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Bolivia: An Overview

After a year of political instability and more than a decade of tense relations with the United States, Bolivia has a new president who has vowed to work with the Biden Administration. Luis Arce took office in November 2020 after winning 55% of the vote in October 2020 elections in which his Movement Toward Socialism (MAS) party maintained a legislative majority. President Arce is seeking to help Bolivia recover from the Coronavirus Disease 2019 (COVID-19) pandemic and pursuing justice for human rights violations committed in 2019.

Background

Chronic instability, poverty, corruption, and deep ethnic and regional cleavages have stymied Bolivia's development (see **Figure 1**). 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.

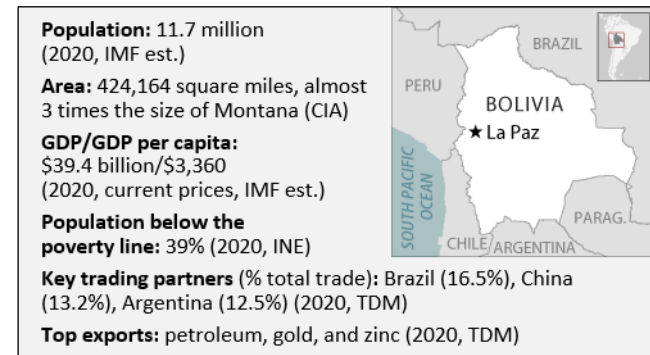
Cultivation of the coca leaf remains a contentious issue in Bolivia and in Bolivian-U.S. relations. Many of Bolivia's Indigenous communities consider the coca leaf sacred and use it for traditional, licit purposes (the leaf also is used to make cocaine). Opposition to years of U.S.-backed forced coca eradication policies led to the rise of coca growers' trade unions and a related political party, the 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 said were false.

Figure 1. Bolivia at a Glance



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

Under Morales, Bolivia ranked "partly free" in Freedom House's *Freedom in the World* reports, scoring lowest on issues related to due process and judicial independence. The government launched judicial proceedings against its opponents, dismissed hundreds of judges, and restricted freedom of the press. Concerns increased after the Constitutional Tribunal ended constitutional limits on reelection in 2017, overruling a 2016 referendum in which voters rejected allowing Morales to run for a fourth term.

Bolivia's first-round election in October 2019 was marred by allegations of fraud in the vote tabulation. The country's electoral agency said Morales won a narrow first-round victory. The opposition rejected that result, and Organization of American States (OAS) election observers found irregularities in the process. Protesters demanded a new election, and then Morales's resignation. After a police mutiny, clashes between Morales supporters and the opposition, and an army declaration urging him to step down, Morales resigned and sought asylum in Mexico. Three individuals in line to succeed Morales also resigned. The MAS has criticized OAS election observers for contributing to Morales's ouster.

Interim Government

Opposition Senator Jeanine Áñez, formerly second vice president of the senate, declared herself senate president and then interim president on November 12, 2019. Áñez, a conservative, sought to erase the ethnic pluralism Bolivia had embraced under Morales. Áñez issued a decree giving the military permission to participate in crowd-control efforts and immunity from certain prosecutions for doing so. A report by a Group of Independent Experts (GIEI) from the Inter-American Commission on Human Rights

asserted that “grave violations of human rights occurred” under Áñez, including two massacres in November 2019. Áñez officials also rolled back MAS policies such as community-based coca control and prosecuted former MAS officials for terrorism and sedition.

Arce Administration

After two delays due to COVID-19, a new Supreme Electoral Tribunal administered elections in October 2020; election observers deemed these elections generally free and fair. Contrary to predictions, Arce avoided a runoff election by winning 55% of the vote. The MAS maintained majorities in the Senate and the Chamber of Deputies.

Arce is an economist who worked in Bolivia’s central bank prior to serving as minister of finance. He pledged to govern in a conciliatory fashion, but clashes with regional leaders and within the MAS have hindered governability. The March 2021 arrest and jailing of former Interim President Áñez prompted concern about the Arce government’s respect for due process. Prosecutors initially cited Áñez’s role in the “coup” against Morales as the justification for her detention. They added “genocide” charges based on the GIEI report’s findings. The United States and other countries have called for Áñez’s rights to be respected. They also have praised the GIEI report’s findings, expressed solidarity with the victims, and urged Bolivia to implement the report’s recommendations.

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). The Bolivian government 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. A December 2018 IMF report expressed concerns, however, about Bolivia’s rising debt, declining reserves, and poor investment climate.

The COVID-19 pandemic, which had caused more than 18,400 deaths through August 2021, weakened demand for Bolivia’s gas exports and pushed the country into a deep recession. The economy shrank by 7.7% in 2020, but the IMF predicts growth of 5.5% in 2021. Poverty increased, but the government lacked funding for social programs, aside from cash transfers to the poor paid for with a World Bank loan. A wealth tax enacted in December 2020 has raised some revenue, but the Arce government is seeking multilateral debt relief and foreign investment. International financial institutions likely would condition debt relief on fiscal adjustments, which have generated protests and impeded governability elsewhere in the region. As of September 1, 2021, the Bolivian government had fully vaccinated 23% of the population, according to Johns Hopkins University.

U.S.-Bolivian Relations

U.S.-Bolivian relations are likely to remain challenging. The Trump Administration sent a high-level delegation to attend Arce’s inauguration and vowed to work together on issues of shared concern. In March 2021, Secretary of State Antony Blinken issued a statement reiterating a desire for a

“mutually respectful relationship with the Arce administration” but condemning actions taken against interim government officials. Bolivia dismissed this statement as interventionist. U.S. officials have supported the 2019 OAS Election Observation Mission’s findings, which Arce officials have disputed.

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. The most recent designation occurred on September 16, 2020. According to the U.S. Office of National Drug Control Policy (ONDCP), coca cultivation in Bolivia totaled some 39,400 hectares in 2020, down slightly from 2019 but far above the country’s legal limit of 22,000 hectares. ONDCP asserts that potential cocaine production rose to 312 metric tons.

U.S. bilateral assistance to Bolivia began to decline in FY2007 and had ended by FY2013. Morales expelled the U.S. Agency for International Development (USAID) 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 cooperation. Nevertheless, Bolivia has received U.S. support channeled through international organizations. Under an FY2020 waiver from drug-related foreign aid restrictions, USAID provided \$5 million to support the October 2020 elections. In FY2021, the United States has provided \$440,000 for natural disaster relief and \$495,000 to help shelter Venezuelan migrants in Bolivia.

In response to the COVID-19 pandemic, the United States has provided \$7 million in funds to support the Bolivian health sector. In July, the Biden Administration delivered 1 million COVID-19 vaccines to Bolivia.

In 2020, two-way trade totaled \$838 million, according to the U.S. Department of Commerce. Bolivia’s largest exports to the United States are tin, gold, silver, and quinoa; its primary imports from the United States are petroleum, civilian aircraft and parts, and medical instruments. Some Bolivian products enter the United States duty free under the Generalized System of Preferences program.

Despite differences on many geopolitical issues, the Arce government has pledged to strengthen cooperation with the United States. At the same time, Bolivia has close relations with China and Russia. Arce reestablished relations with Cuba, the Maduro government in Venezuela, and Iran.

Issues for Congress

Congress may seek to influence the Biden Administration’s policy toward Bolivia through the appropriations process, oversight hearings, legislation, or letters. Some Members of Congress have expressed hope for improved relations; others have expressed concerns about some antidemocratic actions of the Arce government. H.Rept. 117-84 accompanying H.R. 4373 urged the Secretary of State to solicit information from “independent, internationally recognized experts” regarding the legality of Bolivia’s 2019

elections, the OAS's role in the elections, and investigations into human rights violations during and after the elections.

Clare Ribando Seelke, Specialist in Latin American Affairs

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