Growth Lab

Bolivia's Economic Pivot: A Growth Diagnostics of the Tourism Sector

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Growth Lab Working Paper Series
No. 266

April
2026

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This paper may be referenced as follows: Freeman, T., Hausmann, R. (2026). “Bolivia's Economic Pivot: A Growth Diagnostics of the Tourism Sector.” Growth Lab Working Paper, John F. Kennedy School of Government, Harvard University.

About the Growth Lab

The Growth Lab at Harvard University's multidisciplinary team pushes the frontiers of research on economic growth and development policy. The Lab advances academic research on the nature of economic growth and conducts applied, place-based engagements that aim to understand context-specific growth processes, address key constraints, and identify promising opportunities. Through its research and teaching activities, the Lab has become a global thought leader offering breakthrough ideas, methods, and tools — including Growth Diagnostics, Economic Complexity and Green Growth — that help practitioners, policymakers, and scholars understand how to accelerate economic growth and expand opportunity across the world. Consistent with the mission of the Harvard Kennedy School of Government, in which the program is housed, the Lab works to expand capabilities for improved economic policy-making such that more people and societies can enjoy higher levels of wellbeing through stronger, more sustainable, and more inclusive economic growth processes.

About the Series

The "Bolivia's Economic Pivot" series, produced by the Growth Lab, comprises seven documents: (1) Main findings and reform priorities, which integrates and synthesizes the six thematic studies in the series (Hausmann et al., 2026); (2) The Making of a Macroeconomic Crisis (García et al., 2026); (3) Early Macroeconomic Achievements and Remaining Challenges (Arcay et al., 2026); (4) Reviving the Energy Sector (Lamby et al., 2026); (5) Unlocking the Mining and Lithium Potential (Lamby & Hausmann, 2026); (6) Opportunities and Challenges in Agriculture (Shah et al., 2026); and (7) A Growth Diagnostics of the Tourism Sector (Freeman & Hausmann, 2026). See references.

Acknowledgments

This report is the result of an eighteen-month independent research agenda in Bolivia that would not have been possible without the involvement and contributions of many individuals and organizations, who we thank for their time, wisdom, and dedication to their missions. This research initiative was funded by a generous gift from Bolivian-American entrepreneur Marcelo Claure, who did not determine, influence, or direct any aspect of the design, execution, or interpretation of this research. We extend our great appreciation to Marcelo Trigo and Bolivia 360, whose commitment and support have been indispensable to this endeavor, providing invaluable connections with relevant actors across the public, private and civil society sectors.

We extend our great appreciation to the many government officials, international organizations, business leaders, industry associations, civil society representatives, and academic and policy experts across Bolivia whose perspectives and experiences have deeply enriched our understanding of the country's realities. While too numerous to name individually, their generosity in engaging with our team was invaluable to the quality of this research. Finally, we thank Growth Lab Fellows Lili Vessereau, Martina Cometti and Ricardo Benzecry for their important analytical contributions to the project, as well as our colleagues at the Growth Lab for their continuous intellectual support and engagement, in particular Johan Cañas Odreman and José Ramón Morales Arilla for their iteration and insights on the construction of the gravity model.

We note that the views expressed in this report are solely those of the authors and do not necessarily reflect the views of those acknowledged here.

Data and Information Disclaimer

This report is based exclusively on publicly available information and statistics at the time of writing. Official datasets in Bolivia are often outdated, incomplete, or published with significant lags, which limits the precision of certain estimates and the depth of the analysis. Where possible, these gaps have been addressed through secondary sources, historical trends, or internationally comparable data, though some figures should be interpreted as indicative rather than definitive. Given this, judgment was applied in preparing some of the numbers and calculations contained in this report, and any changes or developments occurring after February 28th, 2026, are not fully accounted for.

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Executive Summary

Tourism is one of Bolivia's most immediate and scalable opportunities to generate foreign exchange, drive growth beyond the main economic centers, and help return the country to a path of long-term prosperity. In a context of external imbalances and limited export diversification, sectors that can generate foreign exchange are critical. International tourism has the potential to transform Bolivia's natural, cultural, and historical assets into export earnings without the long investment cycles required in some other tradable sectors. At the same time, tourism is inherently place-based, generating income, employment, and business dynamism in regions where other export-oriented industries may prove more difficult to develop, such as the Salar de Uyuni. Expanding tourism exports therefore strengthens the national external position while catalyzing localized development across Bolivia's territories, making success in tourism a key pillar of a successful and inclusive development strategy.

A significant gap exists between Bolivia's underlying tourism potential and current travel and tourism exports,[1] estimated to amount to USD 374 million as of 2024. Analysis based on a gravity model of global tourism earnings shows that Bolivia generates significantly fewer tourism exports (i.e. earnings from international tourists visiting Bolivia) than predicted based on structural features such as distance to tourist's country of origin, destination country size, and local price level. This underperformance persists even when controlling for regional (South American) effects, indicating that the gap reflects Bolivia-specific constraints rather than broader continental trends. This shortfall is particularly striking given Bolivia's globally unique tourism assets, including the Salar de Uyuni, as well as diverse ecosystems and a rich cultural heritage which should enable the country to compete internationally in high-value tourism segments.

Bolivia's underperformance in international tourism earnings can largely be traced to a few high-value countries of origin. While Bolivia overperforms in some markets such as Argentina and Spain, it significantly underperforms in several of the world's largest tourism source markets. The most pronounced gap is with the United States, suggesting that weak integration with high-value markets explains a substantial share of unrealized international tourism potential.

This paper applies the Growth Diagnostics framework to the Bolivia tourism industry to identify the most binding constraints to sector growth. The objective of Growth Diagnostics is to isolate the constraint that most tightly restricts investment, firm entry, and export expansion (Hausmann, Rodrik, and Velasco, 2008). Although typically applied at the country level, this paper applies the framework specifically to the tourism sector. The Growth Diagnostic framework determines two sets of constraints which prevent Bolivia from converting global tourism demand into realized tourism exports. Binding constraints are pinpointed at both the national level, in the form of missing enablers that affect the country's tourism sector as a whole, and the local level, affecting tourism ecosystem development within key locations.

The primary national constraint on Bolivia's tourism sector is limited international air connectivity. Relative to peer destinations, Bolivia remains poorly integrated into global air networks. Bolivia's existing air transportation capacity is already operating at high utilization rates, indicating that

[1] In this report, we often refer to earnings from international tourists visiting Bolivia as Bolivian travel and tourism exports, as this is how they are reported international trade data and other external accounts.

the supply of air service may not be keeping pace with underlying demand. Econometric analysis suggests that improving air connectivity is strongly associated with higher tourism inflows, and that Bolivia appears to benefit more from such improvements than the average country. A deeper examination of the United States–Bolivia corridor (the largest tourism export shortfall in absolute terms) reinforces these findings, showing that worsening direct connectivity to a high-value market is closely associated with an increasing bilateral tourism export gap. Within a growth diagnostics framework, this points to Bolivia's airline sector as constrained in expanding service as central to the country's inability to convert global demand into realized tourism exports.

The primary local-level constraint on Bolivia's tourism sector is coordination failures preventing the development of dynamic tourism ecosystems, as shown in the Salar de Uyuni case study. Tourism development depends on the joint provision of public goods, including transport access, maintained infrastructure, and legal security for investment, as well as private services, including lodging, restaurants, and recreation. When these inputs do not emerge together, private investment remains limited and destinations can become trapped in a low-level equilibrium, known as a coordination failure. This dynamic is visible in the Salar circuit, which has not fully served its role as the flagship anchor of Bolivia's tourism industry. In the municipality of Uyuni, the deficits in wastewater systems, transport links, and urban infrastructure deter firm entry and prevent the town from consolidating itself as the circuit's main amenities and transport hub. Across the broader circuit, high-potential areas remain underdeveloped because large-scale, vertically integrated investments are discouraged by the absence of a key enabling public good: legal security for private investment on communal lands. These complementary goods are not only underprovided but often fall outside the authority and capacity of the local governments expected to deliver them.

Addressing the identified constraints requires coordinated national and destination-level reforms. At the national level, aviation policy is key. Government entities engaging with the air transport sector must treat airlines as strategic enablers of tourism inflows. This requires a coordinated reform combining Open Skies agreements with the United States and key regional hubs to liberalize access and reduce regulatory frictions; a full cost-competitiveness reset by cutting fuel distortions, taxes, and penalties that deter airlines entry into the Bolivian market; and structured public-private dialogue with airlines to continuously improve the business environment.

At the local level, tourism development in the Salar de Uyuni would benefit from a new institutional architecture to coordinate an integrated tourism ecosystem for the circuit. A new institutional framework would enable coordinated planning, financing, and delivery of complementary public goods currently underprovided by local governments. The Salar generates national tourism benefits, yet governance remains fragmented across actors lacking either the incentive, capacity, or authority to act at scale. One option would be an opt-in compact between national government agencies, local governments and communities which can internalize both national benefits and local costs while aligning authority with the geographic scope of local tourism ecosystem needs. Participating communities would adopt transparent and enforceable rules governing land use, benefit sharing, and investment conditions while integrating into the broader tourism circuit. This approach would aim to crowd in private investment while protecting community land rights.

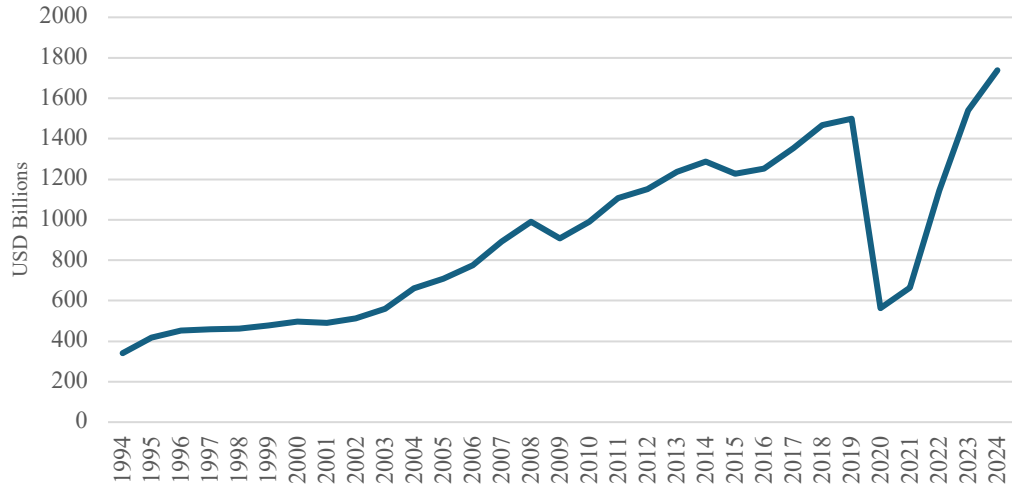
Bolivia can unlock significant tourism-led growth by addressing these binding constraints. Strengthening connectivity, resolving coordination failures, and improving the enabling environment for investment would allow Bolivia to capture a larger share of global tourism demand and transform tourism into a major source of foreign exchange, employment, and regional development.

I. Introduction

Bolivia must identify sectoral growth drivers capable of generating sustained foreign exchange earnings. In the context of considerable external imbalances, expanding sectors that can reliably bring in foreign currency has become strategically important (Hausmann, 2026). International tourism is one such sector. Travel and tourism exports, defined as expenditures made in Bolivia by foreign visitors, constitute a direct inflow of foreign currency and monetize existing natural, cultural, and historical assets without requiring the long investment cycles associated with some other tradable sectors.

The global tourism market is large, resilient, and expanding. International tourism receipts have increased dramatically over the past three decades, rebounded sharply after the COVID-19 shock, and now exceed pre-pandemic levels, as seen in Figure 1. This return to trend underscores the scale and dynamism of global tourism demand. The relevant policy question for Bolivia is therefore not whether demand exists, but whether the country is positioned to capture a larger share of it.

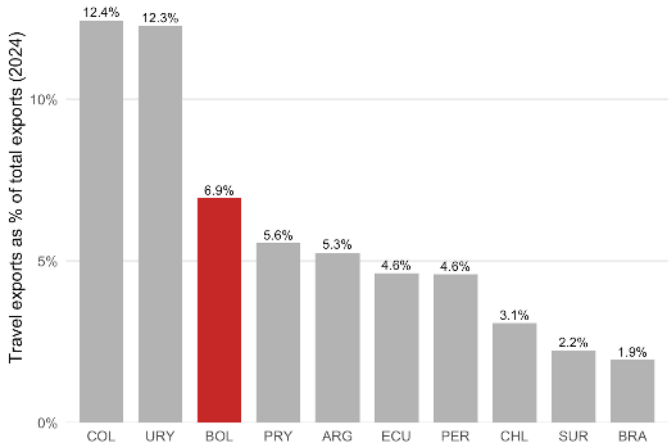
Figure 1. International Travel and Tourism Receipts Globally



Source: Author's Elaboration from UN Tourism Database

Tourism is already a key export sector for several South American countries, including Bolivia, making it a relevant sector to consider as part of comprehensive drive to generate additional foreign exchange. In 2024, travel and tourism exports represented a significant share of total exports across regional peers, as seen in Figure 2. Bolivia's share is large and above most regional comparators. This suggests that tourism already makes a meaningful contribution to Bolivia's export base and could serve as a platform for further export growth.

Figure 2. Travel Exports as a Share of Total Exports (2024)

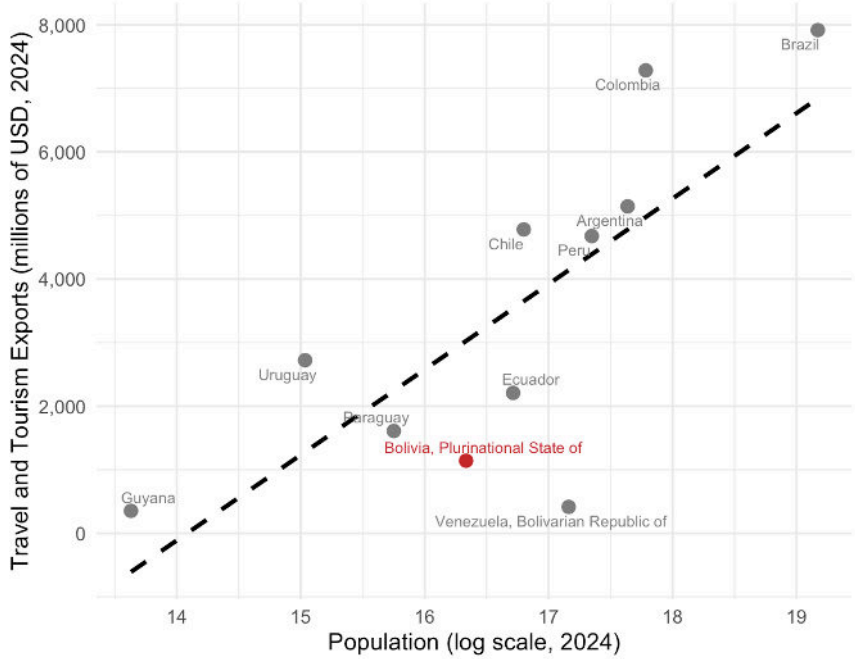


Source: Author's Elaboration from the Harvard Atlas of Economic Complexity

Relative to its population, Bolivia generates fewer tourism export dollars than expected, preliminarily suggestive of potential for sector expansion. When travel and tourism export[2] levels are plotted across South American peers, Bolivia appears substantially below the trend line, as seen in Figure 3. In addition, the compound annual growth rate of travel and tourism exports between 2010 and 2024 places Bolivia in the middle of the regional distribution, as seen in Figure 4. This is behind neighbors such as Peru and Chile, as well as other Andean countries such as Ecuador and Colombia. While the sector has expanded, it has not outpaced higher-performing peers. Taken together with its lower export performance relative to population, middling medium-term growth indicates a lack of convergence in tourism export outcomes. Section II builds on this preliminary benchmarking by applying a gravity model to more rigorously estimate expected tourism flows and quantify Bolivia's unrealized export potential at both the aggregate and bilateral levels.

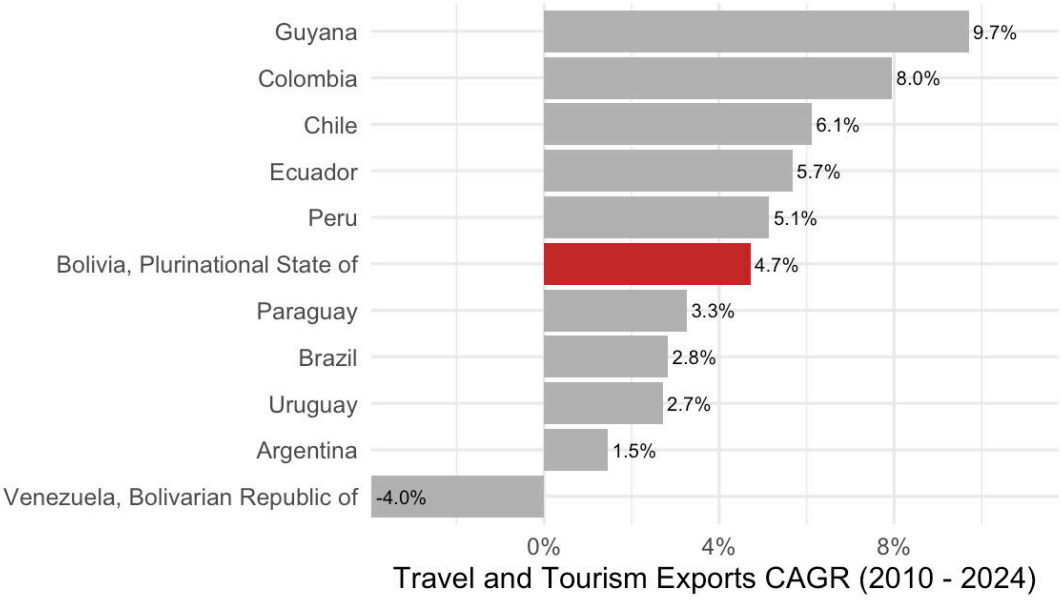
[2] Expenditures made in Bolivia by foreign visitors

Figure 3. Travel and Tourism Exports by Population (2024, South America only)



Source: Author's Elaboration from World Bank Data; WTO-OECD BaTiS Data

Figure 4. Travel and Tourism Export Growth (2010–2024, South America only)



Source: Author's Elaboration from World Bank Data; WTO-OECD BaTiS Data

This report evaluates tourism through the lens of foreign exchange generation and structural competitiveness. Section II presents the results of a gravity model and estimates Bolivia's travel and tourism export gap at both the global and bilateral levels, identifying priority markets where growth potential is greatest. By estimating expected travel and tourism export flows and quantifying unrealized export potential, both in aggregate and by specific source market, the analysis establishes a disciplined

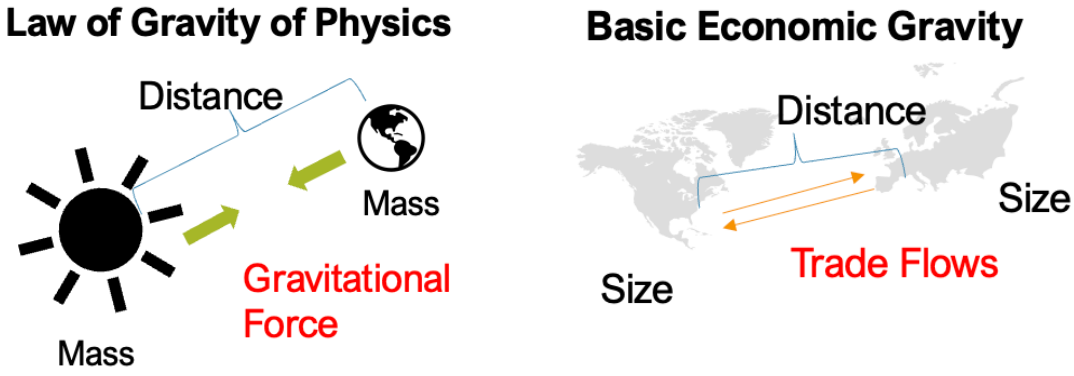
benchmark for assessing performance relative to structural fundamentals. The resulting gap also provides a measurable reference point for benchmarking the sector's expansion potential. Section III investigates the constraints that may explain relative underperformance, conducting the diagnosis at two interconnected levels. First, the national-level inputs that form the foundational enablers for the sector and second, the local-level coordination constraints within specific tourism destinations, including a Salar de Uyuni case study. Section IV advances grounded yet ambitious reforms targeted at both national-level and destination-level constraints, targeting the structural barriers identified.

II. Gravity Model Analysis: Understanding the Current Travel and Tourism Exports and the Potential to Increase

This section applies a gravity model to assess Bolivia's current tourism performance and to determine potential. The gravity framework estimates how much Bolivia is predicted to export in travel and tourism services given its fundamental economic characteristics and those of origin markets. By comparing predicted exports to observed exports, we quantify Bolivia's unrealized export potential both in the aggregate and country-by-country.

Economic gravity models are grounded in a simple but powerful economic intuition. Just as gravity in physics depends on mass and distance, trade between countries depends on economic size and distance between them. Trade between the United States and Canada is large because both economies are large and geographically proximate, with relatively low trade frictions. Trade between Finland and Laos is small because both economies are small and geographically distant, with higher trade frictions. This analogy between physical gravity and economic trade is illustrated in Figure 5.

Figure 5. From Physical Gravity to Economic Gravity



Source: Author's Elaboration

In the context of international tourism flows, gravity predicts that travel and tourism exports rise with economic mass and fall with distance and structural frictions. Travel and tourism exports from Bolivia to a partner country (i.e. tourism spending in Bolivia from partner country) should increase when the partner market is large and affluent and when bilateral frictions such as distance are lower. This framework provides a disciplined way to separate the structural determinants of bilateral tourism flows from factors reflecting policy, coordination, or institutional constraints.

The specification is designed to generate an estimate of tourism exports that reflects a country's foundational tourism export potential. The model includes importer mass (total tourism imports of the origin/partner country), exporter (i.e. destination country) mass (i.e. land area, population, the exporter's price level), and structural bilateral frictions (distance, contiguity, and historical ties), along with year, continent, and importer country fixed effects. Model parameters and the direction of their effects are shown in Table 1. Note that all Independent Variables are significant

at the .1% threshold. Because policy-sensitive variables are deliberately excluded from the baseline specification, the fitted value reflects structurally determined travel and tourism export capacity rather than policy choice.

The dependent variable is bilateral yearly travel and tourism exports measured in U.S. dollars. The data come from the Balanced Trade in Services (BaTiS) dataset developed jointly between the WTO and the OECD, covering more than 200 reporting economies and their partners (December 2025 download). According to BPM6 definitions, travel and tourism exports cover goods and services acquired by non-residents during visits to the reporting economy. In practical terms, travel and tourism exports in Bolivia represent the money that enters Bolivia when a foreign visitor spends within the country.

The gravity analysis compares Bolivia's tourism performance primarily to that of other South American exporters. By controlling for destination-region characteristics at the continental level, the model absorbs broad regional attributes such as shared natural endowments, biodiversity, landscape assets, cultural appeal, and geographic positioning that influence tourism potential across the continent. As a result, Bolivia is not benchmarked against structurally dissimilar destinations in Europe or Southeast Asia, but rather against regional peers with broadly comparable underlying tourism fundamentals. The residual gap therefore reflects country-specific performance rather than continental advantage or disadvantage.

The regression results confirm the central predictions of gravity theory, as seen in Table 1 and in Annex I. Harmonic distance enters negatively and is highly statistically significant, indicating that effective distance strongly reduces tourism flows. Importer mass enters positively, consistent with the idea that larger tourism-importing economies send more visitors. Border contiguity and historical ties increase flows, easing trade frictions. Model fit statistics indicate strong explanatory power relative to structural fundamentals, with all independent variables significant at the .1% threshold. Full coefficient tables are presented in Annex I.

Table 1. Tourism Gravity Model Variables and Interpretation (Full Specification in Annex I)

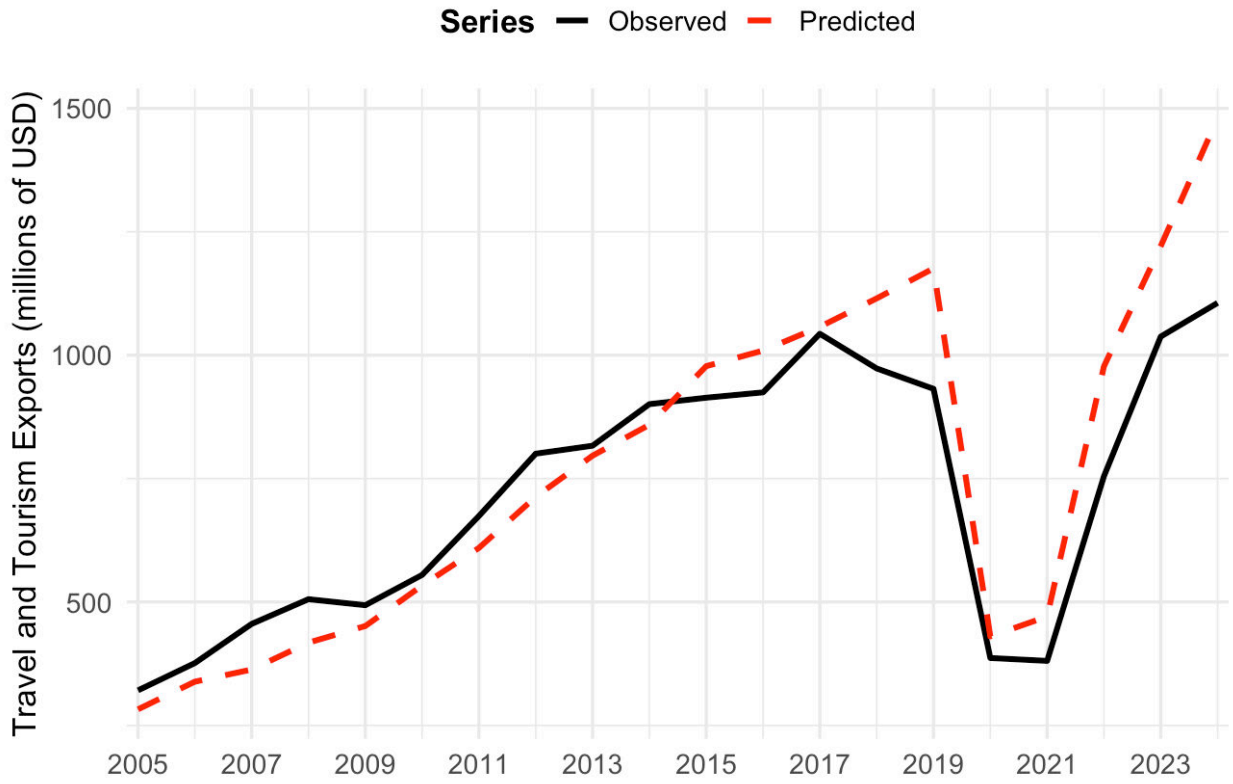
Category	Variable	Coefficient (Sign)	Interpretation
Dependent Variable	Bilateral travel and tourism exports (USD)	NA	Travel and tourism spending by residents of origin country in destination country in a given year.
Importer Mass (Tourist Origin)	Size of the origin country's total outbound international tourism spending	+	Larger outbound tourism markets are predicted to send more tourists (and spending) to a given destination.
Exporter Mass (Tourist Destination)	Relative price level in the destination (PPP conversion factor)	+	Higher relative price level (PPP factor) captures structural cost differences in the destination.
	Land area of the destination country	–	Larger territory alone does not necessarily increase tourism exports.

Category	Variable	Coefficient (Sign)	Interpretation
	Population size of the destination country	+	A larger population in the destination country may support the ability to host larger tourism inflows.
	Land area × population interaction (scale/density effect)	+	Combined scale effects suggest that country size and density jointly influence tourism export capacity.
Frictions (Bilateral Barriers)	Geographic distance between origin and destination	−	Greater effective distance strongly reduces tourism flows.
	Shared border	+	Sharing a border increases bilateral tourism flows (even for an equal distance).
	Historical colonial relationship	+	Historical ties increase bilateral tourism flows.
Fixed Effects	Year fixed effects	NA	Controls for global shocks affecting all countries in a given year (e.g., pandemics, global recessions).
	Origin-country fixed effects	NA	Controls for time-invariant characteristics of each tourist-origin market.
	Destination-region fixed effects	NA	Controls for structural regional characteristics of destination countries, at level of continent.

*All Independent Variables Significant at .1%

Bolivia's global travel and tourism exports fall short of its structural potential. Figure 6 compares yearly observed exports to predicted exports over time. While both series track global cycles—including the COVID shock—the predicted series remains consistently above observed values in recent years. Notably, through roughly 2012, observed exports were broadly keeping pace with predicted values, suggesting that Bolivia's international tourism sector performance was aligned with the country's structural fundamentals. Beginning around 2012, however, a persistent gap emerged, with the divergence widening more markedly from 2017 onward as predicted exports continued to rise while observed exports plateaued and then weakened. In 2024, the gap between predicted and observed exports suggests substantial unrealized foreign exchange potential of over 370 million USD.

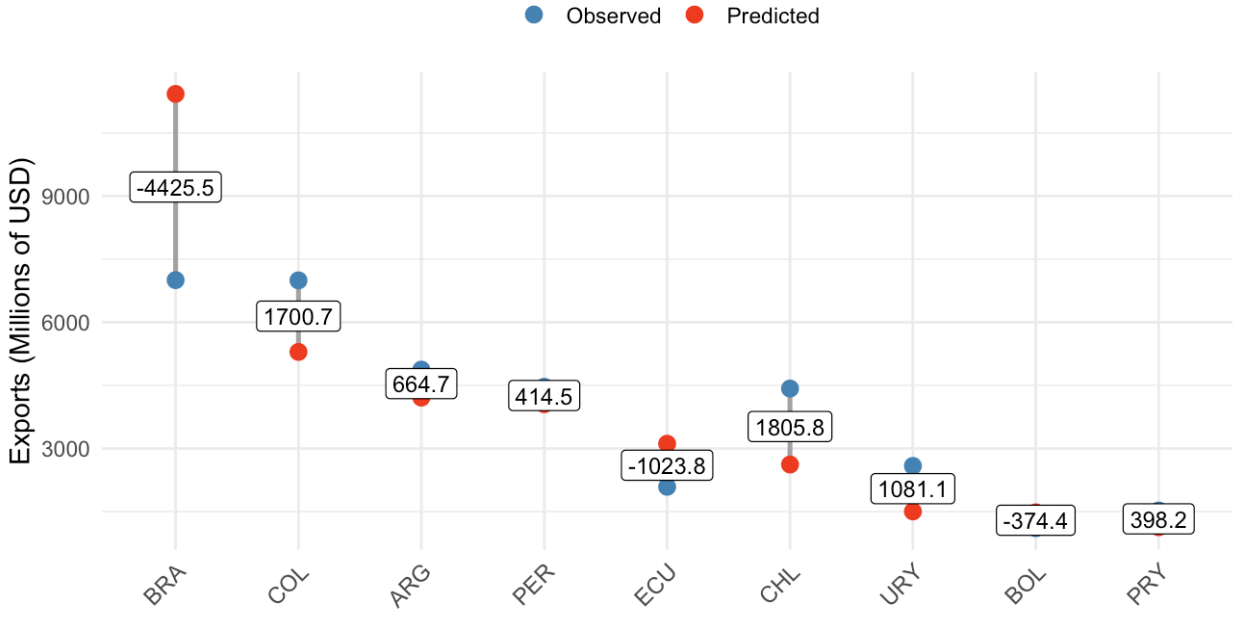
Figure 6. Bolivia Travel & Tourism Exports: Observed vs Predicted



Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

There is substantial variation in the extent to which South American countries over- or under-perform relative to structural predictions. Figure 7 compares observed and predicted travel and tourism exports across South America in 2024 and shows that both positive and negative deviations are present within the region. Large economies such as Brazil exhibit sizeable negative residuals in absolute terms, while others such as Chile and Uruguay perform above predicted levels. Bolivia's gap is meaningful in magnitude relative to its economic size and structural benchmark. This cross-country dispersion suggests that geography alone does not fully determine outcomes and that differences in performance relative to structural fundamentals vary considerably across the region.

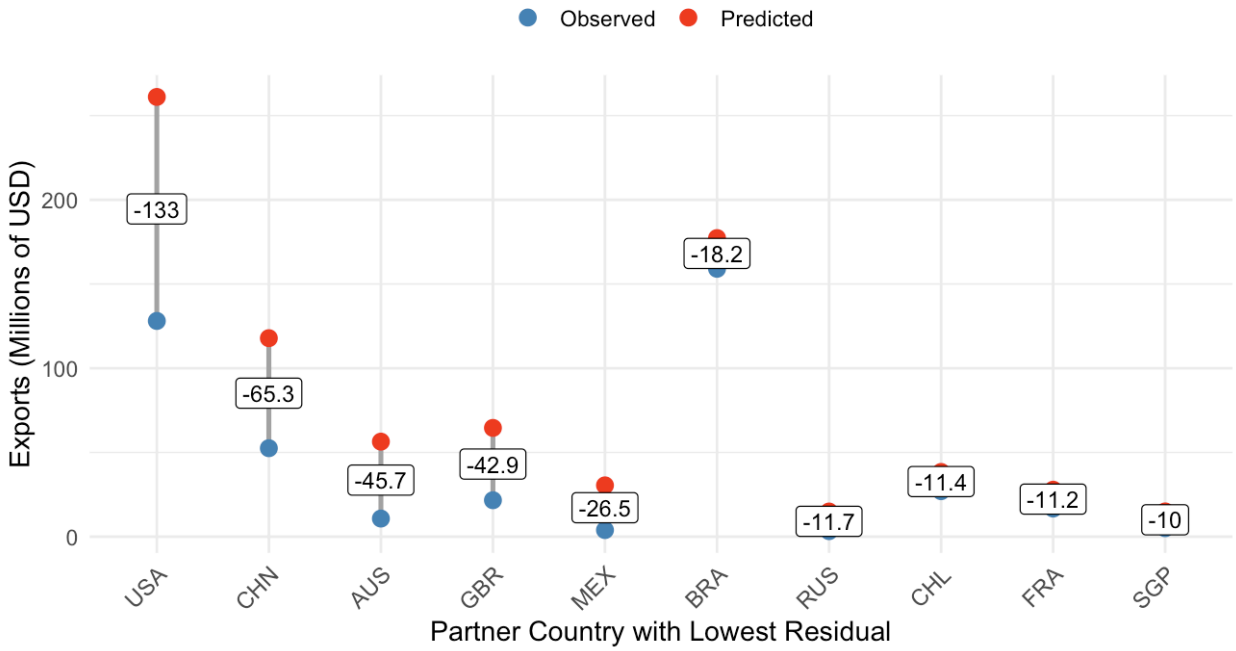
Figure 7. Observed vs Predicted Tourism Exports for South American Countries (2024)



Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

The bilateral decomposition identifies priority markets for Bolivia where the export gap is largest. Figure 8 shows that Bolivia underperforms most strongly in large, high-income markets such as the United States, China, Australia, and the United Kingdom. The United States alone accounts for more than a third of the total aggregate gap, with a shortfall exceeding USD 130 million in 2024, making it by far the single largest unrealized market. Bolivia's tourism exports to China and Brazil also exhibit substantial negative residuals, each reflecting sizable unrealized potential relative to structural benchmarks. These markets combine large structural mass with negative residuals, indicating high-potential priority markets for expansion where closing even part of the gap would yield meaningful foreign exchange gains.

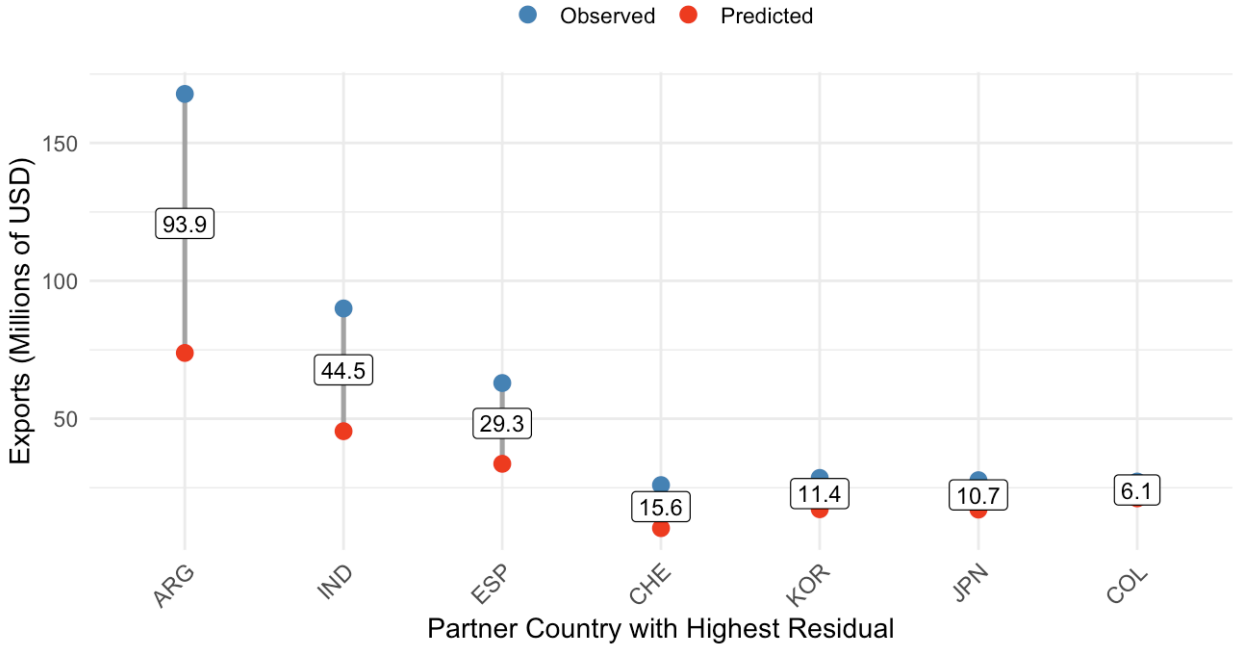
Figure 8. Bolivia Tourism Exports: Top Negative Residuals by Partner (2024)



Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

At the same time, Bolivia overperforms relative to fundamentals in select markets. Figure 9 shows positive deviance in markets such as Argentina, India, and Spain. Argentina is particularly notable because the model already controls for border contiguity and distance, suggesting that the observed overperformance exceeds what would be expected from geography alone. Spain is also striking given that the specification controls for historical colonial ties and continent fixed effects, implying that common language and shared history may not fully explain the strength of the bilateral tourism flows. These positive residuals may reflect underlying mechanisms such as niche demand channels, diaspora linkages, stronger connectivity, or tourism partnerships that amplify flows beyond structural expectations.

Figure 9. Bolivia Tourism Exports: Top Positive Residuals by Partner (2024)



Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

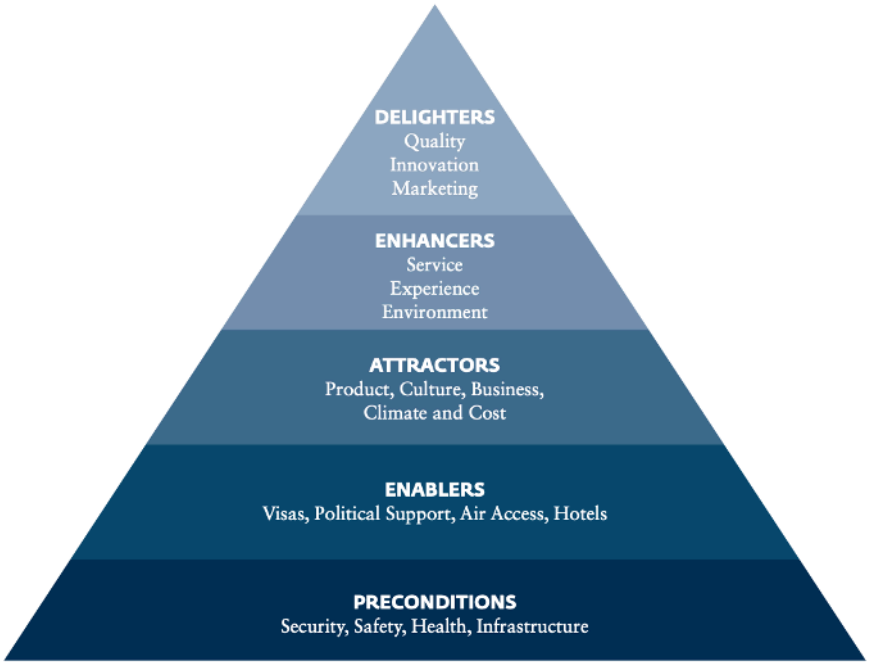
The gravity results yield three central conclusions for Bolivia's tourism strategy. First, Bolivia underperforms relative to structural fundamentals, and the gap has widened over time. While observed and predicted exports tracked closely in the mid 2000s, the divergence became persistent after 2012 and expanded sharply after 2017. By 2024, observed travel and tourism exports of roughly USD 1.1 billion fell far below the model prediction of approximately USD 1.5 billion, resulting in an export gap over USD 370 million. The shortfall does not seem to be natural cyclical variation, but rather structural and growing. Second, the underperformance is concentrated in large, high-income markets. The United States stands out as the largest negative deviant, with China, Australia, and the United Kingdom following suit. These countries combine large outbound tourism demand with strongly negative residuals, indicating substantial unrealized foreign exchange potential. Third, Bolivia performs relatively well in certain regional markets, including Argentina and parts of Asia. These positive deviations suggest that favorable bilateral channels can offset structural frictions and may offer lessons for expansion elsewhere. Taken together, the evidence indicates that Bolivia's tourism potential is currently not limited by inherent geography but by modifiable frictions that increasingly limit its ability to convert global demand into realized tourism earnings. Section III investigates those frictions directly.

III. Investigating the Constraints to Tourism Growth in Bolivia

This section diagnoses the constraints that prevent Bolivia from realizing its tourism export potential. Section II established that Bolivia underperforms relative to its structural fundamentals and that the gap has widened over time, with significant unrealized foreign exchange potential (Figure 6). The tourism performance gap reflects Bolivia's limited ability to convert global tourism demand into realized export earnings. The task of this section is therefore diagnostic: identify which constraints most tightly limit tourism growth and through what mechanisms.

Tourism is locally experienced but nationally enabled. A specific tourism destination has multiple interdependent needs, as illustrated by the World Bank in Figure 10, spanning transport, cultural attractions, basic services, safety, gastronomy, marketing, and hospitality inputs. Yet a destination cannot function without foundational preconditions and enablers that are often provided at the national level or through the national government, including air connectivity, regulatory clarity, security, health infrastructure, and other factors contributing to overall sector competitiveness. These preconditions and enablers form the base of the tourism ecosystem depicted in Figure 10. The tourism destination is local, but the enabling environment includes national policy. Weaknesses at either level can prevent the sector from reaching scale and upgrading into higher-value segments.

Figure 10. Tourism Destination Needs per World Bank Tourism Toolkit



Source: World Bank (2019) "Tourism Diagnostic Toolkit," World Bank.

Our analysis applies a Growth Diagnostics lens to identify amongst the many challenges facing the Bolivia tourism industry what are the most binding constraints to sector growth. Not every problem facing Bolivia's tourism sector is equally consequential for foreign exchange generation and tourism sector job growth. The objective of Growth Diagnostics is to isolate the

constraint that most tightly restricts investment, firm entry, and export expansion (Hausmann, Rodrik, and Velasco, 2008). Our diagnostic proceeds at two levels: first, the national-level constraints that affects the entire tourism industry in Bolivia and second, the local-level constraints that limits the dynamism of specific destinations and local tourism ecosystems.

The Growth Diagnostics framework uses a series of diagnostic heuristics and tests to determine whether a constraint is binding on growth. These include assessing (1) whether the shadow price is high, meaning that the marginal return to relaxing the constraint is large relative to other potential distortions in the system; (2) examining "changes in changes" to see whether shifts in the suspected constraint are associated with parallel shifts in growth trajectories; (3) applying the "camels and hippos" test to determine whether observed economic activity reflects survivorship under the constraint, where firms that persist are those adapted to operate within it while activities that would be viable absent the constraint are systematically missing; and (4) evaluating whether there is evidence of economic agents attempting to circumvent or bypass the constraint, indicating a willingness to incur costs to get around it. Taken together, these heuristics help distinguish between any number of sectoral challenges and the constraint that most tightly restricts investment, job creation, and export expansion.

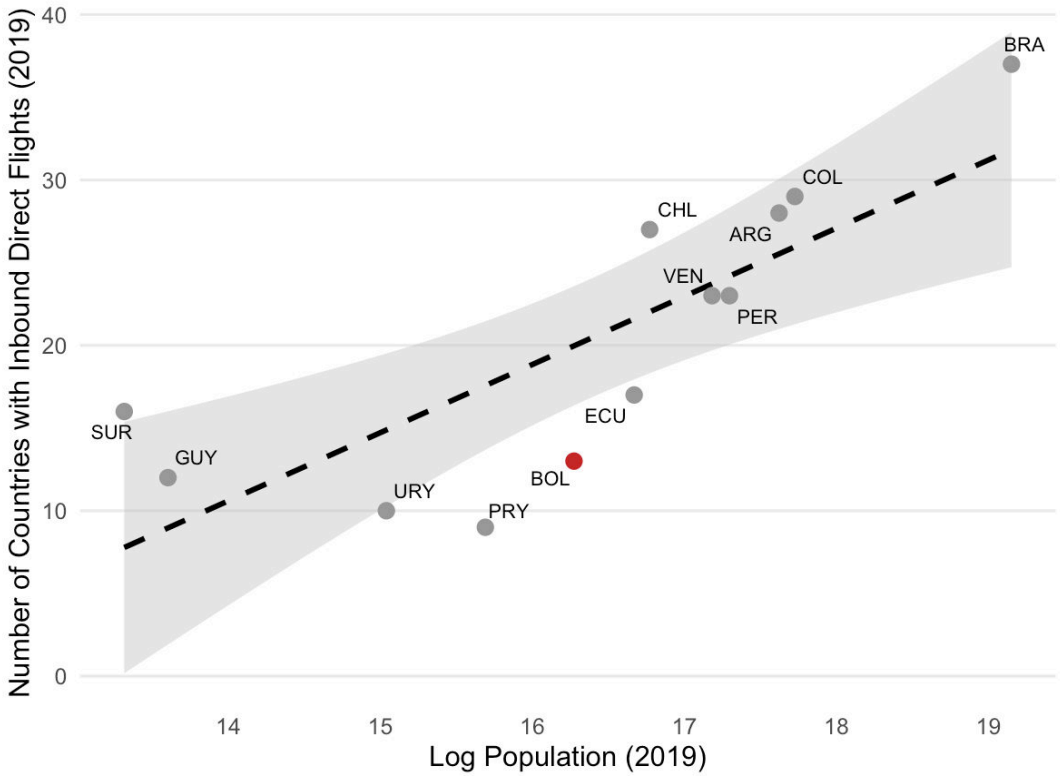
The evidence points to two reinforcing layers of constraint: nationwide air connectivity and local-level coordination failures. At the national level, air connectivity shapes Bolivia's ability to generate tourism exports. Where air connectivity is weak, costly, or limited in frequency, structural demand in large source markets does not convert into realized arrivals, constraining foreign exchange earnings at the outset of the tourism value chain. At the destination level, tourism is a coordination-intensive ecosystem that depends on the simultaneous provision of multiple complementary inputs to build a vibrant local tourism economy. Where coordination fails, private investment is discouraged, particularly for first-mover investors who face uncertainty about complementary services needed for a functional tourism value chain. In such environments, higher-value market segments in particular struggle to materialize. The subsections that follow analyze these constraints in turn and assess how each layer contributes to Bolivia's persistent tourism export gap.

1. Nationwide Constraint: Air Connectivity

Bolivia lags behind many South American peers in the number of countries served by direct flights. Figure 11 shows that Bolivia sits below the fitted trend line, indicating that, given its population size, it maintains fewer direct international connections than would be expected relative to comparable countries. By contrast, peers such as Chile, Colombia, and Peru cluster closer to or above the predicted relationship, reflecting denser integration into international air networks. This positioning highlights Bolivia's comparatively thin international route network. This gap is also evident in connectivity to major regional hubs, as La Paz has no direct flights to Panama and Santa Cruz operates only one to two daily connections (Directflights.com, n.d.). This stands in contrast to Lima, which enjoys 7-9 daily flights to the regional hub. A similar pattern holds for Bogotá, where both La Paz and Santa Cruz each have only one daily flight compared to Lima's roughly nine daily connections on the same route.

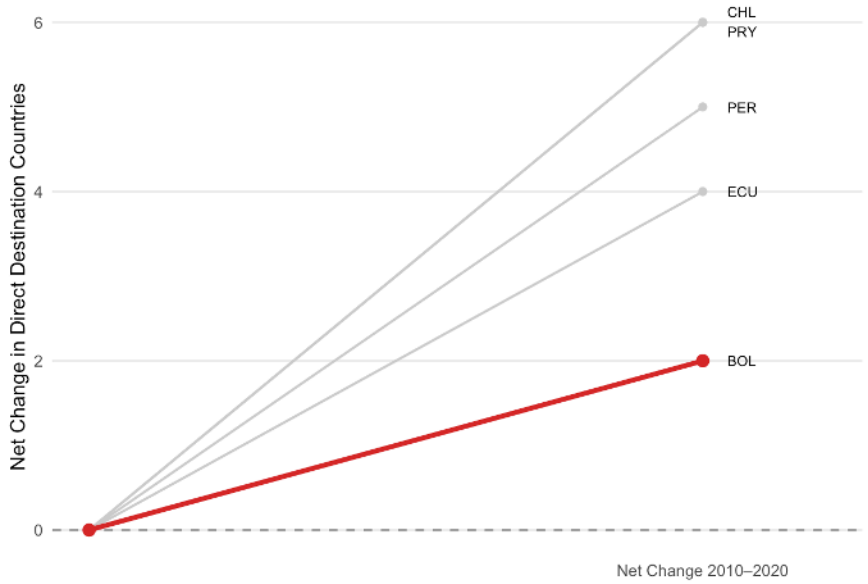
Bolivia has also expanded its network more slowly than comparable South American countries over the past decade. As shown in Figure 12, between 2010 and 2020 Bolivia added only two new direct destination countries, whereas neighboring Chile and Paraguay added six each and Peru added five. In a period when regional peers were deepening international integration and diversifying route portfolios, Bolivia's incremental progress was modest. Taken together, Bolivia demonstrates limited air connectivity relative to peers, a gap which widened throughout the 2010s.

Figure 11. Bolivia Air Connectivity vs. South American Peers (2019)



Source: Author's Elaboration from World Bank Data; OAG Data

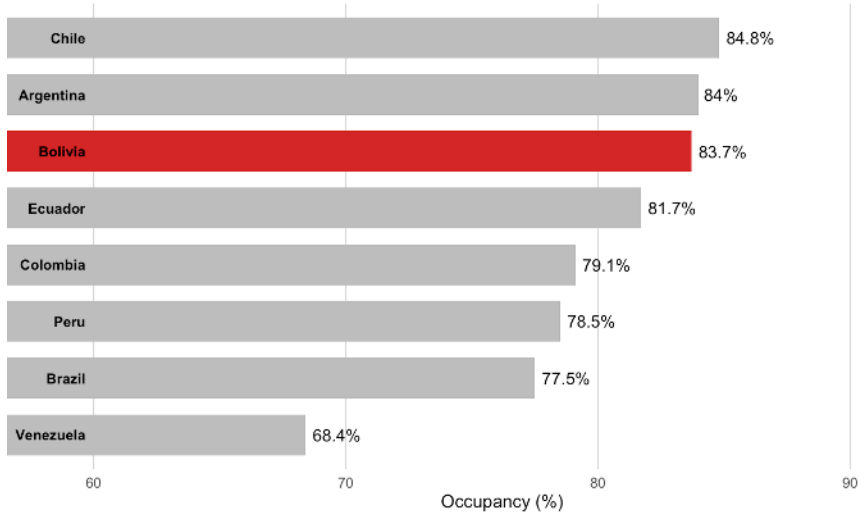
Figure 12. Net Change in Direct Destinations: Bolivia and Peers (2010–2020)



Source: Author's Elaboration from OAG Data

High passenger load factors suggest that the shadow price of air connectivity in Bolivia is high: demand for air travel is strong, but available seat supply remains tight. As shown in Figure 13, Bolivia's average seat occupancy rate reached 83.7 percent in 2023, higher than most South American peers and close to the upper end of typical commercial load factors. This indicates that existing flights were operating near capacity, consistent with demand pressing against current supply. At that level of utilization, one would normally expect airlines to add seats or frequencies if expansion were unconstrained. That Bolivia combines high occupancy with limited connectivity instead suggests that supply is not responding elastically to demand. This is consistent with structural frictions that restrict expansion and reinforces the diagnosis that limited air connectivity is a binding constraint on tourism growth.

Figure 13. Flight Occupancy in South American Countries



Source: Author's Elaboration from ALTA and Amadeus (2024)

An additional gravity analysis confirms that flight frequency is strongly associated with realized tourism exports and that Bolivia's exports are particularly sensitive to improvements in air connectivity. Table 2 presents a gravity model that includes an interaction term between flight frequency and a Bolivia dummy variable.[3] Flight frequency enters in square-root form to account for diminishing marginal returns to additional flights. The results show that passenger flight frequency between country pairs is highly statistically significant ($p < 0.001$) in explaining bilateral tourism exports. Moreover, the interaction term between flight frequency and the Bolivia dummy is positive and highly significant ($p < 0.001$), implying that marginal improvements in connectivity may yield disproportionately large gains for Bolivia relative to the average country in the sample. The implied marginal effect of improvements in the flight frequency independent variable for Bolivia ($0.000626 + 0.014470 \approx 0.0151$) is 24 times larger than for the average structurally comparable country. This evidence indicates that Bolivia's tourism performance is not only constrained by connectivity in absolute terms, but that easing this constraint may generate comparatively high returns in export realization. Full regression details are provided in Annex II.

Table 2. Air Connectivity and Bolivia's Disproportionate Sensitivity in the Tourism Gravity Model in 2019

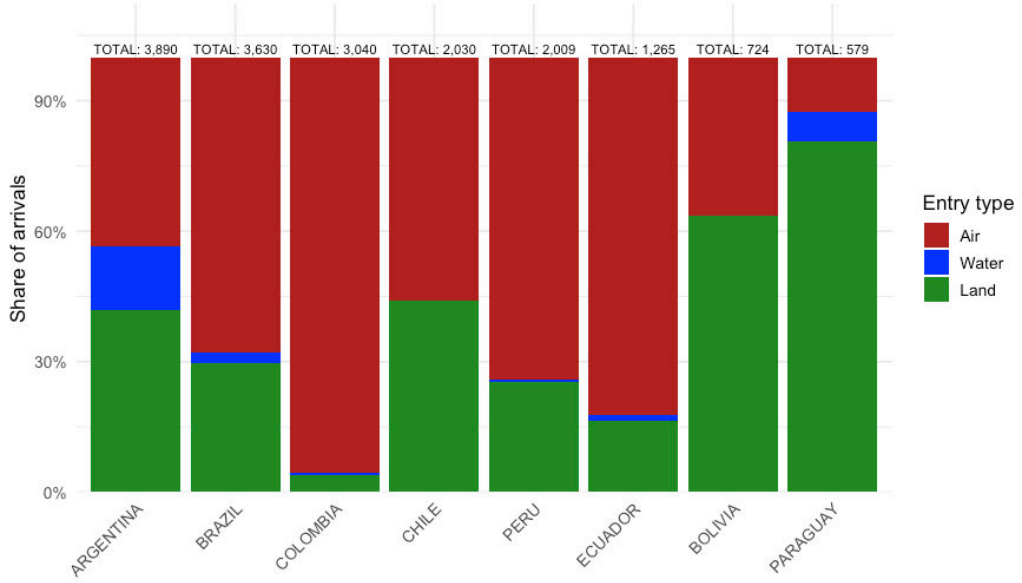
Dependent Variable: Bilateral travel and tourism exports (USD, 2019)	
Highlighted Independent Variables	
√Direct Flight Frequency	0.000626*** (0.000020)
Bolivia Dummy × √Direct Flight Frequency	0.014470*** (0.002021)
Observations	33,840

Source: Author's Elaboration from WTO-OECD BaTiS; CEPII Gravity Database; World Bank Data; OAG

The weakness in air connectivity is reflected in the composition of international arrivals to Bolivia, which are disproportionately concentrated in land entry rather than air travel. Figure 14 shows that nearly two thirds of Bolivia's international arrivals in 2022 entered by land, a share that is markedly higher than in most South American comparators. While Bolivia's landlocked geography may naturally raise the importance of overland travel, the country does not border major population centers. The predominance of land arrivals therefore signals not only geography but limited long-haul accessibility by air. In effect, Bolivia's tourism profile is tilted toward neighboring-country circuits and entrants. This entry pattern reinforces the interpretation that insufficient air connectivity constrains both the scale and the composition of Bolivia's tourism exports.

[3] This analysis only examines 2019 data due to data limitations on bilateral flight patterns.

Figure 14. International Arrivals: Air vs. Land Entry Patterns



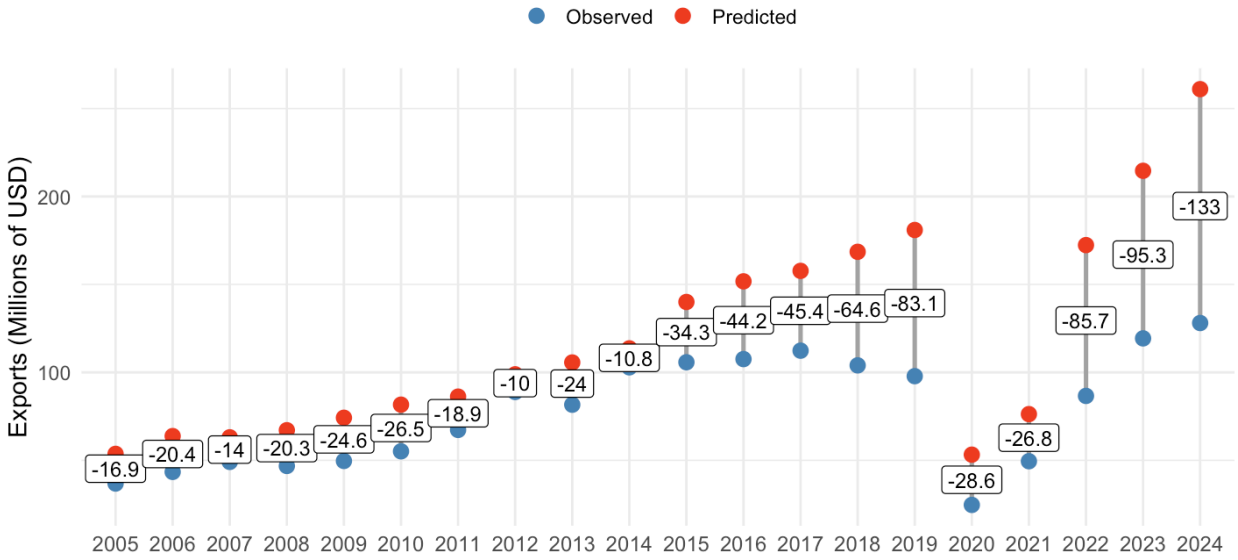
Source: Author's Elaboration from UN Tourism (2022)

*Visitor Totals are in Thousands

A deeper examination of bilateral tourism exports to the United States illustrates how limited air connectivity constrains this high-value, long-haul market. The United States is not only the world's largest outbound tourism markets, but also home to a significant Bolivian diaspora that represents a natural demand base. The gravity analysis in Section II identified the United States as a major negative deviant: in 2024, the U.S. gap accounted for roughly one third of Bolivia's total residual shortfall. Although the flight-frequency decomposition in Section III focuses on 2019 due to data availability, the pattern is consistent in that year as well. Of the approximately USD 244 million aggregate export gap in 2019, USD 83.1 million is attributable to underperformance in the U.S. market alone, representing a similar share of the total shortfall.

The shortfall in tourism revenue from the United Stats is growing. Figure 15 documents the persistent divergence between predicted and observed tourism exports to the United States and highlights the scale of unrealized demand in this market. While the gravity model predicts steadily rising exports over time, observed flows flatten and fall increasingly below structural potential beginning in the mid-2010s. The negative gap is present throughout the sample period, but it becomes structurally larger in the decade preceding the pandemic. By 2024, the bilateral export gap exceeded USD 130 million, representing a substantial share of Bolivia's total tourism shortfall. The durability and magnitude of this divergence in a large, long-haul market that depends heavily on frequent and reliable air connections further support the conclusion that limited connectivity is constraining Bolivia's ability to convert underlying demand into realized tourism exports.

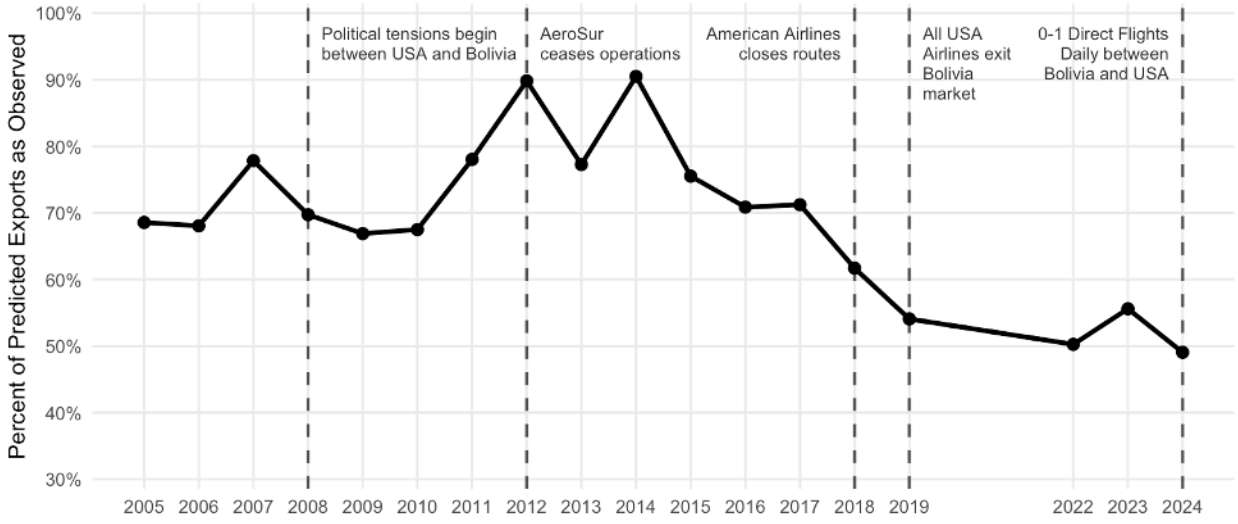
Figure 15. Bolivia Exports to the USA: Observed vs Predicted



Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

The evolution of the U.S. export gap closely mirrors disruptions in bilateral air connectivity, reinforcing the link between route availability and realized tourism flows. Figure 16 plots tourism exports to the United States as a percentage of predicted values and annotates key connectivity events over time. The series shows a gradual deterioration beginning in the late 2000s, followed by sharper declines after the early 2010s. Aerosur, a Bolivian carrier that operated a direct route from Santa Cruz to the United States, ceased operations in 2012, removing an important channel of access (Zalamea, 2006). American Airlines, which had operated direct services to Bolivia for decades, closed its La Paz route in 2018 and exited the Bolivian market entirely in 2019. By 2024, direct connectivity was limited to a small number of weekly flights operated by the state-owned Boliviana de Aviación only via Santa Cruz (Directflights.com, n.d.). The timing and persistence of the widening export gap alongside these connectivity shocks provide suggestive evidence that reduced flight frequency and carrier exit materially constrained Bolivia's tourism exports to the United States. Notably, political tensions beginning in 2008 did not seem to be the impetus to reduced tourism flows from the USA to Bolivia.

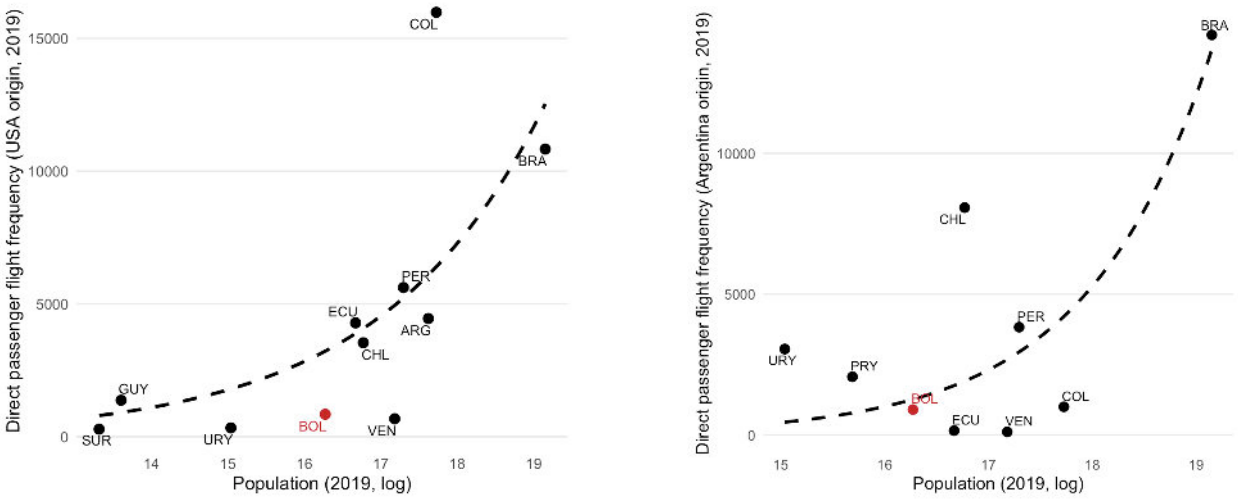
Figure 16. Bolivia Exports to the USA: Travel and Tourism Exports as % of Predicted



Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

As a comparison, Bolivia has weak connectivity with the United States, where tourism performance falls short of potential, and relatively stronger connectivity with Argentina, where tourism performance exceeds expectations. In the U.S. panel of Figure 17, Bolivia lies well below the fitted relationship between population and direct passenger flight frequency, indicating fewer direct flights than would be expected for a country of its size. This thin connectivity coincides with persistent under-realization of tourism flows from the U.S. market relative to structural fundamentals. By contrast, in the Argentina panel, Bolivia appears closer to the predicted level of direct connectivity given its population, reflecting a denser bilateral air link unusual for Bolivia. Argentina is the largest over-performer per the gravity model, compared to USA as the largest under-performer. Taken together, the comparison suggests a consistent pattern: stronger air connectivity is associated with stronger realized tourism performance, while weaker connectivity is associated with systematic shortfalls relative to potential.

Figure 17. Direct Flights from the U.S. and Argentina to Bolivia (2019)



Source: Author's Elaboration from World Bank Data; OAG Data

Taken together, the evidence indicates that air connectivity satisfies the core diagnostic tests of a binding constraint under the Growth Diagnostics framework. First, the high shadow price is reflected in Bolivia's combination of limited air access and high flight occupancy rates, which suggests that demand for air service exceeds available supply. Further, Bolivia responds more strongly to improvements in air access than the average country. The interaction between Bolivia and air connectivity is positive and statistically significant, indicating that increases in flight access are associated with larger increases in bilateral exports for Bolivia. Second, the "changes in changes" test holds: as Bolivia's international connectivity expanded more slowly than that of regional peers, its tourism performance diverged further from structural potential. Bilateral connectivity shocks, including the exit of Aerosur in 2012 and American Airlines in 2018–2019, coincide with a marked widening of the U.S. shortfall. Third, the "camels and hippos" test is particularly visible in the contrast of Bolivia's tourism exports between the United States and Argentina. The United States represents the single largest under-realization of predicted tourism exports in absolute terms, while Argentina represents the strongest positive deviation, with realized exports exceeding structural predictions. This asymmetry aligns closely with bilateral connectivity patterns: Bolivia is underconnected to the United States, yet more strongly connected to Argentina. The pattern of who performs well and who does not is therefore consistent with survival and expansion under the connectivity constraint. Finally, the "getting around the constraint" test is also satisfied. The composition of arrivals is disproportionately skewed toward land entry rather than air entry, indicating that the sector is adapting to limited air access by relying on neighboring-country circuits and overland travel. In sum, the convergence of the high "shadow price" of connectivity, temporal co-movement between route shocks and performance, cross-market asymmetries consistent with the constraint, and observable efforts to bypass limited air access all support the conclusion that weak air connectivity is the principal nationwide constraint suppressing Bolivia's ability to convert global tourism demand into foreign exchange earnings.

While multiple challenges affect Bolivia's tourism performance, the evidence indicates that air connectivity operates as a nation-wide binding constraint. Other tourism preconditions and enablers such as visa regimes, destination marketing, and national security all affect tourism performance and would deserve close analysis. However, under the Growth Diagnostics framework, the binding constraint is the distortion whose relaxation would likely yield the largest immediate increase in realized exports. The Growth Diagnostic results suggest that air access exerts a first-order effect on tourism exports relative to these other distortions. Improvements in marketing or branding, for example, are unlikely to translate into sustained export gains if structural market access via air remains thin. These findings suggest that Bolivia's aviation strategy should prioritize connectivity with major tourism source markets as well as global aviation hubs that facilitate access from multiple origin markets.

2. Local Level Constraint: Coordination Failure in Tourism Ecosystem Formation

A second layer of constraint operates at the local level: a coordination failure in which the simultaneous provision of complementary public goods and private services needed for a tourism ecosystem does not materialize. The tourism sector is not a single enterprise but an umbrella ecosystem in which multiple private services and public goods must operate together within a specific destination. When even a few critical inputs are missing, the ecosystem ceases to function effectively or cannot be built up altogether. The central policy objective at the local level is therefore to unlock simultaneous provision by crowding in private investment across the entire tourism value chain and ensuring that the necessary public goods are put in place at the same time.

A coordination constraint arises when both public inputs and private complementary services are required, yet no single private actor can profitably move first in isolation (Harvard Growth Lab, 2008). An individual private sector actor will not invest in hotels, restaurants, guiding services, or transport operations if the rest of the tourism service providers are not present. At the same time, public investments in tourism infrastructure or marketing are not prioritized nor demanded locally if there are insufficient private operators ready to build the local ecosystem. Without the presence of both public goods and complementary private firms, the ecosystem cannot function. Public infrastructure without private operators produces no tourism exports, while private operators without a dynamic tourism ecosystem face high cost, uncertainty in customer base, and limited incentive to invest.

The tourism ecosystem requires a complete set of complementary public and private inputs. The coordination constraint becomes more severe when many of these inputs must be provided simultaneously in a thin market. The interdependence of returns across actors creates a coordination problem in which individually rational investment decisions collectively produce underinvestment. A coherent and dynamic destination depends on the joint presence of infrastructure, regulation, safety, hospitality, transport, and supporting services, as summarized in Table 3. Because these inputs are economically interdependent, the absence of even one critical component can undermine the viability of the entire local ecosystem. This problem becomes especially acute when few inputs are initially in place (Harvard Growth Lab, 2021). A hotel investor's returns depend on the presence of restaurants, attractions, reliable utilities, safe streets, transport access, and effective marketing. Likewise, a restaurant depends on a steady flow of hotel guests and tour participants. When numerous complementary inputs must be provided at once, no single private actor can operate profitably in isolation from the broader ecosystem of public goods and private services.

Table 3. Illustrative Public and Private Non-Tradable Inputs Required for a Coherent and Dynamic Tourism Ecosystem

Category	Input Area	Economic Function in the Tourism Ecosystem
Public Inputs	Transport Infrastructure (roads, airports, local connectivity)	Enables physical access to the destination and internal mobility within the circuit
	Safety and Security	Reduces risk for visitors and investors
	Basic Infrastructure (water, sewage, waste management, electricity)	Ensures minimum service quality and environmental sustainability

Category	Input Area	Economic Function in the Tourism Ecosystem
	Destination Marketing and Branding	Generates coordinated demand and international visibility
	Data Systems and Databases (visitor statistics, booking data, performance monitoring)	Enables evidence-based management and coordinated investment decisions
Private Inputs	Transport Services (tour vehicles, local mobility providers)	Gives access to tourism experiences
	Hotels and Lodging (multiple quality segments)	Anchors visitor stays and determines length and spending profile
	Cafés and Restaurants	Enhances visitor experience and increases per capita expenditure
	Tour Operators and Guides	Packages attractions into marketable experiences and ensures reliability

Tourism is an inherently coordination-intensive sector, which makes destination development vulnerable to low-level equilibrium traps. Because tourism depends on the simultaneous provision of complementary public goods and private services, destinations with underlying potential may fail to develop when those complements are absent. Private investors hesitate because demand is uncertain and supporting inputs are weak, while visitors do not arrive at scale because service quality and reliability remain inadequate. Low visitor spending compresses margins, discouraging reinvestment and preventing the ecosystem from reaching the threshold at which private investment becomes self-sustaining. By contrast, in a high-level equilibrium, the presence of complementary inputs allows visitor demand, private investment, service upgrading, and public support to reinforce one another in a self-sustaining cycle of growth and investment.

The role of public policy at the local level is therefore to enable transition across equilibria by crowding in private investment across the entire tourism value chain. Public actors must provide the foundational public goods and institutional guarantees that reduce risk, lower coordination costs, and catalyze private sector entry. Where necessary, they must also coordinate co-investment with the private sector to ensure simultaneous provision of critical inputs. By aligning incentives and internalizing complementarities, public intervention can move a destination from a low-level equilibrium to a dynamic, self-sustaining equilibrium that supports a resilient and competitive local tourism ecosystem.

Coordination Constraint Case Study: Salar de Uyuni

The Salar de Uyuni is Bolivia's premier tourism asset. In the competitive tourism market of South America, the Salar is the distinctive attraction that can induce travelers from the United States, Europe, China, India, Australia, and regional Latin American markets to choose Bolivia. As the largest salt flat in the world, it offers a globally unique natural experience that few destinations can replicate.

The Salar functions as a multi-day tourism circuit anchored by the municipality of Uyuni. Visitors typically traverse a circuit that extends across the salt flats and surrounding high-altitude

landscapes over several days. The municipality of Uyuni serves as the logistical hub, hosting the airport and concentrating transport operators, tour agencies, guides, lodging establishments, restaurants, and other core tourism services. Beyond the municipality, the broader Salar circuit constitutes the experiential core of the destination, comprising the multi-day landscape, attractions, and remote sites that generate the primary tourism demand for the region.

Tourism activity in the provinces surrounding the Salar de Uyuni is relatively intensive compared with the rest of the country. Table 4 shows that several provinces within the Salar circuit rank among Bolivia's most tourism-intensive provinces when measured by the share of employment in tourism-related industries. Sur Lípez and Antonio Quijarro (where the town of Uyuni is located) rank second and third nationally, with tourism-related activities accounting for roughly 7.5 percent of total employment in each province. This indicates that tourism already plays a significant role in the local economies surrounding the Salar.

At the same time, the absolute scale of tourism employment remains modest. Even in Antonio Quijarro, the province with the largest tourism workforce in the circuit, tourism-related industries employ only about 2,385 workers. In Sur Lípez and Nor Lípez, the total number of tourism workers sits below 400. These figures highlight that while tourism is locally important relative to other sectors, the overall scale of the industry remains small, suggesting room for expansion of tourism activity and job creation across the Salar region.

Table 4. Tourism-Related Employment Intensity and Estimated Levels across the Salar de Uyuni Provinces

Province	Percent of Employment in Tourism-Related Industries	Province Ranking of Tourism Employment Intensity	Estimated Employment in Tourism-Related Industries
Sur Lípez	7.48%	2	230
Antonio Quijarro (contains Uyuni)	7.47%	3	2,385
Nor Lípez	4.82%	23	370
Daniel Campos	2.70%	60	82
Bolivia (country)	4.98%	NA	289,790

Source: Instituto Nacional de Estadística (INE). Tourism-Related Industries as defined by INE.

The current market positioning of Uyuni skews toward a lower-value segment. Data from the Uyuni Observatory established by Universidad Franz Tamayo indicate that visitors are predominantly younger travelers, often traveling alone or with friends, and staying fewer than four days (Universidad Franz Tamayo, 2024). This corresponds largely to a backpacker segment characterized by shorter stays, lower disposable income, and a preference for low-cost travel. While this segment generates volume, it produces lower foreign exchange per visitor and may generate relatively high ecological impact per dollar spent.

Visitor feedback highlights both the strength of the natural asset and the weakness of complementary services. According to Observatory data, the top highlights cited by foreign visitors are the landscapes, the tourist attractions, and the overall circuit experience. At the same time, the

most frequently cited destination needs relate to guiding reliability, variation of food offerings, and lodging quality. These reported gaps map directly onto missing or underperforming complementary private and public inputs within the tourism ecosystem.

The core challenge is that the tourism ecosystem of the Salar de Uyuni does not yet deliver the full bundle of complementary non-tradable inputs and remains incomplete. The following subsection examines how the complementary inputs are not being supplied within the Salar de Uyuni as required for a dynamic tourism ecosystem. While the Salar is globally unique, uniqueness alone is insufficient to sustain a high-value tourism equilibrium without the simultaneous presence of reliable services, infrastructure, and complementary private investment.

Navigating the coordination constraint across the entire Salar circuit is necessary for Bolivia to unlock higher-value tourism segments. For the Salar to evolve into a dynamic foreign-exchange-generating ecosystem, complementary tourism service providers must emerge throughout the circuit, from the transport and amenities hub of Uyuni to the more remote banks of the salt flats. Without coordinated public and private action across these nodes, the destination risks remaining in a low-value equilibrium despite possessing one of the most distinctive natural tourism assets in the world.

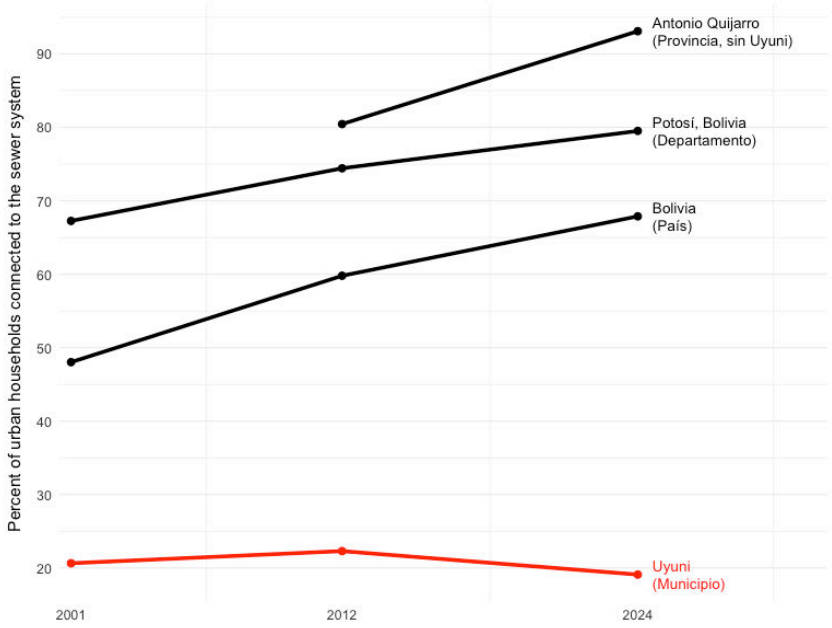
Importantly, the coordination constraint manifests differently within Uyuni municipality and in the broader Salar circuit. Uyuni itself represents a thin but existing tourism market, with private operators and observable demand already present. As explored below, government's role in Uyuni Municipality is to strengthen public inputs so that private actors can scale. By contrast, parts of the broader circuit exhibit extremely thin or near-nonexistent markets, with few established private actors and limited localized demand. In these areas, overcoming the coordination constraint will require simultaneous provision of multiple inputs and vertically integrated investment to catalyze a functioning ecosystem.

Uyuni Municipality

Uyuni represents a thin but existing tourism market whose upgrading as the transport and amenities hub depends on coordinated public investment to crowd in complementary private actors. Unlike extremely thin markets where tourism supply and demand are largely absent, Uyuni already hosts tour operators, transport providers, hotels, and restaurants, and serves as the logistical entry point to the Salar de Uyuni circuit. The coordination challenge in Uyuni is therefore not the absence of tourism activity, but the failure to provide the foundational public goods required for the town to function as a credible amenities and transport hub capable of supporting higher-value segments.

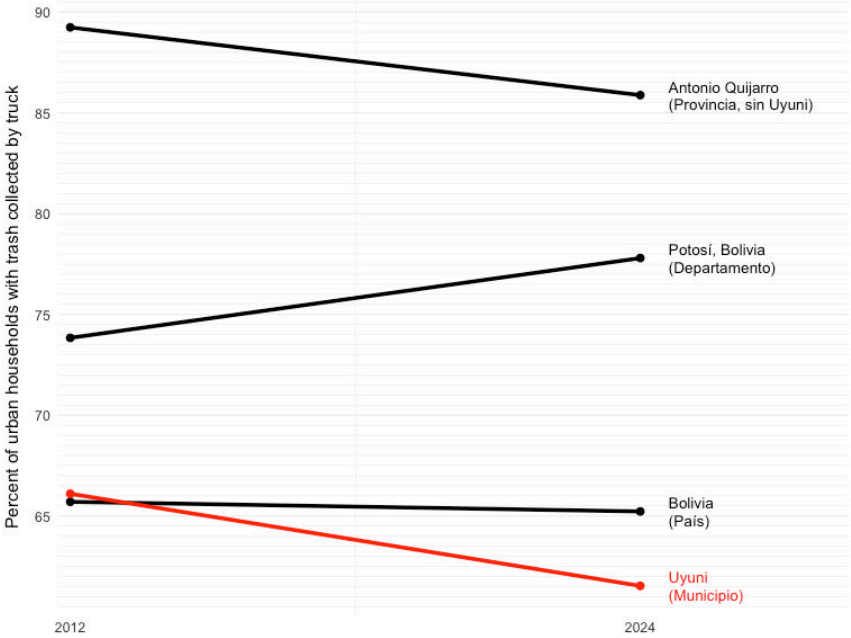
Uyuni fails to function as the amenities hub of the circuit due to weak basic service provision. The tourism experience within the municipality is shaped not only by access to the landscape, but by the quality of urban infrastructure. Figure 18 and Figure 19 show that sewer connectivity and garbage collection coverage in Uyuni lag behind provincial and national benchmarks. Sewer coverage remains significantly below the rest of the country's urban population, while trash collection rates have fallen relative to earlier levels. Roads cannot be properly paved without wastewater infrastructure, leaving many streets unpaved, in turn generating dust, flooding, and sanitation concerns. These deficiencies create visible disamenities that undermine the visitor experience.

Figure 18. Urban Households Connected to Sewer and Wastewater System



Source: Author's Elaboration from Instituto Nacional de Estadística

Figure 19. Urban Households with Trash Collection by Truck

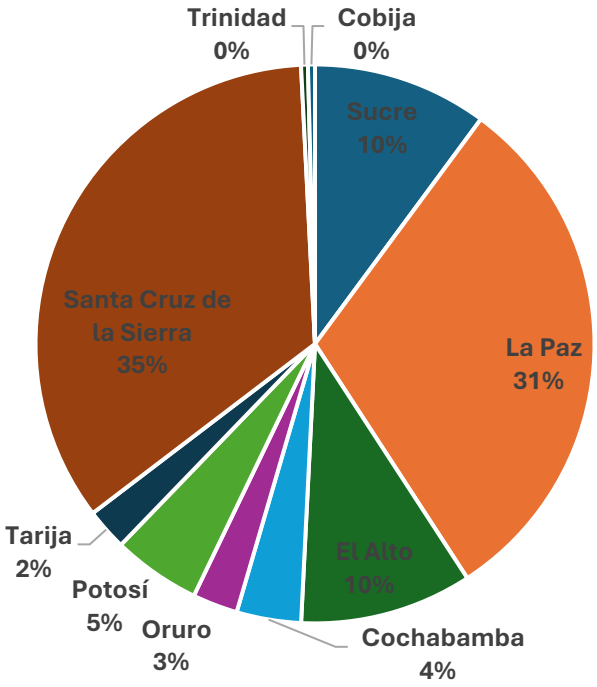


Source: Author's Elaboration from Instituto Nacional de Estadística

The absence of a functional wastewater system is a longstanding and unresolved constraint. Flooding events in early 2026 exposed the fragility of existing infrastructure (Radio Kollasuyo, 2026). The long-delayed wastewater project has faced contractual disputes, execution halts, and cancellation of the previous contractor, followed by renewed procurement efforts (El Potosí, 2024). After decades without a fully operational system, the persistence of this problem reflects a failure of the local political economy to deliver a core public good essential to the town's role as a tourism hub.

Similarly, Uyuni is not currently functioning as the transportation anchor of the Salar circuit. Figure 20 shows that over three quarters of international visitors in accommodation establishments are concentrated in Bolivia's major urban hubs, particularly La Paz, El Alto and Santa Cruz. Uyuni, however, has only one daily flight to El Alto and no direct flights to Santa Cruz, limiting its integration into the national tourism network (Directflights.com, n.d.). As a result, although Uyuni is geographically the gateway to the Salar, it does not operate as a fully integrated air transport node capable of capturing international tourism.

Figure 20. International Visitors in Accommodation Establishments by City (2024)



Source: Author's Elaboration from Instituto Nacional de Estadística

Uyuni has not provided reliable transport integration, wastewater collection, garbage management, and paved roads, limiting its function as the transportation and amenities anchor of the Salar de Uyuni tourism circuit. Although wastewater systems and garbage collection are delivered locally, reliable air access requires coordination with national level authorities, compounding the challenge of broad public goods provision. Crowding in private investment across lodging, gastronomy, and complementary services requires first delivering these coordinated public goods. Without them, Uyuni remains constrained in a low-functioning tourism equilibrium shaped by incomplete public inputs and limited private upgrading, impacting the Salar de Uyuni tourism circuit as a whole.

The Broader Salar de Uyuni Circuit

Tourism activity within the broader Salar circuit is low, with certain municipalities having functionally no tourism ecosystems. Table 5 shows that a small number of municipalities have begun to form the beginning nucleus of a local tourism economy, while others remain functionally non-existent. Uyuni, the logistical hub of the circuit, exhibits the highest concentration of tourism

employment, with over 1,900 workers in tourism-related industries. Other municipalities along the circuit, such as Colcha "K", San Pablo, and San Pedro de Quemes, also show meaningful tourism activity, reflecting their role as stops within the multi-day circuit traversed by visitors. By contrast, municipalities such as Tahua, Llica, and Mojinete exhibit far smaller tourism workforces, indicating that tourism services remain limited or functionally zero. This uneven distribution highlights the fragmented and overall low levels of tourism ecosystem formation across the Salar circuit.

Table 5. Tourism-Related Employment Intensity and Estimated Levels across the Salar de Uyuni Municipalities

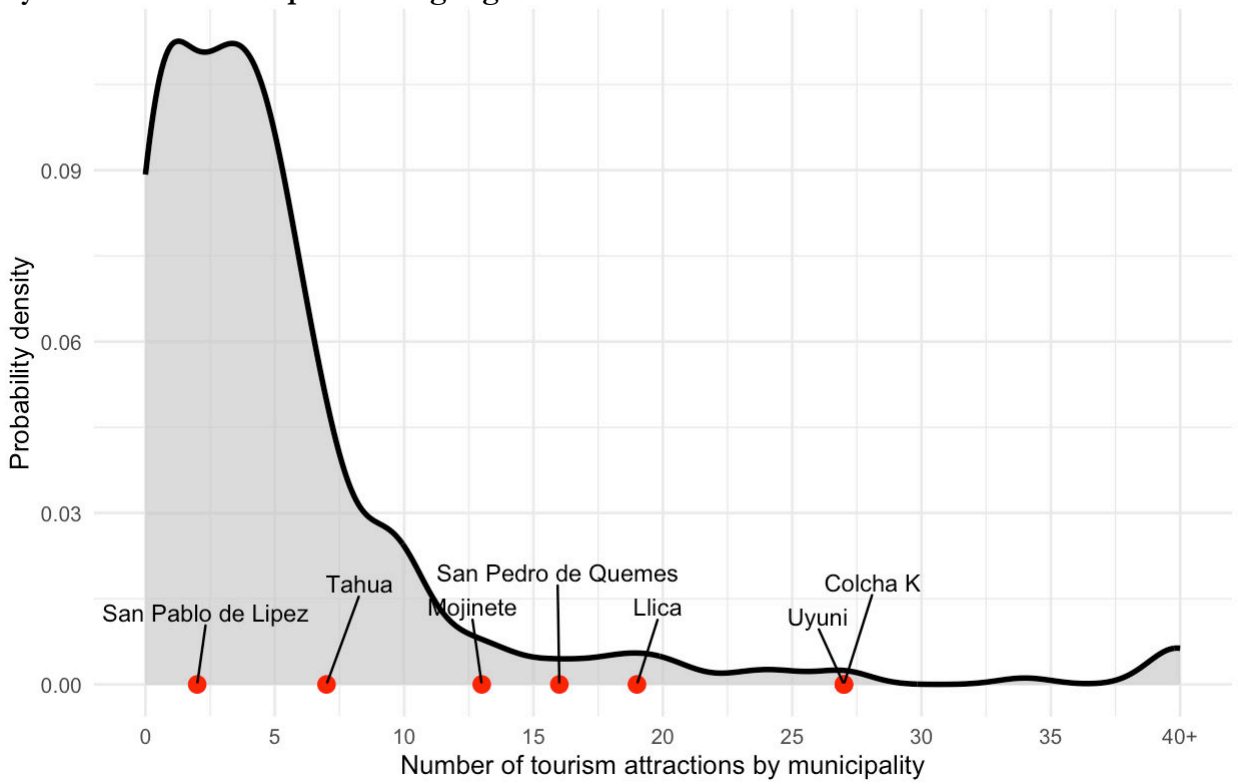
Municipality	Province	Percent of Employment in Tourism-Related Industries	Estimated Employment in Tourism-Related Industries
Uyuni	Antonio Quijarro	11.22%	1,971
Colcha "K"	Nor Lípez	4.45%	300
San Pablo	Sur Lípez	12.66%	204
San Pedro de Quemes	Nor Lípez	7.47%	70
Llica	Daniel Campos	3.20%	70
Tahua	Daniel Campos	1.37%	12
Mojinete	Sur Lípez	0.56%	3

Source: Instituto Nacional de Estadística

Municipalities with little to no existing tourism employment do have tourism potential. Figure 21 plots the distribution of tourism attractions[4] across all municipalities in Bolivia and highlights those located within the Salar de Uyuni tourism circuit. Several of the municipalities with fewer than 100 workers employed in tourism-related industries are nonetheless among the more attraction-dense municipalities in the country. Municipalities such as Llica, San Pedro de Quemes, and Mojinete fall well to the right of the bulk of the national distribution despite their small tourism workforces, reflecting the concentration of natural assets along the Salar circuit. Even municipalities with lower raw attraction counts possess globally distinctive sites. Tahua, located directly on the northern edge of the Salar de Uyuni, serves as a gateway to the salt flats and nearby salt flat islands, while the San Pablo Municipality contains the Siloli Desert and the Eduardo Avaroa Andean Fauna National Reserve. The contrast between the density of unique natural assets and the small size of local tourism employment further illustrates the fragmented and underdelivered development of the tourism ecosystem across the broader Salar circuit.

[4] Data is drawn from the municipality-level tourism attractions indicator used as an input in the SDSN Municipal Tourism Potential Index (2022)

Figure 21. Distribution of Tourism Attractions across Bolivian Municipalities with Salar de Uyuni Circuit Municipalities Highlighted



Source: Author's elaboration from Sustainable Development Solutions Network Bolivia, Municipal Tourism Potential Index (2022) underlying data

The broader Salar de Uyuni circuit represents a very thin market in which incremental entry by small, stand-alone firms is insufficient to generate a self-sustaining ecosystem. Unlike Uyuni municipality, where coordinated public good improvements can crowd in existing private actors, large portions of the surrounding circuit lack any tourism services, reliable demand channels, and existent operators, despite underlying tourism potential. In such environments, overcoming the coordination constraint requires simultaneous provision of public and private inputs at scale.

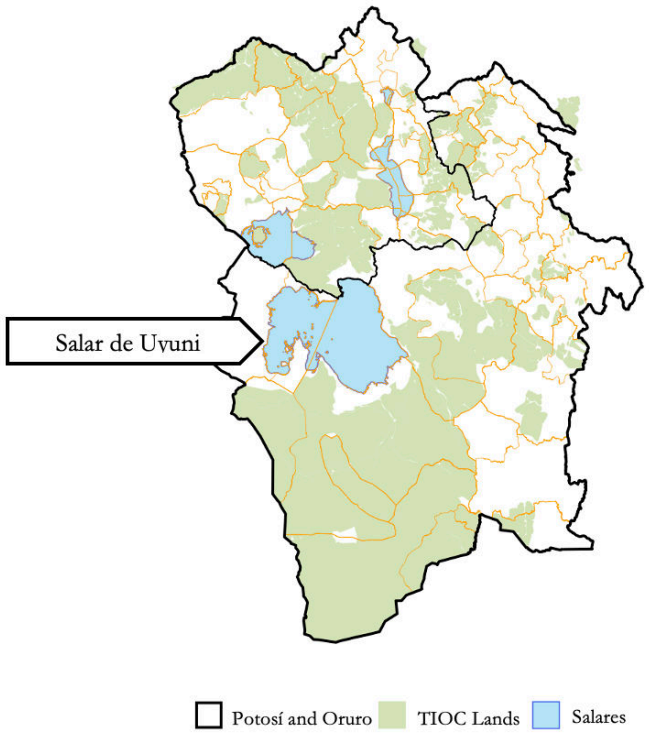
In very thin markets, coordination would benefit from vertically integrated, high-capex investment capable of bundling multiple inputs simultaneously. A viable tourism operation along the banks of the Salar would combine lodging, food and beverage services, transport coordination, marketing, and relationships with tour operators into a single integrated platform. The investor must not only supply physical infrastructure, but also coordinate demand to ensure steady tourist flows. In effect, both supply-side inputs and market access must be provisioned together. This raises capital intensity and risk relative to incremental upgrading in thicker markets.

However, large-scale vertically integrated investment has been constrained by weak legal security in communal land areas surrounding the Salar. Private sector development in these zones is subject to prior, free, and informed consultation processes that require negotiated consent from indigenous communities (Defensoría del Pueblo Bolivia, 2023). These processes often include

locally negotiated direct payments, commitments to local hiring, and other benefit-sharing mechanisms. However, even when agreements are reached, subsequent demands from neighboring communities, renegotiation pressures, or disputes over benefit-sharing arrangements increase investor risk. Contract insecurity affects communities as well, which are often promised benefits such as local hiring that are not ultimately delivered by investors, eroding trust and contributing to these investment insecurity. Recent incidents have included blockades restricting tourist access, demands for payments outside original agreements, and destruction of tourism investments (El Diario, 2023; eju.tv, 2021). Such expropriation threats materially raise risk for capital-intensive projects. The resulting legal and political economy environment increases investor risk beyond what thin markets can absorb.

Even a vertically integrated investor cannot fully overcome the coordination constraint when core public goods—particularly judicial security—remain incomplete. Per interviews, investors are willing to coordinate the private inputs that they can feasibly supply themselves, yet projects remain vulnerable to legal insecurity and renegotiation risk. The recent conflicts have deterred previously interested investors who now demand stronger legal guarantees. The result is a structural gap between the scale of investment required and the level of legal security provided in such areas, which constitute most of the land of the Salar de Uyuni tourism circuit, as seen in Figure 22 below.

Figure 22. Map of Territorio Indígena Originario Campesino (TIOC) Land around Salar de Uyuni Tourism Circuit



Source: Author's Elaboration from Esri (n.d.)

The thinness of the market therefore interacts with weak legal guarantees to suppress ecosystem formation. Overcoming the coordination constraint in this context requires not only private capital but also institutional mechanisms capable of securing land use rights, enforcing agreements, and managing community compensation transparently. Local authorities may support

tourism development in principle but often lack the local enforcement capacity or coordination with national institutions to provide credible guarantees of investment protection. This is compounded by the fact that communal land regimes limit transferability of land into private title, constraining long-term asset security for investors. Without these public guarantees, the large, vertically integrated investments necessary to catalyze a dynamic tourism cluster along the Salar's periphery are unlikely to materialize.

The Tayka model of luxury hotels illustrates both the potential and the limits of coordination-intensive investment, as seen in the box below. In this model, each local Community Association holds equity in the hotel and receives a share of profits, while community members participate in construction and ongoing employment. A one-dollar-per-tourist contribution finances local public goods such as roads, sewer improvements, and social transfers. Governance is structured through a joint board composed of representatives of the philanthropic investor, private sector operators, and community leaders, aligning incentives across actors.

Tayka demonstrates that deep coordination between investors and communities can facilitate large-scale tourism operations, but only under certain conditions. By embedding ownership, employment, and revenue-sharing within the project structure, the model achieves success through deep coordination locally. However, the model also requires substantial upfront capital and philanthropic participation, including the eventual transfer of assets to community associations. This structure is likely not be replicable under a purely private-sector investment model with a longer time-horizon and without similar philanthropic backing.

The Tayka Hotel Network: Structure and Operating Model

The Tayka hotel network was developed as a partnership among Community Associations in the Salar region, Fundación IES, Creative Tours, and public financing partners. The initiative built a series of eco-lodges along the Salar circuit designed to serve higher-spending international tourists while embedding communities directly into ownership and governance structures.

The model required vertical integration and significant upfront capital. Fundación IES provided coordination and strategic oversight, Creative Tours contributed tourism management expertise, and Community Associations participated in construction and operations. From the outset, Community Associations received a 30 percent ownership stake in each hotel. After 15 years of operation, full ownership of the hotel assets transfers to the Community Associations.

Each hotel operates under a joint board composed of Fundación IES and community representatives. Community members are employed in hotel operations, and each tourist contributes one U.S. dollar per stay to a community-managed fund that has financed local infrastructure and social programs.

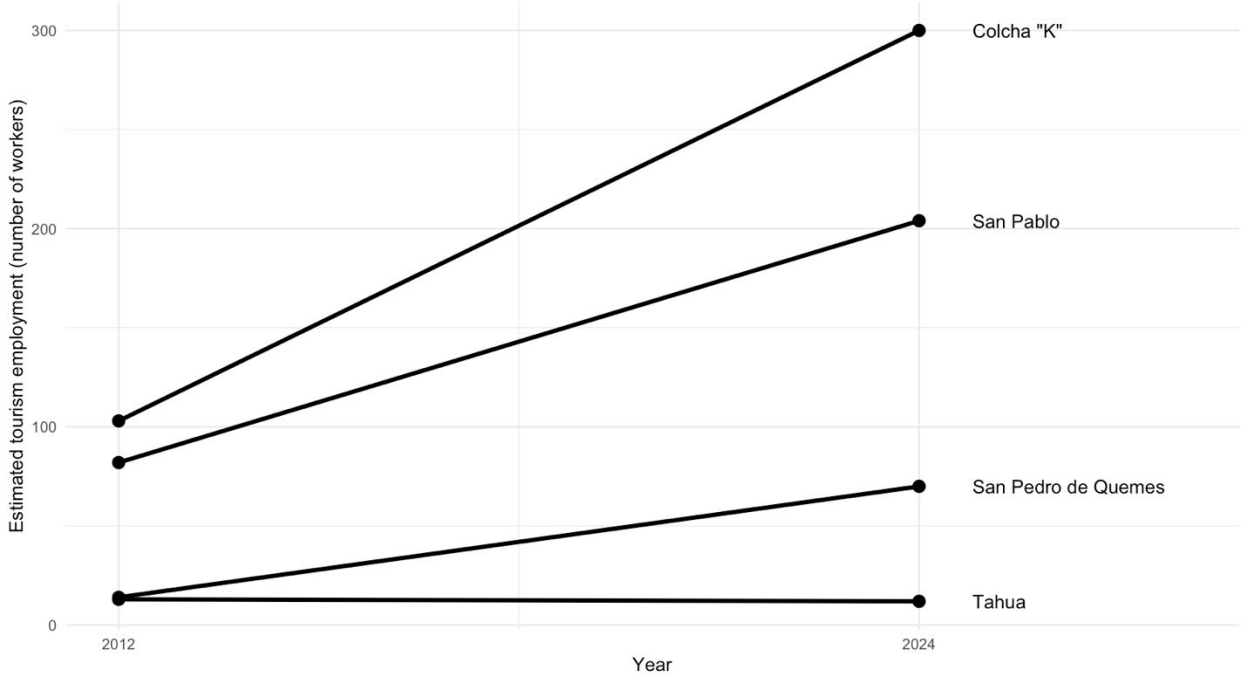
The Tayka network represents one of the most developed examples of community-linked tourism investment along the Salar circuit, combining external capital, professional management, and eventual community ownership within a single framework.

Source: Fundación IES (2018) "Un sueño colectivo de largo plazo," Fundación IES.

The municipalities shown in Figure 23 each host a Tayka hotel, providing a useful lens through which to examine how coordinated tourism investment affects local ecosystem formation. In most of these municipalities, tourism employment has grown substantially since 2012. Colcha "K" and San Pablo show the largest increases, while San Pedro de Quemes also records measurable growth from a smaller base. These patterns suggest that the coordinated investment model embodied by the Tayka network—combining lodging, logistics, marketing relationships, and community participation—has been effective in catalyzing tourism activity in otherwise thin markets along the Salar circuit.

Tahua represents a clear exception to this pattern of tourism-related employment growth due to heightened legal insecurity. Despite a Tayka lodge in the area, tourism employment in the municipality has grown only marginally. The difference reflects deeper coordination challenges related not to the internal structure of tourism investment, but to the broader institutional environment governing land use and territorial authority around the Salar. In particular, disputes over jurisdiction and territorial claims specific to Tahua have created persistent legal insecurity that private investors cannot resolve on their own. A recent incident illustrate the nature of this constraint. In the Tahua area, eight luxury domes constructed through Swiss investment were destroyed by arson amid disputes involving territorial claims with neighboring communities (Domus, 2021). The project reportedly requested protection from law enforcement authorities during the dispute but did not receive a response (Domus, 2021). The incident highlights how unresolved jurisdictional conflicts and weak enforcement capacity across municipal, departmental, and national authorities can undermine even well-coordinated tourism investments.

Figure 23. Tourism Employment Growth in Municipalities Hosting Tayka Lodges



Source: Author's Elaboration from Instituto Nacional de Estadística

The contrast between the Tayka municipalities where tourism employment has expanded and the stagnation observed in Tahua illustrates a broader point about the coordination constraint. While vertically integrated investors can successfully coordinate private inputs such as

such as lodging, transport logistics, and market access, they cannot independently provide the legal security and institutional coordination required across multiple levels of government. Where these guarantees are absent, the risk associated with tourism investment rises sharply and ecosystem formation stalls.

The coordination constraint in the Salar de Uyuni circuit satisfies the core Growth Diagnostics tests of a binding constraint. The shadow price appears high: investors are willing to incur substantial coordination and transaction costs, indicating strong returns to a fully functioning ecosystem. Complaints persist about the absence of diverse complementary services, even as visitor surveys consistently identify the landscape as the principal attraction. The "changes in changes" test is also evident. The Tayka hotel network illustrates the returns to coordination-intensive activities within the Salar de Uyuni circuit. However, coordination requires the requisite public inputs that fall short in the Tahua area. The "camels and hippos" test appears in the tourism composition itself: the circuit disproportionately serves backpackers and pre-organized tour packages that can operate in a thin ecosystem, while higher-end segments requiring reliable infrastructure and institutional stability are largely absent. Tayka represents a "camel" on the investment side, surviving because its ownership structure embeds communities and ultimately transfers assets after fifteen years, reducing expropriation risk. Finally, existing successful firms "get around" the constraint through vertical integration, bundling lodging, food, logistics, and demand management within single operations to substitute for missing actors. Together, these patterns indicate that incomplete public inputs—particularly basic services, transportation integration, and legal security—prevent the broader emergence of needed complementary tourism services across the tourism value chain.

Taken together, the local political economy and institutional architecture across the Salar de Uyuni have been unable to provide the simultaneous public goods and credible investment conditions required to overcome the coordination constraint. In Uyuni Municipality, persistent underprovision of basic infrastructure and weak transport integration prevent the town from functioning as a reliable transport and amenities hub capable of crowding in higher-value private investment. In the broader circuit, coordination failures inhibit the entry of complementary private sector actors, with weak legal security deterring the large, vertically integrated investments required in such a thin local market. Moreover, several public goods critical to success of the Salar de Uyuni ecosystem—such as legal guarantees and domestic air connectivity—fall outside local authority and require coordination with national-level actors. The result is an incomplete tourism cluster that cannot fully monetize the global attraction of the Salar de Uyuni. This coordination failure ultimately constrains Bolivia's ability to convert its most distinctive tourism asset into sustained foreign exchange earnings, limiting the sector's contribution to national export growth.

IV. Policy Recommendations

The diagnostic in Section III identified two binding constraints to Bolivia's tourism export growth: weak air connectivity at the national level and coordination failures at the destination level, specifically in the Salar de Uyuni. Policy responses must therefore operate at both scales. At the national level, boosting tourism exports requires strengthening air connectivity through underlying competitiveness reforms that reduce costs, liberalize market access, and position airlines as strategic enablers of foreign exchange generation. At the local level, overcoming coordination constraints requires aligning the level of public goods provision with the scope of the policy challenge. Where tourism assets such as the Salar de Uyuni are of national economic importance, institutional arrangements should internalize the full national benefits of public goods provision rather than limiting decision-making to jurisdictions that bear only the local costs of service delivery. The subsections that follow outline initial ideas for specific reforms under each pillar.

1. Boost Air Connectivity through Underlying Competitiveness Reforms

Bolivia's air transport market is highly concentrated but not formally closed to competition. Major regional carriers such as Avianca, Copa, and LATAM already serve Bolivia, and the country has previously had multiple other international airlines operating in country. However, Boliviana de Aviación operates approximately 85% of domestic air traffic and 47% of international air traffic, indicating that private sector carriers are unwilling or unable to enter the Bolivia market (Swissinfo, 2024). Stakeholder accounts consistently attribute this consolidation, as well as the exits of Aerosur, Amaszonas, and American Airlines, to a difficult business environment for private airlines, including regulatory constraints, burdensome taxation and an uneven competitive landscape (CAPA – Centre for Aviation, 2012; Associated Press, 2019).

A central problem is an inflated cost structure, driven in part by regulatory distortions, that makes Bolivia an outlier in regional aviation competitiveness. As shown in figures in Table 6 as compiled by *Sustainable Development Solutions Network Bolivia*, the highest total airport-related cost per passenger in the regional comparison is Bolivia at USD 271.59. Jet fuel costs are particularly elevated at USD 180.61 per passenger, with only one option as the supplier. Exit taxes, regulatory charges, ground handling costs, and other fees further compound the cost burden. Even where individual components appear moderate, the aggregate structure results in the highest total cost per passenger in the sample, raising fares, compressing airline margins, and discouraging route entry and expansion.

Table 6. Airport Cost Components per Passenger by Country (USD)

Country	Jet Fuel Cost per Passenger	Airport Exit Tax (ISAE)	Ground Assistance Cost per Passenger	Parking Cost (per hour or flat)	Landing Cost per Passenger	Overflight Cost (/1000 km)	Airport Fees per Passenger	Total Cost per Passenger
Honduras	125.93	N/A	N/A	0.22	1.36	N/A	34.70	**162.21**
Peru	127.12	N/A	1.78	0.04	1.71	2.00	30.00	**162.65**
Paraguay	117.97	N/A	1.54	0.03	1.52	8.67	41.80	**171.54**

Country	Jet Fuel Cost per Passenger	Airport Exit Tax (ISAE)	Ground Assistance Cost per Passenger	Parking Cost (per hour or flat)	Landing Cost per Passenger	Overflight Cost (/1000 km)	Airport Fees per Passenger	Total Cost per Passenger
Colombia	124.60	N/A	1.67	0.85	0.00	8.98	41.00	**177.09**
Uruguay	125.93	6.80	N/A	0.24	4.81	1.32	54.00	**193.08**
Argentina	117.97	8.00	1.61	0.07	3.10	5.36	57.00	**193.12**
Ecuador	120.63	69.10	1.07	0.37	2.44	3.42	56.30	**253.32**
Bolivia	180.61	53.00	3.91	0.73	3.67	3.48	25.00	**271.59**

Source: SDSN Bolivia (2023)

Cross-country evidence reinforces that Bolivia is an outlier in aviation cost competitiveness within Latin America. A comparison across Latin American countries by air transport competitiveness finds that Bolivia fuel price per gallon was higher than every Latin American country except Cuba as of late 2023, early 2024 (Alta and Amadeus, 2024). While logistics costs specific to Bolivia's landlocked and rugged geography may play a role, YPFB Aviation is the only fuel supplier available at Bolivian airports, with no private sector competition. In parallel, a measure of additional charges imposed on passengers on international flights per ticket adds up to 54.20 USD, higher only than Jamaica and Belize (Alta and Amadeus, 2024). High taxes, fees, and fuel costs lower airline competitiveness in Bolivia and disincentivizes route development.

Regulatory constraints also prohibit the entry of private sector airlines into the Bolivian air market. Such regulations include restrictive freedom rights and the absence of liberal open skies agreements with key markets, limiting airlines' ability to optimize routes and expand service (Cámara Boliviana de Turismo, 2025). This is particularly important in Bolivia, where thin traffic volumes and a multi-node geography between La Paz and Santa Cruz increase the importance of granting airlines full freedom to design and operate the routes they deem commercially viable, including multi-leg services across destinations both within Bolivia and internationally. In particular, Bolivia should prioritize signing an Open Skies agreement with the United States and acceding to the Latin American Civil Aviation Commission (LACAC) Multilateral Open Skies Agreement, which together would expand access to both long-haul demand and regional hub connectivity.

Bolivia has already begun to move in this direction, with initial steps toward liberalizing air service agreements and expanding freedom rights across key regional partners. Recent efforts to advance Open Skies-type arrangements with countries including Brazil, Chile, Paraguay, and Panama signal a shift away from restrictive frameworks toward more flexible, market-driven aviation policy (Vision 360, 2026). The Memorandum of Understanding signed with Brazil provides a clear illustration of the types of constraints being lifted. It seeks to lift restrictions on the number of flights between the two countries, allows airlines to determine frequencies based on market demand, and opens access to sixth freedom traffic rights for passengers, cargo, and mail (Dirección General de Aeronáutica Civil, 2026). These provisions directly remove the operational constraints that previously limited airline flexibility. In a context like Bolivia's, where route profitability depends on network optimization between the two main air nodes, such flexibility is essential to enable airlines to design viable multi-leg and hub-connected services.

Initial responses to these reforms suggest that liberalization can quickly translate into renewed airline interest and potential market entry. Following early Open Skies measures and expectations of continued regulatory reform, American Airlines has expressed interest in reinstating direct flights to the United States, while the defunct carrier Aerosur has announced plans to relaunch operations under the name NeoSur, contingent on sustained improvements in the regulatory environment (Vision 360, 2026). These developments, in which airlines are entering the Bolivian market and adding routes, stand in contrast to the previous decade, which saw market consolidation by the state-owned airline BoA. Building on these early gains will require institutionalizing and expanding liberalization efforts while simultaneously addressing the cost-side constraints that continue to limit Bolivia's overall aviation competitiveness.

The immediate constraint appears less related to airport infrastructure capacity. An airport congestion index scaled from 0-1 gives Bolivia as score of 1, meaning that there is no evidence of congestion (Alta and Amadeus, 2024). Comparators such as Colombia (.32) Peru (.12) and Brazil (.06) exhibit greater congestion pressures. This suggests that physical airport capacity in Bolivia is not currently binding on route expansion, and that expanding airport capacity is unlikely to be the most immediate priority.

Airlines should be treated as strategic partners in tourism competitiveness, with a liberalized cost structure and regulatory environment to encourage entry into the Bolivian markets. A lower-cost operating environment would help attract private airline entry and expand passenger volumes, potentially increasing total sector revenues through higher traffic even if charges collected per passenger decline.

Tourism exports depend directly on competitive, frequent, and reliable air access, particularly to long-haul, high-income markets and regional air hubs. When aviation costs are structurally inflated, Bolivia's tourism sector becomes less competitive regardless of the quality of its natural assets.

Possible Priority Reforms to Lower Aviation Costs and Boost Connectivity:

- Reduce airport service charges and tariffs to levels aligned with the region.
- Eliminate distortionary aviation taxes and regulatory charges to restore cost competitiveness and reduce uncertainty.
- Liberalize jet fuel pricing and introduce competitive supply conditions.
- Begin structured public-private dialogue with airlines to serve as a mechanism for continuously improving the business environment for private sector carriers.
- Pursue aviation liberalization through domestic regulatory reforms alongside expanded bilateral and multilateral open skies agreements.

2. Institutional Reform to Address Local Coordination Constraints

The coordination constraint in the Salar de Uyuni circuit reflects a failure to simultaneously provide the complementary public and private inputs required for a functioning and growing tourism ecosystem. Tourism upgrading is not blocked by a single missing input, but by the absence of joint provision across infrastructure, legal security, transport integration, and private services. No

single actor has both the incentive and authority to deliver this bundle at scale, resulting in underinvestment.

The coordination failure operates both horizontally across actors and vertically across tiers of government. Local authorities underprovide foundational services such as wastewater, waste management, and road paving, weakening the visitor experience and discouraging upgrading. At the same time, several critical complementary inputs fall outside local authority. Domestic air connectivity is shaped by national aviation policy and airline incentives. Credible long-term legal security, enforceable compensation mechanisms, and political risk mitigation instruments depend on national-level legal infrastructure. This is particularly important for legal disputes between municipalities that impact local investment security. Local governments cannot independently provide these national-scope public goods, yet the absence of such public goods directly constrains local ecosystem formation. The result is a vertically and horizontally fragmented coordination problem in which responsibilities and incentives are misaligned across levels of government and individual actors.

Under the current institutional structure, underprovision of public goods and underinvestment in complementary services are not anomalous but predictable outcomes. The Salar de Uyuni is not merely a municipal asset. It is central to Bolivia's national tourism strategy and foreign exchange generation. The Salar de Uyuni generates national benefits in the form of foreign exchange earnings, tax revenue, and employment multipliers. Yet the fiscal and political costs of infrastructure provision are borne primarily at the municipal and departmental levels. Authority over critical complementary inputs—particularly air connectivity and legal guarantees—remains at the national level of government. In addition, communal land regimes localize veto power over tourism investment even though the economic consequences of those decisions extend nationwide. No actor internalizes both the full national benefits and the full set of policy levers required to deliver them simultaneously.

A new institutional arrangement should align authority and incentives with the full scope of the tourism system so that local costs and national benefits are jointly internalized. It should internalize both local infrastructure costs and nationwide tourism benefits in public investment decisions, while coordinating the simultaneous provision of complementary public goods. To do so, it must operate vertically across tiers of government and horizontally across jurisdictions within the tourism circuit, ensuring consistent infrastructure delivery and legal security. At the same time, it must respect the sovereignty of local communities over communal lands, keeping participation voluntary and aligned with community preferences. Critically, it must hold authority over key system-level levers—air connectivity, infrastructure finance, and legal security—so that decision-making capacity matches the scale of the opportunity.

Different countries use different institutional arrangements to manage tourism destinations and provision needed public goods at the local level. Some institutional set-ups rely on centralized national authorities with delegated powers, as in the case of the U.S. National Park Service. Others establish special-purpose development agencies, such as Mexico's Fondo Nacional de Fomento al Turismo. In heritage-driven destinations, governments have created dedicated regional authorities with statutory powers, such as the Petra Development and Tourism Region Authority in Jordan. Machu Picchu is governed through a co-managed special regime, in which multiple actors—including Peru's cultural, environmental, and tourism authorities, the Regional Government of Cusco, and the local municipality—coordinate through the Management Unit of the Historic Sanctuary of Machu Picchu (UNESCO World Heritage Centre n.d.). What unites these arrangements is not their precise

institutional form, but their ability to concentrate authority, internalize benefits at the appropriate scale, and coordinate complementary inputs reliably.

The institutional architecture should not be overly prescriptive at the outset but instead emerge through a process of determining what works within Bolivia's political economy, and could be structured as an opt-in framework between the national government and communities. Resistance to tourism investment often reflects fears of losing control over communal land and local sovereignty, which the opt-in, dialogue-based approach is designed to mitigate. This opt-in approach recognizes that some communities may choose not to engage their communal lands in tourism development, while others may elect to participate, thereby respecting local sovereignty and enabling differentiated policy choices across communities and municipalities. Rather than introducing a fully specified solution from the outset, the focus should be on defining core functions that can be implemented through agreement among relevant national and subnational authorities. The specific institutional arrangements and implementation mechanisms should be determined iteratively through negotiation and coordination between the national government and participating communities, allowing the architecture to adapt to local conditions and constraints. For example, where communities choose to participate, land access for tourism development could be structured through concessions, joint ventures, lease arrangements, or other negotiated mechanisms consistent with communal governance and local preferences.

At its core, a new institutional architecture for the Salar de Uyuni tourism circuit should be designed to:

- Operationalize a voluntary opt-in compact between the national government and communities. Communities that choose to participate gain access to tourism-related public goods—including targeted investments in trail development, site curation, and marketing, as well as integration into an official tourism circuit—in exchange for adopting transparent, enforceable rules governing investment and land use.
- Internalize both local infrastructure costs and nationwide tourism benefits in public investment decisions.
- Coordinate and finance large scale infrastructure such as wastewater systems, waste management, and road paving at the scale required for a national tourism hub.
- Align domestic air connectivity policy with tourism development priorities.
- Provide credible, potentially nationally backed legal security and investment guarantees, especially in communal land contexts, including enforceable contracts, dispute resolution mechanisms, and investment risk mitigation instruments.
- Require standardized community investor agreements that clearly define land use rights, benefit sharing, employment commitments, and operational rules, while limiting renegotiation.
- Ensure predictable land access through defined use rights while maintaining community ownership, alongside guarantees against expropriation, arbitrary renegotiation, and blockage of access.
- Integrate national and subnational actors within a single decision making framework to overcome vertical fragmentation.

The objective is institutional alignment for the development of an integrated and dynamic tourism circuit. The Salar generates national tourism benefits, yet governance remains fragmented

across actors lacking either the incentive or authority to act at scale. A fit-for-purpose architecture would align authority with nationwide benefits, enable simultaneous provision of complementary public goods, and shift the destination toward a higher-value equilibrium. Without such reform, challenges will persist and the tourism export gap will remain structurally entrenched.

V. Conclusion

Bolivia underperforms relative to its structural tourism potential, leaving substantial foreign exchange unrealized. The gravity analysis shows that the country's tourism gap is not predetermined by geography or other structural factors. Bolivia generates significantly fewer travel and tourism exports than its fundamentals would predict, and this gap has widened over the past decade. By 2024, Bolivia had an unrealized foreign exchange potential of USD 374 million concentrated in large markets, particularly the United States.

Two reinforcing constraints prevent Bolivia from converting global tourism demand into realized exports. At the national level, weak air connectivity restricts Bolivia's access to large sources of tourism expenditure abroad. The inability of Bolivia's airline sector to expand service is central to the country's inability to convert global demand into tourism inflows At the local level, the failure to simultaneously provide complementary public goods, credible legal guarantees, and coordinated private services prevents destinations such as the Salar de Uyuni from upgrading into higher-value equilibria. Needed public goods often fall outside the authority and capacity of the local governments expected to deliver them. These constraints operate at different scales but compound sector stagnation: limited connectivity suppresses tourism demand, while fragmented local governance prevents the ecosystem dynamism even where demand exists.

Unlocking this opportunity requires coordinated, system-level transformation. Bolivia's tourism constraints are not isolated failures but reflect gaps in how authority, incentives, and complementary investments are aligned across the system. Addressing them therefore requires integrated initiatives that operate simultaneously at the national and destination levels.

Bolivia should reposition aviation policy to treat air connectivity as a strategic enabler of tourism inflows. This requires a coordinated reform combining Open Skies agreements with the United States and key regional hubs to liberalize access and reduce regulatory frictions; a full cost-competitiveness reset by cutting fuel distortions, taxes, and penalties that deter airlines; and structured public-private dialogue with airlines to continuously improve the business environment.

A fit-for-purpose institution should develop the Salar de Uyuni circuit through a coordinated ecosystem approach. The full circuit should be developed as an integrated tourism zone capable of supporting high-value demand. This requires nationally financed backbone infrastructure, such as wastewater systems, roads, and strengthened air links, delivered at the scale of a national tourism asset and in coordination with national authorities. At the same time, legally guaranteed, opt-in community compacts can provide the institutional foundation for large-scale, vertically integrated investments by aligning community participation with predictable investment conditions. This would transform the Salar de Uyuni into a world-class tourism ecosystem capable of generating sustained foreign exchange.

With coordinated execution and transformative reform, tourism can become a central pillar of Bolivia's export growth strategy. Strengthening connectivity while enabling ecosystem formation in high-potential destinations would allow Bolivia to capture a larger share of global tourism demand and convert its distinctive assets into sustained foreign exchange earnings, employment growth, and regional development.

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Annex I. Section II Gravity Model Output

Table 7. Baseline Tourism Gravity Model (Poisson PML)

Dependent variable: Bilateral Travel & Tourism Exports (USD)

Variables	Coefficient
Harmonic Distance	-0.803***
	(0.0061)
PPP (Reporter)	2.123***
	(0.0958)
Importer Mass (y_Partner)	0.925***
	(0.0232)
Land Area (log)	-0.314***
	(0.0469)
Population (Reporter, log)	0.691***
	(0.0265)
Shared Border (Contiguity)	0.473***
	(0.0238)
Colonial Relationship	0.479***
	(0.0127)
Land × Population (log interaction)	0.008***
	(0.0024)

Observations	665,234
Year Fixed Effects	Yes (20)
Partner Fixed Effects	Yes (191)
Destination Region Fixed Effects	Yes (6)
Standard Errors	Clustered at Year level
Log-Likelihood	-9,403,279.7
Adjusted Pseudo R^2	0.8447
BIC	18,809,549.4
Squared Correlation	0.6050

Notes: Poisson Pseudo-Maximum Likelihood (PPML) estimation. Standard errors clustered at the year level. Destination country fixed effects are not included, as the model is intended to preserve destination-level residuals as indicators of structural export gaps rather than to maximize predictive fit. Destination-continent fixed effects are included.
*** $p < 0.001$

Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

Table 8. Bolivia Tourism Exports: Observed, Predicted, and Residual (USD Millions)

Year	Observed	Predicted	Residual (Observed − Predicted)
2005	321	283	38.4
2006	376	339	37.7
2007	456	363	92.4
2008	506	418	88
2009	494	451	42.2
2010	555	533	21.6
2011	674	610	64.7
2012	800	713	87.4
2013	817	796	20.2
2014	901	859	41.8
2015	914	978	-63.9
2016	925	1009	-84.7
2017	1043	1058	-14.2
2018	973	1115	-142
2019	932	1176	-244
2020	387	430	-43.8
2021	381	471	-89.9
2022	755	977	-223
2023	1038	1221	-183
2024	1106	1480	-374

Source: Author's Elaboration from WTO-OECD BaTiS Database; CEPII Gravity Database; World Bank Data

Annex II. Section III Gravity Model Output

Table 9. Gravity Model Specification on Air Connectivity with Bolivia Interaction (Poisson PML, 2019)

Dependent variable: Bilateral Travel & Tourism Exports (USD)

Variables	
Harmonic Distance	-0.767***
	(0.0017)
Shared Border	0.502***
	(0.0038)
Colonial Relationship	0.276***
	(0.0041)
√ Direct Flight Frequency	0.000626***
	(0.000020)
√ Flights × Bolivia	0.01447***
	(0.00202)

Model Characteristics	
Observations	33,840
Partner Fixed Effects	Yes (189)
Reporter Fixed Effects	Yes (180)
Standard Errors	IID
Log-Likelihood	-278,194.3
Adjusted Pseudo R^2	0.931477
Squared Correlation	0.863042
BIC	560,278.7

Notes: Poisson Pseudo-Maximum Likelihood (PPML) estimation; *** $p < 0.001$. Destination country fixed effects are included to account for destination-level structural factors and multilateral resistance, optimizing for predictive fit.
Source: Author's Elaboration from WTO-OECD BaTiS; CEPII Gravity Database; World Bank Data; OAG Data