

Bolivia's Lithium Strategy After Elections: Nationalism or Dependence?

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Lithium mine in Bolivia

A New Government and an Old Problem

The Plurinational State of Bolivia ang in 2026 with a new president and a prize few countries can match: one of the planet's largest lithium reserves. Rodrigo Paz took office on 08 November 2025 after defeating former President Jorge Quiroga in the run-off that closed nearly twenty years of Movement Towards Socialism (MAS) rule and opened the door to a more market-oriented economic era. According to Reuters' report from 11 August 2026, Paz's government is preparing an Investment Law that would reduce taxes and royalties for private investors and reduce state control over sectors including energy and mining, marking a decisive break from the state-led economic model associated with former President Evo Morales, known as Modelo Económico Social Comunitario Productivo (MESCP) (Reuters, 2026).

Lithium sits at the heart of this shift, since Bolivia holds an enormous resource base it has so far struggled to convert into a functioning industry. The United States Geological Survey's 2025 Mineral Commodity

Summaries identifies Bolivia as having approximately “23 million” metric tonnes of “measured and indicated lithium resources,” much of it located in the Salar de Uyuni (U.S. Geological Survey, 2025). This scale gives the country significant potential as global lithium demand continues to climb (U.S. Geological Survey, 2025).

The International Energy Agency’s (IEA) 2025 lithium analysis explains why that potential now matters more than ever. Global lithium demand rose in 2024, propelled by electric vehicles, batteries and other clean-energy technologies. The IEA warns that the supply chains for the mineral remain “geographically concentrated” in a small number of countries (International Energy Agency, 2025). Looking ahead, the agency projects that under its Stated Policies Scenario, lithium demand will roughly quintuple by 2040 (International Energy Agency, 2025).

For Bolivia, however, possessing the resource is only the first step. The country has a long history of exporting raw materials while foreign firms and international markets captured much of the value generated from extraction (Carpanese et al., 2024). Morales’s lithium policy set out to break that pattern – an ambition examined in more detail below.

Claudia Carpanese, Gertrude Saxinger and Emma Wilson situate this strategy within Bolivia’s broader push for “resource nationalism,” noting that official narratives cast lithium as clean, forward-looking, and tied to a decolonial vision for the nation’s future (Carpanese et al., 2024). Lithium was thus framed not as another commodity to export, but as a chance to reshape Bolivia’s place in the global economy. Paz’s more open investment model could accelerate development, but it also risks recreating Bolivia’s historical dependence on external capital and technology. The central question, taken up across the sections that follow, is whether foreign investment can strengthen Bolivia’s economic sovereignty by building domestic technology, industrial capacity and bargaining power or whether outside companies will retain control over the most valuable parts of the supply chain.

Even so, Bolivia struggled to achieve the industrial production needed to make this vision practical. Production delays and limited access to capital and technology pushed the country towards foreign partnerships, creating a tension between maintaining state control and acquiring the capabilities needed to develop the resource. Paz’s more open investment model could accelerate development, but it also risks recreating Bolivia’s historical dependence on external capital and technology. The central question is whether foreign investment can strengthen Bolivia’s economic sovereignty by building domestic technology, industrial capacity and bargaining power or whether outside companies will retain control over the most valuable parts of the supply chain.

1. Resource Nationalism as an Industrial Strategy

Bolivia's lithium policy aimed not at maximising state ownership for its own sake, but at repositioning the country within the global economy. Martín Obaya's research notes that Morales set in motion an ambitious programme of radical resource nationalism starting in 2008 (Obaya, 2021). Through Yacimientos de Litio Bolivianos (YLB), the Morales government kept the state at the centre of extraction while working toward domestic processing and higher-value lithium products, a strategy consistent with resource nationalism's broader aim of channelling natural resources toward national benefit (Obaya, 2021).

The flaw in this approach was that ownership alone did not generate the capabilities needed to industrialise. Bolivia eventually retreated from its radical position, growing more willing to partner with foreign companies and governments (Obaya, 2021). This experience lays bare a fundamental limit of resource nationalism: controlling a resource does not automatically mean controlling the economic value it generates. Absent capital, technology and expertise, state ownership can safeguard sovereignty in theory while leaving a country with little real industrial power.

2. The Gap Between Ownership and Partnership

This gap became evident as Bolivia failed to reach commercial production while Argentina and Chile pulled further ahead. Youssef Al Bouchi and Brett R. Caraway observe that Bolivia's state-led extraction had progressed little beyond pilot plants and had yet to reach commercial scale at the time of their publication, pointing to financial and technical barriers as the cause (Al Bouchi & Caraway, 2024). This indicates that the original strategy's central weakness lay not in state ownership itself, but in the failure to translate that ownership into industrial capacity. Bolivia held control over the resource yet lacked sufficient power over the production process itself.

Al Bouchi and Caraway also examine how extraction affects communities and ecosystems around the Salar de Uyuni, an area they describe as rich in biodiversity (Al Bouchi & Caraway, 2024). This complicates any argument that faster production alone would strengthen Bolivia's economic standing. A genuinely successful strategy must generate domestic value without relegating environmental and social costs to an afterthought. Foreign investment may bring capital and technology, but it does not eliminate Bolivia's need to control how those resources are used and how the resulting benefits are shared.

3. Foreign Partnerships and the Shift in Strategy

Former President Luis Arce Catacora's agreements with Chinese and Russian companies reveal how Bolivia responded to these constraints. In November 2024, YLB signed a deal with the Chinese CBC consortium to build two direct lithium extraction plants at the Salar de Uyuni. Reuters

reported roughly \$1 billion in planned investment and expected annual production of 35,000 metric tonnes of lithium, with the Bolivian government retaining a 51% stake (Ramos, 2024). A second agreement, with Russia's Uranium One Group, involved approximately \$970 million and targeted annual production of 14,000 metric tonnes of lithium carbonate (Ramos, 2024).

Rather than abandoning resource nationalism, these agreements represent its adaptation. By keeping YLB involved, the state preserved a role for itself while foreign companies supplied the capital and technical capabilities Bolivia lacked (Ramos, 2024). Training, technology transfer and the development of local suppliers could convert this arrangement into lasting domestic capacity, though the terms of the agreements do not guarantee this outcome (Ramos, 2024). In this light, the Arce agreements solve the production problem; whether they also solve the capability problem is a question the next section takes up in relation to Paz's own reforms.

The central issue, then, is what does Bolivia gain from foreign company's participation. Training, technology transfer and the development of local suppliers could convert foreign investment into lasting domestic capacity (Ramos, 2024). Heavy reliance on foreign expertise, by contrast, risks recreating the very dependence the original state-led strategy sought to avoid (Ramos, 2024). In this light, the Arce agreements solve the production problem; nevertheless whether they also solve the capability problem will determine their true contribution to Bolivia's economic sovereignty.

4. What Paz's Election Changes

Paz's election extends this shift further. His government inherited the agreements struck under Arce rather than renegotiating from scratch. In January 2026, Reuters reported that Paz would honour existing lithium and energy deals with Chinese and Russian companies as part of a broader effort to rebuild investor confidence (Machicao & Elliott, 2026).

The proposed Investment Law could make it easier to attract capital and scale up production, tackling the financing shortfalls that hampered the state-led model (Machicao & Elliott, 2026). Analysis from Americas Market Intelligence frames this shift explicitly as a move toward the Chilean and Argentine model, in which private companies operating under clearly defined royalty and tax regimes have driven investment and production (Americas Market Intelligence, 2026). However, Paz's approach also raises the stakes around how bargaining power is distributed between the state and private investors (Machicao & Elliott, 2026). A policy that draws in capital without requiring technology transfer or domestic participation could resolve Bolivia's short-term production problem while entrenching its long-term dependence. Reporting by The Dialogue suggests this risk is not merely hypothetical, pointing to existing concerns over weak institu-

tional oversight at YLB and a lack of transparency in the terms of Bolivia's foreign lithium contracts (The Dialogue, 2025).

This is what makes domestic capacity the real test of Paz's strategy. If foreign investment generates skilled jobs, strengthens Bolivian businesses, transfers technology, and expands local processing, it has the potential to convert foreign capital into greater economic sovereignty (Machicao & Elliott, 2026). But if foreign firms hold on to the most critical technology and technical knowledge, Bolivia could end up producing more lithium while remaining just as dependent on outside actors as before — a dynamic Kathryn Ledebur and Erika Weinthal's research suggests is already visible in the limited consultation and transparency mechanisms built into Bolivia's existing lithium contracts (Ledebur & Weinthal, 2025). Paz has the opportunity to improve on the earlier model — but only if investment is structured around building capability, not simply boosting output.

Conclusion

The evidence examined in this briefing suggests that Bolivia's central problem has never been a shortage of resources or state ambition, rather the difficulty of converting ownership into industrial power. Morales's resource-nationalist model prioritised state control, as Obaya's research demonstrates, yet struggled to achieve commercial production, a shortfall Al Bouchi and Caraway and Carrasco both attribute to financial, technical and institutional constraints (Obaya, 2021 Al Bouchi & Caraway, 2024 Carrasco, 2025). That approach protected state control, yet it never supplied the capital, technology or expertise needed to build a competitive lithium industry. Arce responded by bringing in Chinese and Russian capital and technology through the CBC and Uranium One agreements (Ramos, 2024), and Paz is now expanding the role of private investment still further, a shift Americas Market Intelligence frames as a deliberate move toward the Chilean and Argentine model of private-led development (Americas Market Intelligence, 2026). Relying entirely on foreign companies, however, would trade one problem for another: production might rise, while Bolivia's actual control over the industry would not.

Viewed through the lens of resource nationalism, this progression suggests that Bolivia's real challenge was never a binary choice between the state and foreign companies, rather the search for a balance that allows the state to draw on foreign participation without ceding influence over the industry's development. It also reshapes how economic sovereignty should be measured. Sovereignty cannot be reduced to who owns the lithium resource or holds a majority stake in individual projects; it depends equally on Bolivia's capacity to shape production decisions, negotiate effectively with investors, and retain value within the country. The more capably Bolivian institutions can perform these functions, the stronger

the country's bargaining position becomes within the global lithium industry.

On these terms, the strongest path lies in the strategic use of foreign investment. Paz's more open investment model can help overcome the constraints that limited earlier efforts, provided Bolivia treats that investment as a means of building capabilities rather than an end in itself. This requires judging partnerships not merely by investment size or production targets, rather by their contribution to the country's longer-term industrial development, including the skills, institutions, and infrastructure they leave behind.

Ultimately, Bolivia's lithium strategy will succeed on its own terms only if the country grows more capable as foreign investment grows. Should new projects strengthen domestic institutions, train a skilled workforce, cultivate local suppliers and expand processing capacity, foreign capital can become an instrument of economic sovereignty rather than a source of renewed dependence. Should these changes fail to materialise, Bolivia risks becoming a larger lithium producer without escaping its underlying position: a supplier reliant on capacity and technology it does not control.

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