

INTERPRETING BOLIVIA'S POLITICAL TRANSFORMATION

A Democracy Center Review of

**"Bolivia on the Brink" by Eduardo A. Gamarra
A Special Report from the Council on Foreign Relations**



**Cochabamba, Bolivia
May 2007**

Table of Contents

<i>Interpreting Bolivia's Historic Transformation: Key Points</i>	3
I. Introduction	4
II. Bolivia: The Historical Context	4
III. The Administration of President Evo Morales	6
IV. Key Issues	10
• Gas and Oil Nationalization	10
• Constitutional Reform	12
• The U.S. War on Coca	14
• Foreign Trade	15
• Bolivia's Relations with its Neighbors	16
V. Conclusion	16
The Democracy Center	18
Notes	19

Interpreting Bolivia's Historic Transformation: Key Points

- The report *Bolivia on the Brink*, sponsored by the Council on Foreign Relations, includes some valuable analysis and recommendations for U.S. policymakers, particularly with regard to the need for new flexibility on the issues of coca and trade. Unfortunately, it also includes some significant misrepresentations and bases its analysis, at times, on unsubstantiated generalizations.
- The report wisely encourages U.S. policymakers to positively engage the Bolivian government, despite differences between the Morales and Bush administrations. It is important to note, however, that its suggestions for doing so are aimed primarily at advancing what it calls “U.S. interests in Bolivia and the Andean Rim,” not Bolivia’s national interests.
- While Bolivia does continue to face significant social tensions and political conflict, the country is not on the brink of the kind of national crisis projected by the report. In fact, Bolivia today is generally more politically and economically stable than it has been under most of its recent governments.
- While the administration of President Evo Morales does struggle with assembling a competent and effective government, an assessment of that challenge requires a far deeper analysis than the one offered in *Bolivia on the Brink*.
- On a range of key issues, from the ‘nationalization’ of gas to constitutional reform, the Bolivian government’s actions are actually a good deal less extreme than they are portrayed in the report.
- *Bolivia on the Brink* calls on U.S. policymakers to “convince” Bolivia’s neighbors to assume a role in helping resolve Bolivia’s domestic political divisions, despite the fact that such foreign involvement has not been invited and would present a clear conflict of interests.

I. INTRODUCTION

Bolivia is in the midst of a historic transformation, one that has thrust it as never before into global view. This transformation has also put Bolivia under closer scrutiny by U.S. policymakers. South America's most impoverished and most indigenous country is at the heart of an important political shift in Latin America. It is a shift rooted in a challenge to a whole set of policies championed by the U.S. and international financial institutions that are closely aligned with the U.S.

Policymakers in both the Bush administration and in the U.S. Congress have, logically, begun to think anew about U.S. policy in the region as a whole and also in Bolivia in particular. It is important that they do so with a genuine understanding of the events taking place here, including the historic context for these changes, the aims of the actors involved, and how U.S. policy impacts Bolivia and its people.

Bolivia on the Brink by Professor Eduardo Gamarra, a special report sponsored and published by the U.S. Council on Foreign Relations, makes a useful contribution by helping stimulate an important debate. In parts, the paper offers some insightful analysis and recommendations that U.S. policymakers should take into consideration. These include the need for new flexibility in the United States' anti-narcotic efforts in Bolivia, and the importance of engaging rather than shunning the Morales Administration despite its differences with the Bush Administration.

In other places, *Bolivia on the Brink* suffers from serious lapses in historical memory and offers analysis based on unsubstantiated generalizations – sufficient at times to undermine the report's credibility. Specific examples of these problems are cited in our analysis. It is also important to note that *Bolivia on the Brink* is written not from the perspective of what is specifically best for Bolivia, but as a blueprint for how the U.S. can best advance what the author calls "U.S. interests in Bolivia and the Andean Rim." To be sure, those interests and Bolivia's are not always the same.

The following review of *Bolivia on the Brink* was a collaborative effort by The Democracy Center staff in Bolivia. We undertook this project because we believe, as the Council does, that the debate over events in Bolivia and U.S. policy toward Bolivia is important for both countries. By analyzing and, in many places, challenging the findings of the Council-sponsored report – from the perspective of an organization based in Bolivia – we hope to deepen public understanding and the current 'Bolivia debate.'

II. BOLIVIA: THE HISTORICAL CONTEXT

No country can be separated from its history and no analysis of current events in Bolivia would be complete without a solid understanding of the historical context that has brought Bolivia to the moment of important change where it finds itself today.

Bolivia is the most impoverished country in South America and the most economically unequal. It is also the most indigenous country in all of the Americas. Its roots, going back five centuries,

have been shaped by interventions from abroad, most of which have produced exploitation and hardship. In the 1500s and 1600s the Spanish mined Bolivia's famous *Cerro Rico* in Potosí, the single hill that was so filled with silver that it virtually bankrolled the Spanish Empire for two centuries. The fact that Bolivia sat atop one of the largest sources of mineral wealth on the planet and ended up the poorest nation on the continent is a well-remembered injustice here and an unfortunate precursor for much of its history since.

The Dominant Role of the “Washington Consensus” in Bolivia

While *Bolivia on the Brink* devotes a good deal of attention to the new role of Venezuela and Cuba in Bolivia, strikingly absent from the report is any substantial analysis of the outside forces that have most shaped Bolivia's path for the past two decades: international financial institutions such as the International Monetary Fund (IMF) and the World Bank.

For twenty years, Bolivia was one of Latin America's main testing grounds for a package of market-driven economic reforms known as the Washington Consensus. John Williamson, the U.S. economist who coined that phrase in testimony before the U.S. Senate, has called Bolivia “the big bang” of implementation of the IMF and World Bank economic model in Latin America.¹ Understanding that history is essential to understanding the dynamics of current Bolivian politics.

Under direct IMF and World Bank pressure, conservative Bolivian governments throughout the 1980s and 1990s engineered a radical change of direction in national economic policy. Often in order to comply with conditionalities that those institutions tied to essential aid, Bolivia privatized most of its key national industries and resources, from its gas and oil to its public water systems. Bolivia undertook those reforms based on predictions and promises that the results would help lift the nation from poverty. The new jobs and substantial boost in revenues from gas and oil privatization never materialized a topic we discuss in more detail below. The water privatizations coerced by the World Bank as loan conditions in 1997 led to substantial rate hikes and the now-famous Cochabamba Water Revolt in 2000.

Bolivia on the Brink is correct when it attributes the political rise of President Evo Morales as due, in part, to the country's “efforts to follow a market-oriented development model.”² However, by failing to mention the central role that U.S.-dominated institutions played in pressuring Bolivia to adopt that model, the report misleads readers into thinking that Bolivians set out on that course strictly by their own choice. Pressure from international financial institutions was pivotal in that policy shift, a fact that still casts an important shadow over the nation's politics.

Repressive Governments

All Bolivians over the age of forty have vivid memories of living under brutal dictatorships, marked by torture, disappearances, and the suspension of key civil liberties. Many of these authoritarian regimes during the 1970s enjoyed the support of the U.S. governments of the time and were propped up by loans from foreign financial institutions. That repression reappeared as well under elected governments after democracy was restored in Bolivia in 1981. During the

Cochabamba Water Revolt in 2000, for example, a dictator who returned as an elected president, Hugo Banzer, turned armed troops on protesters and imposed a suspension of civil liberties. The role of political repression in Bolivia's history, despite its importance in understanding current events, is absent from *Bolivia on the Brink*.

More important, however, is the paper's direct misrepresentation of the events in September and October 2003 that led to the resignation of President Gonzalo Sánchez de Lozada. The author writes, "To many observers, Sánchez de Lozada's resistance to the demand for a new Constituent Assembly was the main factor responsible for his fall."³ The actual events leading to President Sánchez de Lozada's resignation and subsequent fleeing to the U.S. are well documented and dramatically at odds with the author's representation.

The protests that spread across Bolivia in October 2003 were clearly not about the proposal for a Constituent Assembly to rewrite the nation's constitution. They were directly in opposition to a plan by Sánchez de Lozada to export under-priced Bolivian gas through Chile to the U.S. That opposition, which led tens of thousands of Bolivians into the streets, was an expression of both mistrust of Sánchez de Lozada's economic plans and Bolivians' historic and deep resentment of Chile's seizure of their nation's last access to the sea more than a century ago.

More importantly, the protests were transformed into a broad public call for Sánchez de Lozada's resignation *only after* troops dispatched by Sánchez de Lozada to break-up the protests engaged in a wave of repression that left more than sixty people dead. Even Mr. Sánchez de Lozada's own Vice President, Carlos Mesa, broke with him over the repression. The author's failure to mention these events surrounding Mr. Sánchez de Lozada's resignation – the killings in particular – leaves readers with a woefully incomplete understanding and damages the paper's credibility.

III. THE ADMINISTRATION OF PRESIDENT EVO MORALES

Bolivia on the Brink, for good reason, devotes significant attention to the character, policies, and actions of the government of President Evo Morales. *Bolivia on the Brink* is substantially critical of the Morales government, and to be clear, there is ample reason for much of that criticism. However, it is also important that this criticism be based on facts and not unsubstantiated generalizations and accusations.

Unfortunately, it is with unsubstantiated generalizations that *Bolivia on the Brink* opens its criticism of the Morales government. The author writes on the first page, "Most people who follow Bolivian politics agree that the MAS' aggressive policies ... have polarized Bolivians more than ever before." Nowhere, however, does the paper tell us who those "most people" are, why their views are representative, or how they were measured. We are also left to wonder why those observers believe that Bolivia is more polarized now than it was under previous governments that had to declare national suspensions of constitutional rights in order to quell protest.

More seriously, the author openly accuses the Bolivian President of murder, again without evidence or substantiation. Referring to an “unsolved incident” involving the kidnapping and murder of four police officers in 2000, the author declares that the killings took place, “presumably under [Morales’] orders,” despite the fact that Morales has never been formally charged or convicted of such a crime.⁴

The report does, however, raise a set of issues about the Morales government that are worth closer examination, including: its competence at governing; the exchanges of unfriendly rhetoric between the Morales and Bush Administrations; and the Morales government’s basic commitment to democracy.

Questions of Competence

Bolivia on the Brink challenges the Morales administration on its basic competence to govern. Citing recent violence between two rival groups of miners, the paper charges that the government “responded clumsily” to the violence. It describes the administration’s announcement of its trade policy as an “unrehearsed response.” It says that Morales has ignored any “level-headed attempts” to listen to opposition groups. It also notes, with good reason, the problems that the administration has had implementing its ambitious gas nationalization program.

On the one hand, we agree that the Morales administration has demonstrated real difficulty in assembling the expertise and resources it needs to govern competently. One clear example is in the administration’s ongoing and serious problems implementing its gas plans, including contract errors and ongoing turnover of high-level administration officials.⁵ While these problems need to be taken seriously, they also need to be understood in the Bolivian context.

First, Morales and his MAS party have sought to build a government from among segments of the population that have long been excluded from the process of governance. Bolivia’s indigenous and impoverished majority has not had the same access to higher education (often abroad) or governing opportunities that members of the nation’s wealthier elite have had. This has left the government with a significant and problematic deficit of experience.

Second, the performance of the Morales Administration should be measured by the competence of prior governments that enjoyed more standard credentials. The administration of the U.S.-educated Sánchez de Lozada, for example, was presumed by outsiders to be particularly competent. However, its privatization policies ceded control of a vital resource, oil and gas, into the hands of foreign interests and left oil and gas revenue essentially flat. On the other hand, the reforms enacted under pressure from social movements, under Morales and prior administrations, have led to a revenue increase of almost \$1 billion per year.

The issue of competence deserves a more careful and balanced analysis than *Bolivia on the Brink* provides.

Questions of Rhetoric

Over and over again *Bolivia on the Brink* criticizes Morales for his use of unhelpful rhetoric, particularly against the U.S. and the Bush Administration. These references include:

- “*Morales’s [sic] incendiary anti-U.S. rhetoric... (p. 26)*”
- “*...antitrade rhetoric was a significant component of [Morales’] campaign platform (p. 26)*”
- “*The implications of Morales’s [sic] anti-U.S. rhetoric...(p. 27)*”
- “*...whatever the domestic political gains of incendiary anti-U.S. rhetoric...(p. 36)*”
- “*...toning down its anti-American rhetoric... (p. 36)*”
- “*...the anti-imperialist rhetoric of the Morales government. (p. 36)*”

The report is correct in its observation that Morales has inflated Bolivian-U.S. tensions unnecessarily with combative and overblown rhetoric aimed at the U.S. However, President Morales has toned down his rhetoric more recently, and some of *Bolivia on the Brink’s* characterization of that rhetoric seems, itself, overblown. In one example, the paper calls Morales’ speech before the United Nations in September 2006 so “incendiary” that it undermined Bolivia’s efforts to win extension of U.S. trade preferences.⁶ In fact, Morales’ UN speech made substantial effort to strike a diplomatic tone.

He pledged to respect private property, rejected any policies of confiscation, endorsed the need for private investment in his country, and declared, “I don’t come here to tell you how to govern or to threaten a country...I only want you as international organizations...as nations with principals of reciprocity, of brotherhood, to participate in this process of democratic change.”⁷ The paper’s claim of Morales’ “antitrade rhetoric” is similarly misleading. Morales has spoken clearly and often about his support for foreign trade, including in his UN speech, but with an emphasis on agreements that serve the economic interests of his country rather than those of other foreign trading powers.

It is also important to note that the rhetorical tension between the Bush Administration and Morales did not begin with the latter’s inauguration in January 2006. As *Bolivia on the Brink* notes, the U.S.’ own rhetorical attacks against Morales helped elevate his political status in Bolivia. When he was leader of Bolivia’s coca grower unions, U.S. officials labeled Morales and his union as “a mafia” and “narco-terrorists.” The week before Bolivia’s 2002 Presidential election, in which Morales was a leading candidate, President Bush’s Ambassador to Bolivia, Manuel Rocha, issued a warning to voters. “As a representative of the United States, I want to remind the Bolivian electorate that if you elect those who want Bolivia to become a major cocaine exporter again, this will endanger the future of U.S. assistance to Bolivia.”⁸

In fact, after a cordial start to Morales-U.S. relations following his January 2006 inauguration, it was the Bush Administration that ignited the renewed rhetoric war, not Bolivia. In February of 2006, just weeks into Morales’ term, then-U.S. Defense Secretary Donald Rumsfeld spoke of Morales in a speech before the National Press Club in Washington. After likening Venezuelan President Hugo Chavez to Adolph Hitler he turned to Morales. “We’ve seen some populist

leadership appealing to masses of people in those countries. And elections like Evo Morales in Bolivia take place that clearly are worrisome.” Following Morales’ gas nationalization decree in May 2006, an act aimed at implementing a demand endorsed by more than 90% of Bolivian voters in a national referendum two years before, President Bush followed Rumsfeld’s lead, expressing concern about “the erosion of democracy” in Bolivia.

The exchange of rhetoric between Washington and La Paz since Morales assumed the presidency has clearly been a two-way street, a point essential to evaluating Bolivia-U.S. relations. As *Bolivia on the Brink* notes, “If the United States maintains a cooperative tone, then, ideally, the Bolivian government should reciprocate by assuming a less publicly hostile posture toward the United States.” We agree with the author that toning down rhetoric on both sides of the U.S.-Bolivia relationship will serve the diplomatic interests of both nations and their peoples.

Questions of Democracy

A central premise of *Bolivia on the Brink*, as its title implies, is that Bolivia sits on the precipice of becoming “an unstable, conflict-ridden” nation. And while the report acknowledges that “the threat to stability and democratic governance in Bolivia, however, does not come from the Morales administration alone,” it clearly points to Morales as the leading culprit.⁹

The report warns, “Morales’ calls for direct, participatory, and ‘unmediated’ forms of democracy ... have the potential to threaten liberal democracy itself.”¹⁰ The report refers to Morales’ political base as a “praetorian guard” that the President threatens to mobilize against his opponents.¹¹ It charges that Morales’ call for a simple majority vote to approve articles for a new constitution in the nation’s Constituent Assembly (a 2/3 vote is required for final approval) “contradicted the laws and the spirit that led to the election and aggravated already serious tensions between Morales and PODEMOS.”¹² The author also lays direct blame on Morales for the recent political violence that left three men dead in Cochabamba, referring to events there as the product of a “government-sponsored march and demonstration.”¹³

First, there is ample reason to question the report’s basic premise: that Bolivia is “on the brink” of a political crisis so severe that its neighbors must intervene to prevent an exodus of refugees. To be sure, there are serious political tensions at play in the country. The national election of 2005 marked a sharp reversal of long-standing power arrangements. A conservative economic and political elite that has traditionally run the national government has become the opposition and is waging a strong challenge to those who replaced it. Some social movement forces long accustomed to taking to the streets to press their demands now find themselves on the inside of government, yet are still using protests and marches as strategies for voicing their demands. Because these political divisions also mirror ethnic divisions, there is a racial aspect to current political tensions, a point also discussed in the *Bolivia on the Brink*. Further, there have been a number of recent incidents where specific regional and sectoral conflicts have turned violent, including a dispute over oil revenues in Tarija and an attack on a national court building in Sucre by angry miners.

While none of these tensions should be dismissed as unimportant, Bolivia is still a markedly more stable place today than it was from 2000 to 2005. That was a period that saw two

presidential resignations in two years, government suspensions of civil liberties, and repeated bloody conflicts between the government and the people, in which more than 100 people lost their lives. The report from the Council makes no such comparison.

Particularly troubling is *Bolivia on the Brink's* treatment of the events that brought violence to Cochabamba's streets in January 2007. That violence left three men dead and more than a hundred other people injured. The Democracy Center and its staff lived through those conflicts (our office in Cochabamba lost three windows from thrown rocks) and we reported on those events extensively, talking with people on all sides.

The roots of the Cochabamba violence lie in the decision by the regional governor, Manfred Reyes Villa, to order a revote on the controversial proposal for a regional autonomy plan, a measure rejected by 63% of Cochabamba voters just six months earlier. Reyes Villa had run for president against Morales in 2002 and again in 2005. In response to the announcement, Morales' supporters in Cochabamba escalated the situation, making their own contribution to what would turn into violent conflict by blockading the city to protest Reyes Villa's demand for a revote and calling for him to step down. On January 11, the streets of Cochabamba were filled by two rival groups of protesters, one who opposed the revote and another who backed Reyes Villa. Film footage and eyewitness accounts make it clear, however, that a tense standoff was converted into a bloody melee when Reyes Villa backers, not MAS supporters, broke through police lines to begin beating their rivals, many of them women with children. That context is left out of *Bolivia on the Brink*, leaving readers with a seriously misleading representation of events. The report characterizes the January violence as the product of a "[Morales] government-sponsored demonstration and march," and a "racial-ethnic divide promoted in part by the government."

Bolivia is indeed a polarized nation. It has been a polarized nation for its entire history, primarily along lines of ethnicity and economic class that have created deep divisions that have almost constituted a form of *de facto* apartheid. As *Bolivia on the Brink* correctly notes, "President Morales's rise to power reflects the slow and tense integration of indigenous populations...into the Bolivian political system."¹⁴ As the nation passes through a sensitive transition, its leaders on all sides can either fan polarization by attacks on one another or reduce it by seeking dialogue and compromise. We agree with *Bolivia on the Brink's* preference for the latter.

IV. KEY ISSUES

Bolivia on the Brink, puts a spotlight on a set of major policy issues that are shaping the political future of the country, among them are five which we chose to analyze briefly in this paper: nationalization of Bolivia's gas and oil resources; constitutional reform; the U.S. anti-coca efforts; foreign trade; and Bolivia's relations with its Latin American neighbors.

Gas and Oil Nationalization

No policy issue has been more central to Bolivia's recent political turbulence than the question of how the nation should develop its natural gas reserves, the second largest in South America.

It was the gas issue that was at the center of the social uprisings that led to the resignations of both President Gonzalo Sánchez de Lozada (2003) and his successor, President Carlos Mesa (2005). It was the subject of a historic national referendum in July 2004, in which more than 90% of voters supported the nation retaking control of its gas resources. It was also the central issue in the December 2005 presidential campaign.

The call for major reform of Bolivia's oil and gas industry draws from the collective memory of a people who believe their country has never benefited from the exploitation of its abundant natural resources. Bolivians see their natural gas reserves as a way out of poverty and as the foundation for broader economic development that can offer tangible benefits to their daily lives. Privatization, measured both in numbers and in public opposition to it, clearly failed to deliver the goods. By the time Evo Morales won his landslide electoral victory in December of 2005, the nationalization of Bolivia's oil and gas industry was already a widespread popular demand. Changes in oil and gas policy have been the direct result of pressure from the country's social movements and its political left (both before Morales took office and after). Those changes have more than doubled government revenues from the oil and gas sector in less than three years, contributing to Bolivia's first fiscal surplus in three decades.

Here again we find *Bolivia on the Brink's* analysis to leave readers with a misleading and incomplete understanding of the issue.

The report from the Council characterizes Bolivia's radical mid-1990s privatization program as, "a significant initiative that opened the hydrocarbons sector to foreign investment," and reports that it resulted in foreign oil firms investing more than \$1 billion in Bolivia's hydrocarbons sector.¹⁵ Not noted is that those policies slashed the royalties paid by foreign oil and gas companies from 50% to 18%. By 2004, while Bolivia was producing 135% more oil and gas, government oil and gas revenues only grew by 10 percent.¹⁶ The major benefits of privatization went to foreign companies instead of the Bolivian people. As Robert Mallea, chief executive of Repsol (the Spanish oil and gas company) in Bolivia declared in 2002, "the profitability in Bolivia's oil and gas industry is extremely high: for every dollar invested, the oil company gets \$10."¹⁷

Also absent from *Bolivia on the Brink*, but important, is the fact that Bolivia's national policy on gas actually started to change dramatically *before* President Morales took office. The law that substantially increased the taxes paid by foreign oil firms was actually passed by the Bolivian Congress in 2005. The report's analysis leaves readers with the false impression that Morales' reforms were an isolated initiative rather than the continuation of a long-term social mandate.

In addition, while the rhetoric and imagery of Morales' May 2006 nationalization decree may have looked radical to those who didn't study the actual policy (Morales sent Bolivian soldiers for a few days to private gas facilities, withdrawing them after the cameras left), any real analysis reveals that "the rules of the game" have not changed as "dramatically" as *Bolivia on the Brink* would lead its readers to believe.

The report refers, quite inaccurately, to the government's "takeover of Petrobras [the Brazilian state oil company that operates in Bolivia]" when in reality no takeover actually occurred.¹⁸

Morales' nationalization neither expelled any foreign corporations, nor expropriated any property. Petrobras and other foreign companies continue to operate their Bolivian facilities just as they did prior to May 2006. In October 2006, the Morales government also successfully negotiated new contracts with 12 foreign energy firms, solidifying their presence in Bolivia for decades to come.

Where *Bolivia on the Brink* is most accurate in its analysis on the gas issue is its brief discussion regarding the problems the government faces in its plans to reconstitute the national gas and oil company (YPFB). The government has suffered an ongoing series of problems, including repeated turnover among its leading gas and oil officials, charges of mismanagement, and a lack of capital to develop the state industry. These problems are a topic that The Democracy Center has written about throughout the nationalization process.¹⁹

The government has described its oil and gas reform plan as a process, one which if fulfilled, would still fall far short of what is traditionally meant by nationalization – government expropriation of privately held assets, with or without compensation. The government's policy can best be described as “nationalization by negotiation.” *Bolivia on the Brink* also characterizes Bolivia's policy shift as “resource nationalism,” ignoring the fact that 80% of global oil and gas reserves are currently in public control. In fact, Bolivia's new policies are much more the norm than the exception.

Lastly, *Bolivia on the Brink* asserts that Morales' hydrocarbon reforms were among acts that, “infuriated major interest groups and brought Bolivia to the brink of violent conflict.”²⁰ In fact, the Bolivian public's support for the Morales decree proved so popular that it spiked the President's approval ratings in the decree's aftermath to 81%. And while some foreign oil executives publicly grumbled about the increase in taxes, none have abandoned what remains a profitable business with Bolivia.

Constitutional Reform

It is the issue of constitutional change, including the work of the Constituent Assembly and the parallel issue of regional autonomy, which has sparked some of the most heated and most violent conflicts during Morales' presidency. These are issues that, as *Bolivia on the Brink* correctly observes, represent the most serious threat to national unity. However, the paper falls short of giving readers a complete view of the issues involved.

The demand for constitutional reform has a long history in Bolivia. For decades indigenous communities in the highlands have called for a national Constituent Assembly to rewrite the nation's most important document.

The demand for the Constituent Assembly comes from a widely held belief by many in the nation's indigenous majority that the political system has been essentially rigged to benefit the wealthy and the powerful. The call for the Assembly was a key part of the MAS platform in the 2005 elections and its convening was one of the new government's first undertakings.

Convening the Assembly required an act of Congress, through which MAS and the minority opposition parties developed a clear compromise approach. First, the formula for electing delegates to the Assembly made it impossible for any one party to win a 2/3 majority. Second, the law stipulated that any new constitution had to be approved by 2/3 of the Assembly's delegates. The result was any final constitution would require multi-party approval. MAS could not enact a new constitution on its own, no matter what the election results. Elections for delegates to the Assembly, in July 2006, delivered a 53% majority to MAS, a 23.5% vote to opposition PODEMOS, and the remainder of seats scattered among minor parties, none of which garnered even 5%.

Even before Morales' election, the elites and civic leaders in the country's wealthier eastern departments recognized that the demand for constitutional change, coming from indigenous and social movements centered in the country's west, posed a threat to what they saw as key regional interests. This included, in particular, their desire to maximize their control and profits from the gas and oil resources that geology had put under their feet. Leaders in Bolivia's eastern departments (Santa Cruz, Tarija, Beni and Pando) devised two important strategies to construct a political protective shield. The first was the demand for regional autonomy. The second was the demand that a 2/3 vote – as opposed to a simple majority – be required in the Assembly to approve all procedural votes as well as the separate articles of a new constitution.

The autonomy issue quickly became a stand-in for the country's larger political battles. It became, essentially, a debate over how much the gas-rich eastern departments could separate themselves from the more impoverished highlands and the 'Morales revolution.' In the July 2006 vote for Assembly delegates the autonomy issue was also on the ballot. Fifty-six percent of national voters and five of the country's nine departments rejected it. But the vote also cemented a clear split between Bolivia's east and west. Settling what that vote should mean in terms of actual policy was left to the Assembly to sort out.

When the Assembly finally convened in August 2006 the 2/3 vote issue exploded into a national political brawl. The opposition, led by PODEMOS and anti-MAS civic groups from the eastern departments, argued for a 2/3 vote on every article and procedure, claiming that to do otherwise would give MAS something akin to authoritarian power to ram through a new constitution without any real consultation with or consent from others. MAS argued that there was no dispute that the final proposal required 2/3 approval but that a 2/3 vote on everything meant giving the Assembly's minority a total veto power that would stall the Assembly process altogether.

In Santa Cruz, more than 100,000 people protested in favor of 2/3 and launched a one-day blockade of the city and general strike. Similar, though much smaller rallies, were held in other departments in the east. The opposition found an issue that resonated with middle class anxiousness over Morales' plans for Bolivia. Morales' once-soaring poll numbers began to decline. In December Cochabamba's governor, Manfred Reyes Villa, jumped into the national fray sponsoring a 2/3 rally, followed by his announcement that he would order a Cochabamba revote on autonomy. That in turn led to the escalations on both sides that ended with the January violence.

In January, foreign journalists asked The Democracy Center whether the events in Cochabamba were the opening of Bolivian civil war. Our response was that the Cochabamba violence was either an ominous preview of coming attractions or a wake up call. The conflicts could either spark more violence or cause people and leaders on all sides to move away from direct confrontation to consider ways to compromise. Four months later it seems, gratefully, that it has been the latter. In the aftermath of the violence all sides retreated from their hard line positions and moved the nation's political debate back into a process of negotiation, including a compromise in the Constituent Assembly that would submit all items supported by less than 2/3 to a national popular vote.

U.S. War on Coca

The U.S.-backed 'war on drugs' represents one of Bolivia's longest struggles with international forces. It is a battle over a leaf that has been considered sacred for over 4,000 years and which remains integral to the economic survival of thousands of Bolivian families. The leaf, however, is also a key ingredient used to make cocaine. *Bolivia on the Brink* provides some important, though limited, guidance for U.S. policymakers toward the formation of a new and more practical strategy towards coca in Bolivia.

In 1988, under heavy U.S. pressure, the Bolivian government adopted a new approach toward coca that included forced eradication of coca crops and an aggressive effort to jail Bolivians for drug offenses. The U.S. government even paid extra salaries directly to Bolivian drug prosecutors. The program produced four main results: a significant but temporary reduction in the Bolivian coca crop; serious violations of human rights; a deep and lasting economic crisis; and a significant rise in anti-American sentiment.

Bolivia on the Brink describes the coca issue as "perhaps the most serious policy challenge posed [to the U.S.] by the Morales administration," and explains how Morales' new policies on coca have ruffled feathers in Washington. Morales is supportive of interdiction efforts while at the same time staunchly protective of the subsistence farmers who have been the primary targets of the U.S. offensive and are also the core of his political base. The report acknowledges that there has been an increase in interdiction efforts under Morales and praises Morales for continuing to cooperate with U.S. Drug Enforcement Agency (DEA) officials.

Bolivia on the Brink includes a set of specific policy recommendations for the U.S. on coca, which are solid, but still fall short of a viable solution. It encourages the U.S. to continue its flexibility with Morales on the coca issue and to look for ways to help make some of Morales' strategies as effective as possible. This includes voluntary community-based eradication, based on agreements about crop limits, in lieu of military-conducted forced eradication. This is a policy developed by the Mesa administration and continued by Morales. *Bolivia on the Brink* also, wisely, promotes social and economic strategies in favor of military and police-based anti-narcotic efforts.

Absent from the report's analysis and recommendations is any discussion of the Bolivian government's aim to industrialize coca into exportable products, from coca herbal tea to coca toothpaste, as a genuine alternative to the illicit market. This includes the current debate over

removing the coca leaf from the UN Convention that lists it as an illegal narcotic substance, alongside heroin and cocaine. The U.S. remains in clear opposition to such a change. However, the U.S. Embassy formally recommends coca herbal tea to U.S. visitors to Bolivia and serves it to visitors to the U.S. Embassy in La Paz, because the tea and the leaf help with altitude and other health problems. At the same time, the U.S. still insists that that coca tea be banned from import for sale anywhere beyond Bolivia's borders. For two decades, the U.S. has been waging a 'war' on Bolivian coca, with little overall success to show for it. If it is committed to limiting illicit coca, the U.S. should remain open to – if not supportive of – innovative strategies from Bolivians.

Foreign Trade

Bolivia on the Brink is correct in describing President Morales as a “vocal critic of U.S.-led trade initiatives.” The author, however, mischaracterizes the Bolivian government's position as “antitrade.” In fact, the Morales government is currently pursuing trade agreements with several regional neighbors, as well as with the European Union. It has joined MERCOSUR as an associate member, and it currently serves as president of the Andean Community of Nations trading bloc. What the Bolivian government has rejected is not trade, but the specific ‘free-trade’ template advocated by recent U.S. administrations.

Opponents of the so-called ‘free trade’ model, including the Morales government, have called for a different approach that recognizes the unequal playing field on which any low-income nation trades with the U.S., given its considerable economic power. Bolivia is one of the first nations to begin to implement an alternative model, referred to as Peoples' Trade Agreements, which combine commercial integration with other broader projects, such as medical exchanges, that address each nation's specific needs and economic strengths and weaknesses.

Bolivia's current trade priority with the United States is securing a long-term extension of the Andean Trade Preference and Drug Eradication Act (ATPDEA) which grants a limited number of Andean country products (textiles in particular) tariff-free access to the U.S. market as a recognition of those nations' collaboration in U.S. counter-narcotics efforts. The agreement was due to sunset December 2006, but Washington granted Bolivia and Ecuador a temporary six-month extension. Countries completing free trade agreements with the U.S. were guaranteed a year-long extension. A long-term extension for all Andean nations is currently being championed by key leaders in the U.S. Congress.

Bolivia on the Brink warns of dire consequences if the Morales government does not secure an extension, warning that the agreement is, “critical for the health of the Bolivian economy.”²¹ To be sure, any job loss in Bolivia would be unwelcome damage in a fragile economy, but it is also important to point out, as the report from the Council does not, that ATPDEA accounts for something less than 7% of the country's total exports.²² While the Bolivian government clearly wants a long-term extension and has sent a series of high-level delegations to Washington to lobby for it, the U.S. should not overestimate the leverage this gives it to force Bolivia into a U.S.-style free trade agreement.

The Council-sponsored report also warns that the Morales government cannot be critical of the U.S. while simultaneously asking it to extend the trade preferences Bolivia wants. “The Bolivian president seems to believe that he can denounce U.S. bilateral trade agreements, appear with Chavez at anti-imperialist rallies, and simultaneously ask Washington for an unconditional extension of [ATPDEA].” In fact, it is completely reasonable in international diplomacy for nations, including Bolivia, to pick and choose the policies of a neighbor that it wants to criticize or support, just as the U.S. does in its foreign relations.

Bolivia on the Brink recommends, rightfully in our view, that the U.S. demonstrate “a willingness to adjust dominant models of bilateral FTAs [Free Trade Agreements],” and rightly recognizes free trade’s “destabilizing” impacts on agriculture and other labor-intensive sectors. As with the coca issue, the U.S. needs to better evaluate the Bolivian reality and chart a course that is based on feasibility rather than ideology.

Bolivia’s Relations with its Neighbors

Bolivia on the Brink devotes a good deal of attention to making the case that the U.S. should adopt “conflict prevention” as a key element in its Bolivia policy. The report suggests that the U.S. “leverage aid and trade benefits to encourage Bolivian officials and the opposition to settle their differences,” and it criticizes Brazil, Chile, and Argentina for focusing on their commercial interests with Bolivia rather than planning interventions aimed at dampening internal Bolivian conflicts.

Ironically, the report declares that these three countries are “also likely to be affected by a Bolivian out-migration in the event of a crisis.”²³ As these neighboring countries know well, that crisis already occurred, but it was economic. The radical economic restructuring engineered under World Bank and IMF pressure, which *Bolivia on the Brink* praises as a source of foreign investment, sent hundreds of thousands of job-seeking Bolivians across the nation’s borders.

The three neighbors named by the report each have significant conflicts of interest that make them unsuitable as arbiters of Bolivia’s domestic disagreements. All three are highly dependent on Bolivian gas, and Argentina and Brazil are involved in ongoing energy negotiations. Chile may suffer from even more distrust among Bolivians than the U.S., given still-strong hostility over its seizure of Bolivia’s seacoast. None can represent themselves as neutral in the domestic issues that most divide Bolivia today. While *Bolivia on the Brink* laments the apparent unwillingness of Bolivia’s neighbors to assert themselves as uninvited intermediaries in Bolivia’s domestic conflicts, the fact is that the leadership in these countries may just understand that such intervention would be unwelcome and deeply problematic.

Bolivia on the Brink also reaches a near obsession over Bolivia’s deepening relationships with Cuba and Venezuela, an observation it notes over 20 times in 46 pages. There is no question that President Morales has and intends to maintain strong relations with both countries, a source of strong consternation among some U.S. policymakers. The report counsels the U.S. to avoid what it calls a Cold War style ideological approach. We strongly agree with the report’s recommendation that “de-linking U.S. policy toward Bolivia from Morales’s relationships with Cuba and Venezuela can do more in the long run to achieve political stability.”²⁴

V. CONCLUSION

Bolivia's historic transformation is as inevitable, in its own way, as that in South Africa a decade ago. A national majority that is impoverished and marginalized must eventually find its route to the legitimate power its numbers warrant. The 'Bolivia debate' is about how that process of change should move forward.

Bolivia in 2007, and the Morales government in particular, is like one of those abstract inkblots used in certain psychiatric exams. Most observers see what they want to see. To those on the ideological right, Bolivia is a dangerous throwback to 'authoritarian state socialism' and Evo Morales is a worrisome heir to Fidel Castro. To those on the ideological left, Bolivia is a heroic experiment in democracy and socialism and Evo Morales is a Bolivian Nelson Mandela.

It is precisely because there is so much ideological projection and factual confusion about Bolivia today that accuracy is imperative in analysis and reporting about events here. While *Bolivia on the Brink* does offer some useful analysis and suggestions, in too many instances, as noted in this review, the report falls well short of that standard.

With regard to U.S. policy in Bolivia, we believe that three principles are essential:

First, the U.S. must recognize that Bolivians have a right to chart a political and economic course of their own choosing. This is especially important given the heavy intervention that the U.S. and its allied financial institutions have wielded here, with deeply unpopular results.

Second, where the U.S. is involved in Bolivia, it should be guided by a deep respect for human rights. Here again, the recent U.S. record, particularly its sponsorship of a military-oriented anti-coca policy, is not good. We also disagree strongly with *Bolivia on the Brink's* recommendation that the U.S. continue to receive Bolivian soldiers at its controversial School of the Americas military training program. The School (renamed the Western Hemisphere Institute for Security Cooperation) has trained some of Bolivia's worst dictators and human rights abusers. Adding to the number of Bolivian alumni is not a good example for advancing human rights.

Third, the U.S. should be open to requests from the Bolivian government and Bolivian institutions that will help it and the nation expand and deepen its capacity for self-government. It is clear that technical and administrative skills are needed in more quantity and spread across all groups of Bolivians, not just its wealthier elite. What aid the U.S. does provide should be made transparent so that there can be public scrutiny of what the U.S. is funding.

As *Bolivia on the Brink* notes, "Evo Morales was elected president of Bolivia with a historic mandate to address Bolivia's core dilemmas of social exclusion and poverty by restoring the authority of the state in economic decision-making, challenging the country's traditional political class, and empowering the nation's poor." Whatever disputes the U.S. may have with the way in which that mandate is being carried out, the U.S. should support Bolivia's new efforts to tackle its deeply embedded poverty and social exclusion. The U.S. may not always agree with all the ingredients in the soup, but it is still Bolivia's right to decide the recipe.

THE DEMOCRACY CENTER

Founded in San Francisco in 1992, The Democracy Center works globally to advance social justice through a combination of investigation and reporting, training citizens in the art of public advocacy, and organizing international citizen campaigns. Through all of these efforts the Center is working to help build a global citizenry that fully understands public issues and can take effective public action. A special emphasis of our work is economic globalization and the movement for global democracy and justice.

Since 1998, The Democracy Center has been based in Cochabamba, Bolivia. Its analysis on Bolivian and Latin American issues has been published in a broad array of publications worldwide. Its groundbreaking reports on the Cochabamba Water Revolt in 2000 were named top story of the year by Project Censored. The Democracy Center is also author of three major books, including the forthcoming *Dignity and Defiance: Stories from Bolivia's Challenge to Globalization* (University of California Press, 2008). To assure its total independence, The Center receives no financing or support from any government sources.

This report was prepared as a joint project of The Democracy Center staff. Contributors included Melissa Draper, Gretchen Gordon, Aaron Luoma and Leny Olivera. Jim Shultz, the Center's founder and executive director, edited the report and is also a co-author.

More information on The Democracy Center is available at www.democracyctr.org.

NOTES

¹ For a detailed report on the rise of the Washington Consensus model in Bolivia, see The Democracy Center report, *Deadly Consequences: The International Monetary Fund and Bolivia's 'Black February'*, available at: <http://democracyctr.org/publications/imfindex.htm>

² Council on Foreign Relations, *Bolivia on the Brink*, Washington, DC, February 2007, p. 8.

³ *Bolivia on the Brink*, p. 10.

⁴ *Bolivia on the Brink*, p. 12.

⁵ See, *Bolivia's Gas Problems* by Aaron Luoma at: <http://www.democracyctr.org/blog/2007/03/bolivias-gas-problems.html>

⁶ *Bolivia on the Brink*, p. 28.

⁷ These references are drawn from a translation of Morales UN speech posted at: <http://www.counterpunch.org/morales09222006.html>

⁸ Erin Ralston, Evo Morales and opposition to the U.S. in Bolivia, Z-Net, July 15, 2002, <http://www.zmag.org/content/showarticle.cfm?ItemID=2118>

⁹ *Bolivia on the Brink*, p. 4.

¹⁰ *Bolivia on the Brink*, p. 3.

¹¹ *Bolivia on the Brink*, p. 12.

¹² *Bolivia on the Brink*, p. 16-17.

¹³ *Bolivia on the Brink* p. 19.

¹⁴ *Bolivia on the Brink* p. 7.

¹⁵ *Bolivia on the Brink*, p. 20.

¹⁶ Ministerio de Hidrocarburos, "Estadísticas— Upstream— Producción" (July 28, 2005); "Comportamiento de los Impuestos sobre Hidrocarburos," unpublished data from CEDLA (La Paz, March 19, 2007). (author-calculated average)

¹⁷ Intermón Oxfam (España), "Repsol YPF en Bolivia: una isla de prosperidad en medio de la pobreza," (May 2004), 27:

http://www.intermonoxfam.org/UnidadesInformacion/anexos/2988/0_2988_150704_Repsol_Bolivia.pdf

¹⁸ *Bolivia on the Brink*, p. 34.

¹⁹ See, *Bolivia's Gas Problems*.

²⁰ *Bolivia on the Brink*, p. 31.

²¹ *Bolivia on the Brink*, p. 27

²² Public Citizen analysis of U.S. International Trade Commission data

²³ *Bolivia on the Brink*, p. 33

²⁴ *Bolivia on the Brink*, p. 36