

WORLD TRADE ORGANIZATION

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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

Requests Pursuant to Article 27.4 of the Agreement on
Subsidies and Countervailing Measures

Requests Pursuant to the Procedure Established
in Document G/SCM/39

BOLIVIA

Supplement

The following communication, dated 1 May 2002, has been received from the Permanent Mission of Bolivia.

The Permanent Mission of the Republic of Bolivia to the United Nations Office and other International Organizations in Geneva presents its compliments to the Committee on Subsidies and Countervailing Measures of the World Trade Organization and has the pleasure to present the following communication:

"With reference to the extensions of the transition period provided for in Article 27.4 of the Agreement on Subsidies and Countervailing Measures, Bolivia hereby reiterates that it reserves the right to make use of this procedure, as indicated in paragraphs 6(b) and (c) of document G/SCM/39, since it considers this necessary for its economic and financial development".

Information on the Free-Zone Regime and the Temporary Admission Regime for Inward Processing (RITEX - Temporary Import Regime for Export Promotion) is attached to this Note for *purposes of transparency*.

EXPLANATORY INFORMATION ON THE FREE-ZONE REGIME

I. TECHNICAL LEGAL BACKGROUND

1. Supreme Decree No. 22410 of 11 January 1990 lays down general rules on the Free-Zone Regime as regards objectives, types of free zone, operations, tax treatment and rules on the administration of the Regime.
2. Supreme Decree No. 22526 of 13 June 1990 supplements and regulates the above-mentioned Decree and lays down rules on the administration of the Regime and requirements for the establishment, concession and operation of free zones. It also establishes the National Council on Free-Trade Zones (CONZOF) and its functions. Furthermore, this Supreme Decree establishes a general series of administrative penalties applicable to concessionaires and users and establishes that existing customs and foreign trade rules in other legal provisions apply to the Regime.
3. Supreme Decrees Nos. 23333 of 24 November 1992 and 23390 of 25 January 1993 lay down rules on the transport of goods to free zones and transshipment of goods from free zones.
4. Article 17 of Law No. 1489 of 16 April 1993 (Law on the Development and Tax Treatment of Exports) amends Article 20 of the Investment Law as follows: *"Industrial free-trade zones, commercial free-trade zones and deposit terminals authorized by the Executive Branch shall operate on the principle of customs and fiscal segregation, exempt from payment of taxes and customs duties in accordance with the corresponding regulations. International marketing firms shall receive the same treatment as deposit terminals."*
5. Supreme Decree No. 23565 of 22 July 1993 regulates the Law on the Development and Tax Treatment of Exports and specifically establishes the tax treatment of commercial and industrial free-trade zones, regulations on the relinquishment of goods and other operating rules to improve the operation of the Regime.
6. Law No. 1788 of 16 September 1997 (Law on the Organization of the Executive), Supreme Decree No. 24855 of 22 September 2000 and other regulatory provisions give jurisdiction as regards the regulation, management and definition of policies on free zones to the Ministry of Foreign Trade and Investment in conjunction with the Ministry of Finance.

II. DEFINITION

Free zones are defined as fully delimited and enclosed areas of customs territory, with an appropriate infrastructure for carrying out their operations.

III. OBJECTIVES OF FREE ZONES

Their main objectives are as follows:

- (a) To eliminate or mitigate factors which distort, delay or hinder foreign trade transactions;
- (b) to facilitate the implementation of direct or intermodal transport modalities from countries of origin in order to simplify brokerage processes relating to the movement of goods;
- (c) to give trade and the production sector the possibility of immediate access to imported and re-exported goods, thereby alleviating their financial costs and

expediting the handling of their requirements and supply of the domestic and foreign markets;

- (d) to redirect import trade flows;
- (e) To promote the creation of related services.

These objectives must be compatible within the framework of the Integration Agreements to which Bolivia is a party.

IV. TAX TREATMENT

- Payment of all customs duties (Value-Added Tax - VAT, Specific Consumption Tax - ICE, Special Tax on Hydrocarbons and their Derivatives - IEHD and Customs Tax - GA) is suspended on goods which enter free zones from foreign customs territory.
- Operations conducted within free zones are exempt from Business Tax and VAT.
- All customs duties are payable on imports into national territory from free zones.

V. INDUSTRIAL FREE-TRADE ZONES (ZOFRAIN)

Industrial free-trade zones (ZOFRAIN) may only carry out production, assembly or processing operations for export.

VI. COMMERCIAL FREE-TRADE ZONES (ZOFRACOT)

Commercial free-trade zones and deposit terminals (ZOFRACOT) store goods for an unlimited period of time and have become supply centres for export sector economic operators; they also perform marketing activities for goods for transshipment or clearance to the domestic market. Goods may be subject to operations which ensure their preservation, improve their presentation or prepare them for dispatch or inland transport, such as breaking bulk or bulking, packaging, *inter alia*, but which do not alter their nature, characteristics or origin.

VII. USERS

The commercial, industrial or service users of free zones may be legally established Bolivian or foreign natural or legal persons, duly registered with the management of each of the free zones of which they are users, the respective management bodies being responsible to the National Council on Free-Trade Zones (CONZOF) and the National Customs Service.

VIII. ANCILLARY USERS

Users which provide supporting services in industrial free-trade zones (ZOFRAIN) or commercial free-trade zones and deposit terminals (ZOFRACOT) may not avail themselves of the tariff and tax regime benefits granted to industrial and commercial users.

IX. GOODS ADMITTED INTO FREE ZONES

In addition to the goods and merchandise required for their intrinsic activities, industrial and commercial free-trade zones are authorized to admit in their deposit terminals domestic goods for export to third countries and to industrial free-trade zones for use in their production process.

X. ENTRY OF GOODS INTO FREE ZONES

Pursuant to Articles 5 and 12 of Law No. 1489, goods leaving national customs territory and bound for industrial or commercial free-trade zones are defined as exports.

The importation from third countries of capital assets, consumer goods, unprocessed and semi-processed raw materials, construction materials, and turnkey construction and service contracts, are exempt from payment of customs duties and other import charges for such time as the goods remain in the free zone.

Free-zone regulations apply without discrimination to all of the concessions notified in document G/SCM/N/74/BOL of 10 January 2002.

La Paz, 1 April 2002.

TEMPORARY ADMISSION FOR INWARD PROCESSING - RITEX (TEMPORARY IMPORT REGIME FOR EXPORT PROMOTION)

I. BACKGROUND

1. Supreme Decree No. 22410 of 11 January 1990 establishes the Temporary Admission for Processing Regime *“authorizing the temporary admission into the country of goods intended for assembly, manufacturing or industrial processing and for re-export under the system known as “Temporary Admission Programmes for Exports with suspension of import duties and taxes”*.

2. The Regime aims to facilitate and promote production activities geared towards exporting goods. To date, sixty-six (66) enterprises with different lines of business have joined and exports in the last two years have amounted to approximately one hundred million US dollars (US\$ 100,000,000) or around seven per cent of total Bolivian exports.

3. Law No. 1489 of 13 April 1993 defines the RITEX as *“...the Regime authorizing the importation into customs territory, with suspended customs duties, taxes and all other import charges, of goods for export overseas, having been assembled, installed or incorporated into units, machinery, general transport equipment or apparatus displaying greater technological or operational complexity, prepared, developed, processed, repaired, maintained, adapted, produced or manufactured. This Law also guarantees drawback of the Value-Added Tax and Specific Consumption Tax paid on the acquisition of inputs or components incorporated into goods imported under the RITEX and subsequently re-exported”*.

4. Law No. 1489 of 16 April 1993 is regulated with regard to the RITEX by Supreme Decrees Nos. 24480 of 1997, 22526 of 2000 and 26397 of 2002.

5. Law No. 1990 of 28 July 1999 (General Customs Law), Title VI: SPECIAL CUSTOMS REGIMES, Chapter VI, under Temporary Admission Regime for Inward Processing-RITEX, lays down rules on the Temporary Import Regime for Export Promotion, as regards its definition, jurisdiction, guarantees, control and the use of domestic inputs in the production of export goods.

II. GOODS ADMITTED AND TAX TREATMENT

Goods which may be temporarily admitted under this Regime include raw materials and intermediate goods, which may undergo manufacture, processing or assembly as part of the production process. The admission of capital goods is excluded.

Customs duties payment of which is suspended on the temporary admission of raw materials and intermediate goods, pursuant to the Law on the Development and Tax Treatment of Exports and the General Customs Law, include Value-Added Tax, the Specific Consumption Tax and Customs Tax. These laws also regulate the right to a drawback of the duties corresponding to domestic and imported goods used in the production process.

The prohibitions and controls on the temporary admission of goods are the same as those on definitive imports.

III. TEMPORARY ADMISSION AND PERMITTED LENGTH OF STAY OF GOODS

Temporary admission operations must meet the formal requirements established for this type of customs clearance by the General Customs Law and the operating rules approved by the National Customs Service as regards involvement of the customs agent, the sworn statement and verification of the quantity, quality and price of the goods. It is also provided that goods intended for RITEX production processes may be cleared into the country from a free zone in order to achieve one of the Free-Zone Regime objectives, such as becoming suppliers of inputs for the domestic industry.

Moreover, mandatory guarantees are required for the total amount of customs duties due (Value-Added Tax, Specific Consumption Tax and Customs Tax), payment of which has been suspended for the length of the goods' stay in national territory. Pursuant to the General Customs Law, the guarantee may take the form of a bank guarantee voucher, surety bond or sworn statement of goods clearance and duty payment.

The permitted length of stay of goods is one hundred and eighty days, extendable for up to another equal period.

IV. EXPORTATION AND CANCELLATION OF TEMPORARY ADMISSION

Formal and substantive requirements have been established for export clearance procedures. It should be emphasised that the export of goods is only completed when they finally leave the country, bound for foreign markets. The export of RITEX products to free zones is prohibited.

La Paz, 1 April 2002
