

**COUNTRY PROFILE:****PLURINATIONAL STATE OF BOLIVIA****DATED:****JULY 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/ Opinion</i>	Rating 3C. Open cover. No exposure or commitments. This is not a claims free market (Euler Hermes: D; Atradius:6/7 ; Cofas: C/C) Sanctions: None
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***Recent Political Highlights***

- President Morales was re-elected over his conservative opponents in December 2009; his party gained two-thirds majorities in both houses of parliament. Mr Morales has made poverty reduction, the redistribution of wealth, land reform favouring poorer peasants and public control over Bolivia's oil and gas resources his main priorities. He has nationalised much of the energy sector. Himself a former coca farmer, Mr Morales defends the traditional uses of coca leaf among the indigenous population.

***Recent Economic Highlights***

- Bolivia has a population of approximately 10 million, the indigenous people make up around two-thirds of the population. Though rich in mineral and energy resources, Bolivia is one of South America's poorest countries. Wealthy urban elites, who are mostly of Spanish ancestry, have traditionally dominated political and economic life, whereas most Bolivians are low-income subsistence farmers, miners, small traders or artisans. The country has the second-largest reserves of natural gas in South America. Bolivia is one of the world's largest producers of coca, the raw material for cocaine. A crop-eradication programme has eased the flow of conditional aid from the US but has infuriated many of Bolivia's poorest farmers for whom coca is often the only source of income.
- Earlier this year, there were violent protests across the country, sparked by food shortages and spiralling prices. The recent rise in global food prices forced many Bolivians to abandon their indigenous staples, such as quinoa, in favour of cheaper, imported products. The government plans to invest \$5bn over 10 years, with generous credits to small farmers, in order to bring about what it calls a food revolution to ensure Bolivians can feed themselves for generations to come. Bolivian President Evo Morales, has signed a new law which aims to ensure food security for his country. Under the plan, state-owned companies will be set up to produce seeds and fertilisers. The government aims to safeguard biodiversity and protect native foodstuffs as well as ending dependence on foreign seed companies.
- The worst snow storms in Bolivia in the last 20 years have left thousands of people stranded - as more snow is forecast for the month. The snow took farmers and tourists by surprise in the usually dry highlands of Potosi - a vast area in the south-west of the country. The Bolivian government has appealed for help from neighbouring countries, the government needs helicopters to drop aid to isolated communities and heavy machinery to clear the roads. Farmers have lost their crops and more than 50,000 llamas and alpacas are without food after their pastures were covered by a thick layer of snow. The Bolivian Civil Defense Department said that dropping aid to isolated communities and rescuing people stranded in freezing temperatures would be difficult without helicopters from other countries since the government has only two helicopters.
- The International Monetary Fund has raised concerns over the 7% inflation rate in 2010 and the estimated 7.9% for this year. The IMF also questioned the use of the International Reserves for infrastructure development. The government argues that inflation is under control and ratified the estimate to 6% for 2011, emphasizing that the inflation upturn of 2010 will not be spread to this year. The government has guaranteed that international reserves top 50% of GDP which gives the country a wide margin of action because it is above optimal levels. The international reserves will be used to fund strategic sector projects. In order to achieve that, the Central Bank of Bolivia has established solid regulations on such loans.
- Bolivia's mining exports should hit a new record high of more than \$3 billion this year, buoyed by high prices for silver and zinc. This would represent a 25% increase from the \$2.4 billion record in 2010. Leftist President Evo Morales has tightened control over natural resources in Bolivia, affecting the key mining and energy sectors. Government data shows mining exports fetched \$1.4 billion in the first five months of this year, with silver accounting for \$541 million and zinc \$407 million. Mineral exports totaled \$957 million in the same period of 2010.
- Jindal Group's \$2.1 billion projects in Bolivia, including an upcoming steel and power plant, will create thousands of jobs and transform the country's economy by accelerating industrialisation and boosting growth. The company has pledged to invest the \$2.1 billion over the next eight years on mining and on setting up an integrated steel plant, sponge iron plant, iron ore pellet plant and a 450-MW power plant. For a country with a GDP of just \$18 billion, the \$2.1 billion investment will account for nearly 12% of its GDP. The company hopes to start steel production in Bolivia by 2014. The investment will be the largest foreign direct investment Bolivia has ever received, it will also be the first steel plant established in the country. Jindal Bolivia, a wholly owned subsidiary of Jindal Steel and Power, plans to export one million tonnes of iron ore concentrate from the El Mutun mine. Jindal is also involved in the development of infrastructure in Bolivia which includes the repairing of nearly 100 km of the road that connects El Mutun with a canal linking the Paraguay and Parana rivers, as well as with a major river port that will provide access to the Atlantic Ocean.

***Latest Trade Developments***

- Major exports: natural gas, soybeans and soy products, crude petroleum, zinc ore and tin
- Major imports: petroleum products, plastics, paper, aircraft and aircraft parts, prepared foods, automobiles, insecticides and soybeans
- Main trading partners: Brazil, US, Peru, Colombia, Argentina, Japan and Chile
- SA exports to Bolivia in 2009 totaled R10.5m; in 2010 it totaled R5.9m and year to May 2011 totaled R5.9m.
- SA imports from Bolivia in 2009 totaled R6m; in 2010 they were R32m and year to May 2011 totaled R2.9m.

*Researched and compiled by Hlohelo Pule, economic services – Credit Guarantee Insurance*