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# **Bolivia's Descent into Deep Chaos and the Implications for the Region**

*R. Evan Ellis | November 20, 2023*



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The resource rich, land-locked South American nation of Bolivia has traditionally received limited attention from Washington. The country, historically mired in poverty, corruption, and cycles of political conflict is one of the hemisphere's major sources for coca and illegally mined gold, as well as a transit

and Luis Arce have made the country an important point of entry into the hemisphere for extra-hemispheric U.S. rivals including the [People's Republic of China](#), [Russia](#), and [Iran](#).

In recent weeks, a power struggle has emerged for [control of the MAS](#) between current President Luis Arce and former President Evo Morales. This has implications for the stability of the country as it plays out in the context of crosscutting political rivalries, economic difficulties, and a significant criminal economy with competing interests. This work examines the deteriorating situation in Bolivia and the potential implications for the region.

### **Mutually Reinforcing Malign Dynamics**

At the heart of Bolivia's current crisis is the mutually reinforcing nature of expanding criminality, endemic corruption, economic collapse, and political struggle.

Bolivia's current political struggle between President Arce and former President Morales reflects the shifting relative importance of multiple cleavages. It is also fueled by, and impacts economic problems and interests, including competing interests in the criminal economy. After [credible allegations of fraud](#) in his fourth-term bid, President Evo Morales was [ousted](#) in November 2019. With the [victory](#) of his former economy minister, Luis Arce, in the October 2020 elections, Morales' Movement for Socialism (MAS) returned to power. This paved the way for a political battle between Morales and Arce and the interests they represent.

During the prior 17 years in which Morales had ruled the country and the MAS dominated its politics, Bolivia's primary political struggle had been between Evo's coalition of indigenous and others in the country's Western highlands. These groups were generally aligned with the MAS and the lighter-skinned peoples of the more prosperous economy of the Eastern lowland *Media Luna* Departments, although there was diversity and cross-cutting interests in both camps. That conflict, repeatedly fought over control and the distribution of national resources, almost led the country to civil war in 2008. According to Bolivians consulted for this work, key *Media Luna* elites ceded in that crisis to the MAS, in exchange for to pursue economic interests within their subnational domains.

In the 2019 crisis that forced Morales' resignation, divisions within the MAS over the attempt to rig the election and fatigue with endemic corruption in his government, combined with the resignation of multiple leaders in the presidential line of succession, put power temporarily in the hands of *Media Luna* elites through the transitional government of Senator Jeanine Anez.

In the minds of many Bolivians, the Anez government exceeded its transitional mandate through criminal investigations and prosecutions of Morales' allies and significant changes to the policies of the country. Many Bolivians also looked critically on Anez running in the October 2020 election, breaking a

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Bolivian center and right. Due to such issues, voters returned the MAS to power in October 2020, represented in the new election by technocratic former Economy Minister Luis Arce. Arce seemed more moderate than Morales, and represented a new generation of reformist politicians such as Senator Eva Copa, who seemed more “democratic” and less corrupt.

Almost immediately upon recapturing power, the new Arce government repaid the transitional government’s investigations and prosecutions of MAS elites. This meant pursuing criminal actions against former President Anez and her allies. In June 2023, President Anez was sentenced to 10 years in prison.

The attempt by a weakened MAS to re-assert control over the country’s resources and opponents played out in a new round of struggles with the *Media Luna* departments. This included major strikes and road blockages in October 2022 over a delay by the MAS-controlled national government in conducting a census widely expected to increase the number of Congressional seats and allocation of national resources to *Media Luna* states. The protests largely subsided following the December 2022 imprisonment of Santa Cruz governor Luis Camacho, and a commitment by the Arce government to conduct the delayed Census in March 2024, in time to impact the allocation of Congressional seats in the 2025 elections. Protests impacting food supply and other economic activity could erupt again in *Media Luna* if the MAS government delays the census again.

In 2023, as Arce consolidated his powerbase through such victories, Evo Morales increasingly sought to reassert control over the MAS party in a fight which pitted Morales’ union, political, and arguably criminal networks against Arce’s control of the Bolivian state and its institutions and resources. The

Presidency under the MAS banner in 2025. When Arce failed to yield the Party to him, Evo convoked an irregular meeting of MAS loyalists in Cochabamba the following month. There, the pro-Evo faction declared that Arce and his Vice-President David Choquehuanca had “self-expelled” themselves from the party for not attending the meeting of the ruling party they had convened.

## **The Economic Crisis**

Bolivia’s ongoing political crisis has impeded effective decisions about the economy, which has continued to deteriorate, contributing to political mobilizations which further undercut it. The fall 2022 strike over the delayed census substantially impacted food deliveries from *Media Luna* states and other economic activity. The production of natural gas, whose export was once the primary funding source for the country’s patronage politics, has declined since 2014 from mismanagement and underinvestment. With the loss of income from gas exports, Bolivia’s foreign currency reserves have fallen from USD 15 billion to zero after the country sold off the last of its gold reserves, hampering the ability to obtain dollars for imports.

Compounding such problems, the country has been hit by drought and record high temperatures, damaging agricultural production and sparking wildfires in the Bolivian Amazon. Lake Titicaca, among other bodies of water, has fallen to record low levels. Residents of La Paz’ high elevation suburb of El Alto only get water sporadically during the day.

because growth for 2023 was only expected to be at 2.2 percent, it could not pay the traditional end of year bonus for government workers.

## **Bolivian Criminal Dynamics**

As institutions with deep-rooted cultural ties and economic interests, cocaine and artisanal mining have merged with corrupt, ineffective governments on both the right and left, giving rise to a criminal economy that penetrates the Bolivian State and society at all levels.

Bolivia is both a source country for cocaine, as well as a transit country for the drug produced in Peru and smuggled to Brazil, Argentina, and Uruguay toward markets in Europe. Brazil's major transnational drug organization, the First Capital Command (PCC) and Red Command (CV), both operate in Bolivia to manage the flow of cocaine through the country. Although the 29,000 hectares of coca under cultivation reported by the United Nations Office of Drug Control pales in comparison to the 230,000 hectares estimated under cultivation in Colombia, Bolivia's production rose 84 percent between 2015 and 2021 before plateauing. This growth indicates mounting resources are available to criminal groups through drug production. Bolivia has also increasingly become the site of laboratories where coca is processed into cocaine.

With respect to illegal mining, Bolivia is not only a source country, but Bolivian sites are frequently used to launder gold smuggled from Peru. In 2022, gold became Bolivia's most important export, with

The Bolivian government of Luis Arce has increasingly pursued criminal operations in both sectors. In June 2023, government operations destroyed 27 illegal dredging vessels on the *Madre de Dios* river near the Peruvian border, generating protests by locals whose interests were affected. There have been 1,804 raids on drug labs since 2020. In the coca growing region of Chapare, the base of support of Evo Morales, the government's Special Force to Fight Drug Trafficking (FELCN) has raided 27 raids mega-labs in 2023 alone. Similarly, in the context of limited legally-permitted regulated coca growing, the perceived disproportionate targeting of the non-government Aligned Coca Growing Association (ADEPCOCA) in Yungas is seen as Arce using the State to attack his rival Evo Morales' base in the illicit economy.

## **Implications for the Region**

The outcome of Bolivia's current political struggle will impact the region, and the hemisphere, in multiple ways. At the local level, the radicalism of politically-mobilized supporters of Evo Morales in the Western highlands is linked, for some, to their co-nationals on the Peruvian side of the border, in an area which is also a major transit route and hub for criminal mining and cocaine economies. Following major protests on the Peruvian side of the border in January 2023, the Peruvian government of Dina Boullarte banned Morales from the country. As the Morales-Arce struggle expands, political mobilization on the Bolivian side could further destabilize the delicate situation in Peru.

With respect to extra-hemispheric actors, Bolivia has increasingly become a host for Chinese-based



iron mining in the Department of Santa Cruz. Most recently, the Arce government committed to a USD 1.4 billion lithium extraction and processing deal with Chinese battery maker CATL, another USD 857 million deal with Citic Gouan, plus a USD 600 million deal with Russia's Uranium One. The MAS government is also contracting Russia to build a nuclear research reactor. In July 2023, the Arce government signed a security agreement with Iran, possibly including the supply of drones and other military hardware. Analysts consulted for this work believe the agreement may have been related to Bolivia's breaking of diplomatic relations with Israel in November 2023.

The unfolding crisis in Bolivia involves the stability and strategic posture of the country literally at the heart of South America. This turning point also has implications on the future access of Washington's extra-hemispheric rivals, namely China, Russia, and Iran. With distant, mutually reinforcing global crises elsewhere, Washington's resources and attention are in ever shorter supply, but Bolivia needs to at least be on its radar screen.

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