Bolivia Steps Back from the Abyss

By Ronald Bruce St John | July 15, 2005

Dispensing with three presidents in less than two years, Bolivia enjoys the dubious distinction of being the most politically unstable state in Latin America today. After popular protests in October 2003 forced President Gonzalo Sánchez de Lozada to flee the country, the ousted leader was replaced by then-Vice President Carlos Diego Mesa Gisbert. Initially enjoying an approval rating of over 70%, Mesa eventually agreed to step down in June 2005 in the face of street riots that he feared were leading the country to civil war. He was replaced by Supreme Court President Eduardo Rodríguez Veltzé, after opposition groups rejected the first two officials in the constitutional line of succession, Senate President Hormando Vaca Díez and House Speaker Mario Cossío. Bolivia is now out of wiggle room if caretaker President Rodríguez, the last successor to the post designated in the constitution, fails to convene elections to pick a new president.

The political turmoil coursing through modern-day Bolivia is the product of an intricate mix of ethnic, social, economic, and regional issues. The perceived failure of what has come to be known as the "Washington consensus" on economic policy together with the policies of the George W. Bush administration have helped to polarize an already volatile policy climate. In this context, the election of Rodríguez, outside of buying a little time, changed nothing too dramatic in Bolivia. As the Peruvian weekly *Caretas* rightly observed, the current situation is only a truce. The massive marches have momentarily stopped and the roadblocks are lifted for a time, but the country remains divided between Indians and non-Indians, rich and poor, East and West. And key demands regarding natural gas, constitutional reforms, and regional autonomy have not been resolved.

Ever-present Ethnic and Social Issues

Upon taking office, President Rodriguez immediately pledged to hold early elections while working with Congress to meet the demands of angry citizens, which include the nationalization of the energy sector and the drafting of a new constitution to give the Indian majority more rights. Around 65% of Bolivians are of indigenous descent. In an attempt to restore calm, President Rodriquez quickly met with Indian activists in the opposition stronghold of El Alto, a massive blighted neighborhood high above La Paz. They want him to nationalize the nation's oil and gas industries and to hold early elections.

Evo Morales Ayma, a Quechua Indian and the leader of the *Movimiento al Socialismo* (Movement toward Socialism or MAS), also wants to convene a Constituent Assembly to rewrite Bolivia's constitution to give more power to its indigenous and impoverished majority. His supporters and allies contend that the current constitution was largely written for the social and political elite. Felipe Quispe Huanca, an Aymara Indian, heads the *Movimiento Indígena Pachakuti* (Pachakuti Indigenous Movement or MIP), a political party that competes with Evo Morales' MAS. An Aymaran nationalist, Quispe talks of self-government in the form of an Aymara nation with its own constitution and laws and a communal economic system to replace the capitalist one.

It is in this arena of cultural, ethnic participation that we are seeing something new and different in Bolivia. Indigenous communities are now assuming a more active role in national politics. This represents a fundamental shift; since Bolivian politics well into the last century were largely about elites negotiating among themselves. In the 1951 presidential elections, for example, only some 126,000 votes were cast, representing approximately 5% of the population at the time. Although Bolivian politics is still largely elite-dominated, there is now significantly more indigenous participation.

The Bolivian National Revolution of 1952 granted legitimacy, universal suffrage, and land to the peasants. In so doing, it expanded the number of voters and widened the social and racial composition of the electorate. Organizing along the lines of indigenous identity began in the late 1960s, and native activists won leadership of the major peasant federations in the late 1970s. Since the early 1990s both electoral and nonelectoral mobilization by indigenous organizations has expanded,

as native movements seek to become a dominant, if not the dominant, voice in Bolivian politics. As Herbert S. Klein, director of the Center for Latin American Studies at Stanford University and a noted authority on Bolivia, astutely observed, the new factors in contemporary Bolivian politics are the "demands for new types of representation by Amerindian and regional groups."

Old and New Regional Issues Divide

When conservative senator Hormando Vaca Díez, president of the Senate and thus next in line to succeed Mesa, indicated that he was prepared to assume the presidency, groups representing Indians, agricultural workers, and unions rejected his succession because he represented the Eastern oligarchy. Vaca Díez is a 16-year member of Congress and an agribusinessman from Santa Cruz, a department in the increasingly prosperous lowlands of Bolivia, which have benefited from agricultural exports and the liberalization of the Bolivian economy. Recognizing the seriousness of the situation, outgoing President Mesa warned that the political crisis could plunge the nation into civil war if it was not defused.

Granted, Bolivia is split in two. But the regional conflict, most often conveyed in geographical terms, is better understood as a conflict between rich and poor rather than between East and West. Nonindigenous elites living in Eastern departments, especially Santa Cruz where Bolivia's natural gas is located, are generally prosperous, strongly opposed to nationalization, and insistent on greater control over the benefits of the exploitation of natural resources in their region. Indigenous groups living in these departments are also interested in greater autonomy, but their demands are more driven by concerns for *political* autonomy rather than control over earnings from oil and gas exploitation. The Western departments, where the miners live, are impoverished and demand a Constituent Assembly, immediate presidential elections, and no talk of enhanced regional autonomy.

The largely Indian community in the *altiplano* is too dependent on the economic resources located in the *oriente* to allow Eastern departments like Beni, Pando, Santa Cruz, and Tarija to become autonomous regions, although these Indians support the efforts of native groups in the Eastern region who are struggling for greater political autonomy. Santa Cruz alone attracts approximately 50% of foreign direct investment and generates around 30% of Bolivia's gross national product (GNP). In turn, Tarija contains an estimated 50 trillion cubic meters of natural gas, the second largest reserve in South America. Rumblings of secession have provoked pointed statements from the Bolivian military supporting the territorial integrity of the nation.

The conflicting demands of opposing groups have set the stage for an impasse in the Bolivian Congress. Members supporting greater regional autonomy for the Eastern departments want a decision on this issue before a Constituent Assembly is convened. In turn, proponents of a Constituent Assembly, designed to rewrite the constitution, believe that the process should be concluded before any decision is taken on regional autonomy. The question of timing for general elections only complicates the dialogue. The resulting congressional deadlock prompted *La Razón,* a respected La Paz newspaper, to call recently for Congress to stop "playing" with the fate of the nation and get down to the difficult business of resolving these tough issues.

A Scarcity of Resources

Bolivia is one of the poorest, least developed countries in Latin America, a situation compounded by a highly unequal distribution of available resources. An estimated 64% of the population lives below the poverty line with half the population surviving on less than $2 a day. The bottom 10% of the population consumes only 1.3% of household income while the top 10% consumes 32%. Consequently, a core political issue is the allocation and distribution of the modest economic resources available.

Under President Mesa, the Bolivian Congress passed a law that would have heavily taxed the foreign companies exploiting the nation's huge natural gas fields, the largest in Latin America. But the law was not tough enough for many Bolivians. They are fed up with a history of foreign mining exploitation that has failed to cure the nation's chronic poverty, arguing that the state should retain control of its natural resources. A nationwide poll conducted by the Bolivian firm Captura during the height of the protests in early June 2005 found that over 75% of Bolivians favored nationalization of the hydrocarbon industry.

Washington Consensus

In the wake of what many termed the "lost decade" of the 1980s in Latin America, economists and policymakers at the International Monetary Fund (IMF), World Bank, and U.S. Treasury Department reached a consensus that states like Bolivia were in need of a major restructuring. The so-called Washington consensus

comprised three basic policy initiatives. First, it called for a reduction in the economic role of the state, letting market forces operate with less government intervention or regulation. Second, it urged greater support for the private sector. Latin American governments were encouraged to lift restrictions on foreign capital and sell off state-owned enterprises. Finally, the consensus proposed a fundamental change in trade policy suggesting that states look outward, as opposed to inward, for markets. It was felt that trade policy and privatization would stimulate competition, efficiency, and wider participation in the global economy. In short, the Washington consensus called for the promotion of free market capitalism in Bolivia and elsewhere in Latin America.

The demands of the Washington consensus incorporated a major paradox. The prescriptions therein mandated a reduction in the role of the state, but the successful implementation of those prescriptions called for a powerful state. Economic reform of this magnitude was bound to provoke strong opposition from entrenched groups, and it would take a strong, established state to overcome this opposition. Without assessing the merits of the reforms prescribed by the consensus, the Bolivian state simply lacked the power to implement them. Nevertheless, successive administrations tried to impose consensus prescriptions, in part because Bolivia is a thoroughly penetrated society in which overbearing forces like the IMF, the World Bank, multinational corporations, and the U.S. government wield enormous policy influence.

The popular uprising began around 2000 when a subsidiary of the Bechtel Group raised local water rates in the city of Cochabamba. Asserting that no one has a right to lease the rain, Bolivian peasants eventually defeated the rate hike in a series of demonstrations that marked a shift in the terrain of popular protests. Up to this point, mobilizations had been dominated almost exclusively by poor indigenous communities demanding greater autonomy, inclusion, and access to resources. But the 2000 peasant uprising was a broader, multiclass movement with indigenous organizations playing a leadership role in a protest against national policies favoring foreign multinationals.

Matters came to a head for former President Sánchez de Lozada in October 2003 when Bolivians learned that the multinational engineering firm he had hired to complete an "impartial" study—assessing a controversial plan to export gas to Mexico and the United States through neighboring Chile—had close ties to the Bechtel Group and the three multinational corporations involved in the gas project. Arguing that the market reforms implemented after 1985 had left the country poorer than ever, and drawing on historic anti-Chilean sentiments, Bolivians quickly turned nationalistic demonstrations into a popular referendum against globalization, neoliberal economic formulas, and U.S. meddling in Bolivian affairs. Fifteen months later, neighborhood organizations in the Bolivian city of El Alto successfully mobilized to press a series of demands including cancellation of the city's sanitation and water contract with the private consortium Aguas del Illimani. El Alto's sewer and water services had been privatized in July 1997 after the World Bank made water privatization a condition for a loan to the Bolivian government. The Aguas del Illimani consortium is owned jointly by the French water giant Suez and a set of minority shareholders including the International Finance Corporation of the World Bank.

White House Pressures

Compounding the negative results of the economic prescriptions embodied in the Washington consensus are the interventionist policies pursued by the Bush administration. Evo Morales, a highly popular congressman of Indian descent, is anathema to the Bush administration because he leads a key union of coca growers, who cultivate a largely illegal crop in Bolivia. Morales finished a close second to Sánchez de Lozada in the 2002 presidential race after U.S. Ambassador Manuel Rocha intervened in the elections, warning publicly that U.S. aid to Bolivia could be jeopardized if Morales was elected.

U.S. drug policies in Latin America also remain a contentious issue both for Bolivians and for their neighbors. According to the United Nations, coca cultivation in the Andean region expanded in 2004 for the first time in four years. Although it shrunk in Colombia, coca cultivation increased 14% in Peru and 17% in Bolivia with cocaine output rising 35% to 107 tons in Bolivia alone. The new numbers have revived the old debate over the drug war, long criticized in and out of Latin America for its emphasis on supply countries like Bolivia and Peru. Coca eradication has come at a high social cost in Bolivia, and too little emphasis on providing viable options for Bolivian coca farmers has intensified mobilizations against government policy.

Given the magnitude and complexity of the problems that Bolivia is facing, it is disingenuous for the Bush administration to blame the unrest on the influence of

Venezuelan President Hugo Chávez and his mentor Fidel Castro. In recent weeks, Assistant Secretary of State Roger Noriega has portrayed Chávez, *bête noire* of the Bush administration, as the evil political and financial influence behind the chaos in Bolivia. Although the close relationship between the Venezuelan leader and Evo Morales is well-known, attempts to blame the political chaos in Bolivia on manipulative, foreign intervention are not credible.

First Duty of Government

Three decades ago, the journalist E. B. White, an early student of the Chinese revolution, wrote, "people accept government only if the government accepts its first duty—which is to protect them." Too often in the past, the Bolivian government has failed to economically, politically, and socially protect the majority of its people. Two decades of free-market reforms modeled on the Washington consensus are also perceived as a failure, enriching a small elite but not delivering promised benefits to the nation's mostly indigenous poor.

Consequently, Bolivia is now in the throes of a fundamental clash over its future political identity. Control of the nation's energy reserves, thought to be Bolivia's last large natural resource, has become a symbolic contest fronting for the more fundamental conflict over the country's political future. The essential struggle is about who will exercise power and how.

Pundits inside and outside Bolivia, especially in the United States, too often attribute the turmoil in Bolivia to a breakdown of democracy. In so doing, they confuse the problem with the solution. Democracy means letting people decide for themselves what they want to do with their resources. Whether or not the policies advocated by the Indian majority are likely to work is less important than allowing the majority of Bolivians to make sovereign policy choices. Recent debt relief for the Bolivian government was a welcome step. Beyond that, the United States should take a hands-off approach and let Bolivians decide their own future.

In turn, the Bolivian elite must realize that the newly energized social movements are as strong as, if not stronger than, traditional political parties and institutions; these movements are not going to evaporate. Consequently, any lasting political solution necessitates a shift in real power to the nation's poor indigenous majority. Long-term stability begins with speedy national elections and a Constituent Assembly empowered to rewrite the constitution and decide who will benefit in the future from the nation's gas and petroleum resources.

The recent decision of the Bolivian Congress to set early presidential and congressional elections for December 4, 2005, to be followed by elections in July 2006 for candidates to rewrite the constitution and by a referendum on regional autonomy, is a necessary and promising first step. This procedure suggests that Bolivians remain committed to finding ways to resolve the fight for political power through established channels. Bolivia may yet prove to be an example of the resilience in a democratic system. That said, tough choices lie ahead for this deeply divided country.

Ronald Bruce St John, an analyst for Foreign Policy in Focus (www.fpif.org), has published extensively on Latin American issues for almost four decades. Author of The Foreign Policy of Peru *(1992) and* La Política Exterior del Perú *(1999), he is presently co-authoring a study of Bolivian foreign policy.*

Published by Foreign Policy In Focus (FPIF), a joint project of the International Relations Center (IRC, online at www.irc-online.org) and the Institute for Policy Studies (IPS, online at www.ips-dc.org). ©2005. All rights reserved.

Foreign Policy In Focus
"A Think Tank Without Walls"

Recommended citation:
Ronald Bruce St John, "Bolivia Steps Back from the Abyss," (Silver City, NM & Washington, DC: Foreign Policy In Focus, July 15, 2005).

Web location:
http://www.fpif.org/fpiftxt/162

Production Information:
Writer: Ronald Bruce St John
Editor: John Gershman, IRC
Layout: Chellee Chase-Saiz, IRC