

BOLIVIA

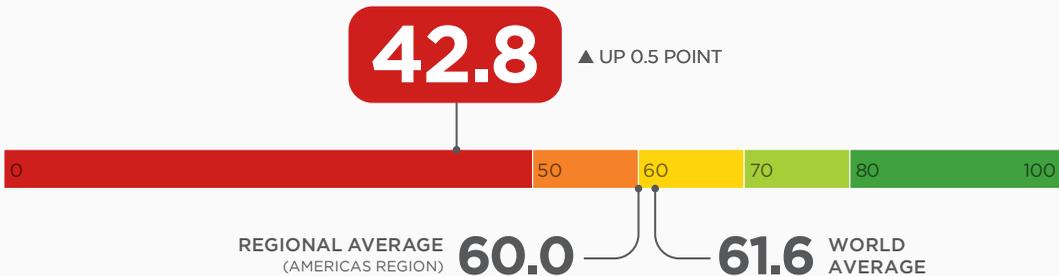
Bolivia's economic freedom score is 42.8, making its economy the 175th freest in the 2020 *Index*. Its overall score has increased by 0.5 point, with higher scores for **government integrity** and the **tax burden** partially offset by drops in **fiscal health** and **trade freedom**. Bolivia is ranked 30th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Bolivia's economy has been repressed for a decade, reflecting the pernicious impact of *Chavista* socialism. Even in a bad policy environment, however, the economy has achieved moderate growth driven by hydrocarbon and mineral exports.

The single-party authoritarianism of the Morales regime was particularly damaging to economic freedom in Bolivia. The rule of law has been both arbitrary and capricious, and the business and investment climate has endured intentional damage from policies designed to repress or contain the private sector and ensure government dominance. A new government will face severe challenges in rebuilding economic freedom.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -14.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.2 million

GDP (PPP):
\$84.1 billion
4.3% growth in 2018
5-year compound annual growth 4.6%
\$7,477 per capita

UNEMPLOYMENT:
3.3%

INFLATION (CPI):
2.3%

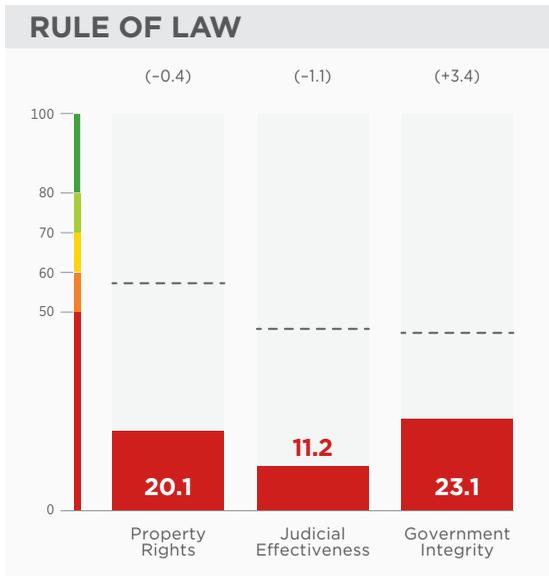
FDI INFLOW:
\$255.1 million

PUBLIC DEBT:
53.9% of GDP

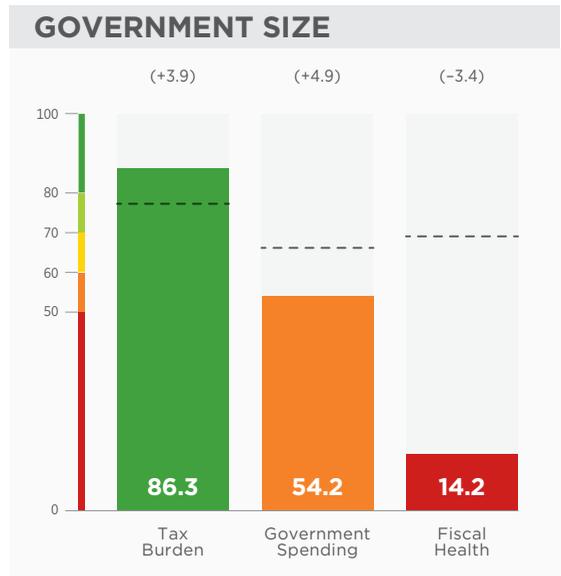
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Exports of natural gas to Brazil and Argentina have supported the Bolivian economy in recent years, but the country also faces deeply rooted poverty, social unrest, and illegal drug activity. In November 2019, the military forced leftist President Evo Morales to flee to political asylum in Mexico after he tried to steal re-election to a fourth term by halting vote-counting in the first round of the October elections. Jeanine Añez of the Movimiento Demócrata Social party took over as the constitutional interim leader, pledging to hold new elections. The unstable political situation will complicate the implementation of economic policies. Reduced output of hydrocarbons and weakness in the mining and construction sectors has slowed GDP growth. Nearly 40 percent of Bolivians remain below the poverty line.

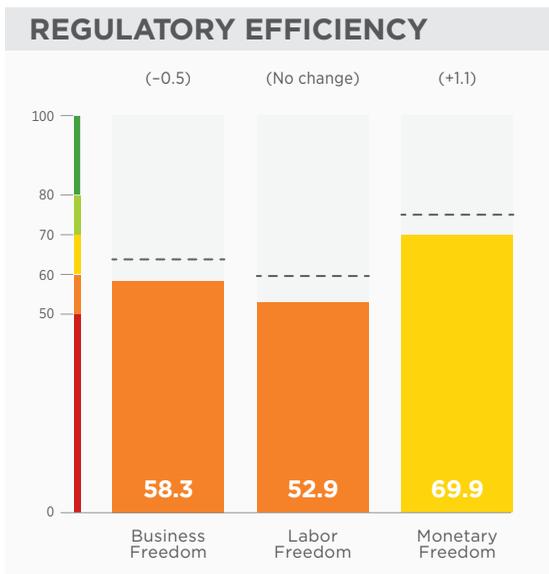
12 ECONOMIC FREEDOMS | BOLIVIA



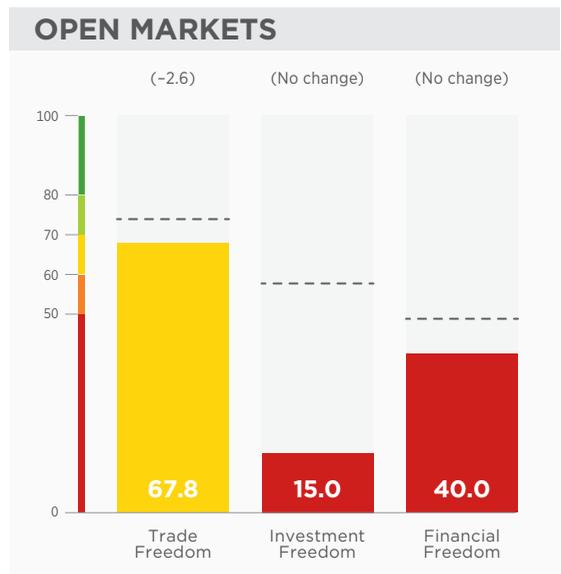
Real property rights are legally protected and recorded in the Real Estate Office, but delays in registration and demands for bribes have led to land title disputes, especially in rural areas. In addition to being politicized, the judiciary remains overburdened. Corruption affects a range of government entities, including law enforcement bodies and extractive industries.



The top income tax rate is 13 percent, and the corporate tax rate is 25 percent. Other taxes include value-added and transactions taxes. The overall tax burden equals 23.9 percent of total domestic income. Government spending has amounted to 39.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.6 percent of GDP. Public debt is equivalent to 53.9 percent of GDP.



The regulatory framework for businesses includes significant market restrictions. The assets of private companies are not secure from government theft. Unprofitable state-owned enterprises rely on government largesse. Wage increases are negotiated between the government and the main labor union. Energy subsidies have been estimated to range from 2 percent to 7 percent of GDP in recent years, and the government controls the prices of such products as sugar, maize, and bread.



The total value of exports and imports of goods and services equals 57.1 percent of GDP. The average applied tariff rate is 6.1 percent, and three nontariff measures are in force. The prevalence of state-owned enterprises limits foreign investment. The financial sector remains vulnerable to state interference, with credit to the private sector expanding slowly. Capital markets are focused on trading in government bonds.