



Doing Business in Bolivia

For miles around you the only thing that's visible is a homogenous white landscape laced with cracks where the salt crust has dried and shrunk. Such are the views over Salar de Uyuni (Bolivia's salt flats), one of Bolivia's major tourist attractions. It also contains between 40-70% of the world's lithium reserves, a crucial element for the manufacturing of batteries, and hailed by some as the oil of the 21st century. In the last decade Bolivia showed a significant development in the agricultural production and agro-food industry. A positive contributing factor for this was the strong GDP growth from 2006 until 2015, supported by the high prices for gas and minerals. While mining and gas revenues decreased in recent years, the agricultural sector remains a very valuable economic driver for Bolivia.

In demographic terms, Bolivia is famous for its large indigenous population, ranging from 20% till 44% of the population, depending on the used definition. The importance of the indigenous is characterized by the widespread use of different indigenous languages. About 70% of Bolivian live in urban areas throughout the country. Bolivia can roughly be divided in two different geographical areas: the mountainous and the low areas. The Andes mountain range takes up more or less the western part of the country, while the east is lowland country.

Most current and future challenges in Bolivia are strongly related to improving the business environment and competitiveness. Necessities that can lead to cooperation or business opportunities are diverse in the sense of local awareness, financial dependency and government involvement. Tax collection especially remains a large issue, as it is estimated about 60-70% of the Bolivian

population works informally. Furthermore, corruption and institutional weaknesses remain core issues in Bolivian society.

Agro-Food

The agricultural sector is of great importance to the Bolivian economy. It provides about 14% of the county's GDP and employs 32% of the population. A relatively high proportion of farmers are subsistence farmers. These subsistence farmers produce mainly traditional Andean crops of maize, beans, quinoa, potato, and vegetables, while in the highest areas the only viable option is often alpaca and llama herding. The commercial enterprises, mostly concentrated in the tropical eastern part of the country, with Santa Cruz as the commercial agricultural capital, grow cash crops for export like fruits, sugar from sugarcane, and soybeans and intermediate soy products, as well as rice and cotton for domestic use. The relatively wet mountain slopes have historically

been large coca leaves producing areas. Coca leaves are traditionally used (chewed or drunk as tea) as a kind of stimulant comparable to coffee. The leaves are also, however, used as a raw material for the illegal production of cocaine. In most Western countries, including the Netherlands, coca leaves are illegal.

Agriculture outside the commercialized lowland areas suffers from low yields. Lack of water, knowledge, technology, productive seeds, fertilizers, transportation infrastructure, financial resources and organization, as well as high levels of soil erosion are some of the many problems decreasing average yields. These problems could be considered market opportunities for Dutch companies. Bolivia, under the presidency of Morales has formulated a policy to increase food self-sufficiency, which might lead to increased investments in food crop production. These might be found in mechanization, cultivation knowledge enhancement and best practices training for farmers. Challenges for Dutch investors in the Bolivian agriculture can largely be found in political, educational and infrastructural problems. Corruption and institutional weaknesses are some of the main reasons for a lack of financial resource availability.

Water

The infamous Cochabamba water war, as it is known, often serves as an exemplary case to demonstrate the dangers and social difficulties around privatization of common resources, or more specifically, water. After the withdrawal of these water extraction concessions to private companies in Cochabamba (2000) and in La Paz (2006), water security has risen, but still remains low compared to Bolivia's neighbors. In 2015, about 90% of Bolivia's population had access to improved water, even though this number only reached 76% in the rural areas. Improved sanitation is only available to about half of the population, and only 28% in the rural areas.

During the current presidency these numbers have improved significantly thanks to the government's active stance regarding this issue. President Morales even set the goal for Bolivia to reach universal drinking water access by 2020 and sanitation by 2025. However, by the end of 2016 the country experienced a heavy drought, leading to water rationing and a national state of emergency. The water demand by both the agricultural as well as the mining sector will continue to result in increased water scarcity

throughout the country, even to such an extent that Bolivia's second largest lake in size, lake Poopó has already dried out.

Water quality remains a large issue in Bolivia as well, where only about 25% of wastewater is being treated. Not only does this lead to eutrophication issues, but heavy metals and chemical pollution regularly lead to human health issues as well.

In contrast, in the amazon region, heavy rainfall combined with reduced upstream natural water storage capacity due to deforestation issues regularly lead to floods in the amazon region in Bolivia. In recent years, floods have occurred almost every single year, often with fatal consequences.

Energy

Unlike many countries surrounding it, a majority of Bolivia's electricity generation is still realized with thermal gas plants (57%). Renewables, hydroelectric in particular, are being pulled to the forefront. The mountainous terrain that covers large parts of Bolivia, and indeed most countries on the west coast of South America, is perfectly suited for hydroelectric power. There's an estimated 5.7 GWh economically viable, but an installed capacity of only 494 MW (2016). The government has identified the opportunities here and is working with Brazil to investigate the viability of several large hydro projects in the Rio Madeira complex. One possible candidate would be the Guajara-Mirim dam, a bi-national project between Brazil and Bolivia with an expected capacity of 3,000 MW. Besides hydro power, solar is a promising sector. Bolivia's southwestern regions receive between 2.2 and 2.5 Gwh/m² of solar irradiance per year, which together with parts of Peru and Chile are some of the highest in the world. There are opportunities for Dutch companies in this sector as well, although growth in the solar industry will be overshadowed by hydro for the foreseeable future, as the low hanging fruit of viable hydro projects are completed first.



Most of Bolivia's hydrocarbons are concentrated in its extensive natural gas reserves, which are the second largest proven reserves on the continent, behind Venezuela. The 2006 'nationalization' consisted of re-negotiating gas-contracts with foreign companies, stopping well short of expropriation. Companies investing in Bolivia should take this into account, but private investments in Bolivia are definitely still an option. There are ample opportunities in the extractive sector, in all logistics aspects, liquefaction and (de)compression of natural gas, as well as process optimizing and monitoring.

Logistics

Around 75% of all agro/food production comes from the Santa Cruz area. Without a coastline, Bolivia has had to rely mostly on the ports of Arica and Iquique in Chile for all import and export. Therefore, transport costs are high, adversely affecting competitiveness of Bolivian products on the global market and raising prices. Road networks are essential to a landlocked countries like Bolivia, but the road network is small and not always well maintained. This is in part due to the geographic challenges, and partly due to lack of funds. Investment in road infrastructure has been significant in the past years. Railroads connect the major cities and also connect Bolivia with its neighbors Chile, Paraguay, Argentina, and Peru.

Alternatives for this situation include the development of internal waterways, 'hydrovias', like the Paraguay River. Container shipping is not as developed as it could be due to the lack of ports capable of receiving and processing them. Dutch companies could have real opportunities in this sector, be it in shipping, dredging, port development and its supporting infrastructure. Ships designed to navigate the Paraguay river will need to take into account that maximum depth of the river between Asunción in Paraguay and Puerto Suárez in Bolivia is just 3.2 meters. Despite these restrictions, several specialized ships will soon be sailing these waters and opening up a new avenue by which to trade.

Do's and don'ts in Bolivia

Habits

- Take your time to build personal relationships in business.
- Research hierarchical structures between business relations. Especially for the older generation, doing business with someone of a lower level is uncommon.

- Take your time for, and realize the importance of business lunches.

Social interaction

- Be careful with "Dutch directness", as Bolivians value diplomatic and polite behavior over directness. Because of this, Bolivians might respond with a yes while they actually mean no.
- Be aware that not all Bolivians speak English, even though they might initially claim they do. Speaking Spanish is a necessity.
- Be patient. Bolivians can be unpunctual, both in personal meetings and in business deadlines.
- Bringing gifts is appreciated, especially in case you are invited over at the house of your business partner.

Business

- Provide solid and complete business proposals, which offer insight in risks and consequences.
- Be flexible with deadlines, provide the deadline well in advance and do not be surprised if they are not met. Seek legal advice with respect to contracts.
- Bolivians make extensive use of business cards. Have them with you to make easier connections with business partners.
- Use bilingual business cards.

How can we support your business?

The Consulates of the Kingdom of the Netherlands in Bolivia is always willing to assist Dutch companies and organizations that are considering to open business in Bolivia.

The following services can be offered:

- Provide information about:
 - Available business support instruments
 - Developments in Bolivia
 - Market opportunities in Bolivia
 - Policies, rules and regulations in Bolivia
 - Practicalities in Bolivia
 - Relevant locally active entities
- Matchmaking between Dutch and Bolivian parties
- Organizing or supporting trade missions to Bolivia

In order to receive more information, help or contact about business in Bolivia, do not hesitate to contact agregado-santacruz@nlconsulate.com

Relevant links and contacts

<https://www.nederlandwereldwijd.nl/landen/bolivia>

<https://www.paisesbajosmundial.nl/paises/bolivia/>

<https://www.rvo.nl/subsidies-regelingen>

Business support instruments

- [DGGF](#)
- [DHI](#)
- [DRIVE](#)
- [EnDev](#)
- [FDOV](#)
- [FDW](#)
- [PvW - WWSD](#)
- [SIB](#)

Official name	Plurinational State of Bolivia
Government type	Unitary presidential constitutional republic
Population	11.217.864 (2018)
Area	1.098.581 km ²
Time difference	-5 hours (UTC -4)
Currency	Boliviano (BOB)
GDP growth rate	4,26% (2016)
GDP per capita	US\$ 4075 (2016)
Trade volume	USD 18,8 billion, Total Exports USD 9.1 bn. Total Imports USD 9.7 bn. (2016)
Inflation	3.63% (2016; World Bank)
Global Competitiveness Index	121st
Ease of Doing Business	152nd (2017)
Global Corruption Index	112nd (2017)
Main trading partners	Export: Brazil (27%), Argentina (16%) and USA (12%). Import: China (17%), Brasil (16%) and Chile (11%) (2015)
Major exports	Natural Gas (42%), zinc ore (9.8%) gold (8.0%, precious metal ore (6.0%) and soybean meal (5.9%) (2015)
Major imports	Cars (6.1%), refined petroleum (5.4%), delivery trucks (4.4%), large construction vehicles (2.4%) and pesticides (2.3%) (2015)
Netherlands FDI in Bolivia	Total net FDI in Bolivia: US\$ 335 million, Dutch contribution negligible (2016)
Dutch-Bolivia trade	Dutch Export: second hand tractors (42%), telephones (9.1%) and second hand delivery trucks (8.8%) (2016) Dutch Import: coconuts, Brazilian nuts and cashews (46%), citrus (14%) and buckwheat (12%) (2016)

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<https://www.nederlandwereldwijd.nl/landen/peru>

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