

# Bolivia's Future: The Government of Evo Morales

**John T. Fishel, with Julio Graf, Mary Grizzard, & David Spencer<sup>1</sup>**

Center for Hemispheric Defense Studies, National Defense University

## Introduction

In the wake of the election of Evo Morales as President of Bolivia, scholars and governments, from the Americas and beyond wondered about the nature of this populist political phenomenon that appeared to come out of nowhere. Morales sharp words about the United States, close relations with Venezuela's Hugo Chavez and Cuba's Fidel Castro, as well as about the "neoliberal" economic system suggested that here was an individual whose approach to governing might very well threaten hemispheric stability. At the same time, some observers argued that Morales was hardly what he seemed – for better or worse.

With this level of uncertainty, the Center for Hemispheric Defense Studies (CHDS) and the Center for Technology and National Security Policy, both components of the National Defense University, hosted a workshop at CHDS in Washington, D.C. from 21 – 23 February 2006 – barely a month after Evo Morales was inaugurated as constitutional President of Bolivia. Making use of the relationships developed over the past eight years CHDS invited a number of its graduates as well as several non-graduate Bolivians to participate. In the end, ten Bolivians – nine of whom were CHDS graduates – participated in the workshop. Together they represented a good cross section of the various social, ethnic, and political groups that make up the Bolivian nation. The purpose of the workshop was to explore the significance of Morales' electoral victory in hemispheric context and consider what it portends for Bolivia's near term future.

This article is based largely on the reports of the four *rapporteurs* of the workshop, each of whom took extensive notes. No speaker will be identified by name under the non-attribution policy of the National Defense University. A second source for the article is the forecasting model that was integrated into the workshop and used to specifically address two salient current issues: the nationalization of natural gas (hydrocarbon) resources and the coca/cocaine policies of the new administration. In addition, public presentations attended by the author, public documents, and secondary sources have been used to glean insights. The latter are cited in the normal academic manner.

---

<sup>1</sup> Craig Deare, Jaime Garcia, Michael Gold-Biss, Manuel Lora and Boris Saavedra all contributed to this article in a variety of ways.

# Bolivia's Future: The Government of Evo Morales

## Background

As Bolivian-American scholar, Eduardo Gamarra of Florida International University put it in a January talk in Miami, the sources of Evo Morales' and the *Movimiento al Socialismo* (MAS) success are hardly new; they are found in the tradition that developed out of the Bolivian Revolution of 1952.<sup>2</sup> The revolution of 1952, itself, grew out of an intellectual tradition that developed in Bolivia from the 1920s through the 1940s, Bolivia's experience and defeat in the Chaco War from 1932 to 1935, and the growth of the *Movimiento Nacionalista Revolucionario* (Nationalist Revolutionary Movement – MNR) that ultimately came to power in the revolution. As Richard Patch put it some 40 years ago:

It was Indian participation in the Chaco War that made possible the rapid growth of an autonomous Indian organization. During the war the Quechua speakers in particular were impressed by their sudden introduction to the idea of "Bolivia," the notions of citizenship and fatherland, and the inflammatory concept of their equality with Spanish speakers. If they were equal in their obligations to the nation, how could their privileges be less? The war was lost, the army disbanded, but the Indians who returned to the serfdom of semi-feudal estates did not forget their new ideas.<sup>3</sup>

The revolution of 1952 brought the MNR to the government, destroyed the army as an institution, and created a power base in the miners union (the COB) and another in the peasants (*campesino*) syndicate in the province of Cochabamba where Quechua speaking Indians made their own land reform. Later, the Aymara speakers of the *altiplano* benefited from the agrarian reform law passed by the MNR government.

The revolution altered the power structure in the country by nationalizing the tin mines from their Bolivian and Argentine owners – no real transnational ownership – as well as altering the land tenure from latifundia in the *altiplano* and the intermountain valleys to widespread minifundia. This resulted in significant migration to Bolivia's east – the *oriente* – mostly by the organized Quechua speakers of the Cochabamba syndicate. These were the people that Che Guevara tried to organize during his attempted revolt (*foco*) in 1966 – 67. The revolt, put down by the armed forces that had been reconstituted after the revolution, flew in the face of everything that had changed in Bolivia in the previous 15 years.

Although the armed forces now controlled the government having ousted an increasingly dictatorial MNR government led by Victor Paz Estenssoro (who had changed the constitution to allow him to succeed himself and been elected for a third term in a fraudulent election), the President, Air Force General Rene Barrientos, was the first Quechua speaker to hold the office. His personal popularity among the Quechua speakers of both Cochabamba and the *oriente* was at extraordinarily high levels. This combined with the fact that the *campesinos* of the region were the beneficiaries of the

---

<sup>2</sup> Eduardo Gamarra, "Explaining Evo's Victory," Talk given at FIU, Miami, January 2006.

<sup>3</sup> Richard W. Patch, "Peasantry and National Revolution: Bolivia," in K.H. Silvert (ed.), *Expectant Peoples: Nationalism and Development*, (1963: New York) Random House, pp. 110 – 111.

## Bolivia's Future: The Government of Evo Morales

colonization policies that had accompanied the agrarian reform doomed Che Guevara from the start. His end was hastened by the well-trained Bolivian Ranger battalion that was sent to run him to ground, and did so – on the intelligence provided by the organized campesinos of the region.

By the time of Che Guevara's revolt, power in Bolivia was based on three pillars: the organized campesinos, the miners' union (the COB later expanded to encompass the entire labor movement), and the revitalized armed forces. Those pillars would play off against each other over the next 13 years as Bolivia suffered through a series of military regimes that ranged the gamut of a left-right spectrum. Supporting the most stable government of the period, the military dictatorship of Colonel (later General) Hugo Banzer, was the MNR that remained a powerful, if secondary, player. The period culminated in the totally corrupt narco-dictatorship of General Luis Garcia Mesa who seized power in a brutal coup in 1980 and was overthrown in 1981. Garcia Mesa's ouster ushered in the subsequent period of democratically elected governments that began with the selection of former President (1956 – 60) Hernan Siles Suazo by the Bolivian Congress and has continued through the present with the inauguration of Evo Morales in January 2006.

Although the past quarter century has seen only constitutionally elected presidents, it has hardly been tranquil. The power of the miners and the rest of the COB was broken when a 1986 march from Oruro to La Paz was violently stopped by the army. In its aftermath, approximately 25,000 miners were fired leaving only 7,000 to man the mines. The fired miners and their families left their homes and resettled largely in the El Alto urban area on the altiplano above La Paz and in the Chapare, the lowlands east of Cochabamba and west of Santa Cruz. In both areas, these mainly Aymara speaking (or Aymara descended) miners, retained their union organizational structure as they sought other means of making a living. Those in the Chapare soon turned to the growing of coca, joining the Quechua speaking campesinos who had previously begun farming coca. For the first time in Bolivian history Aymara and Quechua campesinos united in syndicates (unions) of *cocaleros* (coca growers). At the same time, the *cocaleros* became primarily Spanish speakers who, nevertheless, maintained an identity with their Indian past. The *cocaleros* and the former miners of El Alto became what one Bolivian observer has called an indigenous class. This class, with leadership drawn from its component parts, has been largely responsible for the downfall of constitutional presidents Gonzalo Sanchez de Losada in 2003 and Carlos Mesa in 2005 by means of street demonstrations and blockading access to La Paz from their base in El Alto.

Political leadership of the indigenous class is found in Evo Morales, a man who made his career as the leader of the *cocaleros* syndicate. According to Morales,<sup>4</sup> he was born on October 26, 1959 in Orinoca, Sud Carangas Province, in the Department of Oruro. "My father is Dionisio Morales Choque, my mother Maria Mamani. **We are a**

---

<sup>4</sup> Biography of Evo Morales (in Spanish), [www.evomorales.org](http://www.evomorales.org). From an interview with the newspaper, *Opinion*, in the city of Cochabamba, on April 15, 2001 when he was still a Congressional Deputy.

## Bolivia's Future: The Government of Evo Morales

**family of Aymara nationality.”<sup>5</sup>** Despite this clear statement of Aymara self-identification, much confusion remains regarding Morales' ethnicity. For example, the former mayor of La Paz, Lupe Andrade, states in an article in *Petroleum World*, “Mr. Morales Ayma is not an Aymara Indian. He is Quechua....”<sup>6</sup> Not only was Ms. Andrade confused but several Bolivian participants in the workshop also stated that Morales is a Quechua.

Indianness in the Andes is determined by language and dress.<sup>7</sup> Yet, there was general agreement that President Morales is a native Spanish speaker; his Aymara is significantly less fluent than his Spanish and his Quechua is the least fluent of the three languages. There was some dispute about whether he spoke more than a few words of either indigenous language. The point of this fairly extensive discussion of Evo Morales' ethnic origins and his language fluency is to emphasize that he is a leader who has sprung from the union politics of the indigenous class and that a certain degree of ambiguity relating to his ethnicity serves him well.

### Politics and the Election of December 2005

The democratic period from 1982 on saw the weakening of the party system and its collapse in 2003 with the forcing out of office of President Gonzalo Sanchez de Lozada. Through the entire period, no president was elected with a majority of the vote; indeed, not even with a significant plurality. In fact, the results of two of the early elections of the democratic period ended with agreement between the former dictator, Hugo Banzer, who won pluralities, and other candidates that he would step aside and allow them to become president so that a constitutional president could govern. The third time that Banzer won a plurality of the vote he negotiated a coalition that allowed him to become president and govern. However, late in his term he died of cancer with the result that his young vice president, Jorge Quiroga, served the final year of his term.

One of the important developments in the politics of the democratic period took place during the first administration of Sanchez de Lozada from 1993 to 1997 with the “Law of Popular Participation” which transferred resources to municipal governments. This resulted in local communities gaining resources and the incentive to organize to use those resources. One such political organization with its base in the Chapare was the *Movimiento al Socialismo* (MAS) whose leader was the head of the *cocalero* syndicate, Evo Morales.

The MAS soon became a force in other parts of the country as well.<sup>8</sup> The MAS is not really a socialist party having only recently incorporated long time Bolivian socialists in its ranks. Rather, like the MNR of the 1950s the MAS is a coalition of several strands of Bolivian nationalism. Indeed, its ideology resembles that of the old MNR with an

---

<sup>5</sup> Ibid., Emphasis in the original.

<sup>6</sup> [www.petroleumworld.com](http://www.petroleumworld.com), 1/21/2006.

<sup>7</sup> This was confirmed in a non-attribution conversation with several of the Bolivian workshop participants.

<sup>8</sup> Gamarra, January 2006.



## Bolivia's Future: The Government of Evo Morales

(significantly government bureaucrats) as well as from some intellectuals. The breadth of MAS support is reflected in the fact that Evo Morales won a clear majority of 54% of the votes cast with a 84.5% voter turnout.<sup>10</sup> Not only was the support for the MAS an important factor in Morales' victory but also the fact that he ran a brilliant campaign in contrast to the atrocious campaign of his principal rival, former President Jorge "Tuto" Quiroga.

### Key Issues for Bolivia

#### *The Underlying Political Challenge*

The first issue facing the new government is a political one. The MAS, as pointed out above, is a loose coalition of varied political tendencies and ideologies. It is not a well-organized political party. It comes together around objections to neoliberalism as it has been implemented in Bolivia, a sense of victimization on the part of the indigenous class (both Aymara and Quechua) that is built on a base of organized labor and organized campesinos (*cocaleros*) especially in El Alto and the Chapare, and opportunism on the part of elements of the middle class. Support for Morales also came from a wide variety of social movements that, while drawn from these same groups, have their own, often conflicting, goals and objectives. In his electoral campaign, President Morales told each group what it wanted to hear, thereby making the sort of conflicting campaign promises that victimize all politicians everywhere. The problem is that he has raised mutually exclusive expectations higher than ever before. How he will attempt to reconcile those differences will be instructive. Part of Morales' approach has been an attempt to co-opt the several social movements by offering their leaders government ministries. While this is giving them a stake in the success of the MAS government it is also putting ministers with very limited qualifications in charge of major sectors of government activity.

There are two major dangers in this strategy. First, when un- or under-qualified ministers are placed in charge of ministries in a country that lacks a professional, career civil service it raises the prospect of incompetent administration of government programs to a very high level. Second, the same difficulties raise the probability of government corruption in similar ways. Guarding against either of these outcomes is the first major challenge to the Morales administration.

#### *The Challenge of Political Hegemony*

Evo Morales' critics often charge him with the goal of implementing a project of political hegemony like the one Hugo Chavez implemented in Venezuela. While there is no doubt that one of the outcomes of the election was to leave Bolivia with a single dominant political party (the MAS), the goal of hegemony sought by Morales and the MAS has its roots in Bolivian politics and the past dominance of the electoral system by

---

<sup>10</sup> Even though voting in Bolivia is compulsory, the normal turnout is only around 70%. This 14% increase reflects, among other things, the direct appeal of Morales and the MAS to a group that had not voted before.

## Bolivia's Future: The Government of Evo Morales

the MNR. Moreover, for Morales to dominate the political system and achieve long term hegemony, he must first mold the MAS into a cohesive political party.

President Morales appears to have recognized the problem and has been quoted as saying, "We have the government but not the power." And, he has suggested that the road to real power is by way of the Constituent Assembly that he has called for. Even though Article 232 of the current Constitution states that, "The special law convoking a Constituent Assembly requires a two thirds majority of the members of Congress present for passage." and Morales has a majority in Congress but not a two thirds majority, the special legislation calling for the election of a Constituent Assembly on July 2, 2006 passed easily on March 7, 2006.<sup>11</sup> Part of the reason for this success is that there is a consensus on the need for Constitutional revision that dates back to the Sanchez de Lozada administration. Thus all the parties represented in the Congress see the Constituent Assembly as a way to address the issues that face Bolivia.

Nevertheless, the Constituent Assembly does constitute the centerpiece of a strategy to ensure the long-term hegemony of the MAS. The reform of the constitution will likely "increase indigenous rights and state control of the economy."<sup>12</sup> If it meets the expectations of President Morales and his supporters in the MAS, the restructuring of the constitutional norms will secure the power of the MAS for the relatively long term.

Among the indicators that hegemony is a goal are the interim steps that the new president has taken. The most important of these has been to reduce the salaries of senior judges and other high-level career officials. The idea behind this policy, according to those who oppose it, is to make continuation in public office economically prohibitive thereby causing a wave of resignations and creating the opportunity to place Morales' supporters in key offices. Supporters of the president, however, see this action as merely rectifying the inequitable distribution of salaries between the official minimum of about \$55 USD per month to the salaries of Supreme Court Justices which are about \$4000 USD per month. Whether or not the outcome is by design, the effect will be a significant number of resignations and their replacement by people more inclined to support President Morales' policies.

As one workshop participant summed up the issue, the MAS does not want to rule for five years and then turn over power. They want to rule for 20 years to be the counterweight to the 20 years of democratic government. What is most worrisome is the authoritarian potential of President Morales and the MAS that can become even greater with the Constituent Assembly.

### *Issues of Regional and Ethnic Autonomy*

Although the electoral map in Figure 1 shows a mosaic of political parties with some MAS strength in the *oriente*, the outcome of the presidential election reinforces the drive for regional autonomy in the eastern departments of Beni, Pando, Santa Cruz, and

---

<sup>11</sup> BBC News, <http://news.bbc.co.uk/go/pr/fr/-/2/hi/americas/4781340.stm>

<sup>12</sup> Ibid.

## Bolivia's Future: The Government of Evo Morales

Tarija. In the prefectural voting (concurrent with the presidential election), the MAS came in a distant third in Pando, Santa Cruz, and Tarija, and failed to make the top three in Beni.<sup>13</sup> The drive for regional autonomy is reflected in the fact that the Congress passed legislation authorizing a referendum on the subject to take place on July 2, 2006 – concurrent with the election of delegates to the Constituent Assembly.<sup>14</sup>

Since the autonomy referendum and the Constituent Assembly election will be concurrent – with the results of autonomy going into effect before the new Constitution is promulgated – it appears likely that autonomy for the *oriente* will have to be incorporated into the Constitution. Failure to do so might well result in secession, possibly with the support of Bolivia's neighbors. A federal system established by the Constitution probably would preclude such an outcome.

The second part of this issue has to do with ethnic autonomy. As can be seen from previous discussion, ethnicity in Bolivia is extremely complex. Bolivians were asked in the 2000 census to self identify their ethnicity and 62% identified themselves as either Aymara or Quechua – two of the specific choices offered. The choice not offered was mestizo, but another question asked them to identify their mother tongue. Some 68% said Spanish!<sup>15</sup> It is for this reason, among others, that this article speaks of the indigenous class rather than indigenous people or even Indians.

Nevertheless, ethnicity in Bolivia remains complicated. Since the Revolution of 1952 Quechua speakers from Cochabamba have been moving into the *oriente* and settling on the land. It was these migrants who were utterly frustrating to Che Guevara during his abortive attempt to stir revolution in 1966 – 67. Over the years, these organized campesinos and their children became, for the most part, Spanish speakers who formed much of the organized campesino class in both Cochabamba and the *oriente*.

The Aymara of the altiplano, on the other hand, were not voluntary migrants in the 50s, 60s, and 70s. During this period, many of them continued to work in the mines under the well-organized leadership of the *Centro Obrero Boliviano* (COB). In 1986, as previously discussed, the COB was broken and the dismissed miners moved to El Alto and to the Chapare. Although many of those who stayed in the mining areas of the altiplano and migrated to El Alto retained their linguistic identity, those who migrated to the Chapare tended to become fluent in Spanish – if not them, then their children.

---

<sup>13</sup> Interestingly, MAS won the office of Prefect in only three of the nine departments of the country: Chuquisaca, Oruro, and Potosi, coming in second in La Paz and Cochabamba which were the heart of its presidential electoral strength.

<sup>14</sup> BBC News, op. cit.

<sup>15</sup> Since the primary objective item of ethnicity in the Andes is native language, and by definition mestizos speak Spanish, one wonders what the ethnicity percentages would have been if mestizo had been a choice. The percentages given above come from two of the participants in the workshop.

## Bolivia's Future: The Government of Evo Morales

Thus, the indigenous class today consists of monolingual Aymara speakers in the altiplano, bilingual Aymara/Spanish speakers in El Alto, monolingual and bilingual Quechua speakers in Cochabamba, and monolingual Spanish speakers of both Aymara and Quechua descent in the Chapare and other parts of the *oriente*. Some observers believe that the Aymara do, indeed, desire autonomy but that is hard to square with the patterns of language use described here. Nevertheless, President Morales campaigned, in part, on a platform of indigenous rights, which, along with a certain ambiguity regarding his own ethnic origin, suggests that he will make some use of the possibility of "indigenous" autonomy to gain his political goals.

### *Economic Issues*

Underlying all of the economic issues facing Bolivia are the successes and failures of the neoliberal economic model as it has been applied to that country over the past 23 years. This is well represented by the paradox that between 1985 and 2000 poverty diminished but economic inequality increased leaving significantly greater numbers feeling less well off than ever.

At the macro level, Bolivia's economy moved from a (tin) mining base to an agricultural base with significantly greater diversification. Agriculture, of course, includes coca cultivation, which will be addressed below. Although there is only a 12% official unemployment rate, underemployment is much greater. For example, in El Alto alone only 7,000 people are employed in the legal economy while 70,000 are employed in the informal economy. How much of the informal economy is fully employed is an open question but it is some proportion of the total.

Among the benefits of the neoliberal economic policy has been a renewed trust in the financial system. Aggressive policy and modernization of the financial system revitalized the economy, brought inflation under control, and generated new credit by 1988. The very best years were 1997 – 98 when GDP increased by 5% (3.9% in 2005) and deposits in the banking system reached \$3 billion USD. Currently, deposits are around \$3.5 billion USD. There has also been a reduction in the dollarization of the economy. During the years of high inflation nearly all deposits (the few that were made) were in dollars. At present, 86% are in dollars while the rest are in bolivianos. This not only is a significant improvement but it also indicates increased confidence in Bolivia's financial management system and its economy overall. The reduction in dollar reserves as a percentage coupled with record \$1.3 billion USD in absolute foreign currency reserves, vice the \$500 million USD that used to be considered in a positive light, signifies a stable and growing economy.

Exactly how stable is indicated by the lack of major dollar flight during the several political crises of recent years. Although there were losses of some \$100 million USD during the most recent crisis, there were no significant withdrawals when Evo Morales won the presidency. These facts indicate a high level of confidence in the financial system. As a result, President Morales begins his administration with the economy growing steadily and with the greatest financial stability since the 1952 revolution. This gives him an enormous advantage when it comes to his political and social initiatives.

## Bolivia's Future: The Government of Evo Morales

One of the major recent developments in the Bolivian economy has been the development of its reserves of natural gas in the *oriente*, especially in the Department of Santa Cruz. This development was accelerated by the privatization of state firms during the Paz Estenssoro administration in the 1980s which included dismantling the state hydrocarbon firm, YPFB, and selling its production assets and rights to foreign producers. The two largest are Brazil's Petrobras and the Spanish/Argentine firm, Repsol. It should be noted here that under the Bolivian Constitution the nation retains all ownership of sub-soil rights and resources and has only granted the foreign concerns production rights. The companies own the infrastructure they have developed to exploit the gas resources. Initial concessions involved an 85% (company) 15% (state) split on gas revenues. In the last year Bolivia modified this to a 50/50 division.

Nevertheless, natural gas resources and the privatization of their exploitation became a flashpoint in Bolivian politics over the last several years bringing down the elected government of President Gonzalo Sanchez de Losada in 2003 (over a deal to export gas to the U.S. through Chile). Gas politics remained at the center of the political radar screen throughout the campaigns that led to Evo Morales' victory in 2005. The principal issue was that the privatization of the natural gas industry was symbolic of all the evils of neoliberalism and Morales exploited the issue during his campaign for the presidency calling for its nationalization. Immediately after the election, Morales backtracked somewhat on his declared nationalization policy assuring the Brazilians that he would not expropriate the infrastructure that Petrobras had built. To what extent that guarantee extends to Repsol is unclear. Figure 2 shows the current distribution of positions on the issue as well as the effective influence of the players.

### Panorama político del gas natural

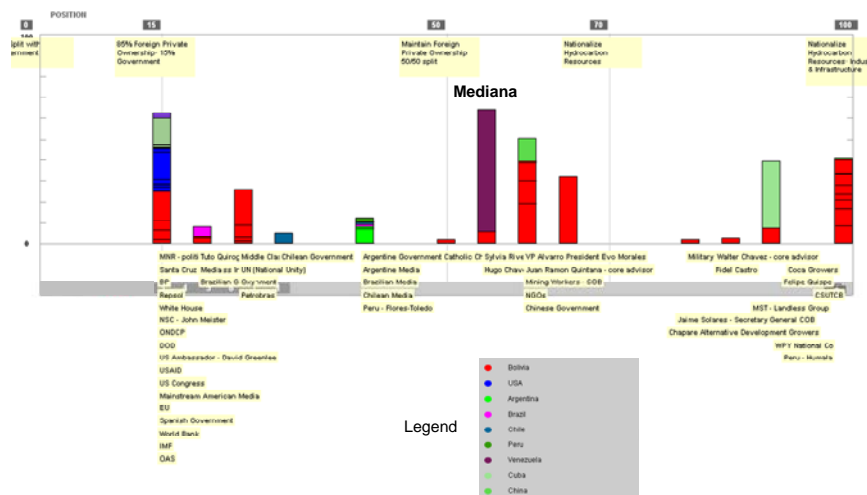


FIGURE 2

## Bolivia's Future: The Government of Evo Morales

At present, the Bolivian and international stakeholders are spread widely across the spectrum of possible nationalization outcomes. The probable outcome of the nationalization of the natural gas industry appeared to lie in the area of a profit sharing arrangement in the vicinity of a 65% for the state, 35% for the companies split. It appears, at present, that this is likely acceptable to Petrobras but not to Repsol. The Vice President, Alvaro Garcia Linera, and the Minister of the Presidency, Juan Ramon Quintana, seem to be the key players in building a coalition of Bolivian stakeholders around Morales' position at this projected outcome. Opposition remains at both ends of the spectrum – from Repsol and its backers in the Spanish and Argentine governments (on the left of Figure 2) and from the organized social movements in El Alto seeking total state ownership of the industry.<sup>16</sup> This opposition could spill over into street demonstrations but is unlikely to either derail the decision or cause serious immediate harm to the Morales administration. Perhaps, as a result of this, when President Morales announced nationalization on May 1, 2006, he declared that the revenue split would be 82% to the state and 18% to the oil companies. This appeared to be more than Petrobras was willing to accept.

### *The Coca Issue*

Coca production in Bolivia has been a major political and international issue since the Garcia Mesa narco-dictatorship of 1980. By the mid 1980s Bolivia was the second largest supplier of coca leaf, coca paste, coca base, and cocaine to the Colombian cartels that dominated the drug trade. With the crackdown in Peru under President Alberto Fujimori and the transition of coca growing from there to Colombia, Bolivia, nevertheless, retained its position as the number two supplier.

The first major U.S. effort to address coca trafficking in coordination with the Bolivians came with Operation Blast Furnace, conducted mostly in the Beni in 1986. This operation involved a small U.S. Army contingent of six helicopters and their associated support and security elements along with a robust intelligence capability from the 193<sup>rd</sup> Infantry Brigade based in Panama, Drug Enforcement Administration (DEA) agents, and Bolivian paramilitary rural police units (UMOPAR) all based out of Trinidad, the capital of the Beni. Analysis at the time indicated that the “center of gravity”<sup>17</sup> was the drug lab where coca was turned into coca base. Therefore, the principal targets of the operation were the drug labs located in the rural Beni, hundreds of miles from the Chapare and the Yungas where coca was grown. As long as the labs were the target, the coca farmers were affected by the fact that the narcotraffickers no longer came to buy their product. As a result, if the farmers assigned blame at all, it was to the traffickers and they began to approach the government, USAID, and other development agencies for assistance in crop alternatives.

---

<sup>16</sup> This analysis is drawn from the use of the Senturion Model developed by the Sentia Group and used during the workshop.

<sup>17</sup> “Center of gravity” is the term used by the great Prussian military theorist, Carl von Clausewitz, for “the hub of all power and movement on which everything depends.” See *On War*. Over time, of course, the center of gravity has moved but the basic lesson from Operation Blast Furnace that the center of gravity was not the coca grower remains valid.

## Bolivia's Future: The Government of Evo Morales

With the termination of Blast Furnace, more emphasis was placed on coca eradication and operations – some involving U.S. Army Special Forces, DEA, U.S. Customs, and other U.S. agencies – moved into the Chapare growing area. This was precisely the area of the country where Evo Morales was farming coca and becoming a leader of the coca growers' syndicate.

In 1988, the Bolivian Congress passed Law 1008, criminalizing the growing of coca in non-traditional areas and for refining it into cocaine. This enactment was followed by periods of greater or lesser efforts at enforcement over the next decade. Then, in 1998 during the administration of President Hugo Banzer and under the leadership of his Vice President, Jorge "Tuto" Quiroga, the government implemented *Plan Dignidad* (Plan Dignity).<sup>18</sup> The plan, which began to forcefully eradicate illegal leaf, eliminated payment for eradication, targeted precursor chemicals, and militarized the Chapare, was highly successful in the short run. "In three years, one less than the Plan anticipated, Bolivia eradicated over 30,000 hectares of coca and all but eliminated the Chapare's role in the drug industry."<sup>19</sup> A year after this achievement was announced confrontations between coca growers, their unions, and the organized former miners in El Alto with government forces had forced the resignation of President Sanchez de Losada.

As far as coca growing was concerned, efforts to enforce the policy of eliminating illegal coca went out the window. Instead, there were a number of compromises that resulting in an allotment system for the Chapare. Little effort at eradication in the Yungas and other areas took place during the politically difficult period that led up to the election of December 2005. In that election, candidate Evo Morales took the position of "Yes to coca, no to cocaine."

In the wake of Morales' victory the landscape of the coca issue is highly polarized between full implementation of Law 1008 and the Morales position. Most Bolivians take a position either near or to the right of President Morales (as shown in Figure 3). Most U.S. stakeholders, as well as the UN, EU, and some other international players occupy the far left of the scale in favor of the complete eradication of illegal coca.

---

<sup>18</sup> This section is taken largely from Eduardo A. Gamarra, "Has Bolivia Won the War? Lessons from Plan Dignidad." Paper originally prepared for delivery at the Conference on the Political Economy of the Drug Industry, Utrecht University, June 14, 2001, (April 2002 draft).

<sup>19</sup> Ibid.

## Panorama político de la erradicación de la coca

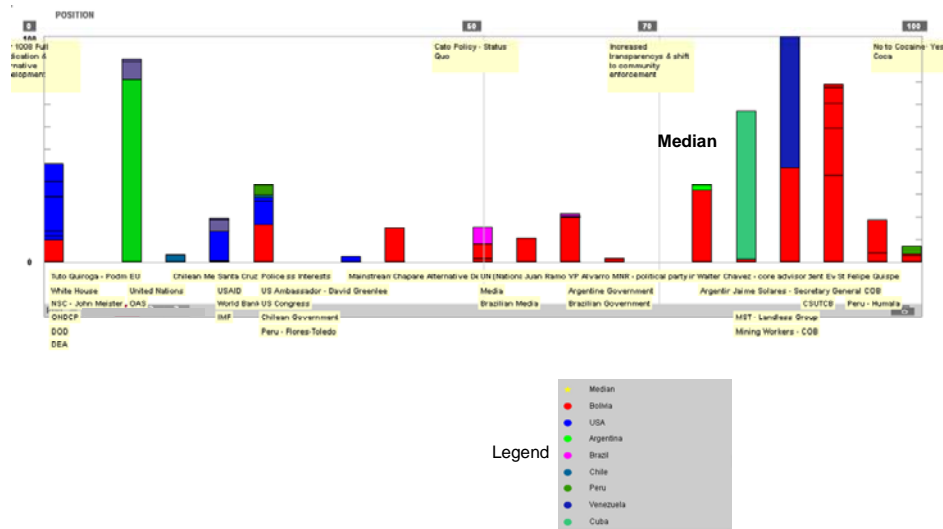


FIGURE 3

While President Morales has already backed away slightly from his campaign position on the coca issue, he will continue to oppose efforts at significant leaf eradication. At the same time, he will stop short of ending all U.S. counterdrug presence and assistance. With his 2006 re-election as President of the Chapare *cocaleros'* organization, it appears that the growers will support him and impose this position on other coca producers. The implication is that the kind of cooperation on counterdrug programs that the Morales administration is prepared to offer will benefit the Chapare growers disproportionately compared to the growers in other regions of the country such as the Yungas.

### Key Issues for Regional Actors

Although the workshop opened with presentations from participants who were natives of Bolivia's regional neighbors, we have reserved the discussion of their issues until after we had addressed those issues from the Bolivian perspective. The discussion will proceed in the order of presentation: Argentina, Brazil, Chile, Peru, and Venezuela. In addition, we will consider the issues from the perspective of South America's premier intergovernmental economic organization, MERCOSUR.

## Bolivia's Future: The Government of Evo Morales

### *Argentina*

Like many of his counterparts in the countries that make up MERCOSUR, Argentina's President Nestor Kirchner is a man of the left. Evo Morales, along with Chile's new President Michelle Bachelet, are the newcomers to Kirchner's club. Nevertheless, the broad ideological affinity does not necessarily translate into policy support. Argentina has two specific issues with Bolivia that could produce friction between the two countries and their left wing presidents. The first is natural gas; Argentina gets most of its requirement from Bolivia at extremely low prices. Moreover, Repsol, one of the two major gas developers, is a Spanish/Argentine company and is, therefore, subject to Morales' nationalization of the gas industry. This has already produced significant conflict.

As suggested above, President Morales has staked out a position on nationalization that is based on a significantly larger share of gas revenues for the Bolivian government than had been in place previously. While the Brazilian company, Petrobras, appears to be willing to accept a deal along these lines (see below), Repsol has indicated its displeasure with the direction of the negotiations. In this context, early in March 2006, a Bolivian judge upheld arrest warrants for two Repsol executives who were detained on charges that a local Repsol subsidiary had illegally exported 230,000 barrels of oil worth \$9.2 million USD.<sup>20</sup> In addition, prior to their arrest, the "...district attorney's office in the province of Santa Cruz, accompanied by police in riot gear, raided the Repsol offices..." in search of the two executives.<sup>21</sup> "...Spain's foreign minister ... said the actions against Repsol were sending bad signals to foreign investors in Bolivia. Bolivian President Evo Morales responded ... by saying it is not a 'bad signal to follow the law.'"<sup>22</sup> This legal and political controversy indicates, at the very least, that there is a potential for problems between the governments of Morales and Kirchner.

The second issue is that of Bolivian immigrants resident in Argentina. Argentina hosts between two and four million Bolivian migrants; the numbers vary depending on whether one is counting just the illegal immigrants or their children born in Argentina. Most live in the greater Buenos Aires, greater Cordoba, and greater Rosario areas where they are engaged in the production of fruits and vegetables. Indeed, 40% of the fruits and vegetables eaten in Argentina are produced on farms run by Bolivians. The migrants tend to view the election of Evo Morales with much hope and some fear that he will fail. Although they are not political in Argentina, the migrants pose a potential labor problem (labor shortage) should they choose to return to Bolivia because they are willing to work for wages that are not acceptable to most Argentines.

### *Brazil*

There has not been a world leader more effusive in his support for Evo Morales than Brazil's president, Lula, who clearly identifies with Morales. Both come from a

---

<sup>20</sup> Mar Roman, "Two Repsol Execs Detained in Bolivia," AP, March 15, 2006, 6:23 AM.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

## Bolivia's Future: The Government of Evo Morales

background of poverty, both come from the labor movement, and both are men of the left. Although Lula strongly supported Morales' campaign for the presidency, Lula's pragmatism in governing does not make his continued support certain. Lula is, after all, president of Brazil, not of Bolivia.

Lula's international political goals for Brazil are to strengthen democracy in the region as well as to integrate South America through the development of a common infrastructure of roads and pipelines. Bolivia plays an important role in this vision, which is amplified by strong economic incentives for cooperation. Brazil is the largest importer of Bolivian natural gas while the Brazilian state oil company, Petrobras, has major investments in Bolivia including a 3,000-kilometer gas pipe in operation between Bolivia and Sao Paulo. It also has a 6,000-kilometer gas pipe in the planning stage. In addition to the pipelines, Petrobras has significant investment in refining of both oil and gas. Moreover, Brazil, like Argentina, gets low prices on Bolivian gas. It should be noted that 30% of Sao Paulo's gas and 58% of all Brazil's gas comes from Bolivia. Not only is Brazil a major gas and oil partner of Bolivia, but it also imports fully one percent of all Bolivia's exports including 40% of its soy.

During the recent gas crisis Lula sent a trusted advisor to Bolivia several times to ensure Brazil's gas supply. He again sent a trusted advisor to make sure that President Morales understood that good relations with Brazil depended on the security of Brazil and Petrobras' investments in gas and petroleum infrastructure. Nevertheless, Brazil understands that the current gas accord will be modified and Lula is prepared to negotiate and pay a price. The price will be not only tangible concessions, but also such assets as friendship and support. Nevertheless, there are clear limits to the price Lula will accept; these limits may already have been exceeded by the 82/18% split in the nationalization decree.

### *Chile*

Chile and Bolivia are the only two Latin American countries without formal diplomatic relations. Nevertheless, below the level of formal state-to-state relations Bolivia and Chile share a large number of relationships. At the most formal, Chile is represented in La Paz by a consul (that is, consular relations exist between the two countries) and the Chilean Consul has the attributes of an ambassador (but without the credentials). At a lower level, Chile's School of Carabineros is training some Bolivian national police cadets. One continuing problem related to interstate relations between Bolivia and Chile has been the lack of continuity of Bolivian government policy due to the political instability of the last few years. One recent Chilean Consul conducted activities under the administrations of three different presidents during his tenure.

Chile wants Bolivia and its new government to be successful because such success is in Chile's interest. The danger that Chile sees for Bolivia lies with its possible rejection of the market economy, an action that would almost certainly guarantee the failure of the Bolivian economy as well as the Morales government. Chile is encouraged by the fact that Morales' cabinet, particularly the ministers of defense, economy, foreign affairs, presidency, public works, and treasury, has significant links with the non-

## Bolivia's Future: The Government of Evo Morales

ideological world. While these appointments indicate that President Morales will follow a pragmatic course similar to the trajectory of Lula, in Brazil, rather than the confrontational approach of Venezuela's Hugo Chavez, Morales' recent rhetoric and actions suggest otherwise.

Chile, like Bolivia, underwent a presidential election in which Socialist president Ricardo Lagos' chosen successor, Michelle Bachelet, was elected. Outgoing President Lagos attended Evo Morales' inauguration and Morales returned the compliment by attending Bachelet's ceremonies. Clearly, this exchange of visits signaled a desire on the part of both countries to both upgrade formal relations and improve the relationship. Bachelet certainly is interested in getting closer to Bolivia by building on the existing Chile – Bolivia unofficial relations. Bachelet has also expressed a willingness to talk with Bolivia about solving territorial problems – code for access to the sea – without excluding any option. Chile believes, and Bolivia seems to reciprocate, that two new presidents with clean slates make the reenergizing of conversations particularly opportune.

### *Peru*

Peru's presidential elections complicate the future of Peruvian – Bolivian relations. Although Alan Garcia's solid majority victory in his political comeback ended the idea of a Peru – Bolivia anti-neoliberal radical axis for the immediate future, it did nothing to settle the long term social issues that plague Peru. Municipal election results simply exacerbated the issue while, at the same time, demonstrating the fragmentary nature of former presidential candidate Humala's coalition and the national weakness of President Garcia's Aprista party. Thus, the elections put on hold, for a time, the possible confrontation between Peru's national urban classes and its partially indigenous rural classes. In this milieu Bolivia's Evo Morales may exercise important symbolic appeal.

With regard to President Morales' policy proposals, several of them are problematic for Peru. The slogan, "Yes to coca, no to cocaine" is neither a policy nor a strategy. There is much doubt that Morales can fulfill his campaign promise especially because the coca/cocaine market follows the law of supply and demand. Even with the policy of enforced eradication under Law 1008, coca production grew in the end and most coca production went to the illegal cocaine market. President Morales has backed away from statements about eliminating U.S. counterdrug presence but still seeks to expand the legal coca market. His acceptance of reelection as president of the *cocalero* union reveals a certain wisdom where his leadership can control and moderate the behavior of the *cocaleros*. In this way, he has some control over the street, which brought him to power and could overthrow him. Nevertheless, in the long run it is impossible to "be OK with God and the Devil simultaneously." The issue is of importance to Peru because the market is growing there as a result of counterdrug and counter insurgent success in Colombia and the resurgence of *Sendero Luminoso* (SL – Shining Path) with its current ties to the FARC and narco-trafficking in the Upper Huallaga Valley. At the same time, Peruvian *cocaleros* are emulating their Bolivian counterparts and getting involved in politics.

## Bolivia's Future: The Government of Evo Morales

The successful meetings at the presidential inaugurations of Morales with Lagos and Bachelet augurs well for addressing the subject of a Bolivian outlet to the sea as does Morales' quieter approach – quieter than some of his predecessors. While this approach may well inaugurate a period of lowered tensions, any concession of territory that once belonged to Peru requires Peruvian concurrence (according the 1929 Border Treaty with Chile<sup>23</sup> as well as subsequent maritime agreements and disputes).

President Morales' rejection of neoliberal economics and his goal of nationalization of the natural gas resources strikes a populist chord in Peru. If carried to the extreme it is highly problematic for Bolivia's success and any contagion would redound negatively for Peru. That said, Morales has stated that nationalization would take place but private property will be respected. As discussed above, this suggests a much better profit sharing deal for Bolivia and might well be an appropriate model for Peru.

### Venezuela

President Hugo Chavez clearly seeks to influence his "good friend" President Evo Morales to follow Chavez' lead in the greater Bolivarian Revolution. How successful he will be is somewhat problematic since there is some of evidence of Morales' pragmatism (see above). Nevertheless, Chavez does have a good deal of leverage he can apply to support his goals. Venezuela supports a 6,000-kilometer transcontinental oil pipeline that includes Bolivia. The deal involves the exchange of diesel fuel for agricultural products, apparently a straight barter arrangement that preserves Bolivia's scarce foreign exchange.

Chavez is also supporting a literacy campaign among the Bolivian *campesinos* with Venezuelan teachers. He has also committed \$30 million USD aid to Bolivia for poverty reduction and has supported a rural public health campaign with Venezuelan and Cuban doctors. Chavez is also providing Venezuelan advisors for the forthcoming Constituent Assembly whose approach will likely parallel Chavez' own Constituent Assembly that produced his Bolivarian Constitution. Venezuelan legal advisors are working with Morales on a new property law which will expropriate unused property. He is also providing technical advisors to the state gas and petroleum company which is expected to play a significant role as it comes out of its current moribund state with "nationalization."

---

<sup>23</sup> *Tratado de Lima y su Protocolo Complementario*, [www.congreso.gob.pe/comisiones/1999/exteriores/chile/TRALIMA](http://www.congreso.gob.pe/comisiones/1999/exteriores/chile/TRALIMA), Article 1 of the Protocol: The governments of Peru and Chile may not, without prior agreement between them, cede to a third power all or part of the territories that, in accordance with the Treaty of this same date, fall under their respective sovereignties, nor may they, without meeting the same requirement, construct between them any new international railways. Los Gobiernos del Peru y de Chile no podran, sin previo acuerdo entre ellos, ceder a una tercera potencia la totalidad o parte de los territorios que, en conformidad al Tratado de esta misma fecha, quedan bajo sus respectivas soberanias, ni podran, sin ese requisito, construir, a traves de ellos, nuevas lineas ferreas internacionales.

## **Bolivia's Future: The Government of Evo Morales**

Chavez' advice focuses on strengthening the role of the executive as he did in Venezuela. Thus the new Constitution – if it follows from Venezuelan advice – will give significantly more power to the president at the expense of the Congress and the courts. Chavez would have Morales get greater control of the armed forces to use them as his major tool of social control. This would require, first, a purge of the officer corps. According to some, the first step has already been taken with the purge of 28 generals during Morales' first week in office.

The alternative explanation is that what happened was a combination of the normal turnover with any new administration, which removes the current class by promoting someone from a more recent class to command the armed forces requiring the resignation of all generals senior to that individual, with the effects of a "scandal" involving the handover of some old Chinese anti-aircraft missiles to the U.S. In any event, these two events removed a large number of generals opening the door for a new generation that may be more amenable to political manipulation by the president.

The last area where Chavez is likely to seek to influence Morales is by creating militias patterned after his own Bolivarian Circles (or Cuba's Committees for the Defense of the Revolution) to be a counterweight to the regular armed forces. These, however, might be a two edged sword as they would run up against the organized social movements who have their own militias.

### *MERCOSUR*

The last regional actor to play in the Bolivian drama is the economic organization of the Southern Cone, MERCOSUR. There is a strong desire both in the MERCOSUR countries and Bolivia for the latter's integration into that organization. For such integration to be successful, however, Bolivia must remain a part of the global market economy. This fact is likely to dampen some of the enthusiasm for economic statism to replace the neoliberal market system.

### **Key U.S. – Bolivia Bi-lateral Issues**

Relations between the U.S. and Bolivia in 2006 are analogous to the situation that existed in the wake of the Revolution of 1952. At that time, Bolivians were very suspicious of U.S. intentions aggravated by the anti-communist rhetoric of the Eisenhower administration. Today, Bolivians associate the United States with the neoliberal economic model, intervention in their internal affairs with respect to coca, hydrocarbons, and the unwillingness to extradite former President Gonzalo Sanchez de Lozada for his role in the "genocide" of some 69 demonstrators/rioters. The outcome of the earlier contretemps was significantly improved bi-lateral relation based on American restraint and support for many of the MNR government's reforms. While the times and issues are different, the lesson of restraint and appropriate support lends itself to careful consideration.

## **Bolivia's Future: The Government of Evo Morales**

### *Bolivian Anti-Americanism*

Bolivian anti-Americanism, conflated with the rejection of the neoliberal economic model (associated with the unfortunate name, "Washington Consensus") derives from several sources with fairly deep historical roots. First, Bolivians associate the U.S. with the MNR as it was overthrown early in the third Paz Estenssoro administration. Second, Bolivians view the U.S. involvement with the capture and execution of Che Guevara in 1967 with, at best, disdain. Third, Bolivians consider the U.S. partly responsible for the dictatorship of Hugo Banzer in the 1970s. They also blame the U.S. for its intervention against the narco-dictatorship of Garcia Mesa in 1980-81. In addition, they see the U.S. as directing the neoliberal economic policies of the Paz Estenssoro MNR government during the crises of 1986 which broke the back of the miners and brought into the country U.S. troops and DEA agents to assist the Bolivian UMOPAR in taking down drug labs and other facilities in Beni province. This was followed throughout the late 80s and 90s by U.S. Special Forces teams operating in the Chapare along with DEA, U.S. Customs, and other American law enforcement personnel on Bolivian soil.

Thus the combination of neoliberal economic policies demanded by Washington over a long period of time (as viewed from the perspective of Bolivian nationalists) coupled with American military and law enforcement infringements on Bolivian sovereignty, again, over a long period has provided the fuel for pervasive anti-Americanism. Bolivians see current U.S. policies and rhetoric as simply more of the same kind of intent to push Bolivia around as well as to not accede to its just demands as in the extradition of former president Sanchez de Lozada. The challenge for the U.S. is to find ways of being supportive of the Morales government on those issues where agreement is possible and to act with restraint on those issues where we disagree. In any case, speaking softly is a virtue – one that the current ambassador, David Greenlee, appears to have in abundance.

### *Nationalization*

The issue of nationalization of Bolivia's natural resources – to be read as natural gas (hydrocarbons) – is not really one of direct concern to the U.S. The Americans do not have a dog in this fight where the major players are the Brazilians, Spanish, and Argentines. Nevertheless, the word "nationalization" is often seen as a red flag for its apparent rejection of the rules of international investment and the market economy. As discussed above, the nature of President Morales' nationalization policy is largely one of renegotiating the revenue split between the state and the companies involved. Furthermore, the Brazilian company, Petrobras, along with the Brazilian government, seems to have accepted, in principle but with major practical qualifications, the likely outcome while the Spanish/Argentine firm, Repsol, has not.

The analysis of the data in Figure 2 suggest that U.S. policy could be helpful in leading to a positive resolution of the issue and that Ambassador Greenlee has the personal and professional stature to assist in achieving such resolution. Specifically, there appears to be no reason why the U.S. cannot support a realistic revenue split and the negotiations to achieve that split. This would clearly be a case of U.S. restraint and

## Bolivia's Future: The Government of Evo Morales

support for the policy goals of the Morales administration and would stand the U.S. in good stead as it seeks to address other contentious issues.

### *Coca/cocaine*

The single potentially most contentious of those issues is President Morales' declared policy on coca production. Even though he has backed away from the most extreme form of the position, the slightly modified version is still miles away from the U.S., European Union, and United Nations policy preferences. To further complicate matters, Morales is widely supported by nearly all factions of the Bolivian polity, as shown in Figure 3. In addition, analysis of the data summarized in Figure 3 strongly indicates that the U.S. has little or no leverage on this issue.

Perhaps the best approach would be for the US, EU, and UN to take President Morales at his word, "No to cocaine, yes to coca." By focusing on the first part of the statement, these actors could seek mechanisms of cooperation that would address the problem as the process of refining coca leaf into cocaine begins. This approach would return to what should have been one of the principal lessons of 1986's Operation Blast Furnace that the center of gravity of the cocaine production process is not in growing the coca plant.<sup>24</sup> Such an approach would have the virtue of being overtly supportive of Morales' stated goal while not appearing to undermine his other stated goal of expanding legal uses of the coca leaf. At the same time, the U.S. and the other international actors could individually or collectively take either no action or such actions as they desired in furtherance of the goal of legal uses for the coca leaf.

### *The Challenge of Venezuela and Cuba*

Hugo Chavez of Venezuela and Cuba's Fidel Castro are friends and supporters of Evo Morales. Their joint agenda is to bring Morales into their anti-U.S. orbit. To achieve that goal both have provided President Morales with technical and political assistance – medical personnel (doctors and nurses from both countries), petroleum industry specialists from Venezuela, security specialists from both countries, and election/constitutional legal experts from Venezuela. The goal is to craft a hegemonic political system that will be firmly allied with the two countries.

In a number of ways the Chavez and Castro goals coincide with Morales' – the latter does want to raise the standard of living of his people, to "nationalize" hydrocarbon wealth, and to create a hegemonic system for himself and the MAS. And, like his two friends, he seems to harbor deep suspicions of the U.S. But Morales' version of hegemony is not the same as Venezuela's. Rather, his approach derives directly from the earlier experience of Bolivia's own MNR and appeals to many of the same social and political groups. As we have seen, Morales' approach to nationalization is hardly the traditional one that is totally antagonistic to private enterprise. Although Brazil and Petrobras are prepared to accept a revenue split greater than 50/50, they do not seem

---

<sup>24</sup> When there was no market for leaf, the farmers were prepared to replace coca with other crops.

## Bolivia's Future: The Government of Evo Morales

willing to agree to 82/18. Repsol is even less willing to support that kind of agreement and has the backing of both the Spanish and Argentine governments.

As should be apparent, Morales has other friends in the Southern Cone and the rest of Latin America (and Europe) whose views differ from those of Chavez and Castro. He has been close to and was very much supported by Lula, had good relations with Argentina's President Kirchner, and appears to have established a good working and personal relationship with Chile's new President, Michelle Bachelet. Moreover, in the long run, Bolivia's future rests with its integration into MERCOSUR. This is something that is highly desired by the MERCOSUR countries and Bolivia alike.<sup>25</sup> Still, his recent rhetoric and actions raise significant doubts about the way the relationships will develop.

The obvious opportunity for the U.S. is to work with Bolivia's neighbors in their efforts to integrate that country thoroughly with MERCOSUR. Once again, this approach would be one of restraint and supportive both of the goals of the regional powers and Bolivia. The U.S. would also not be obviously in the lead on contentious issues and, perhaps, could make use of its good relations with the several neighboring countries to assist in achieving mutually agreeable solutions to issues like those with Repsol (involving both Argentina and Spain) and Petrobras.

### Conclusion – Rhetoric and Reality

The workshop showed that the complex reality of Bolivia is much more than the sometimes-strident rhetoric of President Morales and Bolivian politics. Where the rhetoric would lead one to believe that conflict between Bolivia and the U.S. is inevitable, the reality is that the U.S. is only one international player in a complicated and multi-sided game. In many ways, nationalization could still be a non-issue while coca is certainly contentious but one where external leverage is limited at best. The threat to regional stability posed by Chavez' Venezuela (and Cuba) is counterpoised by the economic reality of the MERCOSUR project in the Southern Cone. And, although the situation is complicated by Morales' hegemonic project, which enjoys Cuban and Venezuelan support, it is mitigated by both its homegrown source and the realities of Southern Cone politics and economic integration.

Although Bolivia shares many aspects of the general Andean culture with Peru it is no more Peru than it is Argentina, Chile, Paraguay, or Brazil (with all of which it shares other characteristics). Bolivia is the product of its own history and its own cultural adaptations. Therefore, it is likely to be resistant to any outside influences that are perceived as pushing external goals on the country. One of Bolivia's real strengths is its history of positive nationalism and successful inclusion of its indigenous population. The fact that one can refer to that largely Spanish speaking population as an "indigenous class" is an indicator of that positive nationalism.

---

<sup>25</sup> When CHDS organized the first Sub-regional conference with Uruguay's Center for High National Studies (CALEN) in November 2005, we were surprised by CALEN's desire to include Bolivia, who, they assured us, was a Southern Cone country.

## **Bolivia's Future: The Government of Evo Morales**

The implications of this for the United States are that there is much room for the development of good bi-lateral relations as long as the U.S. does not get too excited by some of the more strident rhetoric. The U.S. will have to tread carefully and act firmly where its real interests are affected but it should not react to every verbal excess that the new government may express. In short, as stated above, a policy of restraint and support (for what can be supported) is likely to prove successful in the long run.