

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

The Foreign Trade Impacts on Economy in Bolivia

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Business Administration

Thesis title

The foreign trade impacts on economy of Bolivia

Objectives of thesis

The objective of this thesis is to analyze what trade is in general, how it impacts on the economy and all the related topics. Also, it will be described how trade is in Bolivia, the impact of trade in Bolivia's economy historically and in the last years. This work will include statistical information to support the conclusion and opinions I will give in the thesis.

Methodology

This thesis will consist of three main parts, in the first part what will be denominated as literature, I will describe what trade is and all the related information, I will give a general description of how trade started in the world and how it impacts the global economy. In the second section, the practical part, I will mention how trade is characterized in Bolivia, historically and in the last years including all the necessary information related. Finally, I will summarize all the work in the conclusion after analyzing the theoretical and practical parts.

The proposed extent of the thesis

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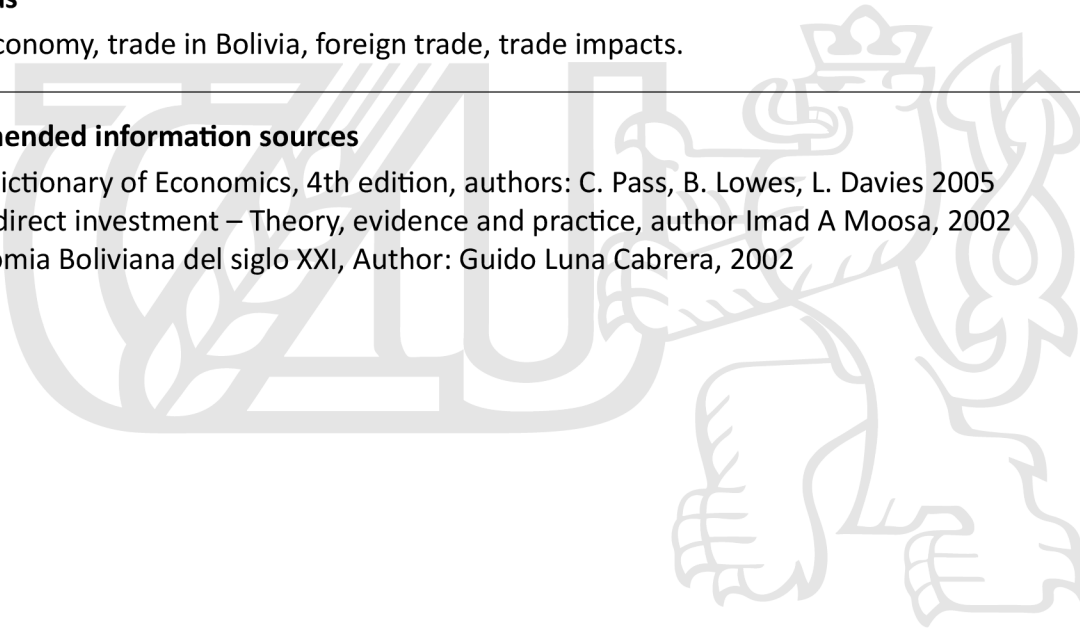
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Recommended information sources

Collins Dictionary of Economics, 4th edition, authors: C. Pass, B. Lowes, L. Davies 2005

Foreign direct investment – Theory, evidence and practice, author Imad A Moosa, 2002

La Economía Boliviana del siglo XXI, Author: Guido Luna Cabrera, 2002



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Declaration

I declare that I have worked on my bachelor thesis titled “The Foreign Trade Impacts on Economy in Bolivia” by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break the copyright of any person.

In Prague on 15.03.2022

Fabrizio Pereyra Franco

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The Foreign trade impacts on economy in Bolivia

Abstract

This bachelor thesis studies the impact of foreign trade on economy in Bolivia historically and in the last years. The research consists of three main parts, the first one which is denominated as literature review, the second one is the practical part and the last part is the conclusion.

Bolivia is a country located in the center of South America, known historically for its wealth of natural resources such as mining, hydrocarbons, and natural gas. However, the country remains to be one of the least developed ones and poorest in Latin America. This can be attributed to the lack of economic diversification and also the state-oriented policies that don't attract investors. The country's economic growth in the last decade is mostly supported by natural gas exports to Argentina and Brazil but the decrease in demand and the economic crisis as a result of the Covid-19 pandemic has caused GDP to contract and foreign trade was negatively affected.

Despite the difficulties, the actual government mentioned as one of their goals to reactivate the economy and support foreign trade to grow which added to the numerous advantages that Bolivia has for its future situation and growth of foreign trade, are ideal to conclude that the country presents more opportunities than barriers for both exports and imports to grow. It is important to mention that in the last two years, the country is diversifying its exports with exports of gas and soy from Santa Cruz, followed by exports of zinc and silver from Potosi and minerals and coffee from La Paz.

Keywords: Foreign Trade, Bolivia, Trade, Economy.

Dopady zahraničního obchodu na ekonomiku Bolívie

Abstrakt

Tato bakalářská práce studuje vliv zahraničního obchodu na bolívijskou ekonomiku historicky a v posledních letech. Výzkum se skládá ze tří hlavních částí, z nichž první je označena jako literární přehled, druhá je praktická část a poslední je závěr.

Bolívie je země ležící v centru Jižní Ameriky, která je historicky známá svým bohatstvím přírodních zdrojů, jako je těžba, uhlovodíky a zemní plyn. Země však zůstává jednou z nejméně rozvinutých a nejchudších v Latinské Americe. To lze přičíst nedostatečné ekonomické diverzifikaci a také politikám orientovaným na stát, které nepřitahují investory. Hospodářský růst země v posledním desetiletí je většinou podporován exportem zemního plynu do Argentiny a Brazílie, ale pokles poptávky a ekonomická krize v důsledku pandemie Covid-19 způsobily pokles HDP a negativní dopad na zahraniční obchod.

Navzdory obtížím, které skutečná vláda uvedla jako jeden ze svých cílů reaktivovat ekonomiku a podpořit růst zahraničního obchodu, což přidalo k četným výhodám, které Bolívie má pro svou budoucí situaci a růst zahraničního obchodu, je ideální k závěru, že země představuje více příležitostí než překážek pro růst exportu i importu. Je důležité zmínit, že země v posledních dvou letech diverzifikuje export o export plynu a sóji ze Santa Cruz, následovaný exportem zinku a stříbra z Potosi a minerálů a kávy z La Paz.

Klíčová slova: Zahraniční obchod, Bolívie, obchod, ekonomika.

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1 Introduction

Foreign Trade, also called International Trade, is known since the 18th century back when the economist Adam Smith wrote the famous book “The Wealth of Nations” in which he mentions international trade and the importance of specialization in production.

Import and export, the main features of foreign trade are essential activities of countries since centuries ago and with time it gained more importance and people realized how it is a crucial part for the global economy due to globalization and other factors. As different theories explain, countries have learned to become specialists in producing certain goods and sell them to abroad countries because each country due to its climate and geography has different raw materials which can produce and sell to the others which need them but can't produce. As the author Leo Pasvolsky said “No modern nation is or can be economically self-sustaining”. (**World Affairs, 1934**)

In conclusion, foreign trade occurs in all countries in the world and as it is known it brings more pros than cons to the economy allowing countries to grow and develop. Bolivia is a developing country in South America, rich in natural gas and minerals historically where trade is also growing in the last years and it is expected to continue increasing.

2 Objectives and methodology

2.1 Objectives

The objective of this thesis is to analyze what trade is in general, how it impacts on the economy and all the related topics. Also, it will be described how trade is in Bolivia, the impact of trade in Bolivia's economy historically and in the last years. This work will include statistical information to support the conclusion and opinions I will give.

2.2 Methodology

This thesis will consist of three main parts, in the first part which will be denominated as literature, I will describe what trade is, its importance in global economy and theories. I will also give a general description of how trade started in the world and its advantages and disadvantages. In the second section, the practical part, I will mention how trade is characterized in Bolivia, historically and in the last years including all the necessary information related. Also I will summarize the information given by exporters and importers in Bolivia at an interview. Finally, I will summarize all the work in the conclusion after analyzing the theoretical and practical parts.

3 Literature review

3.1 Foreign Trade

3.1.1 Introduction to Foreign Trade

According to the Cambridge Dictionary, foreign trade is “the activity of trading goods and services with other countries”. (**Cambridge Dictionary, s.f.**) Also called international trade, foreign trade refers to the cross-frontier of different capital, goods and services from one country to another. It is similar to domestic trade with the difference that foreign trade costs more due to additional costs such as tariffs, taxes and other costs associated with country differences like language, legal system or different culture. Foreign trade is all about imports and exports, allowing countries to consume or have some goods, services or resources more cheaply by importing them because local producers are unable to produce or supply the demand. Due to several reasons, some countries have the ability to produce what other countries want and need, that is that makes foreign trade work. (**B. Lowes, 2005**)

Foreign trade started approximately in the 18th century when the author Adam Smith wrote the famous book “The Wealth of Nations” in 1776 where he mentioned international trade and the importance of specialization in production. Economic thoughts like the mentioned book and David Ricardo with the Comparative advantage principal influenced international trade policies around the world during the liberalism period. Around the year 1913, countries in the west started to follow the economic liberty characterized by eliminating quantitative restrictions and customs duties were reduced across countries. Currencies were freely convertible into gold, which became the international monetary currency of exchange. “The First World War changed the entire course of the world trade and countries built walls around themselves with wartime controls. Post world war, as many as five years went into dismantling of the wartime measures and getting back trade to normalcy. But then the economic recession in 1920 changed the balance of world trade again and many countries saw change of fortunes due to fluctuation of their currencies and depreciation creating economic pressures on various governments to adopt protective mechanisms by adopting to raise customs duties and tariffs”. (**Management Study Guide , s.f.**)

In May 1927, the League of Nations organized the World Economic Conference where the most important industrial countries participated and created the Multilateral Trade

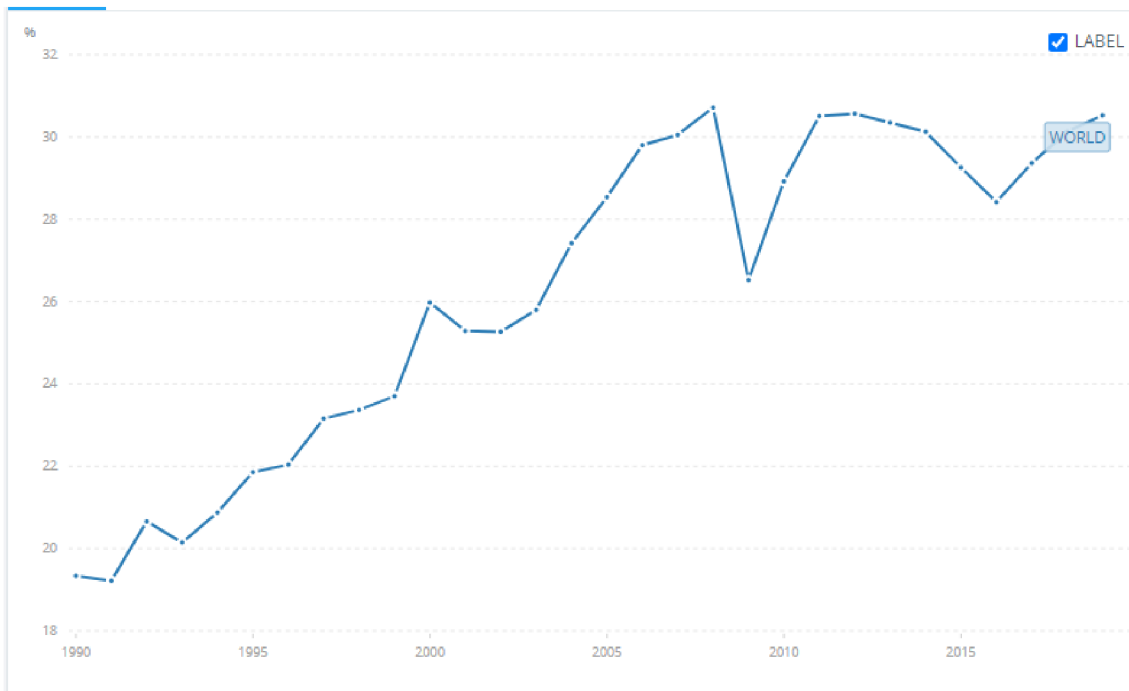
Agreement. This agreement includes commerce treaties among three or more nations that state to reduce tariffs to try to simplify import and export policies. In 1930 again the depression led to the rise in import duties imposing importing prohibitions and new rules. With time, countries started to realize that the old thoughts were not practical and that trade policies need continuous agreements and changes to facilitate international trade so now a days the context of global markets is better understood guided by “the understanding and theories developed by economists based on Natural resources available with various countries which give them the comparative advantage, Economies of Scale of large scale production, technology in terms of e commerce as well as product life cycle changes in tune with advancement of technology as well as the financial market structures.” (Management Study Guide , s.f.)

3.1.2 Importance of Foreign Trade

Leo Pasvolsky, editor of World Affairs Journal said: “No modern nation is or can be economically self-sustaining”. He assures that foreign trade is essential for countries globally. (World Affairs, 1934).

International Trade is an important factor in the economy of countries because it contributes in raising living standards, providing employment and consumption of goods and services. As it was mentioned before, foreign trade occurs since many decades ago but in the last years it has gained importance due to its larger share of GDP attributed to exports and imports, this can be seen in the chart below. (Imad A, 2002)

Figure 1 Exports of goods and services (% of GDP)



Source "The World Data Bank"

In the following lines I will describe different reasons why foreign trade is important in general for countries:

- **Optimum usage of abundant raw material**

Some countries are naturally abundant in raw materials for example Qatar is rich in oil, Iceland has metals and fish, Brazil has cacao, Bolivia has natural gas, just to mention a few. Due to each countries location, climate, altitude and other factors, countries have more and different natural resources so, countries specialize in the production of these resources to avoid unproductive lines. Channelizing of resources allows to maintain on the list the highest return causing products, which will be exported to other countries where these goods are scarce. (Economics Help Blog, s.f.)

- **More choices for customers**

Foreign trade allows consumers to have multiple options of goods and services which they can choose from. As more products are available, the competitive environment is also higher and each country tries to devise solutions that are "perfect" for their consumers. A competitive market will obligate producers to

offer high quality products in order to gain attention from buyers and be the best option. **(IEDU Note, s.f.)**

- **Price equality**

“Once a product gets out to be traded internationally, its prices are dependent on the supply and demand ratio. However, once it holds its footsteps in that steep stepping point. The struggle takes the shape of standardization of the product everywhere along with its price. Furthermore, standardized prices further lead to a more stabilized ratio in supply and demand chain”. **(Business Study Notes, 2019)**

There are some other reasons that explain also why foreign trade is considered important for countries but from a more economic point of view, below I will describe them:

- **Generates employment opportunities**

Foreign trade contributes directly with generating employment opportunities in the import sector and indirect employment in other sectors of the economy such as industry, commerce, service sectors including insurance, banking, transport and others. To understand how trade can generate employment opportunities, it can be explained from two points of view. “First, trade is a force of structural change in an economy. It is expected to have uneven and asymmetric effects across sectors, firms and workers. Policymakers need to properly anticipate these effects in order to program suitable adjustment assistance. Second, trade can induce productive transformation. Export demand allows economies of scale and scope. Imported intermediates and equipment can raise the productivity of domestic factors. Trade-related foreign investment can bring finance, new technologies and managerial know-how”. **(Cheong, s.f.)**

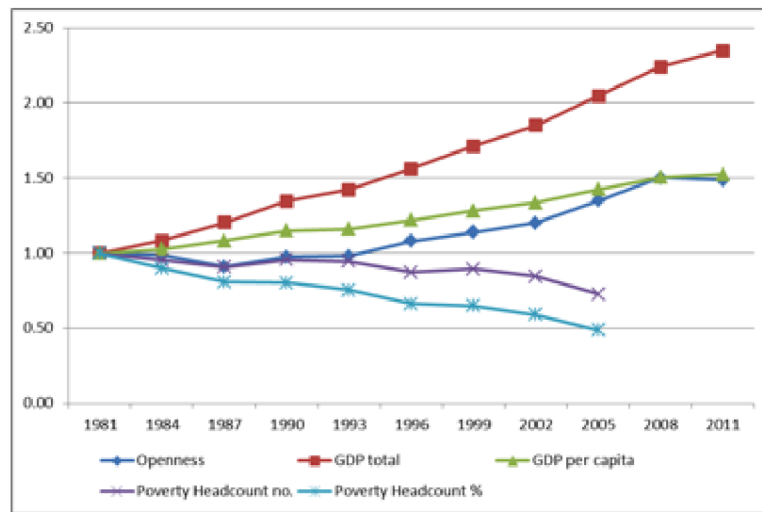
- **Raises living standards**

Imports allows people to have a greater variety of options of goods and services, so if consumers buy new, different and better goods, they improve their standard of living. This factor is also affected because trade promotes imports and exports which generates job opportunities, if more people have incomes because they work at industries and companies they have money to buy what they need and want. **(Business Study Notes, 2019)**

- **Economic development**

Imports and exports have an important impact in the countries' economy because imports provide nations not only with capital goods but also with new and advanced technology giving more opportunities to grow and develop. On the other hand, exports contribute with monetary income that can be used for different purposes. Know-how is something very important because if one country for example starts to export a product of good, more job opportunities are created because the demand needs to be supplied, with these, people learn new skills and is ready to work afterwards in the same or other company. It also contributes to all producers no matter their size to expand to international markets. Growth in international trade has been an important factor for the reduction in absolute poverty levels in the world, as it can be seen in the chart below, as trade grows, GDP increases globally and poverty levels have decreased at the same time between 1981 and 2012. **(Economics Help Blog, s.f.)**

Figure 2 Global growth, trade and poverty



Source "World Development Indicators online"

It is important to describe also some concepts mentioned before that are related with the topic of the thesis.

- **Gross Domestic Product (GDP)** is an important indicator of the economic performance of a country which indicates the final value of the goods and services that are produced in a country during a specific period of time. It takes into account the entire economic output of a country including final products produced and exports. **(The Economic Time, s.f.)**

- **GDP per capita** is an economic measure of a country's economic output that accounts for its number of people. It is calculated by dividing the country's total GDP by its total population. (**Amadeo, 2020**)
- **Trade** can be defined as the activity of buying and selling, or exchanging, goods and/or services between people or countries. (**Cambridge Dictionary, s.f.**)

3.2 Theories

The report "A Survey of Trade Theories" summarizes the most known classic and new theories that support international trade which I will detail in the following part of the thesis. Economists attribute the existence of these theories as answers to questions like why countries trade with each other, what can be gained and how trade patterns can be explained. Although there is controversy in explaining the causes of trade, the different theories or models explain the different points of view of foreign trade. (**S. van Berkum, 1998**)

3.2.1 Traditional trade theories

- **Classical trade theories**

"The classical theories explain trade by differences in production technologies between countries". (**S. van Berkum, 1998**)

- o **Absolute Advantage Theory**

It is one of the first theories of international trade, developed by the economist Smith who states that trade appears only when there are absolute cost differences between countries. To explain it with an example, let's assume there are two goods "X" and "Y", and two countries Home "H" and Foreign "F", the only factor of production in labor and the amount of labor needed to produce one good X and Y are the following:

Figure 3 Example Absolute Advantage Theory

	Labour requirements	
	X	Y
Country H	20	20
Country F	10	30

Source "A Survey of Trade Theories"

As it can be seen in the image, country F has absolute advantage in the production of good X and on the other hand, country H has absolute advantage in the production of good Y. So, according to this theory, the countries must specialize in the goods in which they have an absolute advantage in order to maximize their utility through international trade. **(S. van Berkum, 1998)**

- **Comparative Advantage Theory**

The economist David Ricardo, believed that trade is also possible and beneficial when a country has absolute advantage in both goods. The theory that was later polished by J.S. Mill, Marshall and other authors suggest that “each country should concentrate in the production of those products in which it has the utmost advantage or the least disadvantage”. In other words, a country should export the supplies or goods in which it has the most benefit and import the ones in which they have least drawback. **(Duggal)**

- **Neo-classical theory**

- **Heckscher-Ohlin-Samuelson model**

Also known as the Modern Theory or the General Equilibrium Theory, this model written by the economists Eli Hecksher and Bertil Ohlin. The authors “fixated on how a country could profit by making goods that utilized factors that were in abundance in the country. They found out that the factors that were in abundance in relation to the demand would be cheaper and that the factors in great demand comparatively to its supply would be more expensive”. **(Duggal)**

This theory is focused on factors endowments and factor prices as the most important things of international trade. To a better understanding, factor endowments are the factors of production or means of production that a country has available to produce goods and services such as land, labor, capital and entrepreneurship. **(The Economic Dictionary)**

The theory is divided in two theorems: the H-O Theorem and the Factor Price Equalization Theorem.

The H-O theorem is focused on predicting the pattern of trade, it takes into account the factor intensity (capital, labor, technology, etc) and factor abundance (physical units and relative factor prices). On the other hand, Factor Price Equalization states that prices of identical factors of production like wage rate or the rent of Capital will be then equalized in countries as the effect of international trade. **(Duggal)**

3.2.2 Modern trade theories

- Economies of scale

Economies of scale allows a country or business to produce goods more efficiently and at a lower price when it is concentrated in certain goods than producing a range of different products. “An industry is characterized by economies of scale when doubling of inputs more than doubles the industry's production. Economies of scale provide an incentive for international trade by concentrating production on a limited number of goods”. **(S. van Berkum, 1998)**

Economies of scale is a very important factor of international trade but there is one problem or disadvantage, the problem is that they are inconsistent with the perfect competition standard because they are more related with another type of market which is the imperfect competition. An imperfect market is characterized by high barriers of entry and exit, where consumers and sellers influence prices and production and there is no full disclosure of information about the prices and goods. In contrast, a perfect market to be clear is characterized by perfect competition, market equilibrium and an unlimited number of buyers and sellers.

To explain it in other ways, an imperfect market is compared to real markets in the world, instead perfect markets are associated more with a theoretical model.

3.2.3 Other theories

- National Competitive Theory

Also known as the Diamond Theory, this theory developed by Micheal Porter, states that what is important for the success of a corporation are the qualities of the home country. The name of the theory is because the shape of a diamond and it describes the factors that can influence the success of a business such as factor condition, demand condition, related and supporting industries, firm strategy, structure and rivalry, chance and government. So, it takes into account different

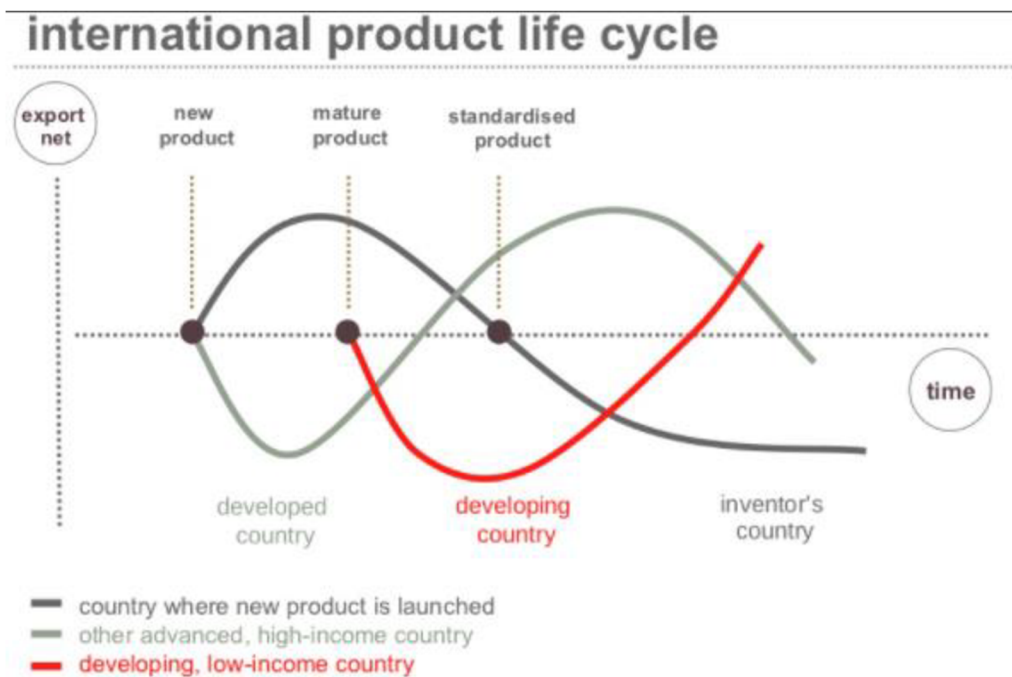
external and internal factors that will be crucial in the positive development of a company when it will export products or be involved in trade.

- **Product Life Cycle Theory**

The theory developed by Raymond Vernon in the 1960s, says that a product or good goes through various stages in the course of its process of life. The mentioned stages are the following.

1. **New Product:** the cycle begins introducing a new product in a small market in which sales will be comparatively low with local manufacturing. If sales of this product increase companies can export the product to increase even more sales and revenue.
2. **Mature product:** demand for the product in this stage is in continuous growth, due to the rise in demand the company may open manufacturing sites in each country the product is sold and local competition will start as others will try to produce the same or similar goods. “Due to local production, labour costs and export costs will decline which will in result reduce the per unit cost and increase the revenue”. **(Duggal)**
3. **Standardized product:** in this stage, it will occur that the product is exported to developed and underdeveloped countries. Foreign product competition will increase and the product’s demand in the origin country will decrease because a new product is now the center of attention of consumers. This means that the market for the product is finished and the cycle of life for a new product begins. **(Duggal)**

Figure 4 Product Life Cycle



Source: "The Quarterly Journal of Economics"

3.3 Types of Foreign Trade

There are three types of foreign trade, importing, exporting and entrepot trade.

- **Imports** are foreign goods and services brought from another country by citizens, businesses or the government, it doesn't matter what they are or how they are sent. (Amadeo, 2020)
- **Exports** are one component of foreign trade, they include all the goods and services produced in one country that are purchased by residents, companies or governments from another country. (Amadeo, 2020)
- **Entrepoting** also called **re-export** is a type of trade that occurs when a country imports a product, process it and export it again at a higher price. (Business Study Notes, 2019).

3.4 Advantages

Some of the advantages that foreign trade has are the following:

- **Economies of scale**
Economies of scale is the reduction of production costs that is a result of selling and producing goods in large quantities. Therefore, in the case of foreign trade, when a country sells its goods to other countries it means their production

increases in volume which leads to a reduction in the cost of producing each item.

The higher the production the lower the costs. (**Finance management, s.f.**)

- **Competition**

When customers have a variety of options of a product to choose from, competition increases and this is an advantage because companies feel the need to cope with the others quality, prices and other aspects in order to be the best option for the client. Foreign trade helps a market to have more options and not only local production.

- **Transfer of technology**

As it was mentioned before, as a result of foreign trade developed countries transfer new technology to developing countries. This helps local companies to learn new skills and develop in a positive way because they can use this knowledge for their own production in the future. (**Finance management, s.f.**)

- **Manufacturing growth**

When companies expand their market share internationally they also grow their manufacturing capabilities, this is positive for companies and also the economy in general because more jobs are created. (**Bay Source a World of Opportunity, s.f.**)

- **Profit maximization**

“Outsourcing and distributions worldwide allows you to increase profit margins, as foreign market capacities will differ from your domestic market potential. Price differentiation across regions and lower manufacturing costs couple to augment profit margins”. (**Bay Source a World of Opportunity, s.f.**)

3.5 Disadvantages

In the following lines I will mention some negative aspects of foreign trade.

- **Over-dependence**

All the companies and countries that are involved in international trade can be vulnerable to unfavorable events that can affect demand of products. Some of these events can be changes in exports or imports laws, political problems and others.

- **Unfair to new companies**

New and small companies may find it unfair to compete against big companies with years in the market from abroad.

- **Exploitation of resources**

Taking into account that natural resources are limited, sometimes foreign companies demand can exploit human and natural resources in order to save money without taking into account the future effects some actions may have and even drain out resources.

- **A threat to national security**

“If a country is over dependent on the imports for strategic industries, then exporters may force it to take a decision that may not be in the national interest”.

(Finance management, s.f.)

- **Domestic unemployment**

Most of the time, developed countries pay for foreign labor because it is cheaper in developing economies. This can be negative for local economy because job opportunities can be created more outside a country than for their local people.

(Bay Source a World of Opportunity, s.f.)

3.6 Worldwide overview of Foreign Trade

In the last century, globalization has been one of the most important developments for economy which has materialized also a significant growth in trade between countries. Exports in the last years are over 40 times larger than in 1913 as we can see in the following chart. **(Ortiz Ospina & Beltekian, 2018)**

Figure 5 The value of global exports



Source "Our World in Data"

In this part of the thesis, I will give an overview of how Foreign Trade has changed globally explaining the impact globalization had in it, how it is in the last years and also the Foreign Trade trends around the world after the Covid-19 pandemic.

“Over the last couple of centuries the world economy has experienced sustained positive economic growth, so looking at changes in trade relative to GDP offers another interesting perspective”. (Ortiz Ospina & Beltekian, 2018) In the last hundred years there has been a proportional growth in foreign trade, “up to 1870, the sum of worldwide exports accounted for less than 10% of global output. Today, the value of exported goods around the world is close to 25%”. (Ortiz Ospina & Beltekian, 2018) This is shown in the chart below.

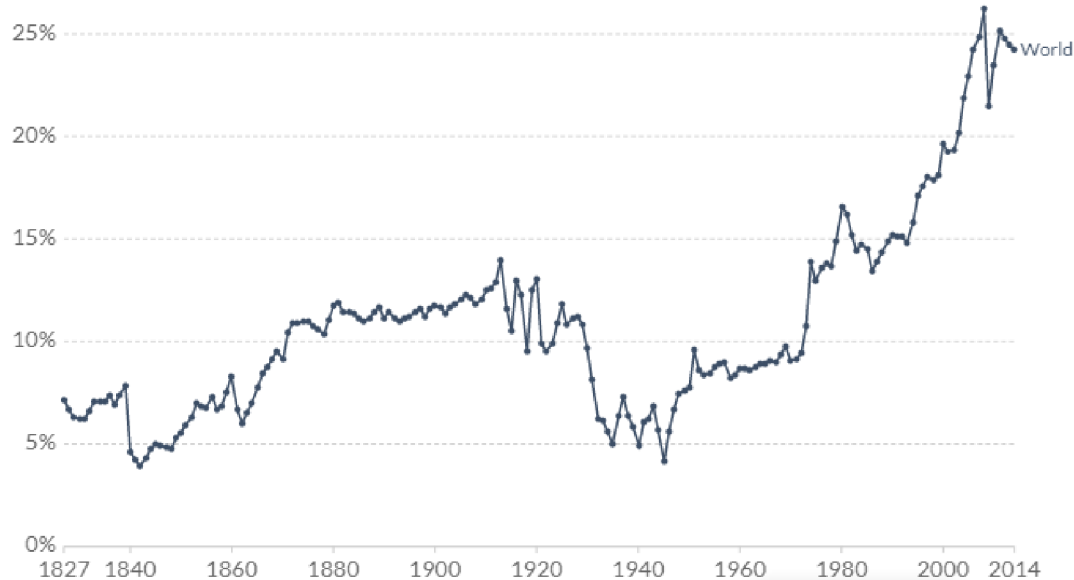
Figure 6 Value of exported goods as share of GDP

Value of exported goods as share of GDP, 1827 to 2014

Estimates correspond to merchandise export-to-GDP ratios.

Our World
in Data

+ Add country



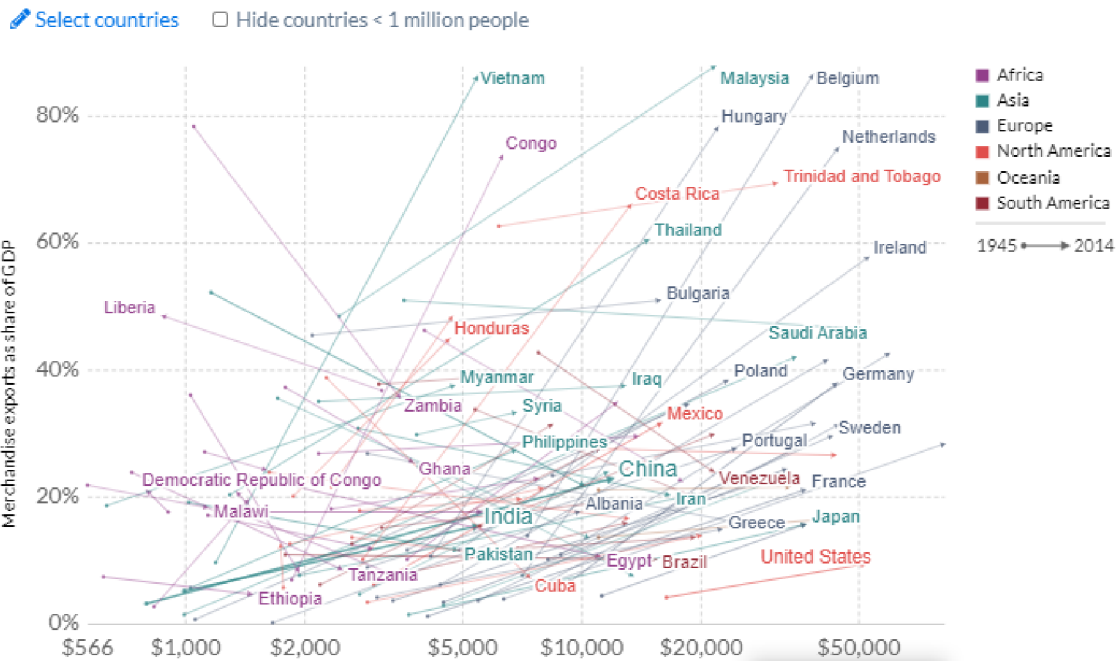
Source "Our World in Data"

Continuing with the correlation between foreign trade and economic growth, numbers indicate that countries with higher rates of GDP tend to have higher rates of growth in trade as a share of output. This statistical link is shown in the chart below, an average annual change in GDP per capita against growth in trade. This can be explained by the influence of several factors such as competition, economies of scale and learning and innovation. Competition may affect because companies that refuse to adopt new technologies and cut costs are more likely to fail and be replaced to more modern and dynamic companies. Big companies that export to several countries, face greater demand and if they operate under the right and asked conditions, they operate at larger scales this gives them the advantage of producing each unit at lower costs, this is economies of scale. The last factor, learning and innovation is related to companies that are involved in trade which have more experience and may adopt higher technology standards from foreign competitors compared to local competitors.

Figure 7 Growth of GDP and trade

Growth of GDP and trade, 1945 to 2014

Average annual change in real GDP per capita vs Average annual change in exports as share of GDP.

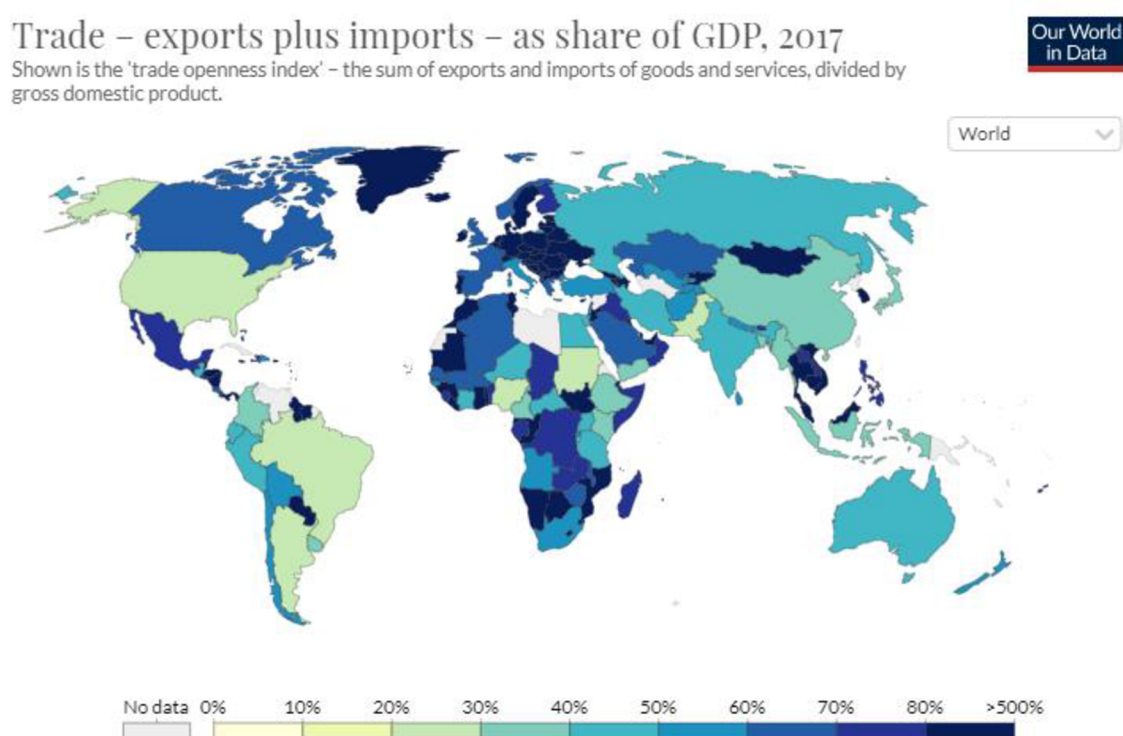


Until the 1800s, the global market was characterized by low international trade figures, then in the 19th century technological advances appeared which “triggered a period of marked growth in world trade – the so-called first wave of globalization”. (Ortiz Ospina & Beltekian, 2018) This first wave ended when the First World War started causing a significant drop of foreign trade. Years later, when the Second World War started trade started to grow again at a faster rate than before. In those years, trade in Europe rebounded, Western Europe increased trade with Asia and the Americas and decreased with Africa and Oceania. This period was characterized by more technological advances such as the development of commercial civil aviation, the use of telephone as the main mode of communication and the improvement of productivity in the merchant marines, this allowed trade to expand increasing volumes and also different types of exchanges were possible. “The first wave of globalization was characterized by inter-industry trade. This means that countries exported goods that were very different to what they imported – England exchanged machines for Australian wool and Indian tea. As transaction costs went down, this changed. In the second wave of globalization we are seeing a rise in intra-industry trade (i.e. the exchange of broadly similar goods and services is becoming more

and more common). France, for example, now both imports and exports machines to and from Germany”. (Ortiz Ospina & Beltekian, 2018)

The metric used to calculate the ratio of country’s total trade (the total of exports plus imports, divided by gross domestic product) is called trade openness index. “This metric gives us an idea of integration, because it captures all incoming and outgoing transactions. The higher the index the larger the influence of trade on domestic economic activities”. (Ortiz Ospina & Beltekian, 2018) This metric also indicates how integration is helping foreign trade to grow between countries. As it can be seen in the chart below, in 2017 European countries have the highest percentage of trade compared to the other continents. Africa also has most of the countries with high percentage of trade over 40%. In Asia the countries with higher percentages of trade are Vietnam, Mongolia, Thailand, Cambodia and others. In North America, Mexico has a 77% of trade of their GDP, Canada almost 64% and United States 26%, just to mention some. In South America, Brazil and Argentina 25% of GDP, the country with the highest percentage is Paraguay with 84% of the GDP.

Figure 8 Trade exports plus imports as share of GDP 2017



Source "Our World in Data"

Globally, trade of goods has always been higher than trade of services but in the last years, trade of services has increased from 17% in 1979 to 24% in 2017. Talking about more trends in foreign trade in the last years, it is important to mention that bilateral trade is becoming more common, this type of trade occurs when countries that export goods to a country also import goods from the same one. Bilateral trade represents 57%, non-trading country pairs (countries that do not trade with one another) 25% and countries that trade with unilateral trade (countries that import from but doesn't export to the other country) 17%. The share of global exports by income level of the trade partners trend is that Non-rich to Non-rich countries exports are increasing, Rich to Rich countries exports are decreasing. Rich countries are Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and the United States, all the other countries are considered Non-Rich. Also an important trend to mention is that in the last years, trade between developing countries is increasing giving the opportunity to emerging economies such as South American countries and others to grow even more.

3.6.1 Covid-19 pandemic effects on foreign trade worldwide

The Covid-19 pandemic that started in 2020 has severely disrupted the world's economy, GDP was expected to decrease 5% in 2020 and trade also was expected to fall about 8%. According to the UNCTAD¹ report, the best scenario for 2021 is that the global economy and international trade to rebound to 2019 figures. The negative effects of Covid-19 on international trade were evident since the first month of 2020 when most of the major economies recorded negative trends, but the "sharpest drop in international trade occurred in the second quarter of 2020, with global merchandise trade falling by more than 20 per cent relative to the same quarter of 2019. Trade trends for the third quarter, although still negative on a year-over-year basis, are significantly better than during the second quarter". (**United Nations Conference on Trade and Development, 2020**). The decline in international trade occurred in 2020 was more pronounced in developed countries, especially in relation to exports. In developing economies, there was also decline but not too drastic (17% in Q2 and 5% in Q3).

¹ UNCTAD is the acronym for United Nations Conference on Trade and Development

Table 1 Import and Exports trends, developing and developed countries

Import and Exports trends, developing and developed countries						
	Q1 2020		Q2 2020		Q3 2020	
	Exports	Imports	Exports	Imports	Exports	Imports
World	-6		-21		-5	
Developed countries	-5	-6	-24	-22	-9	-8
Developing countries	-7	-2	-17	-20	-5	-11
South-South	-4		-17		-5	

Source"UNCTAD"

According to the UNCTAD report, the relatively drop of trade in developing countries is due to the trade resilience of East Asian countries. Although all regions were affected in 2020, trade trends are better for East Asia in Q3 because exports in the mentioned region turned positive every year. “While improving relative to Q2, trade trends in Q3 remain negative for the other developing-country regions. As an example, the value of trade originating from transition economies and the West Asia and North Africa region was about 25 per cent lower in Q3 2020 than in Q3 2019”. (**United Nations Conference on Trade and Development, 2020**). The patterns of international trade show that they vary for every region, Southern Africa suffered drops even though in the West African region trade has increased. In Latin America, not all countries have suffered big drops during the first nine months of the year. In general, the worst months for foreign trade were April and May, in July and August things started to recover but were not positive yet. Something important to mention is that China’s trends were very different from other regions, it was the first region to be negatively affected in the first months of the pandemic but their exports started to recover in Q2 2020 and then increasing at Q3. Imports in China also recovered in 2020 but less than exports.

Table 2 Imports and Exports trends by region

Import and Exports trends, by region						
	Q1 2020		Q2 2020		Q3 2020	
	Exports	Imports	Exports	Imports	Exports	Imports
East Asia	-8	-1	-6	-12	4	-4
Transition Economies	-13	-3	-29	-20	-27	-16
Latin America	-4	-6	-27	-31	-9	-25
West Asia & North Africa	-9	-2	-42	-25	-25	-15
South Asia	-16	-10	-40	-48	-12	-24
Sub-Saharan Africa	8	1	-28	-24	-5	-13

Source"UNCTAD"

The recovery process of foreign trade around the world vary from region to region but it is very clear that the Covid-19 pandemic have affected exports and imports and the entire economy. Some sectors were more affected than others and some regions recovered faster than others, for example the energy sector as well as the automotive, machinery and the comprising metals and ores sectors were the most affected ones. On the other hand, most of the agri-food sectors (with the exception of tobacco and beverages) have maintained stable and even grew in little percentage. The sectors that were benefited positively from the changes occurred were textiles and oils and fats. Of course protective equipment such as surgical masks grew a lot in the market and also home office equipment as people were forced to work from home due to the lockdowns. **(United Nations Conference on Trade and Development, 2020)**

4 Practical Part

In this chapter of the thesis, I will write about the Bolivia giving first an overview of the country's location, population and other aspects. After I will briefly describe the economy in the country over the years and then detail the situation of Foreign Trade including historical and recent related information. After, I will mention some advantages of doing business in Bolivia and finally the results and discussion of the interviews with four people related with trade in Bolivia.

4.1 Overview of the economy in Bolivia

Bolivia is located in the center of South America, it borders with Paraguay, Argentina, Chile, Brazil and Peru. It is a landlocked country since it lost its Pacific coast territory to Chile in 1880s in the War of the Pacific. Bolivia is known as a highland country, one third of its territory lies in the Andes Mountains although it has different climates and cultures divided in 9 departments. The country has a population of 11.5 million inhabitants and it occupies an area of 1,098,581 km². Bolivia broke away from Spanish rule in 1825 and was named after the independence fighter Simon Bolivar. Since then, democratic rule was established and actually is governed by the president Luis Arce from a socialist political party. The country actual goals include foreign investment, improve the education system, continue its privatization program and wagging an anticorruption campaign. **(McFarren, s.f.)**

Bolivia has always been rich in natural resources such as mining, hydrocarbons and natural gas, indeed it has the second largest reserves of natural gas in the region. However, the country remains to be one of the least developed ones and poorest in Latin America. This can be attributed to the lack of economic diversification and also the state-oriented policies that don't attract investors. The country's economic growth in the last years is mostly supported by natural gas exports to Argentina and Brazil but the decrease in demand and the economic crisis as a result of the Covid-19 pandemic "have caused GDP to contract by an estimated 7.7% in 2020. However, the IMF estimates that GDP growth should pick up to 5.5% in 2021, subject to the post-pandemic global economic recovery". **(Lloyds Bank Trade, s.f.)**

Back in the early 1990s, after the economic crisis that took place a decade before, reforms in the country were set to stimulate private investment, economic growth and cut

poverty rates. However, this idea lasted until the years 2003 to 2005 when again political instability, racial tensions and violent protests returned. Protests took place those years because people were against plans to export Bolivia's newly discovered natural gas reserves to large Northern Hemisphere markets. "In 2005-06, the government passed hydrocarbon laws that imposed significantly higher royalties and required foreign firms then operating under risk-sharing contracts to surrender all production to the state energy company in exchange for a predetermined service fee; the laws engendered much public debate". (**Index Mundi, 2020**) The years between 2010 and 2014 were characterized by high commodity prices and increasing GDP figures reaching in 2013 6.8% and 5.4% in 2014. This growth didn't last for too long because of the global decline in oil prices that began in late 2014 which resulted to decrease again GDP growth rates to 4.9% in 2015 and 4.3% in 2016, there were also losses in government, fiscal and trade revenues. Racial conflicts continued and economy in the country was also affected negatively as there was a lack of foreign investments in the key sectors of mining and hydrocarbons due to nationalization problems stated by the government earlier. In 2016, the government of Morales saw the need to boost the economy and started to increase energy production, also promised not to nationalize foreign industries working in the country.

In the last years, political instability continued because president Morales was enabled by the Constitutional National Court to continue govern the country despite the fact that the Bolivian Constitution establishes that a person cannot govern for more than two consecutive periods and that Morales lost a referendum in 2016 in which he tried to null that limitation. Recent years economy in the country has been affected by the mentioned social conflicts and political instability as well as the pandemic that started in 2020 and continues affecting in 2021. Actually the president is Luis Arce governing with socialist ideas continuing Morales' authoritarianism regime. Bolivia's economy still suffers from the "pernicious impact of Chavista socialism, which sank it to the "repressed" category where it has languished for nearly a decade" (**Heritage Org., s.f.**) and of course the negative impacts of the ongoing pandemic. The pandemic of Covid-19 which obliged almost all economic sectors to stop their activities for several months has caused unemployment rates to double in 2020 compared to 2019 and also the general economy to contract by 8% and have the worst figure after several years demonstrated in the GDP figures. (**Heritage Org., s.f.**)

The actual government has announced that their objective is the liberalization of the economy, they announced provision of aid to the poorest households, a plan to refund VAT to the poorest and other measures to revive the economy which is expected to rise and recover in 2021 with a rise of 3% according to ECLAC². **(Coface Central Europe For Trade, 2021)**

Table 3 Main Economic Indicators Bolivia

Main Indicators	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP (billions USD)	40.58	41.19e	39.38	43.11	46.55
GDP (Constant Prices, Annual % Change)	4.2	2.2	-7.7	5.5	4.2
GDP per Capita (USD)	3e	3e	3	3	3
General Government Gross Debt (In % of GDP)	53.9	56.5	67.3	69.0	70.7
Inflation Rate (%)	2.3	1.8	0.9	3.9	3.7
Current Account (billions USD)	-1.88	-1.35	-0.97	-1.59	-1.93
Current Account (In % of GDP)	-4.6	-3.3	-2.5	-3.7	-4.2

Source "Lloyds Bank"

4.2 Foreign Trade in Bolivia

According to the source Biz Latin Hub, in 2017 the trade to GDP ratio rose to 56.7%, indicator that demonstrates the high importance of trade in the country. Bolivia's trade environment is open to many countries, it is a member of different trade agreements which will be described below and as experts say "the nation's economy strongly depends on international trade". **(International Trade Experts, 2020)**

First, I will give a historical overview of foreign trade in Bolivia. After I will mention the actual situation of foreign trade in the country, the different trade agreements the country is a member of and other factors such as the consumption of imported products in Bolivia and the behavior of the Bolivian consumer.

² ECLAC is the acronym for the Economic Commission for Latin America and the Caribbean

4.2.1 Historical overview of Foreign Trade in Bolivia

In the 19th century, Bolivia was known for the production of silver and even the depletion of the mineral and the feudal exploitation of the land which gave more negative than positive balances. The city of what now is called Potosi was the center of the silver production in the country. In the 20th century the exploitation of tin began, in the international market the price of this mineral started to rise which lead the country to have positive figures allowing for the first time to export capital produced within its economy to be invested in Europe and United States. **(Cabrera Luna, n.d.)**

Back then in the 1900s, the country exported mostly silver which represented 40% of exports, followed by tin 30%, rubber 20% and other minerals. Ten years later these shares changed to be the most important export tin (67%), rubber (17%) and silver (5%). During the First World War, rubber exports boomed but this didn't last for too long until the Second World War when it gained importance again. So, in those years Bolivia's exports mostly depended on one specific product and the market was limited to few countries to which this material was sold such as United Kingdom and United States which represented 90% of the total value. Regarding imports, the countries involved were United Kingdom, United States and Germany which represented almost 60% of the total and other countries like Chile, Peru and Argentina. In the following table it can be seen the exports and imports with the main countries mentioned. **(Cabrera Luna, n.d.)**

Table 4 Main countries of destination of exports and origin of imports

MAIN COUNTRIES OF DESTINATION OF EXPORTS AND ORIGIN OF IMPORTS, 1910-1949 (% , five year averages)

	United Kingdom		United States		Germany		Chile		Peru		Argentina	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1910-1914	73.5	18.5	1.1	9.8	9.2	13.7	1.0	11.0	0.5	5.0	0.4	3.0
1915-1919	58.3	14.1	34.7	31.0	0.0	1.0	3.1	20.1	0.2	13.7	1.7	7.4
1920-1924	56.1	21.9	36.4	27.1	0.3	7.2	1.1	16.0	0.1	7.9	2.5	5.6
1925-1929	79.8	18.9	9.2	29.7	2.9	11.8	0.5	9.1	0.0	4.6	2.2	7.2
1930-1934	82.2	17.3	6.2	28.8	1.1	12.5	0.3	5.7	0.0	8.2	3.0	9.9
1935-1939	67.3	8.1	7.3	25.8	1.1	15.7	0.3	3.6	0.1	13.0	2.0	12.0
1940-1944	39.0	5.6	57.3	37.8	0.0	0.4	0.1	6.9	0.1	12.0	1.7	25.4
1945-1949	34.1	4.5	61.7	43.9	0.0	0.1	0.2	6.8	0.2	12.4	2.3	20.2

Sources: Bolivian Foreign Trade Official Statistics, various years.

Source "Bolivian Foreign Trade Official Statistics"

The international crisis that occurred in the 1930s affected exports in the country, the volume exported decreased by three quarters and the Chaco War with Paraguay that didn't help the situation. Other things that affected negatively the economy and trade those years were also the fiscal imbalance caused by increases in fiscal expenditures to sustain the

war. Some years after, the Central Bank ceased to be the monetary authority, giving way to the issuance of large amounts of money to finance the war and Bolivia was forced to suspend the service of the external debt. After, in 1936 the Bolivian Fiscal Oilfields (YPFB) was created as well as two other banks and the Bolivian Development Corporation (CBF), a period characterized by political instability. In 1952 the National Revolution took place and the model of revolutionary nationalism appeared introducing the Agrarian Reform which had the objective of expanding the internal market by endowing people with lands that previously worked for their employers. Also, nationalization took place when mines that belonged to large miners were then administered by the government with the idea that the surpluses will help for the industrialization of the country. Years after, more national companies were created and the state started to administrate social security. The national revolution succeeded diversifying agricultural and livestock production in the eastern area of the country, this allowed the agricultural frontier of the region to expand and roads were built. In 1985, the new government's aim was to invest in infrastructure and transfer the management of public companies to the private sector. This neo-liberal model resulted in modest growth rates despite the negative balance that began in 1958 was difficult to recover. **(Cabrera Luna, s.f.)**

The national revolution succeeded in applying the import substitution process and also in diversifying agricultural and livestock production in the eastern part of the country. In 1985, measures were focused in stabilizing the economy, transform the role of the State which was into productive investment to restrict its action to investments in infrastructure and transferring the management of public companies to the private sector. The neo-liberal model applied since 1985 helped rates to grow **(Cabrera Luna, s.f.)** Reports show that between 1993 and 1998, GDP in Bolivia increased at an average of 4.6% while the annual cumulative inflation rate was reduced to less than 5% and trade flows continued diversifying both in products and markets. Something important those years was that the privatization program encouraged the increase in foreign direct investment, this was something positive to trade and the economy because years before companies were afraid to operate in Bolivia due to the fear of losing the business with the nationalization ideas that occurred. The World Trade Organization report states that “Bolivia avoids the use of non-tariff barriers and it has never taken anti-dumping or safeguard actions. Bolivia uses tax refund schemes to support its exports, schemes which, however, do little to overcome

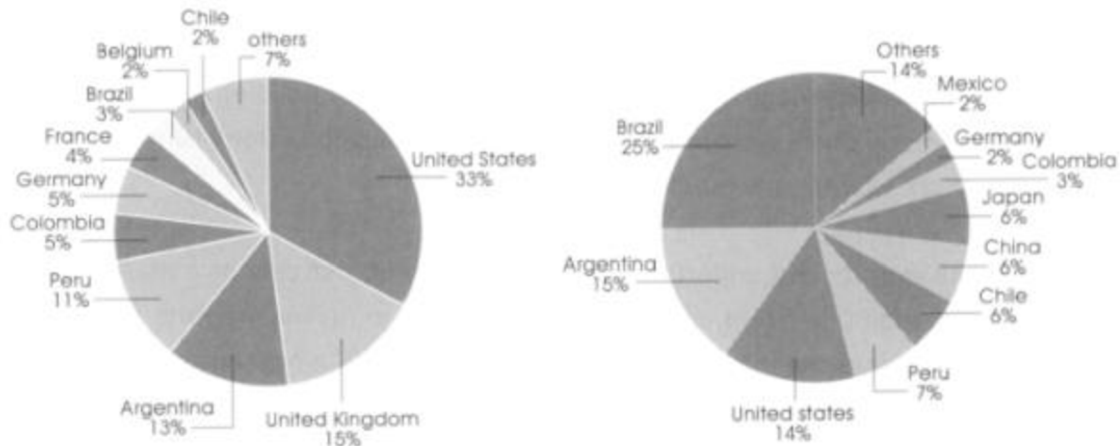
difficulties for producers and exporters affected by structural problems in several economic sectors. The report states that Bolivian exporters also face access difficulties in certain foreign markets, especially in regard to technical requirements". (**World Trade Organization, 1999**)

Foreign trade earnings in Bolivia around the years 1993 to 1999 were agriculture and related processing activities, soy exports for example grew significantly as well as mineral extraction and processing which attracted foreign investments. The report also mentions that, driven by foreign demand, the illegal cocaine industry was visible in the country and had an important role in the national economy. Since 1993, Bolivia has concluded new trade agreements with the aim of increasing trade and investment taking advantage of the geographical position of the country which limits with many others. A major accomplishment and big impulse for trade was the approval of the Export Law Tax in 1993 which consolidated a range of previous rules stipulating the following: "1) free exports and imports without any license or permission, and 2) government guarantees for international export financing. Moreover, the government created six free trade zones (FTZs). Currently, FTZs exist in the three main cities and in three cities on the borders of Brazil and Peru. They have not yet proven attractive for investors, though, because of the lack of roads and other basic infrastructure". (**Canavire & Ehrlich, 2006**) Trade grew steadily until 1998 when external shocks and the implementation of the Customs Law in 1999 caused figures to be affected negatively. From this year to 2002, the government implemented temporary policies to revive the economy because the country was suffering from the economic recession and illegal imports. Some of the policies applied were tariff reductions on capital goods from 10 to 5% and tax exemptions for exporters.

In 2004, exports and imports represented almost 60% of the GDP, 10% more of in the previous decade. It was a positive year for trade in the country as exports achieved the same highest level of 1998 and imports were stabilized. Foreign trade with South American countries also increased from 36 to 46% although United States and United Kingdom remained to be the principal ones. As we can observe in the following chart, exports were mostly to United States (33%), followed by United Kingdom (15%) and then Argentina with 13%, Peru 11%, Colombia 5% and others. Respecting imports, the principal country from where Bolivia imported was Brazil which represented 25%, Argentina 15%, United States 14%, Peru 7% and others. (**Canavire & Ehrlich, 2006**)

Figure 9 Exports and Imports partners in Bolivia 2004

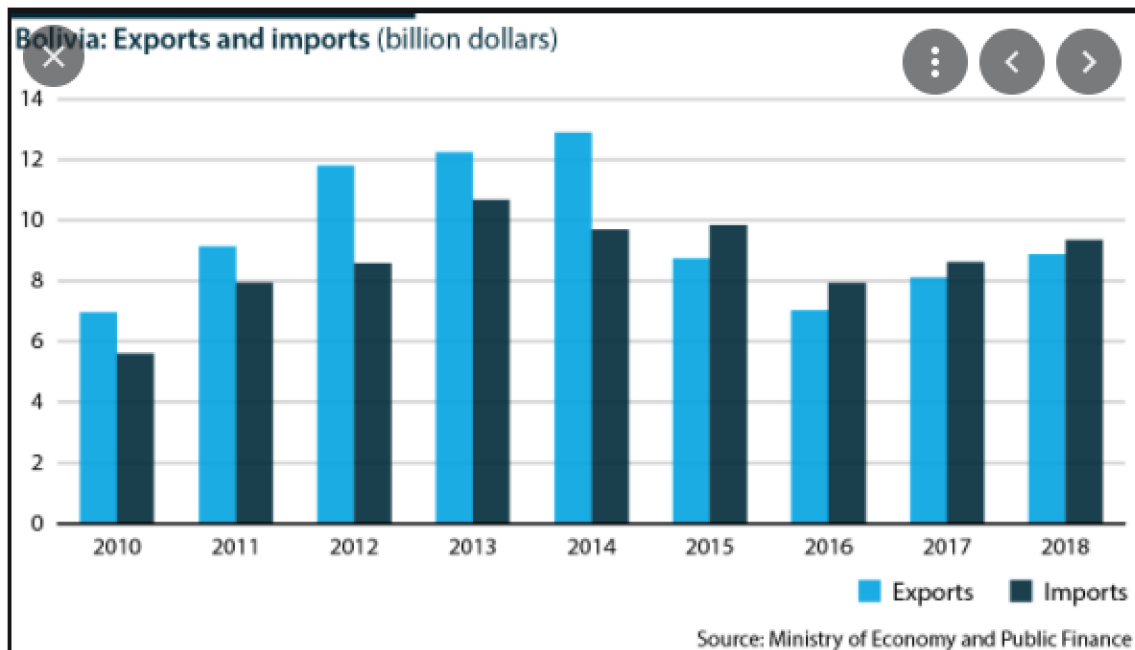
Figure 2: Exports (left panel) and imports (right panel) partners of Bolivia, 2004



Source "Scielo Org"

Data demonstrates that from 2010 to 2014, foreign trade in the country increased year by year. This can be attributed to the growth of GDP figures between 2009 and 2013 when it reached almost 7%, the highest number since more than a decade before. Exports those years grew significantly in the extraction of hydrocarbons such as natural gas, the extraction of minerals like zinc and silver, soy and gold. (Instituto Nacional de Estadística INE, s.f.)

Figure 10 Bolivia exports and imports



Source "Ministry of Economic and Public Finance in Bolivia"

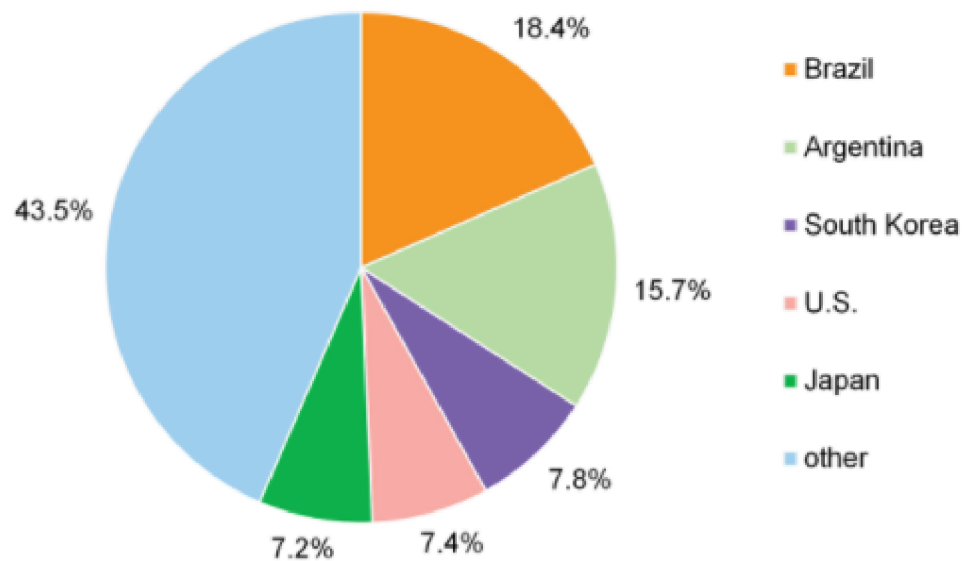
4.2.2 Actual situation of Foreign Trade in Bolivia

Foreign trade in 2015 decreased significantly, both exports and imports were affected as well as GDP which dropped from 7 in 2013 to 5.46 in 2014 and 4.86 in 2015. After nine years of constant growth in Bolivia's exports, in 2015 figures decreased 32% compared to the year before. The fall in prices of raw materials in the world was one of the main factors that affected exports in the country, the most affected sectors were hydrocarbons with a 39.6 % drop, followed by minerals with 27.4% and non-traditional products with 19.6%. Exports of natural gas were maintaining a constant growth until 2013 but later it became the most affected item by the fall in international prices, minerals were not far behind either. (Lopez Camacho, s.f.) In 2017 export and import figures started to recover and in 2018 total Bolivian exports increased by 9.5% reaching 8.9 billion dollars due to the continued recovery in commodity prices especially in natural gas. That year, the top exports sectors in the country were hydrocarbons with 35%, manufactured goods 31%, minerals 29% and agricultural products 4%. In terms of products, the top export ones in the country were natural gas, zinc, gold, silver, soy and tin. **(Privacy Shield Framework, s.f.)**

As it can be seen in the chart below, the country's top exports markets in 2017 were Brazil, Argentina, South Korea, India, Japan and the United States. Last reports show that in 2020 the top export destinations are still Brazil (15.8%) and Argentina (14.7%) and some other new destinations were included like India (10.2), Japan (7.5%), Peru (6.5%), Colombia (5.9%), China (5.1%), United States (4.5%), United Arab Emirates (4%), Netherlands (3%), South Korea (2.8%) and Ecuador (2.3%). **(Alami, 2021)**

Figure 11 Bolivia's major export destinations 2017

Bolivia major export destinations (2017)



Source "Britannica"

Regarding the imports in Bolivia, from 2017 to 2018 figures increased by 7.9% reaching 10 billion dollars. Almost thirty percent of the country's imports were industrial supplies and inputs like replacement parts, chemicals and other production items, also capital goods, transport equipment and parts, fuel, consumable goods and food. "Top import products within these categories were machinery and mechanical appliances, chemical products, vehicles, fuels and oils, food, and minerals. Bolivia also imports significant quantities of steel, electrical machinery equipment and parts, and plastics and plastic products". (Privacy Shield Framework, s.f.)

The last years haven't been ideal for Bolivia's economy, it still lacks economic diversification, poverty even now is an important problem in the country, the decrease in demand of natural gas from Argentina and Brazil, political instability and the Covid-19 pandemic are the most important reasons of the actual situation of the country. Export operations during 2020 worth was seven billion dollars, 24.4% less than data from 2019 respectively. Something important to mention is that in the last year there has been a decrease of 38.6% of tin, ranking as one of the mains categories of exports with greater decrease. On the other hand, the merchandise categories that have experienced growth in 2020 compared to the year before are oilseeds with an increase of 40.5%, vegetable fats and oils are constantly growing at 16% and forage used for animal feeding with an increase of 10%. (Alami, 2021) In 2020, GDP has decreased by an estimated 7.7% due

to the decrease of natural gas demand from Argentina and Brazil and also the economic crisis resulting from the Covid-19 pandemic. “However, the IMF estimates that GDP growth should pick up to 5.5% in 2021, subject to the post-pandemic global economic recovery”. **(Lloyds Bank Trade, s.f.)** The national government implemented measures to deal with the economic crisis including direct relief payments to households with children in public schools, creation of a program to make direct payments for food, electric bills and potable water for certain households, deferral of some tax payments, increase social spending to aid eligible individuals, such as those who receive the universal transfer, mothers, people with disabilities and citizens over the age of 18 who do not receive any type of public or private salary. Liquidity has also been increased by reducing reserve requirements in both local and foreign currency. “The country is also marked by inequalities in the distribution of its wealth and a strong informal sector. However, the unemployment rate is among the lowest in the region, as it stood at an estimated 8% in 2020. Still, even though that's a low rate, unemployment doubled from 2019 to 2020, due to the COVID-19 pandemic. Nevertheless, the IMF estimates that rate to revert back to 4% in 2021. Moreover, the Bolivian justice system has been plagued by corruption, delays, and political interference. Additionally, impunity for violent crime and human rights violations remains a serious problem.” **(Lloyds Bank Trade, s.f.)**

Talking specifically about Bolivian foreign trade, it was negatively affected in the last year reaching a deficit of 65 million dollars, even 10% less than 2019. This decrease can be attributed to the collapse of imports by 2.705 million dollars due to lockdowns. Exports fell 1.909 million, reaching figures from a decade ago. This was very important to the economy of the country and it will take some time to recover, it meant that 4.6 billion dollars stopped circulating in Bolivia's economy in 2020. According to INE data, Bolivia's external sales in 2020 totaled 6,898 million dollars (excluding re-exports), 73% corresponding to Traditional Exports - minerals and hydrocarbons and 27% to Non-Traditional Exports (mainly, agro-exports). Mineral sales totaled 3,032 million dollars with a 28% drop in value and 34% in volume, with gold standing out with 1,234 million dollars. Hydrocarbons reached 2,029 million dollars, with a fall of the 28% in value and a rise of 0.4% in volume, highlighting natural gas with 1.98 billion dollars. Non-Traditional Exports (NCDs) -highly generating employment and multiplying effects- grew 4% in value despite a 4% drop in volume, driven by the sale of food. Stood out soybean cake sales of more than \$ 492 million; crude soybean oil (200 million), jewelry

(131), shelled Brazil nuts (126), quinoa (92); bovine meat (70); as well as: alcohol, woods, sugar, bananas, milk, beans, hides, hearts of palm, coffee and cocoa. The agricultural trade balance. It had a surplus of almost 700 million, thanks to the fact that the sector did not stop despite the pandemic. The department that exported more in 2020 was Santa Cruz who exported mostly natural gas and soy, followed by Potosi who exported zinc and silver and in third place La Paz (minerals and coffee). The opening of markets made it possible to have an export record last year, bovine meat was exported to China but in 2021 in the middle of the pandemic, but this stopped because there was not sufficient bovine meat to supply the internal demand of the country. Imports in Bolivia in 2020 reached 7.080 million dollars with a drop of 28% in value and 20% in volume, most of this value were represented by industrial supplies, capital goods and transportation equipment (63%), the food and beverages imports grew 2%. The countries from where most imports were made are China, Brazil, Argentina, United States and Peru.

Although all the difficulties the country still is overcoming as results of the Covid-19 pandemic, the fall in demand of natural gas and social problems due to decisions and laws the actual government stablishes, the IMF estimates that GDP growth should pick up to 5.5% in 2021, subject to the post-pandemic global economic recovery. **(Instituto Boliviano de Comercio Exterior, 2021)**

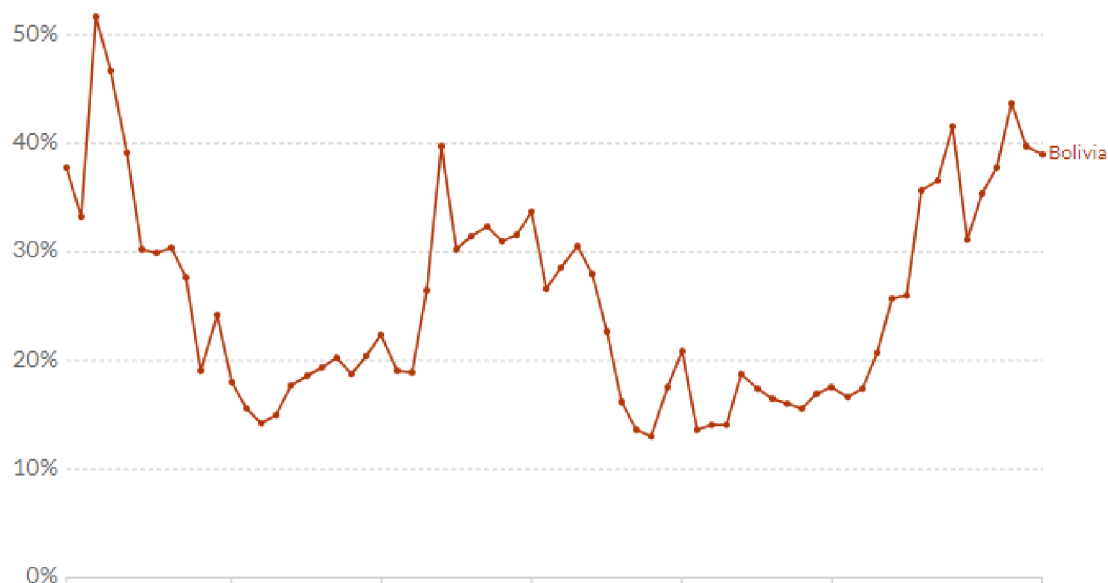
Figure 12 Value of exported goods as share of GDP

Value of exported goods as share of GDP, 1949 to 2014

Estimates correspond to merchandise export-to-GDP ratios.



+ Add country



Source "Our World in Data"

4.3 Trade agreements in Bolivia

Trade agreements are defined as contractual arrangement between countries concerning their trade relationships, they could be bilateral which means the agreement involves two states or multilateral which involves more than two states. **(The Editors of Encyclopaedia Britannica, s.f.)**

Bolivia is a member of various trade agreements that help stimulate the business and economic growth of the country. Although, structural problems have caused issues to its trade and commercial environment, the country is looking to attract investors and develop international connections to increase trade. In the following lines I will give an overview of the trade agreements that Bolivia has.

- World Trade Organization

Bolivia is a member of the World Trade Organization (WTO) since it was created in 1995, this is a global international organization that deals with organization and rules between countries. The objective of this organization is to help countries enhance their trade activities in order to increase imports and exports, for example lowering trade costs for developing countries like Bolivia. **(Biz Latin Hub, 2019)**

- **Mercosur trade relations**

The Mercosur trade bloc is an alliance founded in 1991 by Argentina, Brazil, Paraguay and Uruguay. Later other countries like Bolivia, Venezuela, Colombia, Chile, Ecuador, Peru, Guyana and Suriname were included. This alliance was created to stimulate investments, production and trade between members under the creation of a free trade environment policy. The creation of this trade bloc is a key contributor to economy in most of the member countries and of course Bolivia, is allows to gain preferential market access and expand their market also they obtain valuable tariff privileges as most of the member countries are excluded from import or export tariffs. **(Biz Latin Hub, 2019)**

- **The Andean Community of Nations**

On May, 1969, Bolivia, Colombia, Chile, Ecuador and Peru signed the Cartagena Agreement with the aim of improving the standard of living of its population through economic, social corporation and integration. Actually this agreement is called the Andean Community of Nations (CAN). It remains important because it intends to achieve “a comprehensive, balanced and developed environment, through greater regional integration.” **(International Trade Experts, 2020)**

Bolivia is a developing country with great potential to increase in exports and help the general economy to grow, so, it is very important for the country to be a member of all the trade agreements possible in order to grow internationally and expand the market. Trade agreements allow imports and exports for example between South American countries to have very low tariffs this benefits small, medium and large companies. Although several policies and laws seem to difficult international trade, the importance of it in the national economy is year by year more notorious.

4.4 Advantages of doing business in Bolivia

After gathering information from the EU-U.S. and Swiss-U.S. Privacy Shield report and other sources, there are some important points to mention that explain why US companies should consider Bolivia as a good option to export and also several advantages of investing in Bolivia.

- **Bolivians like American products**

To Bolivian consumers, American products are generally considered as innovative high quality products that reflect status. For larger purchases by local governments, U.S. products and services are viewed as reliable due to warranties, customer service and maintenance plans. **(Privacy Shield Framework, s.f.)**

- **Bolivia is rich in non-renewable natural resources**

As it was mentioned before, mining and hydrocarbons are the most important export sectors in the country. But there are other minerals that remain unexploited such as lithium deposits and others like zinc, silver, lead with room to continue growing. Nowadays lithium exploration is still highly regulated but due to the increasing demand for electric cars which uses lithium as a key element for this product and social and economic problems in Argentina and Chile, both countries that have lithium, there is a considerable opportunity in Bolivia to exploit the market. **(Legal Team Bolivia, 2020)**

- **Bolivian economy is still growing**

“For the past ten years, the economy has grown by nearly five percent annually and Bolivia’s growth rates have led South America for each of the past five years. This has led to a dramatic increase in the size and purchasing power of an emergent middle class”. Although the Covid-19 pandemic affected the country’s economy negatively as almost all countries in the world, it is an interesting country to invest due to previous positive figures and growth in the principal cities. **(Privacy Shield Framework, s.f.)**

- **The Bolivian government wants to promote Foreign Direct Investment (FDI)**

The current government mentions among its objectives the fact of encouraging foreign investment and also the import and export of products. “Since the Bolivian government is initiating the reduction of exportation restrictions, Bolivia is going to become more present in the trade market, specifically in the agricultural industry. This would allow the country to generate increased revenues which will contribute to economic growth and also present an opportunity for the government to invest back into certain sectors.” **(Legal Team Bolivia, 2020)**

- **Growth in agricultural sector**

Being one of the most important sectors in Bolivia's economy, the agricultural sector contributes about 13% of GDP and just under 30% of total employment. This sector is growing and the need for new technology is also increasing. New technologies from abroad can be applied to the market to improve productivity, efficiency and even food security so there is an important opportunity for investing in the sector and later exports will also increase. **(Legal Team Bolivia, 2020)**

- **Low costs of labor**

The country provides relatively low cost labor for foreign companies, the average salary is \$us 310. There are high value employees available on the market so foreign companies that decide to open in Bolivia can have access to experienced staff at lower prices than other countries in the region which allows to have higher profit margins. In the last year, due to the rise of unemployment figures as a result of the Covid-19 pandemic, more and more qualified people with experience are looking for job opportunities. **(Legal Team Bolivia, 2020)**

- **Unsaturated market offers opportunity for entrepreneurs to do business in Bolivia**

“Bolivia is demonstrating its willingness to become a more entrepreneurial and innovative nation in the business world. There is a growing community of young entrepreneurs helped and formed by different organizations. The goal is to give an impulse and promote innovative minds of young Bolivians to have a positive impact on their country, or ideally on the world.” **(Legal Team Bolivia, 2020)**
There is a great potential and several opportunities for foreign entrepreneurs to step in the unsaturated market in the county, because is a developing country most of the economic sectors lack of variety of options and innovation.

4.5 Disadvantages of foreign trade in Bolivia

According to the group of exporters and logistics of Santa Cruz (CADEX³), there are five important problems related mainly to the exports from the country. Obviously, adding to

³ CADEX is the acronym in spanish for Cámara de Exportadores, Logística y Promoción de Inversiones de Santa Cruz.

these problems in the last years the Covid-19 pandemic has turned one more problem due to the drop of exports in 2020 which until august was a decrease of 26% which affected negatively foreign trade in general. I will detail these problems or disadvantages in the following lines.

- **Restriction through export quota policy**

Since 2008, the group CADEX started a fight that until now has not been attended by the national government or the Ministry of Economy and Finances. This fight demanded the possibility of eliminating the export quota policy and also reduce or delete exports' restrictions. Oswaldo Barriga, the president of CADEX explains that the national government forces exporters to comply 95% of the quota of local market which always has a guaranteed supply and even having the necessary conditions to export they can't do it sometimes because of the policy and restrictions. (CADEX blog, 2015)

- Lack of incentives for the exporting productive sector

The president of CADEX also mentions the bureaucracy that exists in the process of obtaining the exporting license, which added to the export quota policy cause a disincentive to investment, the conquest of markets and business management. The national government in the last years said that one of their aims was to facilitate the obtaining of the exports license but it was never accomplished. Nevertheless, the export sector in the country feels discriminated because they never receive incentives to product more and better products. He indicated that if norms are not implemented, the conditions are not provided, and rather an obstruction in the processes is generated, a loss of competitiveness is caused, investment is discouraged, and therefore the economic growth of the country is slowed down. (CADEX blog, 2015)

- **Smuggling and informality**

According to data by the country's Ministry of Economy and Public Finance in 2015, smuggling moves 1.500 million dollars every year representing 400 million dollars annually that the state stops receiving for tax evasion, situation that represents 65% informality in the national economy, the highest in Latin America. Explaining how smuggling occurs, the CADEX president says that it occurs in

two ways: when prices are high it is because someone is getting richer, therefore it forces them to sell much cheaper than what can actually be produced and the second way is when prices are low, the trend is for products to exit, generating discomfort in the internal economy. Because the national government doesn't implement new measures to protect national industry, unfair competition is generated and informality is encouraged. **(CADEX blog, 2015)**

- **Anti-competitive exchange policy**

The importation of foreign products in the country continues to gain markets in an excessive way, the introduction of basic products such as sugar, oil, grains, flour and other foods and beverages is affecting the national industry. In order to encourage national production and consumption, CADEX suggests that a pro-industry exchange policy should be considerate to boost production growth and industrial development like Chile, China and Korea. **(CADEX blog, 2015)**

- **Poor infrastructure and logistics**

Exporters face serious problems and limitations in terms of transport, access routes and logistics to get their products out of the country. There is notorious lack of maintenance of roads, absence of support for proper functioning of the railway system, precarious waterway and limited conditions in the air and logistics system. **(CADEX blog, 2015)**

- **Negative effects of Covid-19 pandemic**

Both imports and exports suffered a drop in 2020 as an effect of the Covid-19 pandemic, until July of 2020 imports were reduced by 34% and exports by 26% compared to the same months in the year before. CEPAL article of 2020 indicated that foreign trade in the region suffered a decrease of 23%, even less than numbers registered during the financial crisis of 2009 (21%). Latin America and the Caribbean is the developing region most affected by the pandemic mainly because the setbacks in shipments of manufacturing, mining and fuels. **(Lazcano, 2020)**

4.6 Behavior of the Bolivian consumer

In this part of the thesis, I will give an overview of the behavior of the Bolivian consumer also mention the consumption of imported products and later detail the top imported and exported products in the country. In the last part, I will interview people who import and export certain goods in the country, highlighting the most important points considered relevant to the subject.

After analyzing some reports and information given in studies, it can be said that the tendencies of the Bolivian consumer are changing turning the consumer into a digital one who will be more connected, informed and experimented in digital platforms. People are getting more used to smartphones, the use of internet is increasing and will continue to do so. Respecting ecommerce, it is evolving and increasing but a slow rate due to the lack of payment methods which are starting to be available. Young people in the country between the ages 25 to 35 have more “available” money than before because nowadays people are getting married and having kids later despite, they spend their money at restaurants, traveling and buying apartments and cars. Following the global tendency, Bolivian consumers are impatient to have what they want at the moment making media a relevant attribute for the products and services they buy. The increase in use of social media is empowering clients and they are less tolerant to what they consider not fair, for example if somebody buys a product and it isn't what he expects, he posts the complaint on social media reaching lots of people. This can be seen more as an advantage than a disadvantage because social media allows a company to be known at a fast rate due to the increasing connectivity of people and the good recommendations customers can give to their friends on their social media accounts.

Other aspects that are relevant to mention are convenience and wellness awareness that consumers have in mind. First, due to distances and traffic, consumers have less time so they look for fast food restaurants, shopping and supermarkets that offer a variety of services and products in one place. Second, the Covid-19 pandemic has given much more importance to healthy diets and physical activity and people are looking for healthy food options and are exercising more than before. **(Lopez Camacho, n.d.)**

4.6.1 Consumption of imported products in Bolivia

In 2020, 23% of the total products of the basic market basket in the country corresponds to imported products. This figure has been increasing in the last years, in 1986 imported products represented 17% of the basic basket, in 2005 17% and since 2018 23%. The

director of the Bolivian Central Bank says that Bolivian families depend on imported products because some basic products such as potatoes and avocado, just to mention a few are from abroad. **(Lopez, 2020)**

Using the linear regression method, estimations for the next years 2022 and 2024 indicate that the percentage of the imported products in the Bolivian basic market basket will continue to increase in the next years. This is something that is both positive and negative because this numbers demonstrate that imported products are very important in the daily life consumption in the country and that the tendency is increasing. The negative part is that local producers can be affected by this because the trend indicates that consumption of imported products will increase and local producers have to compete with them.

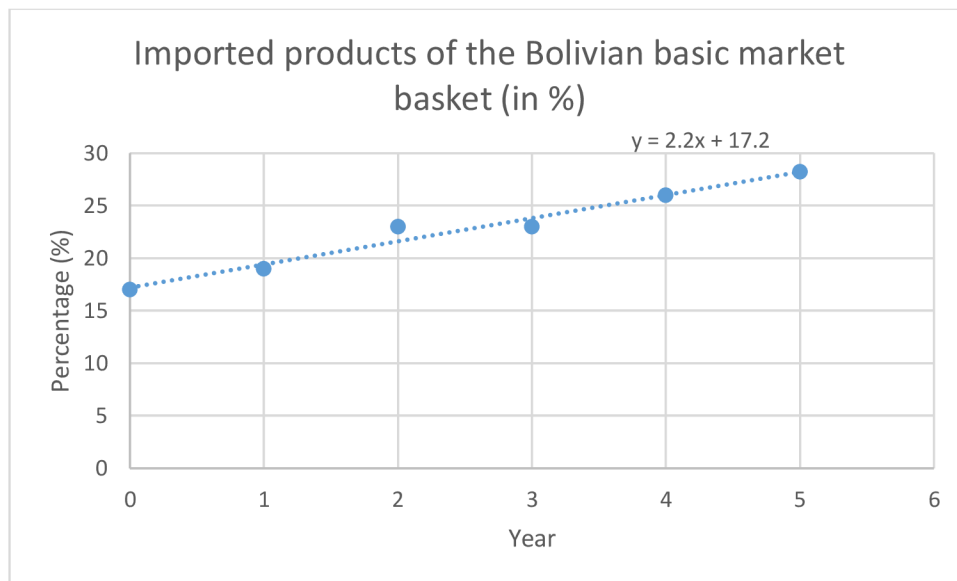
Table 5 Percentage of imported products of the Bolivian market basket

<u>Percentage of imported products of the Bolivian basic market basket</u>		
%	Year	Time series
17	1986	0
19	2005	1
23	2018	2
23	2020	3
26	2022	4
28.2	2024	5

**2022 and 2024 are estimates using the linear regression model.*

Source: own creation

Figure 13 Percentage of imported products of the Bolivian market basket



Source: own creation

4.7 Interviews

In this part of the thesis, I will mention the experience of importers and exporters in the country. Four stories from companies and people who work in the field are described below, two of them were interviewed and the other two experiences gathered from secondary sources. First, I will mention the sector in which these people work in order to respect their anonymity as asked. Later I will describe the most relevant information and answers given to make the analysis. I consider important to mention that points of view and opinions may be different because each one works in different areas and position every person has regarding this topic.

The people interviewed and companies analyzed work in the following sectors:

- **Exporters:**
 - Chia seeds
 - Meat
- **Importers:**
 - Building material
 - Make up and cosmetics

4.8 Output

I will give some background information about the companies or people's experiences related to exports and imports in Bolivia. After analyzing the answers and comments given in this thesis, I will highlight information I consider important. Complete answers given can be seen in the appendix.

Cesar Jimenez is the general manager of a company that imports building material from China since 12 years ago, he told his experience to the newspaper "La Razon" where he mentions that *"products in China are cheaper and have better quality than in Bolivia"*, he also states that *"imports from China are growing fast in the last ten years and that he estimates that in the future years it will increase even more due to the variety of products to buy there"*. Continuing with the importing experiences, the owner of a small business that started during the pandemic last year, explains that sales have been increasing every month and that this was unexpectedly because something that started as importing makeup and cosmetics for herself and offering to friends and family, nowadays is a small business. She says that *other people are also importing not only makeup but other products from United States because prices are affordable and customers like American products*. An important problem in foreign trade in Bolivia is that for importing products, *fees and taxes and time when entering products through the customs house depend on the employees and how much they ask you to pay*.

Respecting exporting experiences, Javier Landivar, general manager of Fegasacruz which is the Federation of Ranchers in Santa Cruz mentioned that *"the main market to export beef actually is China and that exports started to increase significantly since 2013"*. He also says that *"the livestock sector is benefited from these exports because now they have the opportunity to export to more foreign countries and what have helped also are the political deals between China and Bolivia"*. (El Deber, 2020) The owner of a company that exports Chia seeds to Peru and Germany tells that *"the sector has gone through ups and downs but they hope the market grows in sales to reach past years' sales like in 2013 because they have the capability and also demand is increasing"*. They hope that the government gives some incentives to the sector and to solve the bureaucracy that actually exists to export to new countries.

One of the questions asked to the interviewees was their opinion of foreign trade and how important they consider it for the country's economy. Some of the most relevant answers were: *"Trade is more and more important every year, some sectors are highly benefited from exportation and we should take advantage to use and word our resources to export"*

the wide variety of products to countries abroad because as exports rise the economy in general gets better”, other answer given was the opinion of the company that exports chia seeds, the company mentions that they had suffered ups and downs in past years and now which is a moment after the disastrous effects of the pandemic has left, the government should *“reduce bureaucracy in paperwork and other aspects as well as give incentives to companies and help them get better and recover from last year because it will give peoples jobs and help the economy”*. It is also important to mention that one of the interviewees said that *“trade is crucial for the growth of every country’s economy in the world, nowadays globalization allows to sell and buy from abroad and that our country should focus in taking advantage of all the benefits and facilities it has”*.

Advantages and disadvantages of foreign trade were identified; these are mentioned below.

- Advantages and disadvantages mentioned by importers

Table 6 Advantages and disadvantages mentioned by importers

Company	Advantages	Disadvantages
Building material company	<ul style="list-style-type: none"> - Variety of products, affordable prices in China - Good quality products - 	<ul style="list-style-type: none"> - Risks of losing money from deals with transport companies - Paperwork takes too long
Makeup and cosmetics business	<ul style="list-style-type: none"> - Bolivian consumers good perception of US products - Increasing sales - Variety of products and affordable prices 	<ul style="list-style-type: none"> - Requirements to be an importer are expensive and long. - Informality at the customs house whrn prodcuts arrive

Source: own creation

- Advantages and disadvantages mentioned by exporters

Table 7 Advantages and disadvantages mentioned by exporters

Company	Advantages	Disadvantages
Chia seeds	<ul style="list-style-type: none"> - Market with positive tendencies of growth - Opportunity to work with Latin American and European countries 	<ul style="list-style-type: none"> - Bureaucracy in exportation process - Negative effects of Covid-19 pandemic in sales
Meat	<ul style="list-style-type: none"> - Increasing sales in the last years - Sector benefitted from deals between countries - Capacity of production - Market open to grow in the future 	<ul style="list-style-type: none"> - Extensive requirements and steps needed to export to new countries.

Source: own creation

4.9 Results and discussion

After analyzing the given information, I can conclude that trade is very important in the country for all economic sectors, there is a huge opportunity both to import products and sell them in Bolivia as well as export high quality products that are produced in the country. There are many companies that have years of experience as exporters or importers and there are also new small, medium and big companies that can and should get themselves at trade. Bolivia is very rich in resources, the country produces a wide variety of goods that are already exported to Latin America and European countries and there is the capacity to export to other countries too. Some pros from importing are the affordable prices and new products available in other countries such as United States and China, just to mention two examples, that can be sold in Bolivia. An important fact is that Bolivian consumers look for imported products because they have a good perception of them in terms of quality and innovation. It is notorious that there are some legal, economic

and others barriers that may difficult foreign trade in the country, there is lack of incentives in almost all sectors and there is a notable bureaucracy for both imports and exports. Government should see foreign trade as an opportunity to impulse the economy after the drop of sales after the Covid-19 pandemic results, they should realize all the benefits it can bring to the country including creation of jobs, use of resources, opportunity to enter new markets, and other reasons.

5 Conclusion

As the author Leo Pasvolsky said “No modern nation is or can be economically self-sustaining” assuring that foreign trade is essential for countries all over the world. Since the 18th century, when foreign trade started as the need of some countries to obtain some goods that weren't available in their territory and other regions had even more than needed. So, products and services started crossing frontiers all over the world becoming a very important aspect of the economy worldwide.

Numerous advantages such as economic growth, price equality, optimum use of resources, creation of job opportunities and others, are some of the most important aspects of the benefits that foreign trade has. Over the last couple of centuries, economy has experienced sustained positive economic growth and in the last century globalization has been one of the most important developments for economy, this has been materialized a significant growth in trade between nations. Foreign trade is growing year by year, exports for example in the last years are over 40 times larger than in 1913. The Covid-19 pandemic has been a surprise for the world, it had a negative effect in the world's economy and of course in trade which decreased 5% in 2020.

Bolivia is a Latin American country very rich in natural resources like natural gas, mining and hydrocarbons, just to mention some. In the 20th century, Bolivia started to export silver and other minerals to United States and Europe but one of the most important exports from Bolivia in the last twenty years is the exports of natural gas to Argentina and Brazil. Foreign trade in the country contributes almost 50% of the GDP, demonstrating that it is crucial for the national economy. Exports and imports in the country raised until 2014, but the last years haven't been ideal for Bolivia's economy, it still lacks economic diversification, poverty even now is an important problem in the country, the decrease in demand of natural gas from Argentina and Brazil, political instability and the Covid-19 pandemic are the most important reasons of the actual situation of the country.

Despite the actual problems in the country, the actual government mentioned as one of their goals to reactivate the economy and support foreign trade to grow which added to the numerous advantages that Bolivia has for its future situation and growth of foreign trade, are ideal to conclude that the country presents more opportunities than barriers for

both exports and imports to grow contributing to the growth in national economy in several sectors.

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7 Appendices

Table 8 Imports and Exports trends of major economies

Import and Exports trends of major economies

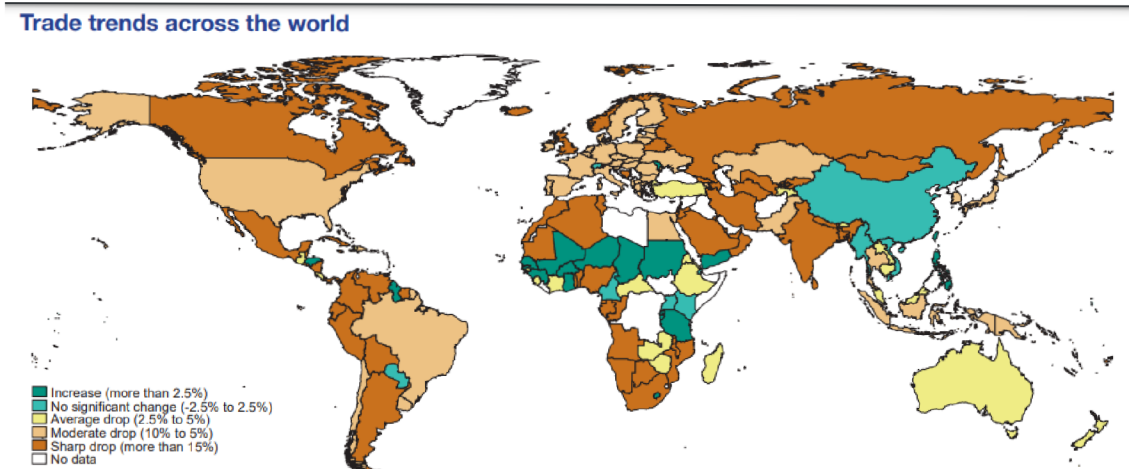
Imports	January	February	March	April	May	June	July	August	September
Brazil	-1	5	11	-15	-11	-20	-35	-29	-25
China	-7	-10	-1	-14	-17	3	-1	-2	13
European Union	-3	-7	-12	-26	-28	-12	-15	-10	-2
India	0	4	-28	-60	-51	-48	-30	-26	-20
Japan	-5	-13	-1	-3	-25	-14	-21	-21	-14
Republic of Korea	-5	1	0	-16	-21	-11	-12	-16	1
Russian Federation	4	2	-2	-20	-13	-4	-13	-11	-3
South Africa	-3	-4	-17	-38	-40	-43	-39	-31	-15
United States	-4	-4	-7	-21	-25	-13	-8	-5	0

Exports	January	February	March	April	May	June	July	August	September
Brazil	-19	-1	5	-9	-15	-5	-3	-11	-10
China	-22	-10	-7	3	-3	1	7	9	10
European Union	-2	-3	-8	-31	-32	-9	-10	-9	3
India	-1	4	-34	-61	-35	-12	-10	-13	4
Japan	-4	0	-8	-19	-27	-25	-18	-15	-3
Republic of Korea	-7	4	-2	-26	-24	-11	-7	-10	7
Russian Federation	-2	-18	-20	-33	-36	-26	-28	-32	-14
South Africa	10	6	-1	-61	-28	-6	-14	-3	10
United States	0	2	-9	-29	-36	-24	-15	-15	-9

Source: UNCTAD calculations based on national statistics. Year-over-year growth rates. Excludes intra-European Union trade.

Source"UNCTAD"

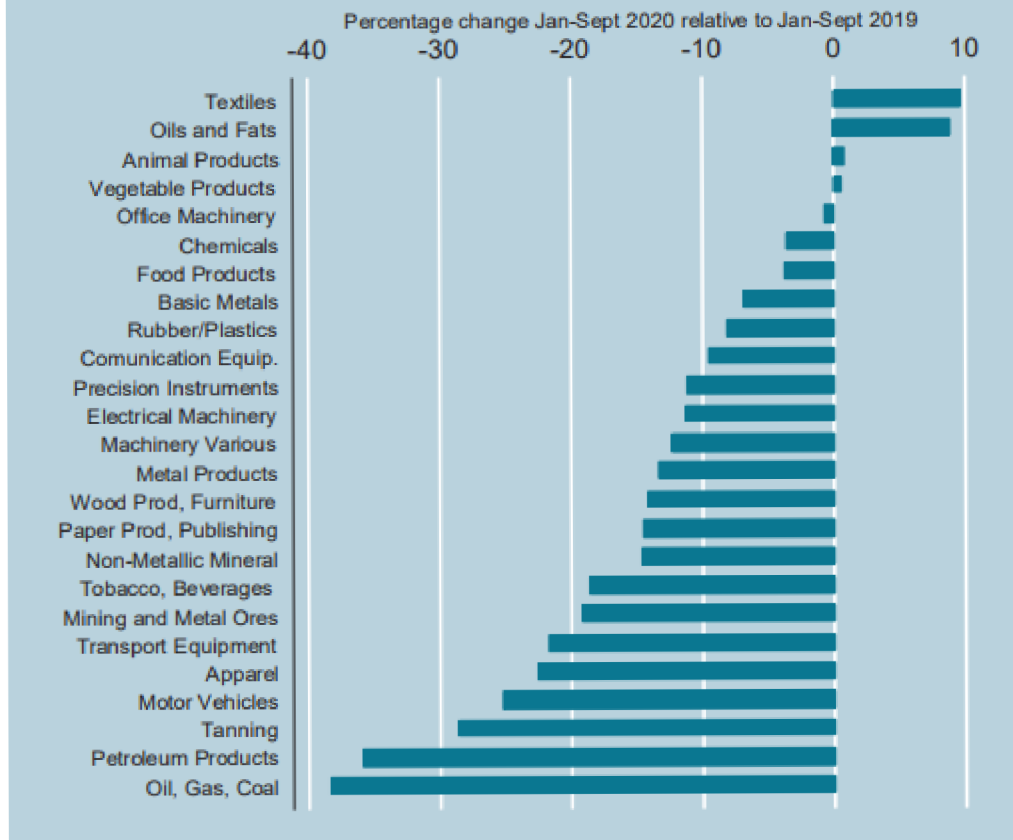
Figure 14 Trade trends across the world



Source"UNCTAD"

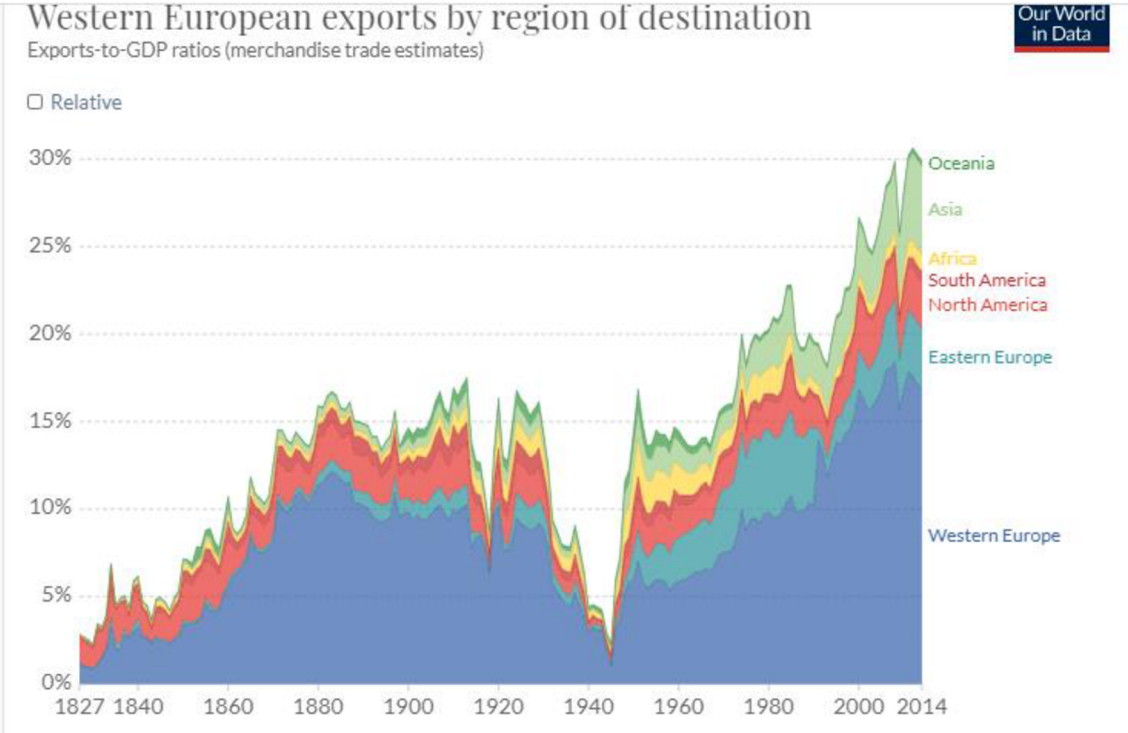
Figure 15 Sectoral Trade

Sectoral Trade



Source "UNCTAD"

Figure 16 Western European exports by region of destination



Source "Our World in Data"

Figure 17 Main economic indicators Bolivia

**Plurinational State of Bolivia: main economic indicators,
2018-2020**

	2018	2019	2020 ^a
	Annual growth rate		
Gross domestic product	4.2	2.2	-8.0
Per capita gross domestic product	2.8	0.8	-9.3
Consumer prices	1.5	1.5	0.5 ^b
Real average wage ^c	3.1	-0.4	-1.0 ^d
Money (M1)	6.4	0.7	3.0 ^e
Real effective exchange rate ^f	-5.2	-5.8	-7.7 ^b
Terms of trade	-1.5	0.9	-6.3
	Annual average percentage		
General government			
Overall balance / GDP	-6.0	-6.9	...
Nominal deposit rate ^g	2.1	2.4	3.1 ^b
Nominal lending rate ^h	6.4	6.4	6.3 ^b
	Millions of dollars		
Exports of goods and services	10 353	10 259	3 584 ⁱ
Imports of goods and services	12 444	11 907	3 866 ⁱ
Current account balance	-1 823	-1 324	35 ⁱ
Capital and financial balance ^j	594	-1 515	-587 ⁱ
Overall balance	-1 230	-2 839	-552 ⁱ

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Source "ECLAC"

Table 9 Answers given at interviews

Company	Company's or commercial activity	Analysis
Chia seeds	The company exports chia seeds since 2010, this product became more popular since then due to their benefits such as lower cholesterol, improve blood sugar levels in type 2 diabetes and reduce appetite. It is also used nowadays as a replacement of flour and eggs in pastries and others. Back in 2010 we exported to Peru and since 2013 we	The company that exports chia seeds is expecting to continue exporting to Peru and Germany but also expand to other countries too. Their experience has been positive but they need to recover from drops in sales in the last years. Help from the government as incentives will be appreciated in the sector.

	<p>export to Germany. The process has not been easy and we suffered ups and downs but the market is open to grow in the future. 2013 was a great year for all chia seeds exporters because that year sales tripled, next years were good but not as good as expected. In 2018 sales were very low and of course the pandemic has affected us negatively but this year (2021) we are starting to export again to recover and we are hoping to export the product to other European countries. We also hope that the government helps us reducing the bureaucracy that implies the exportation process and gives us some incentives because we need them to grow and not only our sector but our national economy needs to be activated more than ever so the state has to eliminate barriers and support our economy by letting us work and export.</p>	
Meat	<p>The biggest group of Ranchers of Bolivia tells that exportation of meat has increased significantly since 2013 but the last two years (2019 and 2020) were the best years. The principal export destination of meat is China. The positive experiences exporting to China opened the market giving them the opportunity and vision to expand the market in the future and export to other</p>	<p>One of the most important group of Ranchers of Bolivia tells about their positive experience from exporting meat to China, they mention that sales have increased significantly with the help and diplomatic treats that both governments have. This type of help should be applied to more economic sectors. They expect to sell to more countries after realizing that there is demand and</p>

	<p>countries in South America and the rest of the world due to the great capacity of production specially of the city Santa Cruz. Compared to other sectors, the livestock one has been benefitted from political deals between China and Bolivia because even there is bureaucracy it is less time and steps to export meat than other products. This is one aspect that the government must solve encouraging exportation because it helps the economy in general. Trade is more and more important every year and now we should take advantage of our resources and sell our wide variety of products to countries abroad. Trade is crucial for the growth of every country's economy in the world, nowadays globalization allows to sell and buy from abroad and that our country should focus in taking advantage of all the benefits and facilities it has.</p>	<p>capacity to offer local products at high quality to others.</p>
<p>Building material</p>	<p>Our company is dedicated to import building material from China, we travel twice a year to bring materials which are cheaper than in our country. In China there are three types of quality mostly of all goods, we buy the second quality to give our clients good quality products at lower prices. We work in this sector for at least 12 years and every year more people see the opportunity</p>	<p>The company dedicated to import building material from China has years of experience in the market, they can see that more people import products due to the variety of goods and good quality at affordable prices. They say that at the beginning it is complicated but once you know how to do things they get easier and the profit margin is high. Bureaucracy is something that should be taken care</p>

	<p>to import things because the profit is almost 35%. The first time is not easy and there is the risk of losing your money because once you arrive to China there are hundreds of companies or people that offer you the help in importation to Bolivia or any country in Latin America and some of them can disappear once you pay them. But, you learn to work with good companies that later even give you discounts. One of the biggest problems instead is the time it takes to do all the paper work and documents once your purchase has arrived to Bolivia. (Marcelo, 2020)</p>	<p>to help other small and medium companies to import and export.</p>
<p>Makeup and cosmetics</p>	<p>This small business is dedicated to import makeup and cosmetics from United States. It started when I started buying makeup from United States to work as a makeup artist and clients asked where they can buy the same products during the pandemic to take care of their skin. So, first it was for clients and friends but now they sell to people in Santa Cruz and also delivery to other cities. I never imagined that something that started as a hobby during the pandemic would become a small company now. There is a lot of competition nowadays but there is also a wide variety of options to bring from US at affordable prices so I think importing products from</p>	<p>A small makeup and cosmetics business started importing few products from United States for personal use, then for friends and now the owner sells products daily. She had a good experience, the pandemic has been an opportunity for her. Variety of products and low prices are some pros from buying abroad.</p>

	<p>abroad will become more frequent not only with cosmetics but other products too. The disadvantage that I can mention is that small importers have to pay other companies to bring their products and do all the paperwork because if somebody wants to import product directly there are fees, documents and requirements that are very expensive and take months to gather. Also there is no clear information about fees and taxes due to informality in the process of entering products that some people even prefer leaving their products at the customs house than paying what some employees ask.</p>	
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Source: own creation