



August 16, 2024

Bolivia: Country Overview and U.S. Relations

Bolivia is a landlocked country of about 12.3 million people in the Andean region of South America. Bolivia's political system has been marked by instability for much of the country's history. Political turbulence and polarization have continued under current President Luis Arce, elected in October 2020 after the 2019 resignation of populist then-President Evo Morales. Ahead of a presidential election to be held by October 2025, Arce and Morales are competing to represent the Movement Toward Socialism (MAS) party against a weak political opposition. Although rich in natural resources, including natural gas and lithium, Bolivia is experiencing an economic downturn, which has spurred popular discontent. Some Members of Congress have expressed concerns about the Bolivian government's increasing ties with China, Russia, and Iran, among other challenges in U.S.-Bolivia relations.

Bolivia at a Glance

Capitals: La Paz (administrative capital), Sucre (constitutional capital)

Area: 424,164 square miles

Population: 12.3 million (2024 est.)

Gross Domestic Product (GDP): \$46.47 billion (2023)

Per Capita GDP: \$4,831 (2023)

Key Trading Partners: Brazil (15.7%), China (15.6%), Argentina (9.3%) (2023, total trade)

Notes/Sources: GDP in current prices; International Monetary Fund and Trade Data Monitor.

Background

Chronic political instability, poverty, and deep ethnic and regional cleavages have stymied Bolivia's development. Bolivia won independence from Spain in 1825 and has experienced frequent military coups and periods of authoritarian rule throughout its history. The country reestablished democratic civilian rule in 1982 after military dictatorships since 1964. Bolivia's population is among the most ethnically diverse in South America, with large highland Indigenous (Quechua and Aymara) populations.

During three presidential terms from 2006 to 2019, former President Morales, Bolivia's first Indigenous president, enacted far-reaching reforms, geared largely toward assisting and expanding political representation for poor and Indigenous populations. Morales increased state control over the economy, used growing natural gas revenue to expand social programs, and enacted a new constitution (2009) protecting the rights of Indigenous peoples. His government also pursued judicial proceedings against its political opponents, dismissed hundreds of judges, and restricted press freedom. Morales also faced criticism,

including from some U.S. policymakers, for ruling in an authoritarian manner and for adopting anti-U.S. policies.

Current Political Context

President Luis Arce, also of Morales's MAS party, took office in November 2020 after winning 55% of the vote in the first round of an October 2020 presidential election that observers assessed as generally free and fair. Arce is an economist who worked in Bolivia's central bank prior to serving as finance minister under former President Morales.

Arce's election followed a period of political turmoil in Bolivia, which began when Morales resigned in the face of large-scale public protests following allegations of fraud in the October 2019 election. Three officials in line to succeed Morales resigned, and opposition Senator Jeanine Áñez declared herself the interim president in November 2019. A report by experts from the Inter-American Commission on Human Rights asserted that "grave violations of human rights occurred" under Áñez, including two massacres in 2019. Tensions between MAS supporters and the interim government continued until Arce's election.

Arce Administration and the 2025 Election

After taking office in November 2020, President Arce pledged to "rebuild the country in unity. Division within the MAS party and economic stagnation have hindered his efforts, and his popularity has declined. One of Arce's central goals has been to restore economic growth, with a focus on lithium extraction (see "Economic Context," below). Arce has faced criticism, including from the U.S. State Department, which in 2021 voiced concerns about "growing signs of anti-democratic behavior and the politicization of the legal system in Bolivia." In 2021, Bolivian authorities arrested former interim President Áñez and ministers who served in her administration. Áñez was convicted of orchestrating a coup against Morales in 2019 and sentenced to 10 years in prison. Arce has dropped prior reform plans aimed at depoliticizing the judiciary.

In recent months, the MAS party has become divided between *arcistas* and *evistas*, the supporters of Arce and Morales, respectively. Both men have expressed their intention to run under the MAS banner in the 2025 Bolivian presidential election. In December 2023, the Bolivian constitutional court ruled that Morales cannot run for reelection in 2025, overruling precedent set by a prior court decision to allow Morales to run for a fourth term in 2019.

In June 2024, a general from the Bolivian military orchestrated what the Arce government has called a failed coup attempt; the incident involved an attempted forced entry into Bolivia's government palace by soldiers. Morales has accused Arce of staging a "self-coup" to boost his

popularity among Bolivians. In May 2024, Arce's approval rating was at 18%. On August 5, 2024, Arce committed to holding national referenda on several issues, including whether and how former presidents can seek reelection in Bolivia. A date for these referenda has not been set.

Economic Context

Bolivia faces a challenging economic landscape. The COVID-19 pandemic weakened demand for Bolivia's natural gas exports and prompted extended public health-related lockdowns that led to an economic contraction of 8.7% in 2020. GDP growth recovered to 6.1% in 2021 but has since steadily declined; the IMF estimates GDP growth of 2.5% in 2023 and 1.6% in 2024. Experts attribute Bolivia's economic decline to a number of factors, including the state-run gas company's decreasing extraction and export of natural gas. Bolivia's difficult investment climate has discouraged U.S. and other Western investment. In 2023, the U.S. foreign direct investment position in Bolivia stood at \$197 million, a 33.4% decrease from 2022. Bolivia is now facing a balance-of-payments crisis, and its reserves have dramatically declined.

President Arce has selected Russian and Chinese companies to help develop Bolivia's natural gas and lithium deposits and has sought to increase trade with South America. In July 2024, Arce announced the discovery of large natural gas reserves worth a projected \$6.8 billion. Bolivia also is thought to have the world's largest lithium resources, with an approximate total of 23 million tons, which have attracted foreign mining and processing firms.

Relations with China, Russia, and Iran

Relations between Bolivia and the People's Republic of China's (PRC, or China) have strengthened in recent years. In 2018, Bolivia joined the PRC's Belt and Road Initiative, which seeks to develop China-centered infrastructure, transportation, trade, and production networks. China has announced investment projects with Bolivia, including a \$1.4 billion deal for a consortium of three state-owned PRC companies to extract Bolivian lithium.

President Arce's government also has bolstered Bolivia's relationship with Russia. Arce met with Russian President Vladimir Putin in June 2024 to discuss cooperation between the countries, including prospective lithium-based battery production. In late 2023, Bolivia and a Russian nuclear firm announced a \$450 million Russian investment in a lithium production pilot project in Bolivia's Uyuni salt flat.

Some Members of Congress have expressed concern over Bolivia's relationship with Iran. In July 2023, Bolivia's defense minister signed an agreement with the government of Iran allegedly intended to boost Bolivia's border security and combat drug trafficking. The House Committee on Armed Services Report (H.Rept. 118-529) accompanying the National Defense Authorization Act (NDAA) for Fiscal Year 2025 (H.R. 8070) would direct the Secretary of Defense to submit a report assessing Iranian military assistance to Bolivia, Brazil, and Venezuela. The same reporting requirement was in the FY2024 NDAA (P.L. 118-31) Joint Explanatory Statement.

U.S.-Bolivia Relations

U.S.-Bolivian relations may remain challenging. In 2008, former President Morales expelled the U.S. Ambassador for allegedly fomenting opposition to his government, charges the State Department said were false. In March 2021, Secretary of State Antony Blinken issued a statement asserting a desire for a "mutually respectful relationship with the Arce administration" but condemning actions taken against interim government officials, a statement the Bolivian government dismissed as interventionist.

Some Members of Congress have expressed concerns about allegedly antidemocratic actions by the former Morales government. In March 2023, legislation was introduced that would require the State Department to deny or revoke the visas of foreign nationals associated with the Morales government in Bolivia (S. 1129).

Countering Drug Trafficking

Cultivation of the coca leaf, the core component of cocaine, remains a contentious issue in Bolivian-U.S. relations. Bolivia's Indigenous peoples consider the coca leaf sacred and use it for traditional, licit purposes; coca also is used to produce cocaine. Opposition to years of U.S.-backed coca eradication policies led to the rise of coca growers' trade unions and the MAS party in the 1990s. As president, Morales decriminalized coca cultivation outside of traditional zones where it had been legal and stopped most antidrug cooperation with U.S. agencies.

Each year since 2007, the U.S. President has identified Bolivia as a major drug-producing country failing to meet its obligations under international counternarcotics agreements; such designations have triggered foreign aid restrictions. In its September 2023 designation, the Biden Administration stated that Bolivia had "failed demonstrably" in 2022 to adhere to its obligations under international counternarcotics agreements. According to the U.S. Office of National Drug Control Policy (ONDCP), coca cultivation in Bolivia totaled some 39,700 hectares in 2021, above the Bolivian government's 22,000-hectare official cultivation limit. ONDCP asserts that potential cocaine production rose to 317 metric tons in 2021.

U.S. Foreign Assistance

U.S. bilateral aid to Bolivia began to decline in FY2007 and ended in FY2013. Morales expelled the U.S. Agency for International Development (USAID) in 2013 for allegedly conspiring with the political opposition, which USAID has denied. The State Department ended its antidrug programs in Bolivia, citing a lack of cooperation. Nevertheless, Bolivia has received U.S. support channeled through international organizations and regional programs. In FY2023, the United States obligated an estimated \$1.5 million in Migration and Refugee Assistance, primarily through the International Organization for Migration and the United Nations Children's Fund, to support Bolivia's response to the Venezuelan migration crisis. The Inter-American Foundation, an independent U.S. agency focused on community-led development, operates in Bolivia.

Leticia Chacon, Analyst in Foreign Affairs

IF12743

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.