Chilean company Quiborax and Italian company Euro Telcom. However, the government of Bolivia agreed to pay $100 million to Euro Telecom as result of a negotiation due to the nationalization of the Italian company, and this agreement was ratified by a Supreme Decree 692 on November 3, 2010. Additionally, a British company that owned the biggest electric generation plant in Bolivia (Guaracachi) won an arbitration case against Bolivia for 41 millions of dollars.
In another case, a Canadian mining company with significant U.S. interests failed to complete an investment required by its contract with the state-owned mining company. The foreign company asserts it could not complete the project because the state mining company did not deliver required property rights. The foreign company entered into national arbitration (their contract does not allow for international arbitration) and in January 2011, the parties announced a settlement of $750,000, which the company says will be used to pay taxes, employee benefits, and pending debts -- essentially leaving them without compensation for the $5 million investment they had made. They also retained responsibility for future liabilities.

Regarding bankruptcy, the average time to complete the procedures to close a business in Bolivia is 20 months. The Bolivian Commercial Code includes (Article 1654) three different categories of bankruptcy:

1. No Fault Bankruptcy - when the owner of the company is not directly responsible for its inability to pay its obligations.
2. At- Fault Bankruptcy - when the owner is guilty or liable due to the lack of due diligence to avoid harm to the company.

3. Bankruptcy due to Fraud - when the owner intentionally tries to cause harm to the company.

If a company declares bankruptcy, the company must pay employee benefits before other obligations.

In general, the application of laws related to commercial and bankruptcy are inconsistently applied and charges of corruption are common. Foreign creditors often have little redress beyond Bolivian courts, and judgments are generally more favorable to local claimants versus international ones. Workers have broad ranging rights to recover pay and benefits from foreign firms in bankruptcy, and criminal actions can be taken against individuals the Bolivian government deems responsible for failure to pay in these matters.

**5. Performance Requirements and Incentives**

Article 14 of the new investment law requires technology transfer from foreign companies operating in Bolivia to Bolivian workers and institutions. The law specifies that Bolivians should work in operational, administrative, and executive offices of investing companies. Also, a company investing in Bolivia should donate equipment and machinery to universities and technical schools in the same area as the investment, and that the investing company should conduct research activities that will find solutions that contribute to public welfare.

Article 2 of the investment law stipulates that the government can incentivize investment in certain sectors that contribute to the economic and social development of the country.

It is important to note that Bolivia is a member of the World Trade Organization and has not registered any objections to the Trade Related Investment Measures under WTO agreements. With regard to requirements:

- Bolivian labor law requires businesses to limit foreign employees to 15% of their total work force and requires that such foreign hires be part of the technical staff. These workers require a work visa that can be obtained in any Bolivian consulate, and in the case that they work for a Bolivian company, both should also contribute to the Bolivian Pension System (Pension Law Article 104.1)

- Supreme Decree 27328 regulates national and local level government procurement, which give priority to national sourcing. If an item required is not produced in Bolivia, buying decisions are made based on price. Supreme Decree 28271 (Article 10), establishes the following preference margins for sourcing with Bolivian products:

    - Except for national tenders, 10% preference margin for Bolivian products regardless of the origin of materials.
    - For national public tenders, if the cost of Bolivian materials represents more than 50% of the total cost of the product, the producers receive a 10% preference margin over other sellers.

- In national and international public tenders, if Bolivian inputs and labor represent more than the 50% of the total cost of the product, the seller receives a 25% preference margin over other sellers. If the Bolivian inputs and labor represent between 30% and 50% of the total cost of the product, the seller receives a 15% preference margin over other sellers.

Under the Bolivian Criminal Code (Article 226), it is a crime punishable by six months to three years in prison; to raise or lower the price of a product based on false information, interests, or actions. It is also a crime to hoard or conceal products in order to raise prices. The Bolivian government has aggressively applied these provisions in a number of cases, applying regulations that allow them to request accounting records and audit companies' financial actions looking for evidence of speculation.

The Constitution (Article 41) states that the Bolivian state will guarantee access to prescription drugs and that property and commercial rights cannot restrict this right. Although this provision has not yet been written into law, it is likely to affect Intellectual Property Rights. At present, registration of prescription drugs is regulated by Law (#1737), which establishes control over the production, importation, commercialization, quality control, selection, purchase, distribution, prescription, and sale of medicines through an obligatory sanitary registry, which is valid for five years. After five years, renewed registration of a drug can be requested from the Ministry of Health through DINAMED (the *Dirección de Medicamentos y Tecnología en Salud)*. The registry can be canceled or suspended if the requirements and technical standards mentioned above are not fulfilled.

Regarding granting visas to business executives and investors, Bolivian legislation has no restrictions and the delineated cost is $1000. However, the process is in no way transparent and is subject to long delays, lack of information, and corruption.

**6. Right to Private Ownership and Establishment**

The Constitution recognizes the right for both foreign and domestic private entities to establish and own business enterprises. Article 52, Paragraphs 1-2 state:

I. The right to free business association is recognized and guaranteed.
II. II. The state guarantees the acknowledgement of the legal personality of business associations, as well as of the democratic organizational business forms, in accordance with their own by-laws.

There are several markets that have restrictions on foreign investment. For example, the Telecommunications, Technology and Communications General Law (Law 164, Article 28) stipulates that the licenses for radio broadcasts will not be given to foreign persons or entities. Further, in the case of broadcasting associations, the share of foreign investors cannot exceed 25% of the total investment, except in those cases approved by the state or by international treaties.

The right of private entities to freely establish, acquire, and dispose of interest in business enterprises is recognized by the Bolivian Commercial Code (Article 6.3) that states that the purchase or sale of a mercantile company or commercial establishment of shares, quotas, or any parts of interest of equity are considered part of the commercial process.

For more information on opening a business in Bolivia, see the World Bank Doing Business report at http://www.doingbusiness.org/data/exploreeconomies/bolivia/.

## 7. Protection of Property Rights

The Constitution stipulates the right to private property as long as it serves a social function and is not against the collective interest (Articles 56 and 57). The Constitution specifically allows expropriation in cases of public necessity, or where property is not serving a public function. Revisions that were made to the Agrarian Law (#1715, 1996) in November 2006 reflect this concept. The law was modified (#3545) to stipulate that property deemed unproductive in bi-annual reviews by the National Institute of Agrarian Reform (*Instituto Nacional de Reforma Agraria,* or INRA) will revert to the state; the modification placed limits on landowners' legal recourse in such cases. This modification has limited banking interest in long term agricultural investments due to uncertainty over possible future confiscation. In early December, the lower house of the Bolivian congress approved a law granting a five year hiatus for INRA reviews; although expected to be approved the law has yet to be passed by the Senate or signed into law by President Morales.

The Constitution also grants formal, collective land titles to indigenous communities (Article 394.3) that originally owned those lands and states that public land will be granted to indigenous farmers, intercultural indigenous communities, afro-Bolivians, and farmer communities which do not possess them or for whom lands are insufficient (Article 395). Under law 3545, passed in 2006 and still valid, the Government will not grant public lands to non-indigenous people or agriculture companies. The Mother Earth Integral Development Law to Live Well (Mother Earth Law, or Law #300) passed in October 2012 and specifies that the State controls access to natural resources, particularly with regards to foreign use. In action, the law limits access to land, forest, water and other natural resources by foreigners in Bolivia. The law, though signed, is likely to be reviewed before implementing regulations are enacted.

The Office of Property Registry oversees the acquisition and disposition of land, real estate, and mortgages. Mortgages are easy to obtain. It takes at most 60 days to obtain a standard loan. However, Bolivia lacks an adequate system of title verification and challenges to land titles are common. Competing claims to land titles and the absence of a reliable dispute resolution process create risk and uncertainty in real property acquisition. Illegal occupation of rural private property is an ongoing problem and a 52 land invasions were reported by the Association of Oilseed Producers (ANAPO) in 2012.

The Mother Earth Law recognizes the intellectual property rights of indigenous peoples, the Afro-Bolivian community, and Bolivian migratory groups related to ancestral knowledge and biodiversity. Included in these rights are those related to the medicinal properties of plants and animals found in the Bolivian Amazon and other regions within Bolivia.

Bolivian copyright law (#1322, 1992) protects the rights of Bolivian authors, foreign authors domiciled in Bolivia, and foreign authors published in Bolivia. Foreigners not domiciled in Bolivia enjoy protection to the extent provided in international conventions and treaties to which Bolivia is a party. International copyrights are respected even when they have not been registered in Bolivia. Protection extends to literary, artistic, and scientific works for the lifetime of the author plus 50 years and includes the exclusive right to copy or reproduce works; to revise, adapt, or prepare derivative works; to distribute copies of works; and to publicly communicate works. Although the exclusive right to translate works is not explicitly granted, the law does prevent unauthorized adaptation, transformation, modification, and editing. The law also provides protection for software and databases. The film and video law (#1302, 1991) contains elements of IPR protection, establishing a National Movie Council (CONACINE) to oversee the domestic film industry and requiring that all films and videos shown or distributed in Bolivia be registered with the organization.

Additionally, as a member of the Andean Community (CAN), a customs union comprising Bolivia, Colombia, Ecuador and Peru, Bolivia is also a party to several legally binding agreements signed by the customs union, called "Decisions". In Bolivia, only the Constitution takes supremacy to CAN Decisions. CAN Decision 351 grants copyright protection to "the authors of and other owners of rights in intellectual works in the literary, artistic or scientific field, whatever their nature or form of expression and regardless of their literary or artistic merit or purpose."

While the Constitution specifies that the state will register and protect intellectual property, including "collective intellectual property rights," it also explicitly states that "the right to access to medicines may not be restricted by intellectual property rights" (Article 41.2). International patents are not respected in Bolivia unless the patent is separately registered locally. However, The National Intellectual Property Service (SENAPI) takes international patents into consideration during the registration process.

The existing copyright law recognizes copyright infringement as a public offense and the Bolivian Criminal Code provides for the criminal prosecution of IPR violations. However, the enforcement of intellectual property rights remains insufficient, and Bolivia remains on the U.S. Trade Representative’s Special 301 Watch List. Video, music, and software piracy rates are among the highest in Latin America, with the International Intellectual Property Alliance estimating that piracy levels have reached 100% for motion pictures and over 90% for recorded music.

In 2013 Bolivia passed a law requiring Bolivian institutions to use only open source software. Government agencies need to get special permission to acquire any branded software.

Bolivia belongs to the World Intellectual Property Organization and is a signatory to the Nice Agreement and the Paris, Bern, and Geneva Conventions. SENAPI reviews patent registrations for form and substance and publishes notices of proposed registrations in the Official Gazette. If there are no objections within 30 working days, the organization grants patents for a period of 20 years. The registration of trademarks parallels that of patents. Once obtained, a trademark is valid for a 10-year renewable period. It can be cancelled if not used within three years of the date of grant.

Bolivia has no laws protecting trade secrets. However, Bolivia respects international conventions and they are still in effect and protect foreigners. Additionally, it has signed an Andean Community (CAN) agreement, Decision 486, which deals with industrial property (trade secrets) and is legally binding in Bolivia. The most relevant sections of Decision 486 are:

I. Each Member Country shall accord the nationals of other members of the Andean Community, the World Trade Organization, and the Paris Convention for the Protection of Industrial Property, treatment no less favorable than it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in articles 3 and 5 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and in article 2 of the Paris Convention for the Protection of Industrial Property.
Member Countries may also accord such treatment to the nationals of a third country under the terms of their respective domestic legislation.

IV. The protection granted by this Decision shall accrue to all literary, artistic and scientific works that may be reproduced or disclosed by any known or future means.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Leah Pillsbury PillsburyLH@state.gov

Local lawyers list:
http://photos.state.gov/libraries/bolivia/22433/ACSPDF/AttorneysListMASTER%20LIST.pdf

## 8. Transparency of the Regulatory System

The lack of new implementing laws to the 2009 Constitution creates legal discrepancies between constitutional guarantees and the dated policies currently enforced. All of this creates an uncertain investment climate. Adding to the uncertainty, the political agenda can determine what laws will be issued according to the needs of the moment.

The tax code has not changed, and will probably not change in the near future; however, the government may establish new taxes for what it considers strategic sectors. The government is also in discussions regarding a tax increase on profits, focusing on financial institutions that generate very high profits.

Environmental regulations can slow projects due to the constitutional requirement of "prior consultation" for any projects that could affect local communities. This has affected projects related to the exploitation of natural recourses, both renewable and nonrenewable, as well as public works projects. Issuance of environmental licenses has been slow and subject to corruption.

In 2010, the new pension fund was enacted; it increased the contributions that companies have to pay from 1.71% of payroll to 4.71% total.

Formal bureaucratic procedures are lengthy, difficult to manage and navigate, and considered by some debilitating. Many firms complain that a lack of administrative infrastructure, corruption, and political motives impede their ability to perform easily. The one exception is when registering a new company in Bolivia. Once a company submits all of the necessary documentation to FUNDEMPRESA, the Bolivian entity charged with registration of new enterprises, the process takes between 2-4 working days.

There is no established public comment process allowing social, political, and economic interests to provide advice and comment on new laws and decrees. However, the government generally -- but not always -- discusses the draft of a law with the relevant sector. For example, for the proposed mining law the government set up a committee, which includes representatives of the Ministry of Mining, the private sector and representatives of the state companies. By contrast, laws such as the enacted pension law were not public until the government issued a final version. Most accounting regulations follow international principles, but they do not always fully conform to international standards. Only the biggest private companies and a few government institutions such as the Central Bank and the Banking Supervision Authority have transparent and consistent accounting systems.

Article 308 of the Constitution establishes that the state recognizes, respects, and protects private initiatives that contribute to economic and social development and the strengthening of the economic independence of the country. In addition, as mentioned in the section on "Right to Private Ownership and Establishment," the Constitution guarantees free enterprise and full exercise of business activities as regulated by law.

## 9. Efficient Capital Markets and Portfolio Investment

Bolivian banks have developed the capacity to adjudicate credit risk and evaluate expected rates of return in line with international norms. The banking sector is stable and healthy with delinquency rates at less than 2%.

On 2013 the financial services bill was signed into law. This new law enacted major changes to the banking sector, including deposit rate floors and lending rate ceilings, mandatory lending allocations to certain sectors of the economy and an upgrade of banks' solvency requirements in line with the international Basel standards. The law also requires banks to spend more on improving consumer protection, as well as providing increased access to financing in rural parts of the country.

Credit is now allocated on government established rates for productive activities, but foreign investors may find it difficult to qualify for loans from local banks due to the requirement that domestic loans be issued exclusively against domestic collateral. Since commercial credit is generally extended on a short-term basis, most foreign investors prefer to obtain credit abroad. Most Bolivian borrowers are small- and medium-sized enterprises (SMEs).

Established Bolivian firms may issue short- or medium-term debt in local capital markets, which act primarily as secondary markets for fixed-return securities. Bolivian capital markets have sought to expand their handling of local corporate bond issues and equity instruments. Over the last few years, several Bolivian companies and some foreign firms have been able to raise funds through local capital markets. However, the stock exchange is small and is highly concentrated in bonds and debt instruments (more than 95% of transactions). The amount of total transactions per year generally hovers around one-third of the GDP.

Since 2008, the financial markets show a high level of liquidity, which has led to historically low interest rates. This situation is expected to continue for the near future, despite the strains in the international financial markets. The Bolivian financial system is not well integrated with the international system and the presence of foreign banks is very low, with only one external bank amongst the top ten banks of Bolivia.

In October 2012 Bolivia returned to global credit markets for the first time in nearly a century, selling $500 million worth of 10-year bonds at the New York stock exchange. The sovereign bonds were offered with an interest rate of 4.875% and demand for the bonds well surpassed the offer, reaching $1.5 billion. U.S. financial companies Bank of America Merrill Lynch, and Goldman Sachs were the lead managers of the deal. In 2013 Bolivia sold another $500 million at 5.95% for ten years. HSBC, Bank of America, and Merrill Lynch were the lead managers of the deal. According to the Ministry of Economy, the resources gained from the sales will be used to finance infrastructure projects.

The Bolivian banking system is small, composed of 12 banks, 5 private financial funds, and 33 savings and credit cooperatives. Of the total number of personal deposits made in Bolivia through December 2013 ($15.4 billion), the banking sector accounted for 81%. Similarly, of the total loans and credits made to private individuals ($12.4 billion) through December 2013, 78% were made by the banking sector, while private financial funds and the savings and credit cooperatives accounted for the other 22%.

In September 2010, the Bolivian government bought the local private bank *Banco Union* as part of a plan to gain control of part of the financial market. Banco Union is medium-sized, with a share of 9% in total national credits and 11% of the total deposits; its principal activity is managing public sector and GOB accounts. The ownership of Banco Union by the Bolivian government was illegal until December 2012, when the GOB enacted the State Bank Law, allowing for state participation in the banking sector.

In 2007, the government created a Productive Development Bank to boost the production of small, medium-sized and family-run businesses. The bank was created to provide loans to credit institutions who meet specific development conditions and goals, for example by giving out loans to farmers, small businesses, and other development focused investors. The loans are long term and have lower interest rates than private banks can offer in order to allow for growth of investments and poverty reduction.

There is no strong evidence of "cross-shareholding" and "stable shareholding" arrangements used by private firms to restrict foreign investment, and the new Constitution forbids monopolies and supports antitrust measures. In addition, there is no evidence of hostile takeovers (other than GOB nationalizations).

**10. Competition from State-Owned Enterprises (SOEs)**

The Bolivian government is actively expanding the state's role in the economy. Actions include re-nationalization in key sectors, establishment of state-owned enterprises (SOEs), and passage of laws and regulations that stipulate state ownership of natural resources.

In recent years, the Bolivian government has re-nationalized, by obtaining a controlling stake, a number of private entities that were formerly public enterprises prior to the 1990s. These include Bolivia's largest tin mine, a smelting plant, the largest telecommunications company, the gas production and transport industry, hydroelectric and thermoelectric plants, and a cement company.

Rather than sweeping nationalizations, the GOB has set up companies in sectors it considers vital to the national interest and social well-being, and has stated that it plans to do so in every sector it considers strategic or where there is either a monopoly or oligopoly. Areas possibly affected in the next year include the cement industry, banking sector (due to the 2010 acquisition of *Banco Union*), and road construction (in 2012 a GOB controlled construction company was created and is run by the Bolivian military). Many of these public companies are less efficient than their private counterparts.

At present, the Bolivian government owns and operates more than fifty businesses including a sugar factory, an airline, a supermarket chain, a packaging plant, a cement plant, a construction company, paper and cardboard factories, and milk and nut factories. In 2005, income from state-owned business in Bolivia represented only a fraction of a percent of Gross Domestic Product (GDP). As of 2013, public sector contribution to GDP (including SOEs, investments, and consumption of goods and services) has risen to near 40% of GDP.
Each state-owned company is run by a government-appointed Board of Directors. Each director represents a ministry, and some are informally obligated to consult with government officials for decision-making purposes. The general manager is usually appointed by Supreme Resolution. Private sector entities complain that public companies generate subsidized, unfair competition with the existing private sector. There is currently no law specifying preferential treatment for state-owned businesses, though industry experts anticipate a law on public enterprises that clarifies roles within the coming year.

Due to the lack of a specific law defining how state-owned companies are managed, some nationalized companies in key sectors like hydrocarbons, electricity, and communications, continue to function as private companies. This allows these firms to pay higher salaries to technicians and executives, avoiding the GOB limitations for public institutions, and to avoid bureaucracy in the procurement process because they do not have to comply with Government public tendering requirements.

The largest SOEs are able to acquire credit from the Central Bank at very low interest rates and convenient terms. Some private companies complain that it is impossible for them to compete with this financial subsidy. Moreover, SOEs appear to benefit from easier access to licenses, supplies, materials and land; however, there is no law specifically providing SOEs with preferential treatment in this regard.

Budget constraints have not been a problem for SOEs. GOB budget surpluses over the past six years, as well as financing from the Central Bank, have enabled public companies to have large budgets. Many SOEs have difficulty implementing their budgets, with the implementation rate around 70% for 2011. According to the Constitution, all SOEs are required to publish an annual report and are subject to financial audits. Additionally, SOEs are required to present an annual testimony in front of civil society and social movements, a practice known as social control.

Bolivia does not have a sovereign wealth fund.

## 11. Corporate Social Responsibility (CSR)

While there is a general awareness of corporate social responsibility amongst both producers and consumers in Bolivia, consumer decisions are rarely made based on corporate practices or social benefits. Because the Bolivian Constitution stipulates that economic activity cannot damage the collective good (Article 47), CSR activities are generally looked upon favorably by the government of Bolivia.

Though Bolivia is not part of the OECD, it has participated in several Latin American Corporate Governance Roundtables since 2000. Neither the government of Bolivia nor its organizations use the OECD Guidelines for CSR. Instead, Bolivian companies and organizations are focused on trying to accomplish the UN's Millennium Development Goals, and they use the Global Reporting Initiative (GRI) methodology in order to show economic, social and environmental results. While the Bolivian government, private companies, and non-profits are focused on the UN's Millennium Development Goals, only a few private companies and NGOs focus on following the UN standard ISO 26000 guidelines and methodologies. Another methodology with wide acceptance in Bolivia is the one developed by ETHOS Institute, which provides measurable indicators accepted by PLARSE (Programa *Latinoamericano de Responsabilidad Social Corporativa*, the Latin American Program for CSR).

Bolivia has laws that regulate aspects related to CSR practices, but they are rarely enforced by the Bolivian authorities. Article 8 of the Bolivian constitution promotes a nation of "common well-being, responsibility, social justice, distribution and redistribution of the products and social assets, to live well", but even the GOB does not fulfill the regulations focused on accomplishing these objectives.

The 1942 General Labor Law is the basis for employment rights in Bolivia, but this law has been modified more than 2,000 times via 60 supreme decrees made since 1942. As a result of these modifications, the General Labor Law has become a complex web of regulations that is difficult to enforce. An example of the lack of enforcement is the Comprehensive System for Protection of the Disabled (Law 25689) which stipulates that at least 4% of the total work force in public institutions, state owned enterprises, and private companies should be disabled. Neither the public nor private sectors are close to fulfilling this requirement, and most buildings lack even basic access modifications to allow for disabled workers.

In support of consumer protection rights, the Vice ministry of Defense of User and Consumer Rights was created in 2009 (Supreme Decree 29894) under the supervision of the Ministry of Justice. This same year the Consumer Protection Law (Supreme Decree 0065) was enacted, which gave the newly created Vice Ministry the authority to request information, verify and follow up on consumer complaints. Though the Vice-ministry has yet to report on its activities, an example of its work can be seen in local airports and bus stations, where customers can make a complaint on service or other matters to a representative of the Vice-ministry and receive compensation from the transport company if deemed appropriate.

The new Mother Earth Law (Law 071) approved in October of 2012, promotes CSR elements as part of its principles (Article 2), such as collective good, harmony, respect and defense of rights. The Ministry of Environment and Water is in charge of overseeing the implementation of this law, but the implementing regulations and creation of new institutions to enforce this law are still in process.

Despite Bolivia promoting the development of CSR practices in its laws, the government gives no advantage to businesses that implement these practices. Instead, businesses implement CSRs in order to gain the public support necessary to pass the prior consultation requirements or strengthen their support when mounting a legal defense against claims that they are not using land to fulfill a socially valuable purpose, as defined in the Community Land Reform laws (# 1775 and #3545).

In April 2009, the Bolivian government reorganized the supervisory agencies of the government (formerly *Superintendencias*) to include social groups, thus creating the "Authorities of Supervision and Social Control" (Supreme Decree 0071). This new authority now controls and supervises the following sectors: telecommunications and transportation; water and sanitation; forests and land; pensions; electricity; and enterprises. Each sector has an Authority of Supervision and Social Control assigned to its oversight, and each Authority has the right to audit the activities in the aforementioned sectors and the right to request the public disclosure of information, ranging from financial disclosures to investigation of management decisions.

There are a large number of organizations working in CSR, ranging from those focusing on education and training, to clean technology promotion, to fair labor practices. Additionally, individual sectors have undertaken CSR initiatives, most notably in mining and forestry. For example, miners developed a working partnership focused on education, infrastructure, and environmental issues with local communities, and communities now exhibit a relatively higher level of awareness of CSR practices than in the past. Since 1996, the Bolivian forestry sector certified almost 2 million hectares of forest. Although the government has an aversion to carbon credits and other programs considered by them to be the "commoditization of nature," the forestry certification program remains one of the strongest in the region. The Forestry Association (*Cámara Forestal de Bolivia*) supports a certification fund that provides economic assistance to any forestry operator that wishes to certify.

Additionally, a leading trade think tank, the *Instituto Boliviano de Comercio Exterior* (IBCE) developed a certification called the "*Triple Sello*" (triple stamp) that will certify that a business that receives the stamp is free from child labor, discriminatory practices, and forced labor. The "*Triple Sello*" certification is currently coordinated with the IBNORCA (Bolivian Institute of Quality Normalization) and is expected to be implemented soon.

## 12. Political Violence

Bolivia is prone to social unrest that includes violence. Given the country's reliance on a few key thoroughfares, conflict often disrupts transportation and distribution networks. The majority of civil disturbances are related to domestic issues, usually workers pressuring the government for concessions by marching or closing major transportation arteries. Over the past year, there has been little to no political violence targeted towards foreigners.

The rate of conflict grew substantially in 2013 due to protests over government infrastructure projects, salary increase or the second yearly bonus, and the draft of the new mining law. While protests and blockades are frequent, they only periodically affect commerce. Less than a half-dozen conflicts in La Paz directly affected distribution of essential services or travel in and out of the city for periods greater than 24 hours during 2013.

## 13. Corruption

Corruption continues to be a serious problem in Bolivia. Transparency International ranked Bolivia 106 out of 177 countries in its 2013 Corruption Perceptions Index. Thirty percent of Bolivians surveyed by Transparency International reported paying at least one bribe in 2010, the most recent year surveyed for this indicator. An August 6, 2012 Captura Consulting poll found 28 percent of citizens noted corruption as the country’s main problem.

The Ministry of Institutional Transparency and the Fight Against Corruption, created in 2009 by Supreme Decree (#29894), is in charge of promoting policies against corruption and is empowered to investigate corruption cases at any level in any branch of government. In March 2010, the Bolivian Congress approved a "Fight Against Corruption, Illicit Enrichment, and Wealth Investigation" law (#004). This law gives the Bolivian government wide-ranging authority to investigate possible cases of corruption in the private and public sectors. However, due to an over-burdened judicial system dealing with corruption issues itself, most corrupt officials operated with impunity. On August 17, 2012, Transparency Minister Nardy Suxo stated that of 8,000 corruption cases, only 100 people had been sentenced, which she attributed to poor coordination in the Attorney General’s Office.

Cases involving allegations of corruption against the president and vice president require congressional approval before prosecutors may initiate legal proceedings. The law requires public officials to report potential personal and financial conflicts of interest and to declare their income and assets. The law mandates that elected and appointed officials disclose their financial information to the Auditor General, but the declaration is not available to the public. Noncompliance shall result in internal sanctions, including dismissal. If criminal activity is detected, the Auditor General must refer the case to the Office of the Attorney General.

Bribery is a criminal offense in Bolivia. Bolivia signed the UN Anticorruption Convention in December 2003 and ratified it in December 2005. Bolivia is not a signatory of the OECD Convention on Combating Bribery of Foreign Public Officials. Bolivia is part of the Organization of American States' Inter-American Convention against Corruption and the Follow-Up Mechanism for its Implementation. There is an Ombudsman appointed by Congress and charged with protecting human rights and guarding against government abuse. In his 2012 annual report, the Ombudsman cited the judicial system, the attorney general's office, and the police as the most persistent violators of human rights due to widespread inefficiencies and corruption. Public opinion reflected the Ombudsman's statements. The Transparency International poll found that Bolivian citizens believe the most corrupt institutions in Bolivia are the judiciary, political parties, public officials, and the Bolivian Police.

**14. Bilateral Investment Agreements**

Government policy changes stemming in part from the adoption of a new constitution in February 2009 have raised concerns among foreign investors. The new Constitution has yet to be fully implemented, yet one of its most troubling provisions calls for a limit on foreign companies' access to international arbitration in cases of conflicts with the government. It also states that all bilateral investment treaties (BIT) must be renegotiated to adjust to this and other new constitutional provisions. Citing these provisions, the government of Bolivia terminated the BIT with the U.S. in June 2012. Existing investors in Bolivia at the time of termination continue to be protected by the U.S. BIT's provisions for 10 years. The BIT with Bolivia was the first to be terminated by a U.S. treaty partner. In a related action, in October 2007, Bolivia became the first country to withdraw from the World Bank's International Centre for Settlement of Investment Disputes (ICSID).

**15. OPIC and Other Investment Insurance Programs**

The 1985 U.S.-Bolivia Investment Insurance Agreement provides for a full range of Overseas Private Investment Corporation (OPIC) programs, including political risk insurance and loan financing. OPIC provides financing assistance to U.S. firms through direct loans and guarantees issued by U.S. financial institutions. The International Bank for Reconstruction and Development's (IBRD) Multilateral Investment Guarantee Agency (MIGA) has offered a complete line of investment guarantees to foreign investors in Bolivia since October 1991.

MIGA has one active project in Bolivia at this time. In December 2011, it issued a guarantee of $10.8 million to cover an investment made by a Germany based holding company in its Bolivian subsidiary. The coverage is for a period of up to 10 years against the risk of expropriation of the mandatory reserves held by the subsidiary in the central bank of Bolivia. Past guarantees included assurances for the financing and investment of the Santa Cruz to Brazil gas pipeline, and financial guarantees for a Peruvian bank's mandatory reserves held by the Bolivian Central Bank against expropriation.

**16. Labor**

Approximately two-thirds of Bolivia's population of 10.4 million is considered "economically active." Bolivian labor law restricts child labor and provides for worker safety. Overall, between 60 and 65% of workers participate in the informal economy, where no contractual employer-employee relationship exists. Relatively low education and literacy levels tend to limit labor productivity, a fact reflected in wage rates. Unskilled labor is readily available, but skilled workers are often harder to find.

The 2009 Constitution specifies that unjustified firing from jobs is forbidden and that the state will resolve conflicts between employers and employees (Articles 49.3 and 50). Bolivian labor law guarantees workers the right of association and the right to organize and bargain collectively. Most companies are unionized, and nearly all unions belong to the Confederation of Bolivian Workers (COB).

In December 2012, the Bolivian Government enacted Law 316 decriminalizing labor demonstrations and strikes, and protects the right to organize labor unions. The new law also protects workers' and union leaders' right to enter and occupy a factory, agricultural, or mining company in defense of workers' interests as long as their actions are non-violent. The new law does not decriminalize violent or destructive labor demonstrations. The legal code stipulates that anyone who prevents or hinders the normal course of work or production; invades or occupies industrial, agricultural, or mining areas; and/or causes damage to the machines, supplies, equipment or instruments existing in them; shall be punished with imprisonment of one to eight years.

## 17. Foreign Trade Zones/Free Trade Zones

There are nine free trade zones in Bolivia, more than half of which are in cities along the Bolivian borders. The free trade zones were created to facilitate commercial and industrial operations for national and international companies. Any transaction that takes place inside a free trade zone is exempt from tariffs and national taxes. Private companies with 40-year contracts administer the free trade zones, which are located in the cites of El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Cobija, Guayaramerin, Yacuiba, and Desaguadero. The National Council on Free Trade Zones (CONZOF) oversees all industrial and commercial free trade zones and authorizes operations.

## 18. Foreign Direct Investment Statistics

According to Bolivian Central Bank statistics, the stock of FDI in 2013 was $8.8 billion. The total flow of FDI into Bolivia in 2013 was $2.0 billion, 35% higher than in 2012 ($1.5 billion). During recent years, the majority of FDI has been directed to the hydrocarbon and mining sectors, accounting for 76% of total FDI in 2013.

In 2008, Bolivia changed its Net International Investment Position (NIIP), from being a net debtor to being a net creditor. In 2013, the NIIP reached $4.2 billion or 14% of GDP.

**Table 2: Stock and Flow of FDI and Net International Investment Position**

**(In millions of $ and percentages over GDP)**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| **Total Stock of FDI** | **5,058** | **5,485** | **5,998** | **6,421** | **6,869** | **7,749** | **8,809** | **10,558** |
| As % of GDP | 44% | 42% | 36% | 37% | 35% | 32% | 32% | 34% |
| **Total flows of FDI** | **582** | **953** | **1,302** | **687** | **936** | **1,033** | **1,505** | **2,030** |
| As % of GDP | 5% | 7% | 8% | 4% | 5% | 4% | 6% | 7% |
| Hydrocarbons | 50 | 296 | 376 | 325 | 310 | 384 | 946 | 946 |
| Mining | 340 | 268 | 478 | 92 | 220 | 238 | 219 | 219 |
| Industry | 52 | 123 | 102 | 49 | 281 | 217 | 108 | 108 |
| Electricity | 14 | 8 | 52 | 25 | -7 | 23 | 50 | 50 |
| Commerce and Services | 125 | 258 | 294 | 196 | 132 | 171 | 183 | 183 |
| **Net International Investment Position** | **-3,616** | **-411** | **2,163** | **3,261** | **3,328** | **4,159** | **5,125** | **4,293** |
| As % of GDP | -31% | -3% | 13% | 19% | 17% | 17% | 19% | 14% |

*Source: Central Bank of Bolivia*

Until 2009, the United States was the biggest investor in Bolivia. In 2013, the United States invested $61 million in Bolivia, making it the 8th largest investor for the year, behind Spain ($676 million), Sweden ($347 million), United kingdom ($309 million), France ($220 million), Peru ($102 million), The Caiman Island ($84 million) and Brazil ($77 million).

The information regarding the stock and flow of FDI is collected and processed by the Bolivian Central Bank based on the Foreign Private Capital (FPC) semiannual survey. The information corresponds to effective amounts of investment made by different companies. Although overall FDI by country is accurate, the disaggregated information by sector is an internal Central Bank estimate and not official.

**Table 3: FDI by Country**

**(In millions of $)**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| **Spain** | **4** | **50** | **25** | **145** | **271** | **246** | **364** | **676** |
| Agriculture | 0.0 | 0.2 | 0.1 | 0.6 | 0.1 | 0.0 | 0.1 | 0.0 |
| hydrocarbon | 0.3 | 8.5 | 7.4 | 68.5 | 89.8 | 91.5 | 228.5 | 466.1 |
| Mining | 2.3 | 16.7 | 9.3 | 19.3 | 63.6 | 56.8 | 52.9 | 50.3 |
| Manufactures | 0.3 | 7.4 | 2.0 | 10.3 | 81.2 | 51.6 | 26.0 | 102.1 |
| Electricity Gas and Water | 0.1 | 1.1 | 1.0 | 5.2 | -2.0 | 5.5 | 2.8 | 3.7 |
| Construction | 0.1 | 0.4 | 0.6 | 1.1 | 0.4 | 0.0 | 0.0 | 0.0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Transport, Storage and Communications | 0.4 | 9.3 | 1.1 | 18.3 | 8.2 | 24.2 | 12.0 | 20.0 |
| Other sectors | 0.3 | 6.1 | 4.0 | 21.4 | 29.6 | 16.6 | 41.2 | 34.0 |
| **Sweden** | **0** | **242** | **339** | **23** | **169** | **280** | **178** | **347** |
| Agriculture | 0.0 | 0.8 | 1.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 |
| hydrocarbon | 0.0 | 41.3 | 97.9 | 10.7 | 55.9 | 104.0 | 111.9 | 239.0 |
| Mining | 0.0 | 81.2 | 124.3 | 3.0 | 39.6 | 64.6 | 25.9 | 25.8 |
| Manufactures | 0.0 | 36.2 | 26.6 | 1.6 | 50.5 | 58.7 | 12.8 | 52.3 |
| Electricity Gas and Water | 0.0 | 5.5 | 13.4 | 0.8 | -1.2 | 6.2 | 1.4 | 1.9 |
| Construction | 0.0 | 1.8 | 7.4 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | 0.0 | 45.3 | 15.2 | 2.8 | 5.1 | 27.5 | 5.9 | 10.2 |
| Other sectors | 0.0 | 29.9 | 52.7 | 3.3 | 18.4 | 18.9 | 20.2 | 17.4 |
| **United Kingdom** | **17** | **24** | **48** | **70** | **11** | **2** | **111** | **309** |
| Agriculture | 0.0 | 0.1 | 0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| hydrocarbon | 1.5 | 4.0 | 13.9 | 33.1 | 3.6 | 0.6 | 69.8 | 213.1 |
| Mining | 10.1 | 8.0 | 17.7 | 9.3 | 2.6 | 0.4 | 16.2 | 23.0 |
| Manufactures | 1.6 | 3.5 | 3.8 | 5.0 | 3.3 | 0.3 | 8.0 | 46.7 |
| Electricity Gas and Water | 0.4 | 0.5 | 1.9 | 2.5 | -0.1 | 0.0 | 0.9 | 1.7 |
| Construction | 0.4 | 0.2 | 1.1 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | 1.8 | 4.4 | 2.2 | 8.8 | 0.3 | 0.2 | 3.7 | 9.1 |
| Other sectors | 1.5 | 2.9 | 7.5 | 10.3 | 1.2 | 0.1 | 12.6 | 15.6 |
| **France** | **38** | **13** | **36** | **22** | **89** | **55** | **73** | **220** |
| Agriculture | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| hydrocarbon | 3.3 | 2.2 | 10.5 | 10.2 | 29.6 | 20.5 | 45.6 | 151.4 |
| Mining | 22.3 | 4.4 | 13.3 | 2.9 | 21.0 | 12.7 | 10.6 | 16.3 |
| Manufactures | 3.4 | 2.0 | 2.8 | 1.5 | 26.8 | 11.6 | 5.2 | 33.1 |
| Electricity Gas and Water | 0.9 | 0.3 | 1.4 | 0.8 | -0.6 | 1.2 | 0.6 | 1.2 |
| Construction | 0.9 | 0.1 | 0.8 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | 4.1 | 2.5 | 1.6 | 2.7 | 2.7 | 5.4 | 2.4 | 6.5 |
| Other sectors | 3.3 | 1.6 | 5.6 | 3.2 | 9.8 | 3.7 | 8.2 | 11.0 |
| **Peru** | **26** | **35** | **26** | **40** | **82** | **12** | **56** | **102** |
| Agriculture | 0.0 | 0.1 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| hydrocarbon | 2.2 | 5.9 | 7.6 | 19.0 | 27.1 | 4.3 | 35.0 | 70.0 |
| Mining | 15.0 | 11.7 | 9.6 | 5.3 | 19.2 | 2.7 | 8.1 | 7.5 |
| Manufactures | 2.3 | 5.2 | 2.1 | 2.8 | 24.5 | 2.4 | 4.0 | 15.3 |
| Electricity Gas and Water | 0.6 | 0.8 | 1.0 | 1.4 | -0.6 | 0.3 | 0.4 | 0.5 |
| Construction | 0.6 | 0.3 | 0.6 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | 2.7 | 6.5 | 1.2 | 5.0 | 2.5 | 1.1 | 1.8 | 3.0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other sectors | 2.2 | 4.3 | 4.1 | 5.9 | 8.9 | 0.8 | 6.3 | 5.1 |
| **Caiman Island** | **-13** | **12** | **85** | **9** | **22** | **45** | **184** | **84** |
| Agriculture | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| hydrocarbon | -1.1 | 2.0 | 24.5 | 4.3 | 7.3 | 16.8 | 115.9 | 57.8 |
| Mining | -7.7 | 3.9 | 31.1 | 1.2 | 5.2 | 10.4 | 26.8 | 6.2 |
| Manufactures | -1.2 | 1.7 | 6.6 | 0.6 | 6.6 | 9.5 | 13.2 | 12.7 |
| Electricity Gas and Water | -0.3 | 0.3 | 3.4 | 0.3 | -0.2 | 1.0 | 1.4 | 0.5 |
| Construction | -0.3 | 0.1 | 1.9 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | -1.4 | 2.2 | 3.8 | 1.1 | 0.7 | 4.4 | 6.1 | 2.5 |
| Other sectors | -1.1 | 1.4 | 13.2 | 1.3 | 2.4 | 3.0 | 20.9 | 4.2 |
| **Brazil** | **17** | **75** | **155** | **96** | **77** | **124** | **286** | **77** |
| Agriculture | 0.0 | 0.3 | 0.5 | 0.4 | 0.0 | 0.0 | 0.1 | 0.0 |
| hydrocarbon | 1.4 | 12.7 | 44.8 | 45.3 | 25.4 | 46.2 | 179.5 | 52.9 |
| Mining | 9.8 | 25.0 | 56.8 | 12.7 | 18.0 | 28.7 | 41.5 | 5.7 |
| Manufactures | 1.5 | 11.2 | 12.1 | 6.8 | 22.9 | 26.1 | 20.5 | 11.6 |
| Electricity Gas and Water | 0.4 | 1.7 | 6.1 | 3.5 | -0.6 | 2.8 | 2.2 | 0.4 |
| Construction | 0.4 | 0.5 | 3.4 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | 1.8 | 14.0 | 7.0 | 12.1 | 2.3 | 12.2 | 9.4 | 2.3 |
| Other sectors | 1.4 | 9.2 | 24.1 | 14.1 | 8.4 | 8.4 | 32.3 | 3.9 |
| **United States** | **272** | **322** | **295** | **162** | **85** | **76** | **89** | **61** |
| Agriculture | -0.1 | 1.1 | 1.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| hydrocarbon | 23.4 | 55.0 | 85.2 | 76.6 | 28.1 | 28.3 | 56.0 | 42.1 |
| Mining | 158.8 | 108.1 | 108.2 | 21.6 | 19.9 | 17.6 | 13.0 | 4.5 |
| Manufactures | 24.4 | 48.2 | 23.1 | 11.5 | 25.4 | 16.0 | 6.4 | 9.2 |
| Electricity Gas and Water | 6.6 | 7.3 | 11.7 | 5.8 | -0.6 | 1.7 | 0.7 | 0.3 |
| Construction | 6.5 | 2.4 | 6.5 | 1.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and Communications | 29.1 | 60.3 | 13.3 | 20.4 | 2.6 | 7.5 | 2.9 | 1.8 |
| Other sectors | 23.2 | 39.8 | 45.9 | 23.9 | 9.3 | 5.1 | 10.1 | 3.1 |
| **Other Countries** | **222** | **181** | **293** | **122** | **130** | **193** | **165** | **155** |
| Agriculture | -0.1 | 0.6 | 1.0 | 0.5 | 0.1 | 0.0 | 0.1 | 0.0 |
| hydrocarbon | 19.1 | 31.0 | 84.7 | 57.9 | 43.2 | 71.7 | 104.0 | 107.0 |
| Mining | 129.5 | 60.9 | 107.5 | 16.3 | 30.6 | 44.5 | 24.1 | 11.5 |
| Manufactures | 19.9 | 27.1 | 23.0 | 8.7 | 39.1 | 40.5 | 11.9 | 23.4 |
| Electricity Gas and Water | 5.4 | 4.1 | 11.6 | 4.4 | -0.9 | 4.3 | 1.3 | 0.8 |
| Construction | 5.3 | 1.3 | 6.4 | 0.9 | 0.2 | 0.0 | 0.0 | 0.0 |
| Transport, Storage and | 23.7 | 34.0 | 13.2 | 15.4 | 4.0 | 19.0 | 5.5 | 4.6 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Communications | | | | | | | | |
| Other sectors | 18.9 | 22.4 | 45.6 | 18.0 | 14.2 | 13.0 | 18.7 | 7.8 |
| **Total FDI** | **582** | **953** | **1,302** | **687** | **936** | **1,033** | **1,505** | **2,030** |

*Source: Central Bank of Bolivia*

Bolivian direct investment in the rest of the world is very low and mainly includes banking deposits and small amount of investment in foreign stocks. No detailed information (e.g. by sector, by country) is available. During the last three years, the flows were zero reflecting the low size of investments abroad.

**Table 4: Stock and Flow of FDI from Bolivia to the Rest of the World**

**(In millions of $ and percentages over GDP)**

| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
|---|---|---|---|---|---|---|---|---|
| **Stock of FDI** | **90.2** | **94.2** | **63.8** | **49.5** | **7.7** | **0.0** | **0.0** | **0.0** |
| As % of GDP | 0.78% | 0.71% | 0.38% | 0.28% | 0.04% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | |
| **Flow FDI** | **3.0** | **4.0** | **-30.3** | **-14.3** | **-41.8** | **-7.7** | **0.0** | **0.0** |
| As % of GDP | 0.03% | 0.03% | -0.18% | -0.08% | -0.21% | -0.03% | 0.00% | 0.00% |

*Source: Central Bank of Bolivia*

**TABLE 5: Key Macroeconomic data, U.S. FDI in Bolivia**

| | Bolivian Statistical source*<br><br>National Bureau of Statistics | | USG or international statistical source<br><br>International Monetary Fund | | USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
|---|---|---|---|---|---|
| **Economic Data** | Year | Amount | Year | Amount | |
| Bolivian Gross Domestic Product (GDP) (*Millions U.S. Dollars)* | 2012 | $27,232,159 | 2012 | $27,232,000 | http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx |
| **Foreign Direct Investment** | Bolivian Statistical source<br><br>Central Bank of Bolivia | | USG or international statistical source<br><br>BEA | | USG or international Source of data: BEA; IMF; Eurostat; |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | UNCTAD, Other |
| U.S. FDI in Bolivia (*Millions U.S. Dollars, stock positions)* | 2012 | $868 | 2012 | $502 | (BEA) click selections to reach. |
| Bolivia's FDI in the United States (*Millions U.S. Dollars, stock positions)* | 2012 | $0 | 2012 | -$17 | (BEA) click selections to reach |
| Total inbound stock of FDI as % Bolivian GDP (***calculate)*** | 32% | 2012 | 32% | 2012 | International Monetary Fund |

- National Bureau of Statistics
- Central Bank of Bolivia.

**TABLE 6: Sources and Destination of FDI**

**Bolivia, 2012**

| Direct Investment from/in Counterpart Economy Data | | | | | |
|---|---|---|---|---|---|
| **From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*** | | | | | |
| **Inward Direct Investment** | | | **Outward Direct Investment** | | |
| Total Inward | 8,809 | 100% | | | |
| Spain | 2,722 | 31% | | | |
| Brazil | 1,059 | 12% | | | |
| United Kingdom | 941 | 11% | | | |
| United States | 868 | 10% | | | |
| Sweden | 694 | 8% | | | |
| "0" reflects amounts rounded to +/- USD 500,000. | | | | | |

Source: http://cdis.imf.org

**TABLE 7: Sources of Portfolio Investment**

**Bolivia, 2012**

| Portfolio Investment Assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Top Five Partners (Millions, US Dollars) | | | | | | | | |
| Total | | | Equity Securities | | | Total Debt Securities | | |
| World | 869 | 100% | World | 4 | 100% | World | 865 | 100% |
| United States | 239 | 28% | United States | 4 | 100% | United States | 235 | 27% |
| France | 170 | 20% | | | | France | 170 | 20% |
| Germany | 89 | 10% | | | | Germany | 89 | 10% |
| Netherlands | 82 | 9% | | | | Netherlands | 82 | 9% |
| Sweden | 65 | 7% | | | | Sweden | 65 | 8% |

Source: http://cpis.imf.org/

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