

Examine potential
business
opportunities in
bolivia commerce
essay



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The research will analyse Bolivia's concern environment in three environments viz. Cultural environment ; Political and Legal environment ; and Economic environment.

Bolivia, located in the bosom of South America, is a alone and absorbing state full of contrast and surprises. It is considered to be one of the least developed states in South America. Almost two-thirds of its people, many of whom are subsistence husbandmans, live in poorness. The cultural distribution is estimated to be 55 % autochthonal, 15 % European, and 30 % assorted.

The largest of the about three-dozen autochthonal groups are the Quechua, Aymara, Chiquitano and Guarani. No other autochthonal groups represent more than 0. 5 % of the population. German, Croatian, Serbian, Asiatic, Middle Eastern, and other minorities besides live in Bolivia. Many of these minorities descend from households that have lived in Bolivia for several coevalss. Spanish, Quechua and Aymara are the official linguistic communications.

Bolivia 's civilization has been to a great extent influenced by these cultural groups, every bit good as by the popular civilizations of Latin America as a whole. Bolivia is the contemplation of a past that is rich in rites, civilizations, and traditions. All these brought together in a diverse geographical infinite, a infinite in which twenty-four hours by twenty-four hours, in malice of everything, a vivacious civilization can be perceived.

Religious Festivals

Festivals in Bolivia are by and large heathen and are expressed by agencies of rites and dances ; the Faith/Belief that any one of the desires of prosperity can be granted motivates these. Harmonizing to a spiritual Cosmo Vision, pre-Hispanic civilizations are revealed through their divinities and Gods ; one of the oldest being the Pachamama, to whom testimonial is given by agencies of the ch'alla. With the passing of clip many alterations have occurred.

Political and Legal Environment in Bolivia

The political and economic development in Bolivia have been stymied by chronic instability, utmost poorness, permeant corruptness, and deep ethnic and regional cleavages. In 1825, Bolivia won its independency from Spain, but so experienced frequent military putschs and counter-coups until democratic civilian regulation was established in 1982.

The caput of the province of the state Plurinational State of Bolivia is the president, who is elected by the vote system for a five-year-term. The president is both the head of the province and caput of the authorities. Bolivia has democratically elected authoritiess since 1982, when a long twine of military putschs came to an terminal, are regulating the state.

President Morales was re-elected as the president for the 2nd clip with 64 % of the ballot, followed by former Cochabamba Prefect Manfred Reyes Villa (27 %) and concern leader Samuel Doria Medina (6 %) . The opinion MAS party won 88 out of 130 deputy races and 26 out of 36 Senate seats, deriving a two-thirds bulk of the Plurinational Assembly.

A new fundamental law was promulgated February 7, 2009, replacing Bolivia's 1967 fundamental law. The 2009 fundamental law provides for legislative, executive, judicial, and electoral subdivisions of authorities.

The National Congress, renamed Plurinational Assembly, is composed of two organic structures. They are

Chamber of Deputies and

Chamber of Senators.

The Chamber of Deputies has 130 members, and the Chamber of Senators has 36 members (4 from each of the 9 sections) . Within the Chamber of Deputies, direct ballot, 53 by party list, and seven in particular autochthonal countries will choose 70 members. The executive consists of the president, frailty president, and the curates of province. The president and frailty president are selected through national elections. The curates of province are appointed.

The judiciary consists of a Supreme Court, an independent Constitutional Tribunal, a Supreme Electoral Tribunal, and departmental and lower tribunals. The 2009 fundamental law reformed the process for choosing judicial functionaries for the Supreme Court, Constitutional Tribunal, and Supreme Electoral Tribunal. These functionaries will be elected by national ballot. To stand for election, campaigners foremost must be approved by a two-thirds bulk ballot of all Plurinational Assembly members present.

The new fundamental law strengthens the executive subdivision and

centralise political and economic decision-making. It besides provides new
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powers and duties at the departmental, municipal, and regional countries, every bit good as in freshly created autochthonal independent countries.

Economic Overview

Bolivia 's estimated 2009 gross domestic merchandise (GDP) totaled \$ 17. 5 billion. Economic growing was estimated at approximately 3. 7 % , and rising prices was estimated at approximately 0. 3 % .

Agribusiness histories for approximately 10. 44 % of Bolivia 's GDP. The sum of land cultivated by modern farming techniques is increasing quickly in the Santa Cruz country, where clime permits two harvests a twelvemonth. Soies are the major hard currency harvest, sold in the CAN market. The extraction of minerals and hydrocarbons histories for another 14. 24 % of GDP and fabricating about 11 % .

The most of import alteration involved the `` Privatization '' of legion public sector endeavors. Parallel legislative reforms locked in topographic point market-oriented policies that encouraged private investing. Foreign investors were accorded national intervention, and foreign ownership of companies was virtually unrestricted.

President Morales nationalized the hydrocarbon sector and expropriated some big international companies, including Entel and Vinto. Increased province control of the economic system continues to be a primary end of the Morales disposal. Foreign direct investing (FDI) influxs have dwindled, as has long-run investing across most industrial sectors.

The hydrocarbon sector provides the most outstanding illustration of the current investing climate. Bolivia has the second-largest natural gas reserves in South America. The Bolivian state oil corporation, YPF, has contracts to provide Brazil with natural gas through long pipelines until 2019.

Furthermore, in 2006, YPF signed a "ramp-up" contract with Argentina that steadily increases export volumes until 2010, when gas shipments to Argentina should be more than four times current volumes.

However, deficiency of significant investing between 2005 and 2009 meant that gas production stagnated; increasing by less than 10% over four years. The 2009 production level was estimated at 36 million three-dimensional meters/day. Companies appeared to be putting merely what was necessary to keep current operations.

Beginning: Development Economics LDB database.

Bolivia - Trade

Bolivian exports were about \$ 5.3 billion for 2009, up from \$ 652 million in 1991. Imports were \$ 4.4 billion in 2009. Bolivia enjoyed an estimated \$ 900 million trade surplus in 2009. Hydrocarbons made up 38.6% of the exports, minerals 28.26%, fabricating 27.82%, and agriculture 5.32%.

Bolivia's trade with adjacent states is turning, in part because of several regional discriminatory trade understandings. Bolivia is a member of the Andean Community (CAN) and enjoys nominally free trade with other member states (Peru, Ecuador, and Colombia). Bolivia is besides an associate member of Mercosur (Southern Cone Common Market). Bolivia

presently is focused on developing markets through its rank in Bolivarian Alliance for the Americas (ALBA) whose members include Venezuela, Cuba, and Nicaragua.

Until late, the Andean Trade Promotion and Drug Eradication Act (ATPDEA) allowed legion Bolivian merchandises to come in the United States duty-free, including alpaca and llama merchandises and, capable to a quota, cotton fabrics. President George W. Bush suspended Bolivia 's engagement in the plan based on its failure to run into international counternarcotics duties ; run intoing those duties is a standard in the U. S. legislative act, which created the penchant plan.

In 2009 President Barack Obama determined that Bolivia was non run intoing the plan 's eligibility standard. This finding does non impact Bolivia 's eligibility for benefits under the Generalized System of Preferences (GSP) , which covers most of Bolivia 's exports to the United States.

In 2009 the United States exported \$ 585 million of ware to Bolivia and imported \$ 408 million. It 's major exports to the United States are tin, Ag and Ag dressed ores, crude oil merchandises, Brazil nuts, quinoa, and jewellery. Its major imports from the United States are airplane parts, electronic equipment, chemicals, vehicles, wheat, and machinery.

The Government of Bolivia remains to a great extent dependent on foreign aid to finance development undertakings. Estimates indicate that as of 2008, the authorities owed \$ 4. 6 billion to foreign creditors. Between 1986 and 1998, Bolivia attended seven unit of ammunitions of dialogues with Paris

Club creditors and received U. S. \$ 1. 35 billion of bilateral debt forgiveness.
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The United States forgave about all of Bolivia 's bilateral debt between 1999 and 2002 and strongly supported attempts to hold many-sided establishments do the same. Bolivia received U. S. \$ 1. 95 billion in debt alleviation from HIPC (Heavily Indebted Poor Countries) in 1998 and HIPC II in 2001, including about complete bilateral debt forgiveness.

Comparative Advantage

Harmonizing to David Ricardo 's Comparative advantage of Bolivia, the two industries we are traveling to discourse are hydrocarbon resources and agricultural industry.

The effects of Bolivia have been 'impoverishing economic growing ' the economic system grew by 5 % in 2007, while the figure of people below the poorness line increased. They have been ever dependant on the exports of Ag, Sn, gum elastic and now besides of hydrocarbons. Orthodox economic development forms were reliant on a inexpensive, unskilled labour force, and this form tended to concentrate wealth in merely a few sectors and in the custodies of affluent households and big companies. The paradox of impoverishing economic growing is twofold: foremost, it shows the state lacks diverseness in its productive matrix. Extractive activities, drawn into nationalisation procedures since the election of Evo Morales to power in 2006, have led the authorities to pass a great trade of its gross on these conventional sectors and on societal aid plan 's.

a^? Second, excavation and hydrocarbons are capital-intensive sectors, with weak linkages to the remainder of the Bolivian economic system. These sectors employ merely 10 per cent or so of the economically active

population of the state ; so, the chief beginnings of employment remain agribusiness (36 per cent) and trade (14 per cent) . Consequently, in line with the alleged 'curse of natural resources ' , the profusion of Bolivia 's natural resources is non translated into a better criterion of life for most Bolivians. It can be concluded stating that Bolivia have their comparative advantage in hydrocarbon and excavation industry.

Heckscher-Ohlin Factor Proportions Theory

This theory suggests that each state has of import factor gifts and as a consequence will be given to export merchandises, which make usage of factors that are abundant at that place. The state will be given to import merchandises that are locally scarce (Daniels, et Al. 2004) .

Beginning: Development Economics LDB database.

Porter 's Diamond of national Competitiveness

The four properties of a state 's economic system that together shape the environment in which local companies compete are as follows 1) Factor Conditions ; 2) Demand conditions ; 3) Related and back uping industries ; 4) Company scheme, construction and competition.

The factor conditions would be the renewable and non-renewable natural resources. The demand conditions would be the

Factor conditions would be chiefly renewable and non-renewable natural resources.

Demand conditions for an agribusiness merchandise is high in local market and scarceness of nutrient in Bolivia should be avoided by merely putting in agricultural industry by the authorities. The planetary demand for Ag, tin are really high.

Related and back upping industries would be the conveyance and fabrication industries.

Firm scheme, construction, competition would be depicted as below:

The Bolivia authorities had back up the houses by raising the revenue enhancement on Ag, Sn export which is certain to hike its trade.

Recommendations:

Although Bolivia 's economic system will stay hydrocarbon- and mining-based in the long term, they can appreciate the land harmonizing to its utilizations and grade of biodiversity can be started to do a executable beginning of support options for 1000s of Bolivians. This 'alternative ' economic system involves an estimated half a million smaller manufacturers and their households, and contributes an estimated US \$ 300 million yearly in export gross, bring forth 370, 000 occupations in entire across Bolivia. There are around 60, 000 organic manufacturers across Bolivia and 26 organisations involved in Fair Trade webs (which puts Bolivia in 4th topographic point in Latin America) . The little size of these enterprises is non an accident ; their graduated table means they are less capital-intensive and so hold the possible to diversify both the economic system and people 's

supports. With clip, the 'other frontier ' might assist determine a new individuality for Bolivia as a high-level, mega-biodiversity state.