



**Congressional
Research Service**

Informing the legislative debate since 1914

Bolivia: In Brief

name redacted

Specialist in Latin American Affairs

April 17, 2014

Congressional Research Service

7-....

www.crs.gov

R43473

Summary

In the last decade, Bolivia has transformed from a country plagued by political volatility and economic instability that was closely aligned with the United States to a relatively stable country with a growing economy that now has strained relations with the U.S. government. Located in the Andean region of South America, Bolivia, like Peru and Colombia, has been a major producer of coca leaf, the main ingredient in the production of cocaine. Since 2006, Bolivia has enjoyed a period of relative political stability and steady economic growth during the two presidential terms of populist President Evo Morales, the country's first indigenous leader and head of the country's coca growers' union. Buoyed by a booming natural gas industry, Morales and his party, the leftist Movement Toward Socialism (MAS) party, have decriminalized coca cultivation, increased state control over the economy, expanded social programs, and enacted a new constitution favoring the rights of indigenous peoples.

U.S. interest in Bolivia has traditionally centered on counternarcotics, trade, and development matters. From the late 1980s through the mid-2000s, successive Bolivian governments, with financial and technical assistance from the United States, tried various strategies to combat illicit coca production, including forced eradication. In support of Bolivia's counternarcotics efforts, the United States has provided significant interdiction and alternative development assistance, and has forgiven all of Bolivia's debt for development assistance projects and most of the debt for food assistance. From 1991 through November 2008, Bolivia also received U.S. trade preferences in exchange for its counternarcotics cooperation under the Andean Trade Preference Act (ATPA; Title II of P.L. 102-182). Bolivia also received U.S. development, democracy, and health assistance provided by the U.S. Agency for International Development (USAID) from 1961 through 2013.

Although President Morales' policies have proven popular with his supporters, they have worried foreign investors and strained U.S. relations, particularly in the realm of drug control. With an antagonistic foreign policy closely aligned with that of Venezuela, Bolivian-U.S. relations have been more tense during the Morales Administrations than they have been in decades. Despite significant strains in the bilateral relationship, the two countries have not formally severed diplomatic or consular relations, even though they have not exchanged Ambassadors since President Morales expelled the U.S. Ambassador in the fall of 2008. Due to actions taken by the Morales government (including the 2013 expulsion of USAID from the country) and a lack of counterdrug cooperation with the United States, Bolivia has lost U.S. trade preferences and no longer receives U.S. foreign aid.

This report provides background information on Bolivia, an analysis of its current political and economic situation, and an assessment of some key issues in Bolivian-U.S. relations.

Contents

Background.....	1
Political and Economic Conditions.....	2
Populism and Democracy in Bolivia.....	3
Drug Policy.....	4
Economy is Expanding, but Social Challenges Remain.....	5
October 2014 Presidential and Legislative Elections.....	5
U.S. Relations.....	6
U.S. Foreign Aid.....	8
Counternarcotics.....	9
Trade.....	9
Outlook.....	10

Figures

Figure 1. Bolivia: Map and Key Information.....	2
---	---

Tables

Table 1. U.S. Bilateral Assistance to Bolivia: FY2008-FY2015.....	8
---	---

Contacts

Author Contact Information.....	10
---------------------------------	----

Background

Bolivia is a country rich in cultural diversity and natural resources, whose political and economic development have been stymied by chronic instability, poverty, corruption, and deep ethnic and regional cleavages.¹ In 1825, Bolivia won its independence from Spain, but then experienced frequent military coups and counter-coups until democratic civilian rule was established in 1982. As a result of the War of the Pacific (1879-1883) with Chile, Bolivia lost part of its territory along the Pacific coast and has no sovereign access to the ocean, a source of lingering resentment among Bolivians. Bolivia does have preferential rights of access to the Chilean ports of Antofagasta and Arica and the Peruvian port of Ilo. As a result of the Chaco War with Paraguay (1932-1935), Bolivia lost access to the Atlantic Ocean by way of the Paraguay River and significant territory. Bolivia possesses the second-largest natural gas reserves in Latin America after Venezuela and significant mineral deposits, yet at least 42% of Bolivians live in poverty (down from 64% in 2005).² Some sources point to a higher figure, nearing 60%.³ Bolivia has been deemed as having an “acute” level of vulnerability to natural disasters; recent flooding has disproportionately affected poor communities in rural areas.⁴

Bolivia’s population of 10.5 million people is among the most ethnically diverse in South America. Quechua and Aymara are the two predominant indigenous groups, together comprising some 55% of the population. Despite the National Revolution of 1952, in which the Bolivian indigenous peoples benefitted from land reform and expanded suffrage, indigenous groups have historically been under-represented in the Bolivian political system and disproportionately affected by poverty and inequality. In the 1980s, indigenous-based political parties and movements emerged in Bolivia, and by 2006 some 17% of members of the Bolivian Congress self-identified as indigenous.⁵ Since the mid-2000s, indigenous representatives have used the legislature as a forum to advocate for indigenous rights, equitable economic development, and the preservation of indigenous land and culture. Nevertheless, indigenous communities continue to engage in large-scale protests to ensure that their interests are met.

Bolivia has been a major producer of coca leaf, the main ingredient in the production of cocaine. Although coca leaf is legal in the country for traditional uses and is grown legally in some parts of the country, its cultivation for illegal purposes increased in the 1970s and 1980s. By the early 2000s, cultivation levels had decreased to half of the levels of the 1990s as a result of aggressive, U.S.-backed policies to eradicate illicit production. These policies, and the way in which they were implemented, caused social unrest and economic hardship in the two main coca-growing regions. Opposition to forced eradication policies led to the rise of coca growers’ trade unions and an associated political party, the Movement Toward Socialism (MAS).

¹ For historical information on Bolivia, see Herbert S. Klein, *A Concise History of Bolivia*, New York: Cambridge University Press, 2003.

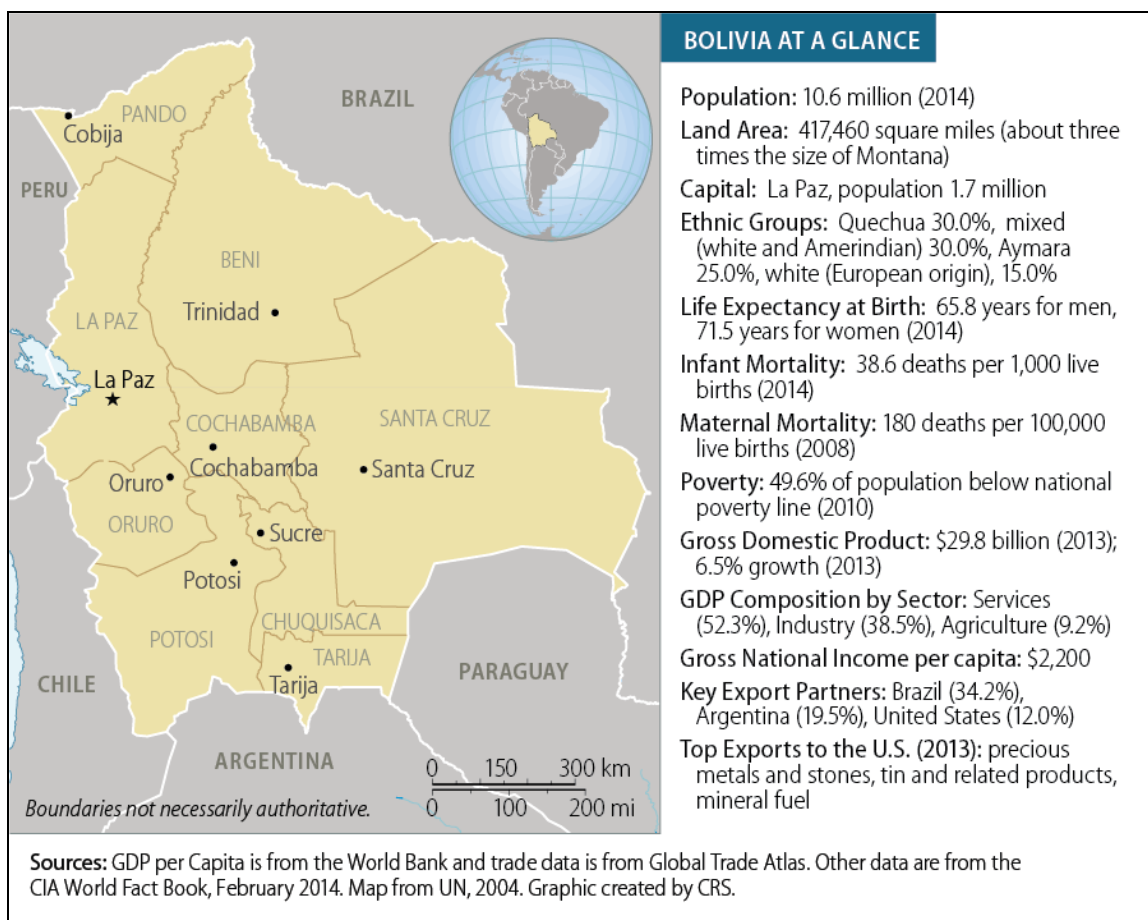
² U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America*, 2013.

³ World Bank, *Country Strategy for Bolivia: FY2012-FY2015*, Report No. 65108-BO, November 1, 2011.

⁴ DARA, *Climate Vulnerability Monitor-Bolivia*, 2012; Sarah Shahriari, “Bolivia Under Water: Why no National Disaster Declared Amid Floods” *Christian Science Monitor*, February 21, 2014.

⁵ U.S. Department of State, *Country Reports on Human Rights Practices 2006*, March 2007.

Figure I. Bolivia: Map and Key Information



Political and Economic Conditions

Since taking power in January 2006, Evo Morales and his leftist Movement Toward Socialism (MAS) party have presided over a period of relative political stability and economic expansion. After being governed by six different presidents between 2001 and 2005, Bolivians have repeatedly gone to the polls to reaffirm their support for Morales and the MAS; the party now has majorities in both chambers of the legislature. President Morales has expanded state control over the economy by renegotiating contracts with some

Morales Biography

Evo Morales was born on October 26, 1959, in Oruro, Bolivia. Morales, like most coca growers, is descended from the Quechua and Aymara Indians drafted by the Spanish to work in Bolivia's silver and tin mines and then driven to the Chapare jungle when the prices of those commodities collapsed in the 1970s. After high school, Morales served briefly in the Bolivian military and then became a coca farmer. He rose to prominence as a leader of the powerful Bolivian coca grower's union. In 1997, Morales was first elected to the Bolivian Congress as a MAS representative. In 2002, Morales and the MAS finished a close second in the presidential balloting, having broadened their support base from coca growers and the indigenous. Evo Morales became the first indigenous president in Bolivia's 180-year history when he was elected on the MAS ticket with nearly 54% of the vote in December 2005.

Source: "Evo Morales," *Latin News*, Sept. 2005.

companies to increase the taxes and royalties they pay, and by expropriating other companies.⁶ These policies have angered foreign investors, but have brought the government substantial revenue. President Morales has used that influx of revenue to expand social programs and provide cash transfers to the elderly, families with children, and pregnant women. Buoyed by record prices for its gas and mineral exports, economic growth in Bolivia has averaged 4.5% per year during the Morales Administration, according to the World Bank.

Populism and Democracy in Bolivia

Under Evo Morales, democracy in Bolivia has in some ways become more representative and participatory, but less accountable and transparent.⁷ The participation of women in all branches of the federal government increased after a law mandating gender parity in the selection process for government jobs took effect; however, women remain under-represented in mayoral posts. Indigenous participation in the executive branch, legislature (where seven seats are set aside for representatives from indigenous districts), and courts has increased since Morales took office.⁸ The 2009 constitution guarantees the autonomy of subnational entities (departments, indigenous communities, municipalities, and sub-departmental regions), providing more opportunities for direct political participation, but challenges remain in implementing those provisions.⁹ According to the United Nations (U.N.), additional progress needs to be made in order to protect indigenous communities' rights, particularly their right to be consulted prior to infrastructure or mining projects being carried out on their lands.¹⁰

In dealing with the opposition, President Morales and his government have periodically used anti-democratic methods to consolidate power and quell dissent.¹¹ In December 2007, for example, Morales' supporters in the Constituent Assembly passed a draft constitution (which prioritized indigenous rights and agrarian reform) during a series of sessions that many opposition delegates were not permitted to attend. Opposition governors and other political leaders have also been sidelined by sometimes controversial charges of corruption and other malfeasance. The corruption, inefficiency, and politicization in Bolivia's criminal justice system have been identified as barriers to democratic development in the country.¹² Restrictions on freedom of the press, including retaliatory actions against media outlets that do not report positively about government actions, as well as periodic attacks against journalists critical of the government, have been reported.¹³ With Bolivia's traditional political parties in disarray, opposition to Morales has generally been divided between those in the wealthy eastern provinces (led by Governor

⁶ According to the State Department, the Morales government has thus far nationalized the transport and sales of hydrocarbons, a major telecommunications company, and part of the electricity sector, among other industries. U.S. Department of State, *2012 Investment Climate Statement – Bolivia*, June 2012.

⁷ Jonas Wolff, *Challenges to Democracy Promotion: the Case of Bolivia*, Carnegie Endowment for International Peace, 2011.

⁸ U.S. Department of State, *Country Reports on Human Rights Practices for 2013*, February 27, 2014.

⁹ Miguel Centellas, "Bolivia's Radical Decentralization," *Americas Quarterly*, Summer 2010.

¹⁰ U.N. Human Rights Council, *Report of the U.N. High Commissioner for Human Rights on the Activities of her Office in the Plurinational State of Bolivia*, March 5, 2014. Hereinafter U.N., March 2014.

¹¹ Kurt Weyland, "Latin America's Authoritarian Drift," *Journal of Democracy*, vol. 24, no. 3, July 2013.

¹² "Rough Justice: the Justice System in Bolivia," *The Economist*, January 7, 2012; Freedom House, *Freedom in the World*, 2013.

¹³ *Ibid.*; U.S. Department of State, *Country Reports on Human Rights Practices for 2013*, February 27, 2014.

Rubén Costas of Santa Cruz) who oppose his state-led, pro-indigenous policies, and those who originated from within his own base, some of whom favor more radical policies than he does.

Despite opposition from conservative sectors during his first term and protests by unions and indigenous groups during his second term, Morales has remained popular in Bolivia, particularly among the poor and indigenous (who were arguably neglected by previous governments). President Morales received the support of 67% of Bolivian voters in a national recall referendum held in August 2008, 61% support for the new constitution he backed in 2009, and 64% support for his re-election that year. Support for President Morales remains higher in the poorer western highlands (where Quechua and Aymara indigenous groups predominate) than in the wealthier eastern lowlands, sometimes called the *Media Luna* (Half Moon) states of Beni, Pando, Santa Cruz, and Tarija (see **Figure 1**).

Drug Policy

The coca leaf has been used for thousands of years by indigenous communities in the Andean region for spiritual and medical purposes, and its use is considered an important indigenous cultural right. In 2013, the United Nations accepted Bolivia's petition for recognition that it allows coca cultivation for licit uses within its borders. The coca leaf is also a primary component of cocaine, an illicit narcotic. Unlike past Bolivian governments, which sought to criminalize coca production, President Morales and the MAS developed a “coca yes, cocaine no” policy for Bolivia that permits each family to produce one *cato* (1,600 square meters) of coca to be used for traditional uses, but any coca grown beyond that is subject to eradication. The policy seeks to (1) recognize the positive attributes of the coca leaf; (2) commercialize coca for licit uses; (3) continue “rationalization” of coca (voluntary eradication) in the Chapare and extend it to other regions; and, (4) increase interdiction of cocaine and other illicit drugs at all stages of production.

Proponents of the “coca yes, cocaine no” policy argue that it is a culturally sensitive approach to coca eradication that is widely accepted in Bolivia. They assert that Morales' experience as a coca grower has enabled him to negotiate agreements with producers in regions where prior governments were unable to limit coca cultivation.¹⁴ Critics of Morales' coca policy argue that it is based on the false premises that traditional demand for coca exceeds the current legal threshold of 12,000 hectares, and that there are viable markets outside Bolivia for licit coca-based products. A 2013 study funded by the European Union reportedly found that Bolivia needs some 14,700 hectares to meet traditional demands for coca, but produces more than 25,000 hectares.¹⁵ According to U.S. estimates, coca cultivation in Bolivia declined by 4,000 hectares between 2009 and 2012. In 2012, estimated coca cultivation in Peru was twice that of Bolivia and estimated coca cultivation in Colombia was three times that of Bolivia.¹⁶

¹⁴ Kathryn Ledebur and Coletta A. Youngers, “From Conflict to Collaboration: an Innovative Approach to Reducing Coca Cultivation in the Andes,” *Stability: International Journal of Security and Development*, March 2013.

¹⁵ “Study Suggests Limits for Bolivia's Legal Coca Cultivation,” *Agence France Presse*, November 13, 2013.

¹⁶ The White House, Office of National Drug Control Policy, “Coca in the Andes,” available at <http://www.whitehouse.gov/ondcp/targeting-cocaine-at-the-source>.

Economy is Expanding, but Social Challenges Remain

The way that Bolivia is perceived by international investors contrasts markedly with the way its macroeconomic and fiscal policies have been evaluated by economists from the leading multilateral development institutions. Bolivia ranks 167th out of 189 countries evaluated in the World Bank's 2013 *Ease of Doing Business* report and third from the bottom (behind Haiti and Venezuela) among Latin American and Caribbean countries. Summing up several other investment climate rankings, the State Department maintains that Bolivia receives a "low ranking" due, in part, to its official corruption, social unrest, expropriations of private companies, and questionable commitment to international dispute settlement.¹⁷ Nevertheless, the World Bank has praised Bolivia's economy, which is driven by state-centered policies and fueled by commodity exports, for its positive macroeconomic results, declining public debt, and increasing international reserves.¹⁸ The International Monetary Fund (IMF) has found that solid economic performance, prudent fiscal policy, and "active social policies since the mid-2000s have helped Bolivia to nearly triple income per capita and reduce poverty."¹⁹

Despite its recent economic expansion, Bolivia remains among the poorest countries in South America and one of the most unequal countries in the Western Hemisphere. Bolivia ranked 108th out of 187 countries in the U.N. Development Program's 2012 human development index. Bolivia has one of the lowest life expectancies in the region (67), as well as some of the highest maternal and child mortality rates. These indicators are much worse in indigenous and rural communities, due to a continued lack of access to sanitation and health services. Progress has been made in some critical areas, however. For example, according to the Pan American Health Organization (PAHO), access to treated drinking water stood at 50% in rural areas as recently as 2007.²⁰ In 2012, 79% of the population had access to clean water.²¹

October 2014 Presidential and Legislative Elections

Like other populist leaders in Latin America, Evo Morales is seeking to extend his time in office rather than entrusting his legacy to a successor such as, for example, Vice President Alvaro García Linera. Morales backtracked on an earlier pledge not to run for a third term after a controversial Constitutional Court decision in May 2013 cleared him to compete in the October 2014 presidential elections.²² Although the 2009 constitution established a two-term limit for Bolivian presidents, the Constitutional Court ruled that President Morales is exempted from that limit due to the fact that he is technically serving his first term under the new constitution.²³

Polls predict that President Morales will be easily re-elected. In a poll from mid-February 2014, Morales had 46% of the vote. His closest rivals were Samuel Medina, a cement magnate, with

¹⁷ U.S. Department of State, *2012 Investment Climate Statement – Bolivia*, June 2012.

¹⁸ World Bank, *op. cit.*

¹⁹ International Monetary Fund (IMF), "IMF Executive Board Concludes 2013 Article IV Consultations with Bolivia," press release, February 10, 2014; William Neuman, "Turnabout in Bolivia as Economy Rises from Instability," *New York Times*, February 16, 2014.

²⁰ Pan American Health Organization (PAHO), *Health in the Americas*, 2012.

²¹ U.N., March 2014.

²² "Court Allows Morales to Run for Re-election," *Economist Intelligence Unit (EIU)*, May 1, 2013.

²³ *Ibid.*

13.4% support, and Governor Rubén Costas, with 9% support.²⁴ Some analysts doubt that any opposition candidate from the *Media Luna* stands a chance at defeating President Morales.²⁵ For instance, none of the opposition candidates have thus far been able to capitalize on popular protests that forced the Morales Administration to back away from pushing the Congress to enact a new mining code.²⁶

Bolivia is also scheduled to convene legislative elections in October 2014. There are 60 Senate seats and 130 Chamber of Deputies seats up for election. Some predict the opposition could prevent the MAS from winning a majority in the Senate, where each province holds four seats.²⁷

U.S. Relations

From the late 1980s through the mid-2000s, U.S. relations with Bolivia centered largely on controlling the production of coca leaf and coca paste, much of which was usually shipped to Colombia to be processed into cocaine. In support of Bolivia's counternarcotics efforts, the United States provided significant interdiction and alternative development assistance, and forgave all of Bolivia's debt for development assistance projects and most of the debt for food assistance. Bolivia, like Peru, had been viewed by many as a counternarcotics success story, with joint air and riverine interdiction operations, successful eradication efforts, and some effective alternative development programs. Others, however, view the forced eradication policies that U.S. antidrug efforts emphasized as a social and political disaster that fueled popular discontent, worsened Bolivia's chronic instability, and contributed to human rights violations.

Prior to the December 2005 elections, most analysts predicted that a Morales victory would complicate U.S. relations with Bolivia. After the election, U.S. State Department officials congratulated Evo Morales but noted that "the quality of the relationship between the United States and Bolivia will depend on what kind of policies they [Morales and the MAS government] pursue."²⁸ Despite an initial openness to dialogue, U.S.-Bolivian relations became tense soon after President Morales took office. U.S. officials expressed concerns about the Morales government's commitment to combating illegal drugs, its ties with Venezuela and Cuba, and its nationalization of Bolivia's hydrocarbons industry. Tensions in U.S.-Bolivian relations flared during the fall of 2007 as Bolivian authorities (including President Morales) complained that some U.S. assistance was going to support opposition groups seeking to undermine the MAS government.²⁹ In 2008, U.S.-Bolivian relations deteriorated from what analysts described as "tenuous" at best in the summer, to extremely tense by the fall.³⁰

U.S.-Bolivian relations hit their lowest point in modern times in September 2008, when President Morales accused the U.S. Ambassador to Bolivia of supporting opposition forces and expelled him from the country. The U.S. government responded by expelling Bolivia's Ambassador to the

²⁴ "Opposition Lacks a Winner," *EIU*, February 26, 2014.

²⁵ Robert Albrow, "Will Bolivia's Half Moon Rise Again?" *AULA Blog*, April 1, 2014.

²⁶ "Mining law is Halted by Protests," *EIU*, April 2, 2014.

²⁷ *EIU*, February 2014, op. cit.

²⁸ Sean McCormack, U.S. State Department Regular News Briefing, December 20, 2005; Interview with Secretary of State Condoleezza Rice on CNN, *Federal News Service*, December 19, 2005.

²⁹ "Morales Puts U.S. Diplomat in Sights," *Washington Times*, November 28, 2007.

³⁰ "As U.S. Presses Drug War, Bolivia is Antagonist and Uneasy Ally," *New York Times*, August 29, 2008.

United States. On September 16, 2008, President Bush designated Bolivia as a country that had failed to live up to its obligations under international narcotics agreements.³¹ That decision was closely followed by the suspension of Bolivia's trade preferences under the Andean Trade Preferences Act (ATPA) for a lack of counternarcotics cooperation.³² On November 1, 2008, Bolivian President Morales announced an indefinite suspension of U.S. Drug Enforcement Administration (DEA) operations in Bolivia after accusing some DEA agents of espionage. The Peace Corps also suspended operations in Bolivia that fall due to "growing instability"³³ in the country and has since closed the program. It is unlikely that the agency would resume operations until and unless the U.S. government has more of a diplomatic presence in the country.

Periodic efforts to repair relations in subsequent years have failed for different reasons. After two years of high-level negotiations, on November 7, 2011, the U.S. and Bolivian governments signed a Framework Agreement to guide relations that said both governments looked forward to the "early return of ambassadors to both Washington and La Paz."³⁴ However, after the United States requested Bolivian approval of a nominee to serve as U.S. Ambassador in La Paz (through the diplomatic procedure known as *agrément*) in November 2012, the Bolivian government leaked the name of the U.S. nominee to the press. President Morales then said in February 2013 that he no longer had an interest in exchanging Ambassadors.³⁵

Two events that occurred in 2013 resulted in the end of most, if not all, U.S. foreign aid to Bolivia. In May 2013, President Morales asked the U.S. Agency for International Development (USAID) to end its operations in Bolivia after 52 years in the country. He claimed that USAID had funded opposition forces that had sought to undermine his government, charges that USAID vigorously denied.³⁶ As USAID began shutting down its operations, the State Department decided to close its International Narcotics and Law Enforcement Affairs office in Bolivia in December 2013 due to a lack of adequate cooperation from Bolivian authorities.

Another source of tension in the relationship has been the case of New York flooring contractor Jacob Ostreicher, who launched a rice farm in Bolivia in 2008. The Bolivian government arrested Mr. Ostreicher on suspicion of money laundering in June 2011, imprisoned him for 18 months in what was termed pre-trial detention, and then placed him under house arrest even though he was never formally charged with a crime.³⁷ Several Bolivian officials in the Interior Ministry and Attorney General's Office reportedly were jailed for allegedly attempting to extort Ostreicher in exchange for his release. Corruption and inefficiency in Bolivia's judicial system has been identified as a serious human rights problem in the country.³⁸ Congress held multiple hearings

³¹ Bolivia has been designated as "failing to live up to its obligations under international narcotics agreements" every year since FY2008.

³² For background, see CRS Report RS22548, *ATPA Renewal: Background and Issues*, by (name redacted).

³³ "Peace Corps Temporarily out of Bolivia," *CNN*, September 16, 2008.

³⁴ U.S. Department of State, "Joint Statement by the United States of America and the Plurinational State of Bolivia," press release, November 7, 2011, <http://www.state.gov/r/pa/prs/ps/2011/11/176749.htm>

³⁵ Iván Paredes, "EEUU Propone a James Nealon Como su Embajador en La Paz," *La Razón*, January 8, 2013. Email from State Department official, April 3, 2014.

³⁶ Carlos Valdez and Frank Bajak, "Bolivia's Morales Expels USAID for Allegedly Seeking to Undermine Government," *AP*, May 1, 2013.

³⁷ Hannah Stone and Elyssa Pachico, "Jailing of US Citizen Uncovers 'Corruption Network' in Bolivia," *Insight Crime*, January 4, 2013; William Neuman and Joseph Berger, "Conflicting Tales on How a Brooklyn Businessman Evaded Bolivian Custody," *New York Times*, December 17, 2013.

³⁸ U.S. Department of State, *Country Reports on Human Rights Practices for 2013*, February 27, 2014.

pushing for Mr. Ostreicher to be freed;³⁹ he eventually escaped house arrest and returned to the United States in December 2013. The Bolivian government considered Mr. Ostreicher a fugitive. As the United States criticized Bolivia's handling of the Ostreicher case, Bolivia protested the U.S. government's 2012 denial of its request for former President Gonzalo Sánchez de Lozada, currently living in the United States, to be extradited to Bolivia to stand trial for civilian deaths that occurred when he ordered government security forces to respond to violent civilian protests in the fall of 2003.

U.S. Foreign Aid

When Evo Morales took office, Bolivia was among the top recipients of U.S. aid in Latin America. However, assistance levels have been declining since FY2007. Bolivia received \$122.1 million in U.S. assistance in FY2007, including \$66 million in counternarcotics assistance for robust interdiction and alternative development programs. Other goals of U.S. assistance in Bolivia included promoting economic opportunities, particularly for indigenous groups; combating malaria and other illnesses while also strengthening and decentralizing healthcare provision; and providing support for justice reform and for regional and municipal governments.⁴⁰ Since many of the regional governments were controlled by opposition parties, President Morales came to oppose USAID's regional and municipal government strengthening programs.

As a result of President Morales' decisions to expel the U.S. Ambassador, DEA, and USAID, U.S. assistance to Bolivia fell from \$99.7 million in FY2008 to \$5.2 million in FY2013 and to zero in FY2014. The FY2015 budget request does not include any funding for Bolivia. Although other donors, such as the European Union (EU), support development assistance, health, and alternative development programs in Bolivia, they have not traditionally provided the same types of surveillance and interdiction programs that the U.S. government supported through the State Department and DEA. The EU has recently begun to fund interdiction with the construction of a base in Yapacani, Santa Cruz, for Bolivian antidrug forces, as well as a program to improve Bolivian border controls.⁴¹

Table I. U.S. Bilateral Assistance to Bolivia: FY2008-FY2015

(in millions of dollars)

Account	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (est.)	FY2015 req.
DA	26.6	42.8	35.2	10.4	7.0	0.0	0.0	0.0
GHP (USAID)	16.9	16.8	16.9	16.4	14.1	0.0	0.0	0.0
ESF	16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INCLE	30.1	26.0	20.0	15.0	7.5	5.0	0.0	0.0
IMET	0.2	0.2	0.4	0.2	0.2	0.2	0.0	0.0

³⁹ U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Africa, Global Health, Global Human Rights and International Organizations, *Advocating for American Jacob Ostreicher's Freedom after Two Years in Bolivian Detention*, 113th Cong., 1st sess., May 20, 2013.

⁴⁰ U.S. Department of State, *Congressional Budget Justification for Foreign Operations*, FY2007.

⁴¹ CRS electronic correspondence with Kathryn Ledebur, Andean Information Network, on April 16, 2014.

Account	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (est.)	FY2015 req.
P.L. 480 (Food Aid)	8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	99.7	85.9	72.5	41.9	28.8	5.2	0.0	0.0

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations FY2019-FY2015*.

Notes: DA = Development Assistance; GHP = Global Health Program; ESF = Economic Support Fund; INCLE = International Narcotics Control and Law Enforcement; IMET = International Military Education and Training; FMF = Foreign Military Financing.

Counternarcotics

On September 13, 2013, President Obama identified Bolivia as a major drug producing country that had “failed demonstrably” to make sufficient efforts to meet its obligations under international counternarcotics agreements for the sixth consecutive year.⁴² The U.S. determination was made despite the fact that Bolivia reported eradicating over 10,000 hectares of coca in 2012⁴³ and that official U.S. estimates for coca cultivation and potential cocaine production in Bolivia showed decreases of 2% and 18%, respectively, for 2012 as compared to 2011.⁴⁴

Arguments used to justify the determination include Bolivia’s reservation to the 1961 U.N. Single Convention on Narcotic Drugs (allowed by the U.N. in January 2013⁴⁵ but opposed by the United States) recognizing coca leaf chewing as legal in the country, Bolivia’s failure to prevent coca produced for licit uses from being diverted into illicit markets, and its inability to convict individuals accused of drug trafficking. The U.S. determination was vigorously rejected by the Bolivian government.⁴⁶

Trade

Bolivia is not a major U.S. trade partner; two-way trade totaled just over \$2 billion in 2013.⁴⁷ Bolivia’s largest export by far is natural gas, with the bulk of that destined for neighboring Brazil and Argentina. Bolivian exports to the United States in 2013 consisted mainly of precious metals and stones followed by tin and related products. Although the United States is not Bolivia’s primary export market, it does rank just behind Brazil and ahead of China as a source for Bolivian imports. In 2013, top Bolivian imports from the United States included heavy machinery, electronics, and vehicles.

⁴² White House, Office of the Press Secretary, “Presidential Determination—Major Drug Transit and Drug Producing Countries for FY 2014,” press release, September 13, 2013, available at <http://www.whitehouse.gov/the-press-office/2013/09/13/presidential-determination-major-drug-transit-and-drug-producing-countries>.

⁴³ U.S. Department of State, *International Narcotics Control Strategy Report (INCSR)*, vol. 1, March 2013, available at <http://www.state.gov/j/inl/rls/nrcrpt/2013/vol1/204049.htm>.

⁴⁴ The White House, Office of National Drug Control Policy (ONDCP), *Coca in the Andes*, available at <http://www.whitehouse.gov/ondcp/targeting-cocaine-at-the-source>.

⁴⁵ “Morales on Legal High,” *Latin News Daily Report*, January 14, 2013.

⁴⁶ “Presidential Condemnation of Venezuela and Bolivia Elicits Strong Response,” *Just the Facts*, September 17, 2013.

⁴⁷ Trade data is from Global Trade Atlas.

From 1991 through 2008, Bolivia received U.S. trade preferences under the Andean Trade Preference Act (ATPA; Title II of P.L. 102-182). The purpose of ATPA was to promote economic growth in the Andean region and to encourage a shift away from dependence on illicit drugs by supporting legitimate economic activities. ATPA encouraged some limited textile and jewelry production in Bolivia. As previously stated, Bolivia's ATPA benefits were suspended in 2008 due to its lack of counternarcotics cooperation with the United States. The effects of that suspension on the Bolivian economy as a whole have been small because exports under ATPA accounted for a small percentage of Bolivia's GDP. A majority of Bolivia's textile exports are now destined for Venezuela.⁴⁸

Outlook

Economists predict that Bolivia is likely to enjoy steady economic growth averaging roughly 4% in the coming years (2015-2018). Even if prices or demand for its commodity exports were to fall, neither of which is likely, Bolivia's significant reserves should cushion its economy from economic shocks. Economic growth and improving social indicators should enable President Morales and the MAS to continue dominating the Bolivian political system for the foreseeable future, despite periodic protests from disgruntled interest groups.

With presidential elections expected to be held in October, the Morales government is unlikely to make overtures to improve relations with the United States. At the same time, none of the issues that usually draw U.S. interest to particular Latin American countries—proximity, counternarcotics concerns, or trade—are particularly salient with Bolivia. Bolivia is a landlocked country in South America that supplies only 1% of U.S. cocaine⁴⁹ and whose primary trade partner is Brazil. And, although Bolivia is a member of the nine-member Venezuelan-led Bolivarian Alliance of the Americas (ALBA), it does not possess the same ambitions to serve as a regional counterweight to the United States as Venezuela.

Nevertheless, there is always a chance that President Morales could change his mind regarding a desire to improve relations with the United States and eventually exchange Ambassadors. He reportedly expressed a willingness to do so within an environment of “mutual respect” during a meeting with a recent U.S. Senate delegation to Bolivia.⁵⁰ It remains to be seen what type of conditions either government might place on efforts to improve relations.

Author Contact Information

(name redacted)
Specialist in Latin American Affairs
[redacted]@crs.loc.gov, 7-....

⁴⁸ “Shifting Sands,” op. cit.

⁴⁹ U.S. Department of State, *International Narcotics Control Strategy Report (INCSR)*, vol. 1, March 2013, available at <http://www.state.gov/j/inl/rls/nrcrpt/2013/vol1/204049.htm>.

⁵⁰ “Presidente y Senadores de EEUU Buscan Mejorar Relaciones Bilaterales de Respeto Mutuo,” *ABI*, March 20, 2014.

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

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 permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

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' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.