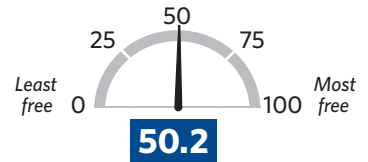




BOLIVIA

Economic Freedom Score



World Rank: **146** Regional Rank: **25**

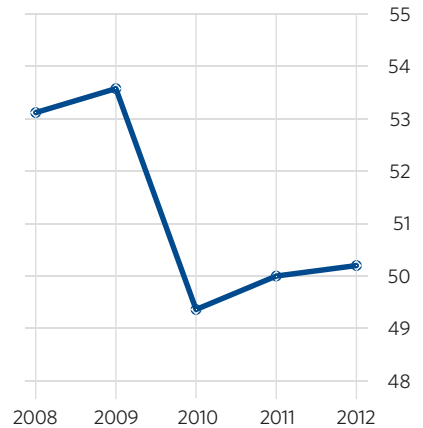
Bolivia's economic freedom score is 50.2, making its economy the 146th freest in the 2012 *Index*. Its overall score is 0.2 point better than last year, with some improvements in three of the 10 economic freedoms, including freedom from corruption. Bolivia is ranked 25th out of 29 countries in the South and Central America/Caribbean region, and its overall score is below the world and regional averages.

The foundations of economic freedom in Bolivia remain fragile, severely hampered by structural and institutional problems. With the judicial system becoming more vulnerable to political interference, corruption is prevalent, and the rule of law is weak across the country.

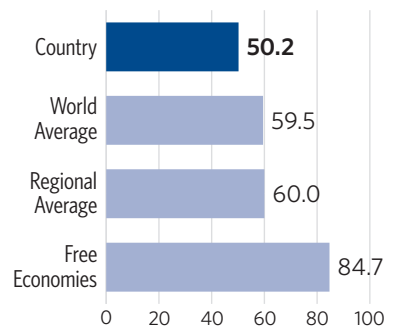
The state's presence in economic activity is gradually increasing through nationalization of industry, moving the Bolivian economy ever further from free-market openness and flexibility. Heavily dependent on the hydrocarbon sector, the economy suffers from a lack of dynamism. Poor economic infrastructure and weak regulatory and judicial frameworks impede expansion and diversification of the productive base. The lack of access to financing precludes entrepreneurial growth, and the investment regime lacks transparency.

BACKGROUND: From the mid-1980s until 2005, successive elected governments pursued economic and social reform. In 2005, anti-market populist Evo Morales won the presidency with nearly 54 percent of the vote. Both as a candidate and as president, he has employed violence and intimidation to impose his will. Under Morales, Bolivia has adopted a new constitution that expands executive power, state control of key natural resources and industries, and redistribution of land. Re-elected in December 2009 with 64 percent of the vote, Morales promised to move Bolivia toward "communitarian socialism" with a stronger state guiding economic activity. Under Morales, Bolivia looks to Cuba and Venezuela for governance guidance. Approximately one-third of Bolivia's people live in poverty, with agriculture, mining, and the service industry providing most employment.

Freedom Trend



Country Comparisons



Quick Facts

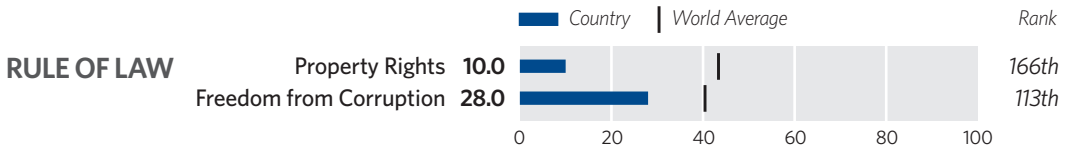
- Population:** 10.4 million
- GDP (PPP):** \$47.9 billion
- 4.2% growth in 2010
- 5-year compound annual growth 4.6%
- \$4,592 per capita
- Unemployment:** 6.5%
- Inflation (CPI):** 2.5%
- FDI Inflow:** \$622 million
- Public Debt:** 36.6% of GDP

How Do We Measure Economic Freedom?

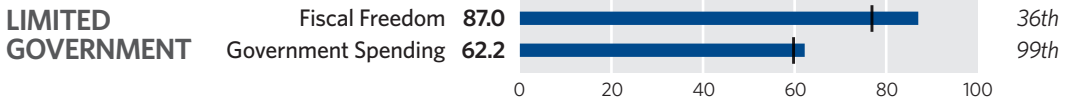
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

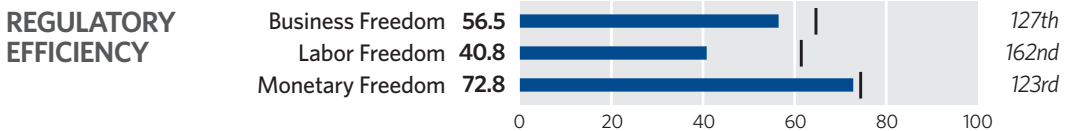
THE TEN ECONOMIC FREEDOMS



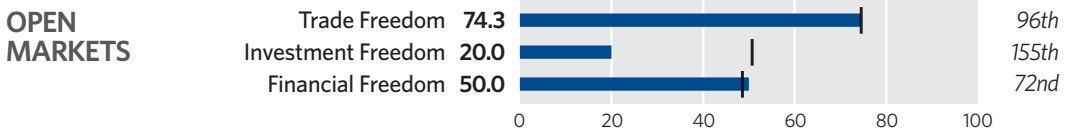
The judicial process is subject to political influence and corruption. Enforcement of intellectual property rights is erratic and largely ineffective. Competing claims to land titles and the absence of reliable dispute resolution make acquisition of real property risky. Expropriation is a problem, as is illegal squatting on rural private property. Anti-corruption measures are poorly enforced, and corruption is growing.



The top income tax rate is 13 percent, and the corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a transactions tax, with the overall tax burden equivalent to 22.6 percent of GDP. Government spending amounts to 35.5 percent of GDP, and budget surpluses have been narrowing in recent years. Public debt has dropped to below 40 percent of GDP.



The regulatory environment is burdened with red tape and inconsistent enforcement of commercial regulations. With 15 procedures required, on average, it takes 50 days to start a company. The labor market is not fully developed, and employment regulations are not conducive to productivity growth. A series of public protests and strikes in early 2011 forced the government to backtrack on a much-needed reduction of fuel price subsidies.



The trade weighted tariff rate is 5.4 percent, with myriad non-tariff barriers raising the cost of trade. Bolivia's 2009 constitution allows only investment that "fulfills a social function" and "is not detrimental to the collective interest" and specifically gives domestic investment priority over foreign investment. The financial sector is vulnerable to state interference and remains poorly developed, although it has grown and become more open.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+3.1	Business Freedom	-0.7	Trade Freedom	-3.3
Freedom from Corruption	+1.0	Government Spending	-1.5	Labor Freedom	-0.7	Investment Freedom	0
				Monetary Freedom	+4.0	Financial Freedom	0