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Epilogue: Challenges to developing an alternative agenda in Bolivia¹

January 21, 2006 marked a watershed in Bolivian history. Two hundred thousand people flocked to Tiwanaku, the ancestral site of Aymara culture, to celebrate Bolivia's first indigenous president. Aymara priests presented Evo Morales, the leftist coca grower, indigenous farmer and leader of the Movimiento al Socialismo (Movement Towards Socialism – MAS), symbols of Aymara command and named him apu mallku, the leader of all indigenous groups, at a midday ceremony. The following day, tens of thousands of people filled the streets of La Paz as Evo was sworn into office in a formal ceremony in the presidential palace. Dancing, singing and cheering filled the streets reflecting the birth of hope for a better future in South America's economically poorest country.

Morales' route to the Presidency accelerated after the events of May and June 2005 forced President Carlos Mesa from office. Supreme Court Justice Eduardo Rodriguez Veltze took power as interim president with a mandate to hold elections within six months following constitutional procedure. Despite a redistricting process that favored the conservative lowland departments that have mushroomed in population, Morales surged ahead in the polls reflecting a population weary of unfulfilled neoliberal promises. With a record 85 percent of the electorate going to the polls, Morales and the party he heads, the MAS (Movement Towards Socialism) won a remarkable 53.7 percent of the vote, the first majority victory since Bolivia's return to electoral politics in 1982 (Ribando and Veillette 2006). After two months in office, Morales' support had increased to 80 percent in national polls. He stood highest in La Paz and El Alto, but even in conservative Santa Cruz, 75 percent of the population supported his new government (Prensa Latina La Paz, Apr 1, 2006)

Throughout his political career, Morales has vociferously opposed the neoliberal policies and expressed a clear commitment to building an indigenous socialism in Bolivia. During his inauguration, he reiterated commitments to nationalize and industrialize natural gas, redistribute land, campaign against corruption and support a

¹ Particular thanks go to Juan Arbona for his comments on this chapter

constituent assembly to craft a more inclusive constitution that grants greater local autonomy. Yet how much can the MAS government change the ‘fundamentals’ of the neoliberal model in a small country long characterized by poverty and dependency?

In this book we have suggested that the global neoliberal project is faced with a challenge of maintaining hegemony under increasingly difficult political circumstances. Two factors affect this. First, neoliberal policies tend to aggravate inequalities. This is true whether we are considering the United States, which faces an alarming growth in the concentration of wealth and power or low income countries like Bolivia. Per capita income in Bolivia has grown less than 2 percent in the last 25 years, as compared with 60 percent between 1960-80. In 2005, the International Monetary Fund (IMF) admitted that it was “puzzled” by the failures to improve incomes in Bolivia (Weisbrot and Sandoval 2006). Second, in the past twenty years, efforts to expand political participation in much of the world have accelerated. And Bolivia is one of those places. The country that is renowned for holding the world’s record of *coup d’etats* has enjoyed formal democratic transitions since 1982 – a record in its history.

This combination of increasing economic inequality in the face of growing majority political power creates an inherently unstable situation, forcing the state into a complex balancing act. It must guarantee the conditions for markets to operate on the one hand, while maintaining legitimacy with the newly empowered majority on the other. In most places, the resolution of these tensions over the short run have not, for the most part, been either what the right has feared or what the left has hoped for. In South Africa, for example, when the ANC came to power, while Nelson Mandela did open the government to the majority African population, his administration failed to reverse fundamental neoliberal policies. In Brazil, global money markets expressed a collective sigh of relief when newly-elected Lula committed to holding foreign reserves in excess of the minimum required by the International Monetary Fund (IMF).

In the first 150 days of his administration, Morales has undertaken a number of important initiatives, the most symbolically significant being his decision to lower his Presidential salary by 60% and establishing that no other government official can earn more than he does. However the most significant for the country was the ‘nationalization’ of the country’s gas resources. While the measure falls short of a true nationalization, and

Morales is being pushed from the left to expropriate foreign investments, and chastised for seizing foreign investments by the press in northern countries, it does demonstrate that over the short run at least that Morales is willing to confront international neoliberal interests. Over the longer run, however, his administration faces an uphill battle if it is to avoid the neoliberal backsliding seen in larger and economically more powerful countries.

As in South Africa, Morales' election marks the symbolic end of an oppressive Andean form of apartheid and increases the integration of Bolivia's majority indigenous population into the political arena. But despite a victory on the battlefield of identity politics, we suggest that both international and national threats to a progressive Bolivian agenda could limit Morales' room for maneuver and can threaten many of the fundamental goals of the MAS.

This caution arises from our understanding of global neoliberalism as a hegemonic system. International institutions like the World Bank and IMF have been able to convince governments of all political stripes of the necessity of acting within the neoliberal straitjacket. For neoliberalism to function successfully as a transnational system over the long term, however, especially given the context of increased democratic participation, a government must also convince its citizenry that such policies are not only necessary, but also that 'there is no alternative.'

Recent events in Latin America suggest that governments are increasingly questioning neoliberal hegemonic thinking. Argentina and Venezuela's explicit rejection of neoliberal policies in recent years and the choice of alternative policies, have seen their economies become the fastest growing in the region (Dangl 2006). Bolivia's vice president, a mathematician and (self-taught) sociologist, is well aware of the discursive challenges in resisting the neoliberal, and in Bolivia's case, western, mantra, and recognizes that the goal of MAS must be "to achieve hegemony" (Burbach 2006).

The Morales administration faces five basic challenges:

- confronting powerful transnational actors – the World Bank, the IMF, the Inter American Development Bank (IDB), the United States and the European Union – all of whom will be sorely tempted to increase the coercive components of the global neoliberal project if they cannot engineer consent;

- containing entrenched national actors – the traditional political interests, business and agricultural lobbies, and the military -- which includes dealing with increased demands for regional autonomy;
- supplanting the culture of rent-seeking in the public and private sectors;
- maintaining legitimacy with supporters and critics on the left to guarantee domestic peace and the conditions for what remains a largely extractive style of capitalism to operate. This includes holding an open constitutional assembly (*Asamblea Constituyente*) that has the goal of substantially reshaping the society;
- identifying the technical and creative capacity to implement a national model for politically, socially, and environmentally sustainable development.

Considering the dismal panorama it usually faces, Bolivia actually has some advantages in its corner in this round of its history. Natural gas revenues significantly increased even before the May 2006 nationalization, due to a controversial hydrocarbons law passed in 2005 that increased royalties paid by foreign investors from 18 percent to 50 percent and opened contracts up to re-negotiation. In 2002 the government was running a public sector budget deficit of 8.8 percent of GDP; for 2005 it has dropped to 3.5 percent and the IMF projects it will reach 3.0 percent for 2006. The country has also gone from a US \$324 million (4.1 percent of GDP) current account deficit in 2002 to a US \$205 million (2.1 percent of GDP) surplus for 2005 (IMF 2005b, pp. 26, 30; Weisbrot and Luis Sandoval 2006).

Transnational Actors

Days before entering office, Morales took a confrontational tone with the United States, promising to be the Bush administration's 'worst nightmare'. The posturing probably did little to increase Morales' ability to negotiate in a historical context of extreme vulnerability to transnational institutions. Examples of this susceptibility are found in Bolivia's past dependence on international aid to cover its basic government costs, including salaries, and to assist with balance of payments, as well as its position as one of the highest per capita recipients of aid in Latin America.

There are also the multinational hydrocarbons companies to contend with. Bolivia is estimated to have the world's fifth largest known natural gas reserves, second in Latin America behind Venezuela. While natural gas is not as valuable a commodity as oil, Bolivia's position in the heart of Latin America give it access to markets in Brazil, Argentina, Peru and Chile. When Morales abruptly announced the limited re-nationalization of hydrocarbons on May 1, 2006 and ordered the military to occupy the country's 56 gas fields and two refineries, thousands of Bolivians gathered in La Paz for international worker day celebrations roared their approval. The Morales plan does not call for an outright takeover of the oilfields and infrastructure, but rather recovery of 51 percent of the shares of five capitalized companies, carved out of the state company *Yacimientos Petrolíferos Fiscales Bolivianos*, (YPFB) in 1996, a process never ratified by Congress as required under Bolivian law. Under the Morales decree, government share of profits from the two major gas fields, San Alberto and San Antonio, will increase from roughly 50 percent to 82 percent, while smaller fields will continue to pay the current agreement which provides 50 percent in taxes and royalties to the government (Gordon 2006a).

YPFB is slated to control oil and gas production, exploration, and distribution, and foreign companies are obliged to sign renegotiated contracts that cede greater control to the state. Bolivian Vice President Alvaro Garcia Linera estimates that within a year, government's annual revenue will increase by US \$320 million, even though expectations for economic growth in the gas sector remain flat over the medium term. (Dangl, May 8, 2006). He argued on Bolivian radio that the plan should be acceptable to the international oil companies as worldwide averages are an 80/20 split between government and private firms, and that the companies invested in Bolivia have already recovered their infrastructure investments (Gordon 2006b).

When the announcement was made, Brazilian President Lula Ignacio da Silva called an emergency cabinet meeting as Petrobras, a public-private partnership that has steadily become more private over the past ten years, has US \$1.6 billion invested in Bolivia. The company controls 45 percent of Bolivian gas production and supplies 50 percent of Brazil's natural gas. Petrobras announced on May 3, that it would suspend all future investment plans for Bolivia that have been on the table since a meeting with the

Morales government in February (Petrobras, May 3, 2006). After a meeting between Morales, Venezuela's Chavez, Nestor Kirchner of Argentina and Lula, the Brazilian President announced a respect for Bolivia's sovereignty and a willingness to work towards a mutually agreeable solution.

Bolivia has not seen such solidarity from Spain under a socialist government, home of Repsol, the largest foreign player in South American hydrocarbons, which has a large investment in Bolivia, controlling 26 percent of gas production. The European Union responded to Morales' announcement by cautioning that the move could harm world energy markets. The stage for confrontation with Repsol was set in March 2006, when Bolivia's new government accused the Spanish firm of smuggling petroleum, and issued an arrest warrant for Repsol-Bolivia's head. Relations with Spain were immediately strained, as were those with the EU.

In all, about 25 foreign firms are affected by the nationalization, including BP and BG from the UK, ExxonMobil from the US and France's Total (Plummer May 2, 2006). Foreign governments and the transnational energy companies immediately expressed their "consternation" at Morales' "sad and worrying" decision (Glaister, May 6, 2006). As Bolivia does not possess the financial capacity to develop its gas reserves, if foreign firms withdraw *en masse*, the country faces the likelihood of at least a medium-term drop in output. For this reason, analysts predict that Morales will be flexible in negotiations with foreign hydrocarbons companies (Walsh May 7, 2006). However Morales has also been negotiating with the Venezuelan state hydrocarbons company, PDVSDA, about the possibility of working more directly with them, something that gives him greater room for maneuver.

Bolivia faces enormous pressure from the US due to the myopic policies of the 'War on Drugs' that have dominated and frequently soured their bilateral relationship for over twenty years. In the face of almost continuous unrest and confrontation in the Chapare coca-growing region, an agreement was reached in October 2004 under President Carlos Mesa to permit growers to cultivate a *cato* (1600 square feet) each for a year. In exchange, *campesinos* and their union representatives offered a commitment to work with the military to eradicate an equal area of coca cultivation. By the expiration

date in October 2005, Eduardo Rodriguez was in power and he extended the agreement indefinitely because it had been so effective in calming social unrest.

The United States consistently disapproved of the *cato* agreement, arguing that its interpretation has been so lax as to permit increased coca cultivation, but due to concerns about the stability of the Mesa government, it did not press as hard as it has historically for aggressive eradication. In fact the US Office of National Drug Control Policy (ONDCP, November 21, 2005) announced in November 2005 that Bolivia has seen a "slight increase in coca cultivation and a slight decrease in cocaine production potential over 2004" Consistent with the contradictory data that so often surrounds coca, the UN has come to a very different conclusion, reporting a 17% increase in production between 2004 and 2005 and a fourth consecutive yearly increase of cocaine paste seizures (Branford April 14, 2006).

Morales has announced a policy that focuses on "*coca si, cocaina no*" (coca yes, cocaine no). While cracking down on cocaine production and drug trafficking, he hopes to decriminalize and industrialize the coca leaf internationally. The domestic focus is to rewrite the infamous Law 1008 to decriminalize the coca leaf, an agenda fully shared by the coca grower unions. Internationally, the goal is to remove the leaf from the UN list of controlled substances, where it has been since 1961. With a World Health Organization study indicating the leaf has no deleterious effects, the Bolivian government hopes to win international approval and market the leaf in teas, food and medicines. After attending a Vienna meeting of the International Narcotics Control Board in March, however, Felipe Cáceres, former coca grower and Chapare mayor, returned to Bolivia less optimistic about a quick turn around on coca prohibition and announced an unspecified delay in the decriminalization campaign (Howden 21 March 2006)

Since the election of a man they labeled a terrorist just a couple of years ago, the United States has proceeded with uncharacteristic caution in its dealings with the MAS government on coca. In an apparent about turn, US officials have made clear distinctions between coca and cocaine for the first time, and initially expressed a willingness to work with the Morales administration, although by June 2006, they began complaining that the government is not doing enough to eradicate coca. Given the long history of extreme pressure to eradicate coca in the interests of satisfying domestic

demands to “do something about drugs”, this is most likely a strategic move in the face of Morales’ high approval rating rather than a real policy change. No one doubts that the United States continues to wield the big stick.

Towards the end of May 2006, in an ominous move for Bolivia, George Bush voiced worries about an erosion of democracy in both Bolivia and Venezuela, and in June, these concerns were reiterated as the Bush administration seemed convinced that the Constituent Assembly was a ploy to concentrate more power in the hands of the MAS (Bachelet 2006). The Morales administration has flung back unsubstantiated accusations that US soldiers are infiltrating the country as tourists and students, and that the US plans assassination attempts on the Bolivian President (Rojas 2006; Valdez 2006)

One of the US’s traditional channels for exerting influence may prove to not be so important this time round. At the end of March 2006, the Morales government determined that Bolivia has sufficient financial reserves to avoid an immediate additional standby agreement with the IMF.² Bolivian officials are not alone in perceiving arrangements with the IMF as onerous: Argentina and Brazil have both paid off their debts to the IMF and several middle-income Asian countries have built their reserves to avoid the need for IMF assistance. (Weisbrot and Sandoval, 2006; Dolan, March 9, 2006)

Also in March 2006, the World Bank announced the Multilateral Debt Relief Initiative (MDRI), which will cancel the debts of some of the world’s poorest countries starting on 1 July 2006, including US \$1.53 billion that Bolivia owes the Bank and US \$222 million it owes to the IMF, between them 36 percent of Bolivia’s public debt. However in April, the Inter-American Development Bank (IDB), whose largest shareholder, the US, controls 30 percent of its capital, postponed any decision to provide debt relief to Latin America’s poorest countries until the end of the year, in no small measure because Brazil and Mexico want to ensure that they don’t have to foot the bill. One third of the Bolivia’s current US \$6.7 billion debt, or US \$1.6 billion, is to the IDB, and payback totals over US \$100 million each year. (Gugler April 7, 2006). The question

² The United States Treasury Department has veto power over important decisions in the IMF and other high-income countries almost always defer to the US position. (Wiesbrot and Sandoval 11, 2006).

remains whether efforts will be made by the US to use this debt cancellation as a way to pressure Bolivia, although it would be politically very difficult to single out Bolivia from the other countries expected to be granted this assistance (Weisbrot and Sandoval 2006). Nonetheless, the multilateral debt relief will mean reduced concessional lending from the international financial institutions (IFIs) as Bolivia is moving beyond the World Bank's low-income category, (Weisbrot and Sandoval, 13, 2006).

The efficacy of possible US threats to eliminate trade preferences for Bolivian textiles and handicrafts is low because such a move would only affect two percent of the country's exports. However more significant is the US \$600 million in aid that the United States could hold up from Bush's initiative, the Millennium Challenge Corporation. In January, John J. Danilovich, the Corporation's President commented that "it still has to be seen how Bolivia's economic policy evolves" (Ikeda, 27 January 2006).

The March 2006 US-driven free-trade accord signed with Colombia increased US pressure on Morales. The agreement threatens Colombian demand for Bolivian soybeans, currently 60 percent of national production. Instead Colombia would import highly subsidized US grains (Burbach, 8 May 2006). Chavez has pledged that Venezuelan markets could replace Colombia in the future.

As well, Bolivia appears less vulnerable than in the past in terms of bilateral donations and aid flows. Grants and donations form a small part of government income with most coming from Europe, forming only 1.05 percent of GDP in 2006 (Weisbrot and Sandoval 15, 2006).

Combined, this overall loosening of transnational control does allow the Morales government greater breathing space than originally anticipated. Morales has had more luck in timing than could be expected, but he has also managed to strengthen his hand through astute political alliances and actions..

National Traditional Politicians and Elite

Powerful traditional political and economic interests, including the Senate, judiciary, the military and regional elites, all constrain the MAS. Although it has 72 seats of 130 in the lower house of Congress, and is the first party since 1982 to win both the Presidency and lower house, it controls only 12 of 27 seats in the Senate and will have to

negotiate to achieve its legislative agenda. Almost all sitting judges were appointed by Gonzalo Sanchez de Lozada (Goni), ousted in October 2003, and his party, the MNR, although several of these have resigned because of the salary decrease mandated by Morales

The 2005 elections were the first in Bolivian history to provide for direct election of prefects in the country's nine departments, and conservatives won these posts in Cochabamba and La Paz, as well as in the eastern lowlands departments of Santa Cruz, Tarija, Beni, and Pando. These regions have links with powerful traditional political elites who are closely tied to national and international agro-industrial, industrial, and oil interests. Members of many of these groups have few reasons to cooperate with Morales and the MAS agenda. Even before the MAS took over, some of them threatened political actions as extreme as succession if their demands for greater autonomy were not met.

Morales has said that a new land policy will be released August 2nd stating that “not only will we seek a simple distribution or redistribution of land, but rather an agrarian revolution, a profound transformation in the agricultural sector”(INRA, June 23, 2006 www.inra.gov.bo). His promises to extend land reform in the eastern lowlands,³ for example, can be expected to face significant challenges on three fronts. First, the judiciary, will be loathe to assist land redistribution even of government land which is the only land under consideration at present, and given competing claims, the general dysfunctionality of the courts, and a lack of resources, it will be difficult for land reform to move ahead quickly. Legal challenges will be compounded by political opposition from the newly elected prefects and the departmental legislative bodies. Finally, landowners in Santa Cruz, Tarija and the Beni departments have attacked members of the *Movimiento Sin Tierra* (MST) and have hired gunmen to displace squatters. Unless Morales can convince departmental governments to control the thugs, he will have to rely on national police or the military to instill order. In the face of Morales' overwhelming popularity even in the eastern lowlands, however, the elites in Santa Cruz have expressed a willingness to discuss land reform.

³ In eastern Bolivia, fewer than 100 families control over 25 million hectares (61 million acres) while some two million indigenous peasant families work five million hectares (12 million acres). Almost 250,000 indigenous farmers are landless. (Informe sobre Desarrollo Humano del Programa de Naciones Unidas para el Desarrollo (PNUD), La Paz, Bolivia September 7, 2005)

It is likely that Morales hopes to diffuse the power of regional elites by pushing for the autonomy they demand to expand within their departments to poorer outlying regions, and by accelerating the lowland land distribution process in order to provide him grassroots political support (Arbona, personal communication 2006). When an autonomy referendum was agreed upon by the Bolivian Congress unanimously in early March 2006 at the same time as the law establishing a Constituent Assembly, these moves were widely heralded as a historic success for creating mechanisms to build a more stable Bolivia. But tensions between the center and periphery continued before the actual vote on July 2nd. For example, disagreements over allocations for Santa Cruz department in the national budget during April led to a 24 hour departmental wide strike. And four days before the vote, 150,000 people -- one of Bolivia's largest demonstrations ever -- rallied for autonomy in Santa Cruz.

The results autonomy referendum vote were predictable with all four eastern departments voting overwhelming in favor of greater autonomy while the country's western departments voted almost as strongly against. The departments where the "Sí" vote won are determined to bring up the autonomy issue when the Constituent Assembly meets starting in August 2006.

To resolve or at least ameliorate complex internal conflicts, Morales will find it easier to resort to Presidential Decree (*Decreto Supremo*) than to legislative action, as provided for by Bolivia's presidential system. While that will not provide a solution to the right wing agenda of la *Nación Camba* (Santa Cruz nation) as some of the eastern separatists call themselves, it will improve the short term ability to achieve key items on his agenda.

In Bolivia, as elsewhere in Latin America with a long history of military intervention, the armed forces can never be overlooked as a potential destabilizing force. Before Morales was elected to the presidency, the armed forces pledged their support for the democratic process and committed to follow Morales' orders (Los Tiempos, 14 December 2005). Soon after he was elected, Morales put a new generation of generals in place, effectively cutting out the old military command. The armed forces, however, are far from monolithic in Bolivia, and three factions have emerged. One identifies with the populist military tradition, currently manifested in the region by Hugo Chavez in

Venezuela, and historically by figures such as General Juan Jose Torres in Bolivia and General Juan Velasco Alvarado in Peru. During the May and June uprisings in 2005, rumors abounded that some military officers were considering a coup in order to back popular social movements. The second faction is constitutionalist, increasing aware that the surge in support of human rights in the past twenty years, culminating in the Pinochet case, means that their impunity has been reduced. Finally, there is a reactionary faction, centered on an organization formed by retired military officers called Tradepa (Democratic and Patriotic Transparency) that is capable of attempting a coup. (Lemoine, 8 Feb 2006).

For now the military remains quiet, but the new Attorney General under the MAS, Pedro Gareca, has made it a priority to investigate the military role in homicide, torture and other crimes in the October 2003 gas war. Military resistance to any kind of civilian investigation is deeply entrenched in Bolivia, and can be expected to continue. The majority of the military, however, share a fierce nationalism, and sense of injured national pride at foreigners benefiting from Bolivia's resources with the Morales government. In this light, the generalized military support of gas nationalization strengthens their ties to the MAS project.

Rent seeking: public officials and private interests

The majority of officials in the public service owe their allegiance not to the MAS but to one of the traditional parties. Bolivian bureaucratic systems, similar to those in other parts of the world, frequently function less as institutions promoting social or economic development than as sites for rent-seeking, and the culture of spoils' politics is deeply entrenched. Bolivia ranks among the most corrupt countries in the world according to Transparency International. (118 of 159 in 2005). While the appointed officials who head government agencies, embassies, and ministries have changed with the MAS victory, many line employees, who own allegiance to other political patrons, remain. The new administration has committed itself to attack government corruption in an environment where major scandals surface as predictably as mushrooms after rain.

This challenge brings a hidden threat. It is easy to imagine how bureaucrats, not only fearful for their jobs but also facing a sudden increase in scrutiny may impose a

‘work to rule’ slowdown, the strategic revenge of bureaucrats who are hostile to the governing party. The experience of Chavez with precisely this problem in Venezuela illustrates the importance of controlling the fourth branch of government as the failure to master the bureaucratic apparatus can wreak havoc on plans for reform.

Due to World Bank initiatives, bureaucratic systems in many low-income countries are undergoing what we refer to as the ‘bureaucratic transition’: the transformation from fee-for service corruption that provides the grease to overcome seemingly intractable governmental procedures, to one where rules have been designed to reduce corruption but bureaucratic capacity is insufficient to operate in an environment of well-defined rules and regulations. The outcome of this transition is that things can grind to a halt

Technical capacity for envisioning and implementing sustainable development

Bolivia has a limited stock of trained professionals with the managerial and technical skills necessary for effectively running the country. As in Zimbabwe, these limitations are doubly felt given the scope of the country’s problems, the commitment of the MAS to increase indigenous participation in government, and historic educational discrimination against indigenous people. During the last administration, many newly elected deputies functioned in Congress the way they had as representatives for their communities, on the basis of personal rather than institutional relationships. Their limited experience in government meant that the MAS was unable to participate effectively in many of the Congressional commissions that frame legislative actions.

Maintaining legitimacy

While Morales came to office with 54 per cent of the vote, much of that support came from groups and individuals who are pushing him to nationalize hydrocarbons, institute pro-poor laws and increase public services. These groups are presently under the combative leadership of El Alto, the sprawling municipality above La Paz that has repeatedly demonstrated its ability to shut the capital city off from the rest of country. In the mobilizations that forced President Carlos Mesa from office in June 2005, *Alteños* as residents of El Alto are called, became increasingly disgruntled with Morales’ less than

militant position on hydrocarbon nationalization, and the inevitable compromises he made. The May 2006 gas nationalization did not go far enough for many on the left, and they commonly refer to it as “selective nationalization,” pointing out that under the agreement, the foreign hydrocarbons companies will continue to control 90 percent of Bolivia’s gas (CEDLA 5 May 2006). Many called for outright appropriation of the entire hydrocarbons industry.

The Constituent Assembly to rewrite the constitution and ‘reinvent’ Bolivia may prove Morales’ greatest challenge on the national front, as it has been at the forefront of popular demands. By achieving unanimous Congressional approval for the Assembly in March, Morales won considerable support from a wide spectrum of Bolivia’s population. Initial proposals on the allocation of delegates based on a winner-take-all formula that favored the MAS have been abandoned, and political minorities also lost their call for representation by social sector not geography.

Instead the 255 delegates elected July 2nd were drawn from the 70 electoral districts in the country, plus five from each of the country’s nine departments, allowing for representation by population as well as territory. In a significant move that recognizes the historical exclusion of women from Bolivia’s political decision-making, in the elections for Constituent Assembly representatives, where the first candidate is a man, the second must be a woman, and vice-versa. Once the vote was tallied, MAS won 45.5%, trailed by Podemos as a distant second with 17.65% of the vote, giving MAS 134 of 255 seats. While decisive, the MAS win is not sufficient for it to control the two thirds of the seats necessary to ensure its agenda goes forward (La Razón, El MAS gana en el país con el 45,7%, La Paz, 4 de julio, 2006)

One of the most contentious issues on the social movement agenda is the exit of the French company Suez from the management of La Paz-El Alto’s water supply. Morales appointed El Alto leader, Abel Mamani, as Minister of Public Works and he has made *Aguas del Illimani’s* departure a priority. Initially when Mamani approached the World Bank about providing financing for a public utility, the Bank insisted on a public-private partnership. But two months later, during the World Forum on Water held in Mexico City in March 2006, Jamal Saghir, director for energy and water at the World Bank Group’s Private Sector Development and Infrastructure Vice Presidency, assured

Mamani that financing would be available “without conditions” (Bolpress 27 March 2006). Other funding might become available as Germany, China and Japan and the IDB have expressed interest. (Business News Americas, 29 March 2006). In May, the socialist mayor of Paris, Bertrand Delanoë, promised support to El Alto to improve water infrastructure (Barchfield, Miami Herald, May 15, 2006).

The MAS’s key constituency has been coca growers, who after years of low intensity warfare, broken promises and increasing pauperization, are demanding new policies. Morales who has been leader of the coca growers for 15 years, was recently re-elected its head, despite efforts to resign. His supporters will simply not allow him to back down from promises to revise the infamous Law 1008. This law, largely written under US advice, presumes guilt rather than innocence, and has led to arbitrary detentions – sometimes for years – without trial as well as the abuse of growers and small time transporters, while most drug traffickers have successfully bribed their way out. For the most part the *cato* agreement has kept the Chapare quiet, but in the traditional coca-growing region of the Yungas east of La Paz, growers threatened to block roads unless another legal coca market was established, which Morales agreed to do in late May.

Just as this coca grower pressure demonstrates, Bolivia’s long history of contentious politics did not abruptly come to an end with the MAS victory. At the end of March, striking employees of the formerly state-owned airline, Lloyed Aereo Boliviano (LAB), blocked runways at three airports demanding unpaid back wages and that the almost bankrupt company honour its payments to the public pension system. Morales sent in military and police forces to cries of traitor by social movements around the country. (Smith 31 March 2006) However, by the end of April, a deal had been struck to set up a workers’ cooperative which plans to purchase 50 percent of the shares for US \$1.5 million (Bolpress 27 April 2006).

Creative responses

The Morales administration has been attacking the challenges head on. Evo has never been afraid to directly confront more powerful opponents. This trait, which could be conceived of as a kind of diplomatic Tourette’s syndrome, may serve to ensure his grassroots support. However, he is also politically astute. By touring countries as

disparate as Spain, South Africa and China before assuming the Presidency, he began to build relationships outside of the direct US orbit.

Back in Bolivia, Morales filled 14 of 16 cabinet positions with indigenous leaders, sending a clear message about whose voice and knowledge will matter. He has also committed to create a vice-ministry for traditional medicine, initiate a literacy programme in coordination with Cuban advisors, and produce steel or iron from “*El Mutun*” mine, one of the richest iron ore deposits in the world, rather than exporting ore to steelmakers abroad. He has announced that he will investigate environmental damage linked to the hydrocarbons industry and is developing an indigenous strategy for controlling coca linked to cocaine.

In April, the Morales administration announced a People’s Trade Treaty in response to the failures of the neoliberal models policies of deregulation, privatization and indiscriminate opening of markets. It commits to public control over foreign investment, protection for national industry, an agricultural policy based on food security, public control over vital services, environmental protection, and encourages cooperation over competition (Boliviasoberana 2006). On June 16, a National Development Plan was announced built on three pillars: generating stable employment, social inclusion and economic and financial stability. It plans to orient international cooperation towards Bolivia’s needs rather than international donors, to increase taxes on extractive activities such as hydrocarbons and mining, commits the state to assuming a 51% share of the state companies capitalized in 1996, and fundamentally changes the regulatory agencies set up under the 1996 privatization law.

While these initiatives are exciting and promise to begin the difficult process of addressing the structural issues facing the country, it will be a coup of a very different kind than the one Bolivia usually suffers if the Morales government can successfully mobilize the political capital, luck and astute governance to carry it off. The challenge brought by gas nationalization alone will be tremendous, given that YPF’s 2005 operating budget was only US \$89 million and it employed only 200 people (Forero 8 May 2006). And despite promises to double the country’s minimum wage, on May 4th, it was increased only 13.63% (Webber 2006).

The Bolivarian Alternative for the Americas (ALBA), touted as an alternative to Washington's Free Trade Agreement of the Americas (FTAA) between Cuba, Venezuela and Bolivia is unlike normal trade agreements, and will probably benefit Bolivia more than the other two countries. The pact commits to eradicating illiteracy, expanding employment and preferential rates on Venezuelan oil for Bolivia. Bolivia has also joined Venezuela's initiative called PetroAmerica which seeks oil and gas independence for South America (BBC 9 April 2006). If Bolivia follows the lead of Argentina and Ecuador in establishing a line of credit with Venezuela, it could serve reduce the financial instability that has wracked the country from its beginnings and reduce the power of the IFIs, multinational corporations and their government backers in the US and EU. (Weisbrot and Sandoval 2006)

In terms of government solvency, an area that must be addressed is the huge drain on state resources represented by the partially privatized pension system. At present, 4.1 percent of the Gross Domestic Product (GDP) goes to cover pensions, greater than the entire public deficit (Weisbrot and Sandoval 2006). As Baker and Weisbrot (2002) explain, this is a problem in other parts of the region with privatized systems such as Chile and Argentina. Privatization has generated high long term transition costs because current payroll taxes are not used to pay current retirees. Returning to a "pay-as-you-go" system which was how the Bolivian system was set up before privatization, and is how public pensions systems operate in other parts of the world, could significantly reduced the public deficit. (Weisbrot and Sandoval 2006)

Ultimately the MAS will only be able to avoid the fate of the ANC and the PT if Bolivia's radical social movements continue to push the Morales administration on their agenda, while concurrently demonstrating the maturity and sophistication to know when to mobilize support for the government so that it can successfully resist the enormous pressures from transnational actors and entrenched regional oligarchies. A broad-based, social movement meeting in Santa Cruz in February 2006 concluded: "It is not difficult to understand what we want. But we will make it clear. This country is ours and we want it for ourselves, for all men and women who live in Bolivia." (Buxton, Nick Focus on Bolivia: News summary update, February 28, 2006) Evo Morales and the MAS agree. It remains to see if they can pull it off.

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