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Bolivia: An Overview

Bolivia is a landlocked South American nation of 11.2 million people (see **Figure 1**). Since 2006, under populist President Evo Morales, Bolivia's first indigenous president, the country has become more stable and prosperous. Governance standards have weakened, however, especially those involving accountability, transparency, and separation of powers. Relations with the United States have been strained for more than a decade, particularly since President Morales expelled the U.S. ambassador in 2008.

Background

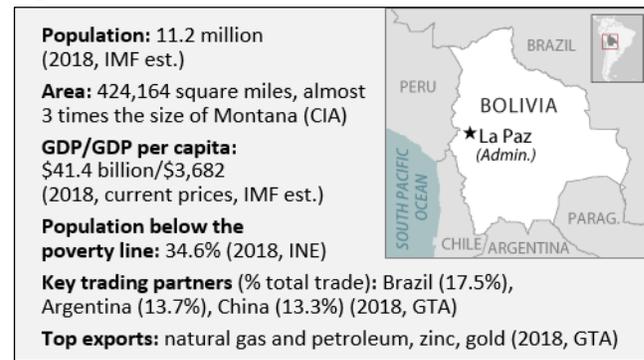
Chronic instability, poverty, corruption, regional conflicts, and deep ethnic and regional cleavages have stymied Bolivia's development. Bolivia won independence from Spain in 1825 but experienced frequent military coups and periods of authoritarian rule for much of its history. The country reestablished democratic civilian rule in 1982.

The lack of sovereign access to the ocean is a source of lingering resentment in Bolivia. After the War of the Pacific with Chile (1879-1883), Bolivia lost its territory along the Pacific coast and has had to ship its exports through Peruvian or Chilean ports. Bolivia has rights of access to the Peruvian port of Ilo, but it no longer has tariff-free access to the Chilean port of Arica. Bolivia lost access to the Atlantic Ocean by way of the Paraguay River and surrounding territory because of the Chaco War with Paraguay (1932-1935). Bolivia and Paraguay are currently revisiting Bolivia's access to the Atlantic Ocean.

Bolivia's population is among the most ethnically diverse in South America. In the 2012 census, some 41% of the population self-identified as indigenous (Quechua or Aymara). The rest of the population is comprised of people of mixed white and indigenous descent, white, and African descent. Bolivian indigenous peoples benefitted from the National Revolution of 1952, which led to land reform and expanded suffrage. Nevertheless, they remained underrepresented in the political system prior to Morales's government and affected by poverty and inequality.

Many of Bolivia's indigenous communities consider the coca leaf (also used to make cocaine) sacred and use it for traditional and licit purposes. Opposition to forced coca eradication policies backed by the United States led to the rise of coca growers' trade unions and a related political party, the Movement Toward Socialism (MAS). In 2005, years of protest against leaders perceived to have governed on behalf of the elite led to the election of Evo Morales, the president of the coca growers' union and a self-identified person of Aymara descent.

Figure 1. Bolivia at a Glance



Sources: CRS Graphics, International Monetary Fund (IMF), Central Intelligence Agency (CIA), *Instituto Nacional de Estadísticas* (INE), Global Trade Atlas (GTA).

Political Conditions

Since 2006, President Morales and the MAS, which has two-thirds majorities in both legislative chambers, have transformed Bolivia. Morales has decriminalized coca cultivation outside of traditional zones where it was always legal, increased state control over the economy, used natural gas revenue to expand social programs, and enacted a new constitution (2009) favoring indigenous peoples' rights and autonomy. Previously underrepresented groups, including the indigenous and women, have increased their representation at all levels of government. Indigenous people now comprise more than 50% of the Bolivian Congress; there is also gender parity in that body.

Many analysts assert that although the political system has been more stable, representative, and participative under Morales than in the past, democracy remains weak. Bolivia has remained "partly free" in Freedom House's annual *Freedom in the World* reports, scoring lowest on issues related to due process and judicial independence. The Morales government has launched judicial proceedings against many opposition politicians and dismissed hundreds of judges. It also has restricted freedom of the press.

Concerns about democracy in Bolivia have increased as President Morales has sought to remain in office. In 2017, Bolivia's Constitutional Tribunal removed constitutional limits on reelection. The decision overruled a 2016 referendum in which voters rejected a constitutional change to allow Morales to serve another term.

In January 2019, President Morales won his party's primary and began to campaign for a fourth presidential term. His main opponents are former President Carlos Mesa (2003-2005), standing for the Citizen Community Alliance party, and Oscar Ortiz, a senator from Santa Cruz standing for the "Bolivia Says No" party.

Many pollsters predict that Morales is likely to win reelection, albeit not in the first round. Corruption, insecurity, and a perceived slow response to recent fires in the Amazon have damaged Morales's popularity. He still enjoys the advantages of incumbency, a strong party machinery, and a divided opposition. Many observers also predict that the MAS will maintain a simple majority in the Congress. If no candidate wins 50% of the vote or over 40% of the vote with more than a 10-point margin of victory on October 20, 2019, a runoff is to be held on December 15, 2019. The Organization of American States (OAS) is monitoring the election.

On the foreign policy front, President Morales aligned his country with Hugo Chávez of Venezuela vis-à-vis the United States while also continuing cooperation with Europe and neighboring countries. In 2006, Bolivia joined Chávez's Bolivarian Alliance for the Americas. Bolivia, along with Cuba and Nicaragua, is one of the few countries in the region that remains loyal to Chávez's successor, Nicolás Maduro. Morales has voted against OAS resolutions condemning the situation in Venezuela.

Economic Conditions

Bolivia's economic performance has been relatively strong under the Morales administration. According to the International Monetary Fund (IMF), economic growth averaged almost 4.5% from 2006 to 2018. Although growth is slowing due to lower prices for its natural gas and mineral exports, Bolivia has created a sovereign wealth fund to help it weather economic downturns. The IMF forecasts 4% growth for 2019, which is still among the highest rates in the region.

Sustained growth, combined with wage increases and expanded social programs, has helped to reduce poverty and inequality in Bolivia. According to government estimates, poverty fell from 60% in 2006 to 34.6% in 2018. According to the U.N. Economic Commission on Latin America and the Caribbean, income inequality also declined by 20% from 2007 to 2017. Despite this progress, per capita income remains low by regional standards. In addition, Bolivia's agricultural sector, which employs a third of all workers, is vulnerable to drought and flooding.

In a December 2018 report, the IMF expressed concerns about Bolivia's rising debt, declining reserves, and poor investment climate. Since Morales took office, Bolivia has withdrawn from the World Bank's International Centre for the Settlement of Investment Disputes and abrogated bilateral investment treaties. These moves have reduced foreign investment, which economists assert is needed to develop existing mines and gas fields and discover new ones. Bolivia has received investment from China, however, and President Morales is seeking additional investment from Russia, Iran, India, and Turkey.

U.S.-Bolivian Relations

U.S.-Bolivian relations have deteriorated under the Morales administration. Although Bolivia and the United States have not formally severed diplomatic or consular relations, they have not exchanged ambassadors since President Morales expelled the U.S. ambassador in 2008. Morales

accused the ambassador of fomenting opposition to his government, a charge the State Department rejected.

U.S. bilateral assistance to Bolivia began to decline in FY2007 and was cut completely by FY2013. President Morales expelled the U.S. Agency for International Development (USAID) from the country in 2013 for allegedly conspiring with the opposition; USAID denied the charge. The State Department subsequently ended its antidrug programs in Bolivia due to a lack of adequate bilateral cooperation. Although Bolivia now receives most of its foreign aid from the European Union (EU), civil society groups in Bolivia continue to receive small amounts of U.S. regional and global funds.

Since 2007, U.S. Presidents have identified Bolivia as a major drug-producing country that had failed meet its obligations under international counternarcotics agreements. President Trump issued this year's designation on August 8, 2019. The designation is due, in part, to a law that Bolivia enacted in 2017 to expand the amount of coca permitted to be cultivated beyond what an EU-funded study estimated as necessary for satisfying its traditional coca demand.

Coca cultivation has slightly increased since Morales assumed office. According to the U.S. Office of National Drug Control Policy, coca cultivation in Bolivia rose from roughly 26,500 hectares in 2006 to 31,000 hectares in 2017. The State Department's 2019 *International Narcotics Control Strategy* report estimated a decline in both coca cultivation and potential cocaine production in Bolivia from 2016 to 2017. As a comparison, estimated coca cultivation in Colombia rose from 157,000 hectares in 2006 to a record 209,000 hectares in 2017.

Bolivia receives trade benefits as a beneficiary country of the U.S. Generalized System of Preferences (GSP), but the Trump Administration is reviewing Bolivia's eligibility due to concerns over worker rights issues. In 2018, two-way trade totaled \$1.1 billion, according to the U.S. Department of Commerce. Bolivia's largest U.S. exports are tin, silver bullion, tungsten, and quinoa; its primary U.S. imports are civilian aircraft and parts, food preparations, petroleum oils, insecticides, and compressors.

Issues for Congress

Congress has had limited oversight interest in Bolivia over the past decade, as the country no longer receives bilateral U.S. foreign assistance and is not the primary source country for U.S.-bound cocaine from South America. Congressional concern about Bolivia has increased over the past year, however, as President Morales has pursued a fourth term and blocked efforts to resolve the Venezuela crisis. S.Res. 35, approved in April 2019, expresses concern over efforts to circumvent term limits in Bolivia and calls on the government to allow electoral bodies to "administer the October 2019 election in adherence with international democratic norms." Congress also is monitoring Bolivia's eligibility for GSP benefits.

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