

Policy alternatives and strategies for Bolivia following the end of trade preferences

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Countries have different trade policy strategies and views on the implications that might emerge from trade agreements. Given that the CAN – EU trade negotiation failed, Peru, Colombia and Ecuador reacted by reorienting their negotiating agendas toward bilateral trade agreements. Considering the trade agendas neighbouring countries have set to further gain market access to the EU, the Bolivian government will need to reflect on the direction its trade policy has gone so far if trade policies are meant to be used as economic tool to improve domestic welfare.

If Bolivia decides to initiate trade negotiations with the EU, it would be concerns amongst the production sector, Bolivian policy makers, and civil society in general regarding EU’s stronger export-related capacity compared to Bolivia. Yet, the literature survey on trade agreements between Bolivia and the EU (Section 3) indicates that no specific research has been carried out to estimate the economic implications that such a trade agreement would have for both the national economy and the economic wellbeing of Bolivian households. This situation is aggravated considering that the EU is an attractive market niche for any country that looks for higher prices and a large consumer market. Therefore it is reasonable to consider that a trade-off between having or not an agreement with the EU is necessary to be assessed. Such lack of research is an issue in terms of policy possibilities to provide estimations as to how the various sectors of the national economy would be affected by the trade agreement. Having no indications regarding how trade reforms would affect the Bolivian households prevent the development of effective trade policies oriented to benefit both the national economy and the majority of Bolivian households.

The effects that could emerge from an EU-Bolivia trade agreement can be extremely wide and complex to study, that go beyond economic considerations, affecting social, cultural and political aspects. However, referring strictly to economic considerations, the overall objective of this research is to estimate the effects for the Bolivian economy and its households that could emerge from different trade reform settings between Bolivia and the EU. More specific objectives are:

- To assess a trade policy reform with the EU that would provide economic growth, protection to certain sensitive commodities (if needed), and preservation of Bolivian existing markets, including a quantitative analysis of how the different trade reforms would affect changes in the progress of key macroeconomic variables (e.g. exports, imports and GDP);
- To estimate the economic effects of the trade reforms affecting households’ expenditure and income; and identifying impacts the trade reforms could exert over the Bolivian poor;
- To contribute filling a gap in terms of Bolivian-related trade agreement literature.

Subsequent to these objectives, related research questions have been formulated as follows:

- How will different liberalisation scenarios affect Bolivia’s main macroeconomic indicators?
- How will the economic wellbeing of household groups be affected by the liberalisation scenarios