

**“U.S.-Bolivia Relations: Looking Ahead”**

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### **Jaime Daremblum, Ph.D.**

Mr. Chairman, Ranking Member Mack, and distinguished Members of the Subcommittee:

I am honored to be speaking with you today on the topic of U.S. relations with Bolivia.

Since the election of President Evo Morales in December 2005, those relations have steadily deteriorated. Meanwhile, political polarization and ethnic tensions in Bolivia have increased substantially. Bolivia suffers from extremely high levels of poverty and inequality, and is divided sharply along racial and geographic lines. Economic disparities, cultural resentments, and repeated attacks on democracy by the Morales government have turned Bolivia into a bubbling cauldron of instability. Morales seems to be copying the authoritarian leftism of Venezuelan President Hugo Chávez. His policies have triggered political violence and raised the specter of large-scale turmoil.

A landlocked country in the heart of South America, Bolivia has long been a fractured society. Indeed, it is really two societies, one consisting of poor indigenous Bolivians, who are concentrated in the western highland Departments, the other made up of mixed-race *mestizos* and whites, who dominate the eastern lowland Departments. Eastern Bolivia is the more prosperous region and serves as the country's economic engine, even though most Bolivians live in the west. A majority of the population is indigenous. Morales is the first Indian to ever be elected president.

Bolivia is the poorest country in South America, and the overwhelming majority of its poor citizens are Indians. Before he became president, Morales was a coca farmer and union boss who clashed with business leaders and landowners. Those battles often pitted impoverished rural Indians against wealthier *mestizos* and whites. Bolivia's richest Department is Santa Cruz, in the east. Its poorest Department is Potosí, in the southwest. With a relatively conservative urban middle class, Santa Cruz has become a stronghold of the anti-Morales political opposition. The inhabitants of rural Potosí, by contrast, have been firmly pro-Morales.

Bitterly divided along racial, economic, and geographic lines, Bolivia desperately needs a true national leader who can repair its many rifts. Unfortunately, Morales is not that type of leader. When he was first elected in 2005, the former coca grower boasted fairly broad support across different racial and economic groups. Yet he has pursued discriminatory and exclusionary policies designed to benefit Bolivia's Indians at the expense of its *mestizos* and whites. Morales has made no serious effort to bridge the country's severe social gaps; in fact, he has done quite the opposite. He has also eroded Bolivia's democratic institutions and attempted to reduce both the political and economic power of its wealthy eastern Departments. Morales has nationalized a significant portion of the Bolivian economy, including the energy sector, and is seeking to implement a far-

reaching land redistribution agenda. The result is that Bolivia today is more divided and more polarized than it was when he first took office (**See Annex I**). Corruption is widespread, and the government's socialistic economic initiatives have spooked foreign investors.

Morales has embraced a political model that thrives on conflict, confrontation, and bullying. Much like Hugo Chávez, he uses anti-Americanism as a political tool and spins wild conspiracy theories about the United States. In September, Morales expelled the U.S. ambassador, whom he accused of stoking Bolivian separatism. In November, Morales demanded that the U.S. Drug Enforcement Administration (DEA) cease its operations in Bolivia. The DEA completed its exit from Bolivia in late January.

Before leaving office, President George W. Bush responded to Bolivia's lack of cooperation with anti-drug efforts by suspending its privileged trade status under the Andean Trade Preference Act (ATPA) and Andean Trade Promotion and Drug Eradication Act (ATPDEA). Both the ATPA and ATPDEA require that beneficiary countries provide a certain level of assistance to U.S. counternarcotics activities. The Bush administration was justified in suspending Bolivia's trade benefits, although its decision will have a considerable economic impact on the South American country and has been used by Morales for domestic propaganda purposes.

In 2007, according to the U.S. International Trade Commission, U.S. imports from the ATPA countries represented only 1.1 percent of total U.S. imports, and imports from Bolivia accounted for just 1.2 percent of imports under the ATPA. Meanwhile, U.S. exports to the ATPA countries represented a mere 1.4 percent of all U.S. exports, and exports to Bolivia accounted for less than 2 percent of exports under the ATPA. But from Bolivia's perspective, "The United States is a main trading partner and one of Bolivia's largest foreign investment sources."

In other words, ATPA trade preferences mean much more to Bolivia than they do to the United States. Before those trade preferences are restored, the Obama administration should insist that the Morales government agree to a minimum level of anti-drug cooperation. After all, this is what diplomatic engagement is for. I generally do not favor trade sanctions, but this is a special case. The terms of the ATPA and ATPDEA are quite clear. Bolivia should not be given a free pass. It is the world's third-largest coca producer, and is a key front in the war on drugs.

U.S. interests in Bolivia go beyond counternarcotics programs. The country has huge deposits of natural gas, and under Morales it has boosted strategic ties with Iran, partly to aid the development of its energy sector. At a time when Tehran is expanding its influence across Latin America, its emerging partnership with Bolivia is worrying. U.S. Defense Secretary Robert Gates recently told the Senate Armed Services Committee that he is "concerned about the level of, frankly, subversive activity that the Iranians are carrying on in a number of places in Latin America, particularly South America and Central America." There is evidence that Iran's warm relationship with Hugo Chávez, the chief patron and ally of Morales, has allowed the Iranian-backed terrorist group

Hezbollah to establish a presence in Venezuela. The Bolivia-Iran connection should not be overblown, but it should be monitored intently.

What about preserving Bolivia's democracy and bolstering its democratic institutions? The U.S. government has limited leverage over the country's internal politics, especially given the pro-Chávez leftism of Morales and his penchant for stirring up anti-American passions. In its diplomatic efforts to shore up Bolivian democracy and build civil society, the United States should work closely with democratic governments from Europe and South America. It should also promote economic freedom and a more favorable business climate in Bolivia. In its latest rankings of the best business climates around the globe, the World Bank ranks Bolivia 150th out of 181 economies. The only countries in Latin America and the Caribbean that rank lower are Haiti and Venezuela.

The U.S. should also address the plight of the poorest in Bolivia by supporting bona fide NGO's working with the National Endowment for Democracy (NED). This would help a great deal to dissipate the notion among the Indians, nurtured by President Morales, that the U.S. is their enemy.

A final point: Thus far, President Obama has disappointed those who hoped he would move aggressively to boost U.S. engagement with the Western Hemisphere. Iran, Russia, China—all these countries are working to strengthen relations with Latin America. If the United States does not make its own hemisphere a priority, it risks losing influence there. That would be bad for the United States, and bad for Latin America.

Thank you very much.