

INDUSTRY SECTOR ANALYSIS

BOLIVIA

TEXTILE AND APPAREL SECTORS

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A. MARKET HIGHLIGHTS AND BEST PROSPECTS

Market Profile

Bolivia is a small country with a population of 8.5 million and GDP of USD 8 billion. However, it has preferential market access to world markets, including the US and Europe. Due to its strategic location in the heart of South America, it has access to regional markets in the Andean Community (CAN) and MERCOSUR.

The Bolivian textile and apparel sector is small. Price is the determinant factor both for final garments as well as for yarns, fabrics and other supplies. The market is characterized by a large informal sector. Manufactured garments, using both imported and Bolivian yarns and fabrics, are sold in the Bolivian market and in neighboring countries. Furthermore, used clothing imported since the mid-1990s has an important share of the consumer market.

In the 1990s, the Bolivian textile industry enjoyed a period of sustained growth and prosperity. Strong sales to neighboring countries, mainly Argentina and Brazil thanks to porous borders, led to increased investments. However, since 1997, as a result of various factors, the Bolivian textile and apparel industry has fallen into a deep recession. The Asian crisis impacted the supply side, and the Brazil and Argentine crises had considerable impact on the demand side. Asian fabrics and garments began to enter the Bolivian market illegally, competing with local industry, and used clothes imported from the US made their way to Bolivia as well. The Brazilian and Argentinean markets were no longer attractive to Bolivian producers, due mainly to unfavorable exchange rates and shrinking market demand.

Nevertheless, there are market opportunities for American companies in the Bolivian market. Specific market niches for clothing and opportunities for the supply of yarns, fabrics and other supplies to local industry will see growing markets in the coming years, mainly due to the preferential market access to the US and regional markets.

MARKET SIZE FOR YARNS

(In millions of US Dollars)

	2002	2003	2004	Projected two-year growth rate
Import Market	5,931	5,537	5,813	5%
Local Production	49,920	59,040	70,560	15%
Exports	2,438	5,727	6,013	5%
Total Market	53,414	58,850	70,360	

Estimated Future Inflation Rate 3.5%

SOURCES: Ceprobol, INE and primary research

MARKET SIZE FOR FABRICS

(In millions of US Dollars)

	2002	2003	2004	Projected two-year growth rate
Import Market	38,886	30,435	31,956	5%
Local Production	21,600	27,360	28,728	5%
Exports	452	259	0,285	5%
Informal imports	10,000	10,000	10,000	0%
Total Market	70,485.5	67,795	70,684	

Estimated Future Inflation Rate 3.5%

SOURCES: Ceprobol, INE and primary research

MARKET SIZE FOR GARMENTS

(In millions of US Dollars)

	2002	2003	2004	Projected two-year growth rate
Import Market	18,843	15,646	14,862	-5%
Local Production	56,703	73,803	75,603	??
Exports	25,985	42,783	47,062	10%
Informal imports	10,000	10,000	10,000	0%
Used Clothes	40,000	40,000	40,000	0%
Total Market	99,561	96,666	93,403	

Estimated Future Inflation Rate 3.5%

SOURCES: Ceprobol, INE and primary research

Receptivity to U.S. Products

Bolivian market receptivity to US products is very high. American brands – such as Polo, Guess, Levi's and others – are well known in Bolivia and very much in demand by the local population. American clothing, such as jeans, is familiar and part of many Bolivians' every day attire.

US components and manufactured products have a very good reputation in the Bolivian textile industry. Yarns, fabrics, accessories, and machinery, therefore, have good opportunities in Bolivia. However, two important factors must be considered:

– First, in Bolivia price is the determinant factor both for finished products like clothing, as well as for intermediate products and machinery; and

– Second, third country imports have an established reputation in Bolivia, especially in the case of European textile machinery, where circular knitting machines, looms, dying and finishing machines and others are thought of highly.

Competitive Factors

The key competitive factor in Bolivia is price. This is true for final consumer goods as well as for intermediate products, including yarns, fabrics and machinery. In the case of intermediate products, quality and service are also important. With machinery, the level of technology and service will also be considered.

One of the best ways for an American company to enter the Bolivian market is through partnerships or strategic alliances with local companies that know the market and the way of doing business in the country. There is a large informal market that is both price conscious and difficult to reach without knowledge of the culture and its idiosyncrasies.

Best Sales Prospects

Given that Bolivia is a small market in itself, it is not an attractive final consumer market for products such as men's or women's clothing. Business opportunities lie in the regional and world markets to which Bolivia has preferential access, such as Mercosur, the Andean Community (CAN), European Union (EU) and the US through the Andean Trade Promotion and Drug Eradication Act (ATPDEA). Access to these markets is granted for finished products, mainly clothing.

Bolivia's clothing exports have showed continuous growth for the last 10 years, and exports to the US have doubled since the 2002 approval of ATPDEA. This law allows for duty-free imports to the U.S. for clothing made of Andean-origin or US-origin fabrics and components. As such, the demand for US raw materials, supplies and machinery has increased.

Most opportunities for US companies are in the supply of raw materials and machinery needed for the export clothing industry and niche markets. Another interesting opportunity for American companies is the manufacturing in Bolivia of labor intensive products, mainly clothing using US yarns and fabrics. Maquila operations using US components can enter the US and other markets through preferential trade agreements.

US firms can be competitive in:

- 1) Raw materials
 - a) Natural fibers
 - i) Raw cotton in large and short fibers
 - ii) Sheep, lamb and other animal fibers
 - b) Synthetic fibers
 - i) Acrylic tow
 - ii) Polyester chips
- 2) Yarns
 - a) Cotton mainly in the following titles: 40/1, 36/1, 30/1, 24/1, 20/1, 16/1, 12/1, 8/1, 6/1. From 20/1 up, the demand is both carded and combed yarn and for the thick titles, the demand is in carded and open-end yarns. Cotton yarns are needed in the sweater industry, both industrial and hand made, for knitted and woven fabrics and for sugar and flour bags.

- b) Acrylic mainly in the following titles: 32/2, 40/1, 36/1, 20/1, both dyed and undyed. Acrylic yarns are used mainly for the sweater industry and for the manufacturing of knitted and woven fabrics.
 - c) Polyester mainly in the following titles: 75/1, 150/1 both dyed and undyed. Polyester texturized yarns are used for knitted and woven fabrics.
- 3) Fabrics
- a) Knitted fabrics, for the manufacturing of knitted apparel, such as underwear, t-shirts, polo shirts, sweat shirts, sweaters.
 - b) Woven fabrics, for the manufacturing of cotton fabrics for, pants, shirts, underwear, women's dresses, towels, sheets and other, as well as wool fabrics for pants, coats, jackets.
 - c) Non woven fabrics
- 4) Accessories
- a) Buttons
 - b) Elastics
 - c) Threads
 - d) Linen
- 5) Machinery
- a) Textiles
 - i) Spinning mills
 - ii) Knitting machinery
 - iii) Looms
 - iv) Dying equipment
 - v) Finishing equipment
 - b) Clothing
 - i) Sewing machines
 - ii) Cutting machines
 - c) Accessories and supplies
 - i) Needles
 - ii) Specialized oils and lubricants
- 6) Machinery spare parts
- a) Used or reconditioned machinery
- 7) Niche markets
- a) Designer clothing for very selected market
 - b) Specialized clothing
- 8) Maquila operations

B. COMPETITIVE ANALYSIS

Domestic Production

There is significant domestic production of clothing and textiles in Bolivia. However, important segments of the production chain are lacking.

Clothing is generally supplied by informal, family-based Bolivian sewing shops and a few manufacturing plants, both formal and informal. Together they supply over 60 percent of Bolivia's clothing demand. Estimates suggest that over 5000 family production units operate in the urban centers of La Paz/El Alto, Cochabamba and Santa Cruz.

Bolivia's most important textile industry sectors are acrylic and cotton yarns and fabrics and Andean fibers. Acrylic yarns are used in sweater manufacturing and to a lesser extent in knitting and looms. The larger spinning mills have a network for distributing their products to knitters and weavers nationwide, while smaller spinners knit their own fabrics. Cotton spinning mills have a combined capacity of over 1000 tons, with companies located in Santa Cruz and La Paz. The largest spinners export most of their production, either through direct yarn exports or through vertically integrated export programs.

Bolivia has the world's largest population of llamas and the second largest of alpacas, the American relatives of the camelid family. However yarn production is limited and most of the fibers are informally exported to Peru, where they are processed and re-exported to sweater and clothing manufacturers in Bolivia. The largest camelid producers manufacture llama and alpaca tops for export to spinners worldwide.

The chart below provides information regarding installed and used capacity in the industry:

DOMESTIC PRODUCTION
(Yarns, fabrics and garments)
Metric tons/month

	Installed capacity	2002 production	2003 production	2004 production
Acrylic yarn	400	200	250	300
Cotton yarn	1500	750	850	1000
Andean fiber yarns	100	40	60	80
Texturized polyester	200	50	70	90
Knitted fabrics	450	200	250	300
Woven fabrics	200	100	130	150
Acrylic sweaters	200	150	180	200
Alpaca sweaters	10	5	5	5
Clothing (cut and sew)	400	300	400	400

Bolivian textile production has been oriented to the following different market structures:

- 1) the domestic market;
- 2) the formal export market (mainly the U.S.); and
- 3) the regional informal market which is characterized by exports mainly to Argentina and Brazil through Bolivia's porous borders.

Bolivian textile companies sell fabrics and yarns to the over 5000 family shops, mainly in the cities of La Paz, Cochabamba and Santa Cruz, which manufacture clothing and sell to travelers who will take the merchandise to Bolivian borders, for sale to neighboring countries. This accounted for 60 to 70 percent of the textile industry production in the 1990s, but dropped substantially by the end of that decade. There is a trend towards the recuperation

of this market as the economies of neighboring countries, mainly Argentina, show signs of a come back.

The Bolivian textile industry has, like the rest of the country, been plagued by recession since 1999. The September 11th attacks also affected export-oriented industries, to which orders dropped dramatically. On the supply side, low-cost production from South East Asia, contraband and used clothing have seriously shocked Bolivian textile industry, with many companies closing and/or laying off workers.

There are segments of the production chain where domestic production is non-existent or is non-competitive, thus presenting opportunities for U.S. companies to enter the market.

High-end clothing, men's and women's outerwear, designer and specialty clothing are interesting opportunities for American companies. Different kinds of fabrics, like home textiles, cotton, synthetic and wool woven fabrics, mainly denim and high quality and design knitted fabrics. Dying and finishing of fabrics in Bolivia, both knitted and woven is of very low quality. Success can be obtained supplying American standard dying and finishing at competitive prices. Wool yarns, polyester and dyed cotton yarns. Accessories like elastics, buttons and laces are not manufactured in Bolivia.

Raw materials for spinning mills, acrylic tow, polyester chips and any other synthetic or petrochemical products need to be imported to Bolivia. Wool and cotton have limited production and imports are necessary. Animal fibers like alpaca, llama and lambs wool are obtained in Bolivia, and represent a big opportunity for American companies to develop yarns and fabrics. Cotton is grown in Bolivia, but not in enough quantities to meet the industries demand. Thus opportunities for US companies exist for entering the market through imports or for growing and producing in vast productive lands.

Major domestic producers

	Acrylic yarn	Cotton yarn	Alpaca, llama and wool yarns	Polyester texturized yarn
Company name	<ul style="list-style-type: none"> • Hilbo • Hilpaz • Sendtex • Texticruz • Fátima 	<ul style="list-style-type: none"> • Santa Mónica • Ametex • Hiltex • Sonatex • Telares Santa Cruz • Texorsa 	<ul style="list-style-type: none"> • Altifibers (tops) • Hilbo • Fotrama • Iscany • Coproca • Llama activa • Fátima • Pomier • Vultexiber • Polar textil 	<ul style="list-style-type: none"> • Texturbol

	Knitted fabrics	Woven fabrics
Company name	<ul style="list-style-type: none"> • Ametex (cotton) • Bentex (cotton) • Armeko (acrylic) • Bautista (cotton) • Martínez (cotton) • Asea (cotton and polyester) 	<ul style="list-style-type: none"> • Telares Santa Cruz (cotton sacks and fabrics) • Texorsa (sacks) • Texana (cotton fabrics) • Texturbol (cotton and polyester) • Tejidos arco (cotton and polyester) • Vultexiber (Blankets) • Polar textile (Blankets)

Knit apparel	Woven apparel	Sweater knits
<ul style="list-style-type: none"> • Ametex (cotton t-shirts, polos) • Mel (cotton underwear) • Gav sport (sporting goods) • Maquibol (maquila) • Over 5000 small family shops 	<ul style="list-style-type: none"> • Confecciones record (jeans, working clothes) • Maquibol (maquila) • Altifashion (alpaca, llama coats and jackets) 	<ul style="list-style-type: none"> • Millma (alpaca) • Inti Wara (alpaca) • Llama Activa (llama) • Altifibres (llama, wool and alpaca) • Over 30 Family shops (acrylic)

Third Country Imports

Neighboring countries, mainly Brazil and Chile and China are the most important competitors for US clothing suppliers. Brazil and Chile compete with better quality clothing in a variety of areas and China competes with exceptionally low prices, mainly in cotton knits. However the most important competition comes from imports of used clothing that are estimated at over USD 40 million per year, about the same size of the Bolivian market. Most of the used clothing comes from the US.

Brazil is a strong competitor in polyester yarn, woven fabrics (mainly denim and cotton fabrics) and cotton knits.

Cotton, polyester and other blends of knitted and woven fabrics are imported both formally and informally from South East Asia.

High quality knitted and woven fabrics from other Andean countries are imported and can then be incorporated in the production process for export to the U.S. under ATPDEA.

The main competitors for textile machinery are European manufacturers that have an excellent reputation for quality, service and technological level. Major world brands like Mayer, Schullzer and Stoll are familiar in the local industry, and have market presence.

Japanese, European and Chinese manufacturers are the main competitors in cut and sew machinery. Japanese manufacturers such as Juki and Brother and Europeans like Rimoldi and Pfaff are also familiar brands and are considered competitive and reliable. Chinese manufacturers are favored by small family shops because of price.

C. END USER ANALYSIS

The major groups of end users that are interesting for American companies are local industry, consumers, and public and private institutions.

Local industry

Bolivian industry demands mainly raw materials and supplies including: natural and synthetic textile fibers; yarns; knitted and woven fabrics; dyes; threads; zippers; and stamping and embroidery materials. (See best sale prospects.) The main factors affecting local industry decisions are price and terms of sale. 30 to 180 days of credit are usually expected. Availability and reliability of deliveries are also important. A local warehouse or distributor could be useful and important for this purpose.

Consumers

Final consumers for the clothing market will make purchases based on prices, fashion trends and quality.

Public institutions

Government institutions such as the armed forces, police and public hospitals are large institutional buyers of uniforms and linen. Purchases are made through open bids, and the single most important factor is price. Local contacts could be important, and a legal representative is needed to participate in the bid.

Private institutions

Private hospitals demand uniforms and linens, and large companies and industries purchase uniforms and overalls on a regular basis, usually once a year. Price and terms of sale are the most important factors. Delivery and reliability are also important.

D. MARKET ACCESS

Import climate

Bolivia is a free market economy and one of the most open economies in the western hemisphere. Imports are unrestricted and import tariffs are very low. No import restrictions exist and no licenses or special registrations are needed. Any company or natural person can import goods and services into the country.

Foreign currency exchange is free and can be bought and sold at free market rates in banks and foreign exchange agencies.

Import and export letters of credit are easy to open in local banks, and imports are expedite and easy. Customs agents are used and provide an efficient and effective service.

Consumer goods pay a 10 percent import duty and capital goods a 0 to 5 percent import duty. The import of textile machinery and spare parts is duty free under a special regulation to benefit exports in this industry. A value added tax (IVA) of 14.95 percent is paid to get the goods out of customs, but a tax credit is generated which is later recovered when local sales are made. Customs agents charge between 0.5 percent and 2 percent of CIF value of imports.

Distribution/Business Practices

One of the best ways to enter the Bolivian market to sell textile products is through the use of representative companies. This also minimizes the initial investment needed to enter the market. These companies can import or purchase products directly from the American supplier for distribution in the Bolivian market or act as an intermediary with a third party on behalf of the American supplier. Any kind of agreement can be reached and put into a written contract, including exclusivity rights.

A number of companies with experience in the sector operate in Bolivia including Intercom, Quimiza, Ciebsa (Suárez y Juárez), Reynegensa, Anglo Boliviana, Rivek, Corimex, Sirex, and Alan Shave.

For final consumer goods, there are different ways to enter the market:

- selling wholesale to established retailers, mainly boutique type shops and. (There are no large department stores.);
- through a wholesale distributor that can import the goods for distribution in the local market; or
- opening up a distribution channel or a chain of stores to sell directly to the public. (This can be at the retail or wholesale level. There are no restrictions for establishing import companies, stores or any kind of businesses in Bolivia. One hundred percent ownership of any company by foreigners is allowed. Partnerships with local companies or individuals can also be a good option.)

When entering the Bolivian market it is important to consider both the informal and the formal distribution channels. There is a large informal market, sometimes estimated at 60 percent of the economy as a whole, that must be taken into consideration. There are large open flea markets in all Bolivian cities, where thousands of small family operated businesses sell clothing both locally-supplied and imported goods.

Financing

The best way to operate is through letters of credit. Local banks open letters of credit depending on the financial solvency of the importer and are reliable. Deferred L/Cs is very common and depending on the type of products and relationship with the clients, the time period can vary from 30 days to 180 days for consumer goods and up to over a year for textile machinery.

Wholesale sales to retailers are usually on credit. This can range from 15 days to 180 days for clothing and raw materials. Textile machinery is usually financed through the banking system.

Trade Promotion Opportunities

The largest trade show in Bolivia is the Santa Cruz International Trade Show. This is a good opportunity to enter the Bolivian market, contact Bolivian importers, representatives and market products.

Name: EXPOCRUZ Feria Internacional de Santa Cruz

Date: September 2004

Venue: Campo Ferial Expocruz. Av. Roca Coronado entre 3er y 4to anillo.

Organizer: EXPOCRUZ

Sectors: Multi sector

City: Santa Cruz

Email: feria@fexpocruz.cm.bo

Web: www.fexpocruz.com.bo

Name: Feria Internacional de Cochabamba- FEICOBOL

Date: April or May.

Venue: Campo ferial Laguna de Alalay. Calle Sucre No. E-336

Organizer: FEICOBOL/ Cámara de Comercio de Cochabamba

Sectors: Multi sector

City: Cochabamba

Email: feicobol@albatros.cnb.net

feicobol@cadeco.org

Web: www.feicobol.com.bo

Access to other markets

Bolivia has access to world and regional markets through preferential trade agreements, which grant duty free or preferential access to the U.S., European Union (E.U.), Andean Community (CAN) and MERCOSUR:

ATPDEA: Duty-free access to the US

GSP: Duty-free access to the European Union, Canada and Japan

MERCOSUR: Preferential access to Brazil, Argentina, Uruguay and Paraguay.

CAN: Free trade zone

Mexico: Free Trade Agreement (FTA) covering almost all Bolivian products

Chile: Preferential access

Under this context Bolivia can be an ideal distribution centre or export platform for American companies looking for regional or world markets.

Direct Import Costs Template
(in US dollars)

	10% Customs duty (Consumer goods)	5% Customs duty (Capital goods)	0% Customs duty (Capital goods, machinery, parts and pieces)
Base Price	1000	1000	1000
Ocean Freight	9.2	9.2	9.2
C&F	1009.2	1009.2	1009.2
Insurance (0.8% - 2% on C&F)	8	8	8
CIF	1017.2	1017.2	1017.2
GAC (customs duties)	101.72	50.86	0
Storage 0.53%	5.35	5.35	5.35
Customs agent (0.5% - 2%)	20	20	20
IVA (14.95%) Charged based on CIF border criteria	152	152	152
Landed cost	1296.27	1245.41	1194.55