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## Bolivia: An Overview

Bolivia is a landlocked South American nation of 11.7 million people (see **Figure 1**). From 2006 to 2018, Bolivia became more stable and prosperous under President Evo Morales, its first indigenous president. Bolivia also experienced backsliding in measurements of governance. In November 2019, Morales resigned after an election marred by irregularities and sustained protests. Luis Arce, Morales's former finance minister, took office a year later, after winning 55% of the vote in October 2020 elections in which his Movement Toward Socialism (MAS) also maintained a legislative majority. President Arce faces many challenges, including how to address the Coronavirus Disease 2019 (COVID-19) pandemic and how to manage relations with the United States.

### Background

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

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 of European, mixed European and indigenous, or 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 disproportionately affected by poverty and inequality.

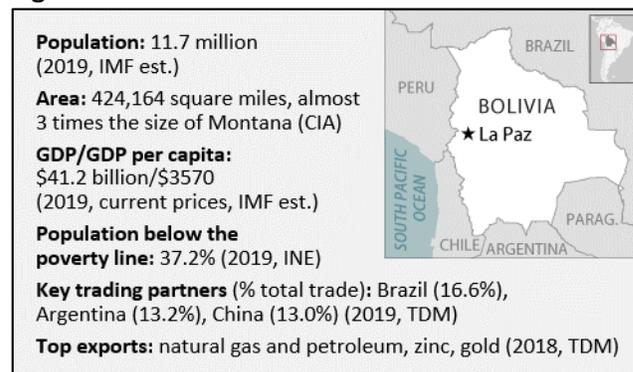
Cultivation of the coca leaf remains a contentious issue in Bolivia and in Bolivian-U.S. relations. Many of Bolivia's indigenous communities consider the coca leaf sacred and use it for traditional, licit purposes (the leaf also is used to make cocaine). Opposition to years of U.S.-backed forced coca eradication policies 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 Morales, president of the coca growers' union and a self-identified person of Aymara descent.

### Political Conditions

Morales and the MAS transformed Bolivia. Morales decriminalized coca cultivation outside of traditional zones where it had been legal, increased state control over the economy, used natural gas revenue to expand social programs, and enacted a new constitution (2009) favoring the rights and autonomy of indigenous peoples. Previously underrepresented groups increased their representation at all

levels of government. In foreign policy, Morales aligned Bolivia with Hugo Chávez of Venezuela in taking a hostile stance toward the United States. In 2008, he expelled the U.S. Ambassador for allegedly fomenting opposition to his government, charges the State Department dismissed as false.

**Figure 1. Bolivia at a Glance**



**Sources:** CRS Graphics, International Monetary Fund (IMF), Central Intelligence Agency (CIA), *Instituto Nacional de Estadísticas* (INE), Trade Data Monitor (TDM).

Under Morales, Bolivia ranked “partly free” in Freedom House’s annual *Freedom in the World* reports, scoring lowest on issues related to due process and judicial independence. The government launched judicial proceedings against opposition politicians, dismissed hundreds of judges, and restricted freedom of the press. Concerns increased after the Constitutional Tribunal ended constitutional limits on reelection in 2017, essentially overruling a 2016 referendum in which voters rejected allowing Morales to run for a fourth term. In November 2019, Morales resigned and went into exile amid nationwide protests against a disputed October first-round election in which he had claimed victory.

Many Bolivians criticized the authoritarianism of the interim government that took over after Morales’s resignation. Led by Jeanette Añez, formerly a conservative senator, the interim government rolled back MAS policies, used violence against protesters, and prosecuted former MAS officials. Añez suspended community-based coca control and adopted a drug policy aimed at achieving a “drug free” Bolivia. The interim government also struggled to address COVID-19, and a corruption scandal prompted the health minister to resign.

### 2020 Elections and Prospects for Arce’s Presidency

The October 2020 elections proved to be a referendum on the legacy of Morales and the MAS. In contrast to the chaos of the 2019 elections, the new Supreme Electoral Tribunal administered a process that international election observers

deemed generally free and fair. Contrary to pollsters' predictions, Luis Arce avoided a runoff election by winning 54% of the vote, 25% more than his nearest rival, former president Carlos Mesa. Arce benefitted from divisions among the opposition. The MAS maintained majorities in the Senate and the Chamber of Deputies.

President Arce is an economist who worked in Bolivia's central bank prior to serving as minister of finance. He has pledged to govern in a conciliatory fashion, but clashes between his government and eastern, opposition-led provinces could still occur. The findings of an Inter-American Commission on Human Rights investigation into two massacres in 2019 is likely to ignite tensions if former Añez officials are cited for abuses. Intra-party disputes between hard-line and moderate MAS factions also could occur, particularly if Morales, recently back from exile, seeks to exert undue influence over the government.

## Economic Conditions

During Arce's tenure as finance minister, Bolivia's economic growth averaged almost 4.5% annually, according to the International Monetary Fund (IMF). Arce channeled earnings from Bolivia's natural gas export boom to fund social programs and wage increases that helped reduce poverty from 60% in 2006 to 34.5% in 2018. He also created a sovereign wealth fund to help Bolivia weather economic downturns. A December 2018 IMF report expressed concerns about Bolivia's rising debt, declining reserves, and poor investment climate.

President Arce has inherited an economy in crisis. The COVID-19 pandemic has weakened demand for Bolivia's exports (namely gas), as global prices have declined. Poverty and unemployment have risen, but the government lacks the finances to fund new social programs or increase public investments. Arce may need to attract new foreign investment to help develop Bolivia's natural resources, including its lithium deposits. The IMF forecasts an economic decline of 7.9% in 2020. Arce is implementing monthly cash transfers funded by the World Bank. He also vowed to raise taxes on the wealthy, govern austere, and renegotiate Bolivia's debts.

## U.S.-Bolivian Relations

U.S.-Bolivian relations are likely to remain challenging, given tension in relations under Morales and the Trump Administration's strong support for the conservative interim government. U.S. officials have vowed to work with President Arce on shared interests, but differences over drug policy and geopolitics could prove difficult to overcome. With limited bilateral trade and investment ties, the possibility of a resumption in U.S. foreign assistance could encourage cooperation on some issues.

Each year since 2007, the U.S. President has identified Bolivia as a major drug-producing country that failed to meet its obligations under international counternarcotics agreements; such designations have triggered foreign aid restrictions. President Trump is sued this year's designation on September 16, 2020. While noting continued cultivation above domestic limits, the designation praised the Añez government's interdiction efforts and cooperation on

extraditions. According to the U.S. Office of National Drug Control Policy (ONDCP), coca cultivation in Bolivia rose from 26,000 hectares in 2006 to 42,180 hectares in 2019. ONDCP asserts that potential cocaine production rose 20% from 2018 to 2019. While concerned about the uptick, many observers recommend U.S. officials work with the new government to combat these trends without unduly punishing coca farmers.

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 then ended its antidrug programs in Bolivia due to a lack of adequate cooperation. Bolivia has since received most of its foreign aid from the European Union. Civil society groups in Bolivia continue to receive small amounts of U.S. regional and global funds.

In January 2020, President Trump waived restrictions on U.S. FY2020 assistance to Bolivia, citing such aid as in the U.S. national interest. USAID provided \$3 million in election-related assistance, and, as of August 2020, the State Department had provided \$900,000 in COVID-19-related funds. It remains unclear whether the U.S. government will waive FY2021 aid restrictions or designate Bolivia as a country that is making adequate efforts to meet its international counternarcotics obligations. Given Arce's pledge to restart MAS-era drug policies, such a designation seems unlikely.

Bolivia receives trade benefits as a beneficiary country of the U.S. Generalized System of Preferences. In 2019, two-way trade totaled \$1 billion, according to the U.S. Census Bureau. Bolivia's largest exports to the United States are tin, silver, gold, tungsten, and quinoa; its primary imports from the United States are civilian aircraft and parts, as well as petroleum oils.

The United States and Bolivia have opposing geopolitical orientations. The Arce government may find it difficult to maintain positive relations with the United States if forced to choose between maintaining or developing close ties with China and Russia, on the one hand, and improving relations with the United States, on the other. Arce has reestablished relations with Cuba, Venezuela, and Iran, which the Añez government had severed.

## Issues for Congress

Congress has expressed interest in Bolivia's political developments. S.Res. 447, agreed to in the Senate in January 2020, expressed support for the prompt convening of new elections. H.Rept. 116-444 accompanying H.R. 7608 would prohibit U.S. assistance provided in FY2021 from being used to impede free and fair elections in Bolivia. Some Members of Congress have congratulated Arce on his victory and expressed hope for improved bilateral relations; others have concerns about the return of a socialist government in Bolivia.

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