

**COUNTRY PROFILE:****REPUBLIC OF BOLIVIA**

IES/02: ATTACHMENT A

**DATED:****SEPTEMBER 2007****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No Restrictions

*Recent Political Highlights*

- ❑ Chief of state since 2006 is President Juan Evo Morales Ayma. The president is elected by popular vote for a single five-year term with the next election scheduled for 2010;
- ❑ Bolivia's 2005 election marked a significant step for the country. It was the first time in over 500 years of struggle against imperialism and colonialism that an indigenous leader was chosen by Bolivia's indigenous majority in its struggle for justice and equality;
- ❑ The breaking of a six-month deadlock in Bolivia's constituent assembly has paved the way for the opening of an intense debate on the future of this politically polarised country. Facing a losing battle in the halls of assembly, the right wing opposition have threatened to take the fight onto the streets, announcing that it may reject any new constitution over whether the capital should be in the former Sucre (the site of Bolivia's 1825 founding and first capital and home to its highest courts) or the picturesque colonial city of La Paz (which became the capital after the 1899 civil war).

*Recent Economic Highlights*

- ❑ Bolivia has a population of 9m that is expected to grow at a rate of 1.4% in 2007;
- ❑ Bolivia is one of the poorest and least developed countries in South America. It experienced one of the worst floods in twenty-five years in February 2007. The effects of the floods have forced the nation to cut its economic growth forecast from 7% to 6% for 2007. The economy, which is dominated by natural gas, mining and agriculture, grew by 4.5% in 2006 with growth averaging 4% over the past twenty years. The ambitious growth forecast for 2007 was due to a Government investment programme and the country's biggest budget surplus in 2006 after the Morales Administration nationalised the energy sector. The IMF forecasts GDP growth of 4.5% in 2007 and 5.3% in 2008 with inflation at 6.5% in 2007 and 6% in 2008;
- ❑ Cocaine production has doubled since the new president took over power. Bolivia is the world's second largest producer of the coca leaf (after Peru), and the second largest producer of cocaine after Colombia. Most of the output is consumed by the US. Morales has expressed strong support for legalising the coca plant for traditional and medicinal uses and has criticised the US's coca eradication programme. These plantations have become the backbone of income for many of the poorest citizens;
- ❑ Votorantim Metals, Latin America's biggest producer of non-ferrous metals, will begin exploring new deposits of zinc and nickel in Bolivia in 2007 after prices of both commodities surged last year. The Sao Paulo based company purchased concession rights to carry out mineral research in the Bolivian region of Santa Cruz and Potosi. The company will boost its investment in exploration to \$30m this year and if economically feasible, the exploration would take five to seven years.

*Latest Trade Developments*

- ❑ Major exports: natural gas, soybeans and soy products, crude petroleum, zinc ore, tin and fruit;
- ❑ Major imports: petroleum products, plastics, paper, aircraft and aircraft parts, prepared foods, automobiles, insecticides and soybeans;
- ❑ Main trading partners: Brazil, US, Argentina, Colombia, Japan, Peru, Chile and US;
- ❑ Venezuela's influence in Bolivia has been growing and has come to rival the US as Bolivia's main patron. Its financial assistance has helped Bolivia push ahead with plans to increase exports of its industrial production of coca, thereby accomplishing one of Venezuela's foreign policy goals which is to limit the regional influence of the US. President Chavez pledged \$15m towards aid and reconstruction efforts to repair the damages of Bolivia's 2007 floods;
- ❑ SA's exports to Bolivia totaled R8m in 2006 from R1m in 2005 and R13m in the year to June 2007. SA exports to Bolivia grew 235% between the year to June 2006 and 2007.