

Re-founding the State in Bolivia



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Re-founding the State in Bolivia

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Bolivia has been and still is a country with a relatively weak state and strong civil society whose roots are found in the traditional communities of Andean peasant society, and in its long history of resistance to the invasion of 'Western' values such as private property, individualism and profit.

John Crabtree, Patterns of Protest, PIEB and

UNIR Foundations, December 2005.

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I. Introduction

Bolivia is a weak state with a dynamic civil society. Throughout its history since it achieved independence in August 1825, the Bolivian state's rather precarious functioning has been disrupted again and again by uncontrollable popular rebellions that toppled one government after another. The December 18 elections in 2005 proved to be a historic moment when the first indigenous president ever was elected by an absolute majority in a country whose majority indigenous population has been excluded for centuries. Morales campaigned under the slogan of 'Re-founding the state'.¹

Bolivia has become the centre of attention internationally. President Morales has nationalised hydrocarbon resources, to the consternation of Spain, Brazil and Argentina. Oil companies have been forced to renegotiate the prices they pay for oil and gas and also their profit rates on exploitation concessions. As a result, Bolivia has taken its place as an actor in the global debate on oil and gas, dealing with issues such as prices, depletion of reserves in the future and political manipulation of these resources. This debate involves suppliers, (ranging from Venezuela to Iran and taking in Angola and Saudi Arabia), as well as buyers from the international system as a whole, and of course multilateral organisations and civil society.

For other countries, especially in Latin America, Bolivia is the focus of attention owing to the influence that Morales' political programme may have, as it combines recovering national resources with respect for indigenous peoples and he is also endeavouring to reformulate landownership. Lastly, Bolivia is being observed by the United States, who has listed this state

as a cocaine producer while expressing concern over its leftward leaning government.

This report outlines the structural challenges facing Bolivia in this new phase in which, for the first time, a popular government represents the indigenous population who have, until now, been systematically excluded. The government aims to introduce state-reform and redress inequality. At the same time, there are many forces exerting pressure on state unity. Bolivia has moved to centre stage on the global energy issue. Given this situation, it is important to analyse the role the international community can play in supporting the transition to democracy and promoting social justice in this impoverished and segregated country.

The chances of success are complex but they should be feasible in the long run, given that Bolivia is rich in resources and has initiated a process whereby the profits from hydrocarbons will benefit the country's development. A further advantage is that it is not torn by war. The door to improvement is open and responsibility lies with local actors and the international community to cooperate so that these favourable circumstances lead to an effective reduction in poverty, this being the first step forward. However, the strength and multiplicity of civil society and the state decentralisation that took place during the last decade are two paradoxical factors. While both are signs of democratisation, they could work against Morales' government if certain actors consider that he is not responding to their demands.

Bolivia's transition-crisis needs to be understood in relation to the state's agenda in three main areas: economic, regional and indigenous.² It is the poorest country in South America and according to the World Bank it suffers the greatest inequality of wealth distribution in the region. Inequality levels are alarming: while 20 percent of the poorest population suffers critical infant mortality rates, higher even than

¹ Re-founding the state is a key concept in Bolivia's current reform process and it is analysed in this report. It refers to the project for reconstructing the Bolivian state from the bottom up, by trying to set up a new state model that synthesises Western liberal ideas and indigenous culture.

² Interview with Fernando Mayorga, Director General of the *Centro de Estudios Superiores Universidad Mayor de San Simón*, Cochabamba.

Haiti, Kenya, Nigeria and Cameroon, the richest 20 percent of Bolivians enjoy rates comparable to the developed world.

On the poverty front, 14.4 percent of the population lives on less than one dollar a day, while 34.3 percent live on two dollars a day.

Unemployment is also of great concern in Bolivia and statistics suggest that 8.7 percent of the active population is without a job, according to the National Statistics Institute (INE).

II. Roots of the crisis

Colonisation and indigenous exploitation

A centuries-old problem in Bolivia, and which is still a major problem today, is the emancipation of the indigenous population and of the newly excluded rural and urban population, who are for the most part indigenous too. Since colonial times, the indigenous population has been treated as socially marginal: the model implanted by the Spanish occupation and conquest was that of two separate republics characterised by colonial relations of domination and economic exploitation.

When Francisco Pizarro arrived in Bolivia in 1532 he found the Inca Empire weakened by the death of its emperor, Huayna Capac, who had governed for 34 years, and the ensuing sanguinary war that had eroded the empire to the point where it was defeated by a contingent of only 168 Spanish soldiers. Some historians maintain that the Indian's lives did not change significantly when the Inca Empire fell to Spanish domination. Others, however, insist that the Spanish crown exploited the Inca. This view is

substantiated in particular by the *encomienda* and the *mita*, two institutions that clearly demonstrated how the indigenous population was subjugated for centuries.³

The traditional *ayllus* and small groups living in scattered hamlets were regrouped during colonial times in *reducciones*. The colonists founded these settlements of indigenous peoples in order to utilise native labour more efficiently. This process destroyed social cohesion in the original communities and led to violent conflicts between different indigenous groups. As a result, not only was a rift created between the original population and the colonists, but also among the original peoples themselves, thus creating a deep-rooted problem still evident today.

The fact is that the Spanish colonial territory, that would in the future become the Republic of Bolivia, was a land of revolution from the outset. Bolivia gained its sovereign independence in 1825 after years of war and rebellions. The National Revolution took place between 1952 and 1964. The current government, which has a nationalist and indigenous spirit, is trying to 'unite different ideologies in the ideal of an inclusive and productive Bolivia through the vehicle of MAS, which defines itself not as a political party but as a political instrument for the sovereignty of its peoples'.⁴

The MAS (Movement towards Socialism) movement grew out of the *coca* trade unions in the Chapare regions during the years when *coca* growers suffered an eradication programme enforced with armed repression. *Coca* cultivation is very often the only

³ The *mita* system originated in the Aymara civilisation and was adopted by the Incas. It was reinstated in 1570 by the Viceroy of Lima, Francisco de Toledo, at which point it degenerated into a racist system of serfdom by which Indians worked without being paid for the State and for private companies involved in agriculture and silver mining. It was abolished in 1825 by Simón de Bolívar. The *encomienda* granted rights to the colonists over the indigenous population whereby the *encomendero* was responsible for the Indians' spiritual welfare and in return Indians had to repay the colonists with unpaid labour. They also had to surrender their communal lands.

⁴ Interview with Antonio Peredo Leigue, Senator for *Movimiento al Socialismo* (MAS) Movement toward Socialism, in Parliament, May 2006, La Paz.

option for many Bolivians as well as a sacred leaf for indigenous peoples. Grassroots support for MAS essentially springs from social movements made up of indigenous peoples and the poor.

Population over 15 years who identify themselves with original or indigenous peoples

Categories	Ocurrences	%
NOT APPLICABLE	1,444,927	28.46
QUECHUA	1,343,467	26.47
AYMARA	1,221,786	24.07
GUARANI	22,357	0.44
CHIQUITANO	4,382	0.09
MOJEÑO	4,080	0.08
OTHER NATIVES	23,399	0.46
NONE	1,011,853	19.93
Total	5,076,251	100.00

Source: *Instituto Nacional de Estadística (INE)*, (National Statistics Institute) Population and Housing census 2001.

According to the National Population and Housing Census in the year 2001, the last global study available, 62 percent of citizens over 15 identify themselves with original peoples, and most of the country's poor are indigenous.⁵ The enduring inequality in countries such as Bolivia is largely linked to the ethnic factor and extreme poverty is concentrated in rural areas in the Western highlands. The difference in the percentage of poor people between the departments of Potosí and Santa Cruz is 80 percent compared with 38 percent. In general, poverty is equated with being Indian.

⁵ The latest survey by the UNIR Foundation *Cultural diversity today*, indicates that 68.9 percent of Bolivians consider themselves to be *mestizos*. This information rectifies the INE's omission of not including the *mestizo* option in its national survey.

The neoliberal period

From the time of independence until 1982, Bolivian governments were repressive, authoritarian and centralised. In the late sixties, the country suffered a coup d'état every eleven months,⁶ and until the transition to democracy, successive governments consisted of repressive military domination and an economy controlled by the elites. The 1952 Revolution, which had its origins in widespread political mobilisation after the Chaco War (1932-1935) and the legacy of the 1898 Federal War, had to confront continuous military repression that maintained the upper classes' stranglehold on power and privileges. Since then, civil society (which was not known as such then), came to be vitally important in Bolivian history and the driving force behind many changes.

Democratic transition in 1982 introduced the New Economic Policy (NPE) in Bolivia, which came into effect in 1985 via Supreme Decree 21060. The conversion to liberalism according to the guidelines of the so-called Washington Consensus was carried out by successive conservative and liberal governments. It involved dismantling all the state's productive functions to reform the Andean country according to the rules of neoliberalism. Large-scale privatisation of state companies was undertaken in order to impose the free market model on the country, under the assumption that the *invisible hand* would have a beneficial effect on the corrupt state that was smothering Bolivia.⁷ However, Bolivian analysts and citizens question the effectiveness, legitimacy and viability of this model imposed from the outside on a plural, multiethnic and extremely poor society. Many Bolivian experts and citizens consider that in general, liberalisation only increased poverty and injustice in the poorest country in South America. The reforms

⁶ Bolivia held the world record for coups d'états reaching a total of 189. See Michael Radu, 'The End of Bolivia?', *e-note FPRI*, Washington D.C., Foreign Policy Research Institute, 25 December 2005, www.fpri.org

⁷ Five strategic companies - electricity, railways, airports, LAB airline and the YPFB - were all handed over to foreign companies.

imposed by free market techniques achieved monetary stability through structural adjustment programmes that had a positive effect on macroeconomic growth (and on the profits of foreign companies). However, these adjustment programmes increased poverty and caused the informal economy to grow by reducing regulated employment and by undermining the traditionally important role of the Bolivian trade union system.⁸

Between 1985 and 2000, Bolivia went through a period of economic stability under the liberal doctrine implanted by the three traditional parties: Alianza Democrática Nacionalista (National Democratic Alliance), Movimiento de Izquierda Revolucionaria (Movement of the Revolutionary Left) and Movimiento Nacionalista Revolucionario (National Revolutionary Movement), who governed by means of coalitions. This system of government by alliances was known as 'Pact for democracy'. However, the supposed benefits of the free market took the form of ever increasing poverty and inequity, compounded by state impotence in exercising economic sovereignty. A logical consequence of this is that, for the most part, Bolivian society associates democracy and the State with neoliberal policies and privatisation. The poorest sectors realised that the road to improvement did not coincide with the model of Western political organisation that had proved to be of little use.

The nineties saw increasing foreign political interference, mainly by the United States and related to the 'war on drugs'. This interference, among other things, contributed significantly to doubts concerning Bolivian democracy.

III. A State under Discussion

The idea that the state in Bolivia does not exist or does not work is widespread. At the same time the debate about what type of state exists, and the reasons why it is inefficient in providing security and goods for its citizens and in guaranteeing universal rights, is as wide-ranging as the opinions are different.

Internal perceptions about the Bolivian state differ, varying between those who consider that it is inexistent, those who want to re-found the state to construct an alliance of indigenous nations, and those who consider that a modern state already exists but that it requires a modern form of government. Part of the indigenous population considers that the 'state is the municipality', the power structure closest to the grassroots. According to Catalanian priest Mauricio Bacardit, who has been living in Bolivia for 50 years, municipal government has been taken over by indigenous representatives during the last decade.⁹ But for the indigenous population the state is also their communal lands.

Political scientist Anita Lema considers that the Bolivian state does not need to be re-founded as it is an entity in the process of formation, though not yet consolidated. In this sense she coincides with the United Nations Development Programme (UNDP), which considers that the country is undergoing a process of self-transformation and self-determination.¹⁰ In the last 20 years there have been reforms in many areas including the tax system, popular participation, narco-trafficking and local government, and they all point to this evolution. At the same time there is a twofold reality: according to some social sectors the state is corrupt, abusive and a symbol of oppression. For others,

⁸ Dirk Kruijt, 'Bolivia. Past problems, future hopes?', *CIP Yearbook 2006 Power and Democracy. The challenges of multilateralism*, Madrid: Centro de Investigación para la Paz (CIP-FUHEM) (Peach Research Centre).

⁹ Interview with the authors, 27 May 2006, Santa Cruz.

¹⁰ UNDP, *Situación y Perspectivas Político-Económicas de Bolivia. Balance de la Transición*, La Paz, 2004.

like the Amazon peoples, it is inexistent. For a third sector, the state exists but it is a matter of guiding the process of its formation. Lastly, another trend wants the state to decentralise and to allow greater leeway for regional autonomy.

The 1994 Popular Participation Law encouraged *municipalisation* of the territory. In Bolivia there are 327 municipalities with participative budgets, a model that is well-known in the city of Porto Alegre in Brazil. Carlos Molina, a specialist in local studies, considers that Brazil is very advanced in local development and in non-party social participation as this has enabled ownership or empowerment by the citizens of their resources. Thanks to the development of civil society in Bolivia, 42 percent of the citizens who had been classed before as *rural* and did not usually vote were able to vote, and to a large extent this election support helped bring Evo Morales to power.¹¹ Esther Balboa, Chief Officer for Human Development in the Municipality of Cochabamba assures that 'Bolivian citizens view the state in terms of the Mayor's office' as 'this is the true state in Bolivia'.¹²

Structural conflict in the Bolivian State is situated between the nation and the state, according to many experts. The three contradictions arising from this conflict occur between the state and excluded classes, the state and ethnic groups, and the state and regions.¹³

Two Conceptions of the State

Bolivia is a plural state, fundamentally indigenous, but which has been traditionally run by Western-leaning elites following liberal parameters. Ideas as to what form the Bolivian state should take are many and varied. However, the two most dominant and representative trends can be summarised in the

opposing views of the *Kollasuyo* state and the liberal democratic state of Bolivia.¹⁴

The state of *Kollasuyo* is the indigenous state. Founded on indigenous customs, habits and community laws, it takes as its basis the *ayllu* and totally rejects the structures of Western liberal democracy that involve economic liberalism, the dominance of market laws and private property. The *ayllu* is structured around a system of community life where there is no money. Barter is used and community members are looked after following the principle of solidarity.

According to indigenous leaders such as Felipe Quispe, 'the *ayllu* is our way out so that we don't have to accept capitalism as this can mean dying of starvation'. This is why they try to defend indigenous autonomy in the construction of the new State.¹⁵ For those who favour this model, the Constituent Assembly provides a momentous opportunity to re-found the state. They consider that it should even change name and return to using the name it was given by the original peoples. This is a state that exists within Bolivia, and puts into practice alternative social and economic forms used by indigenous communities who have not found a way of living under the free market economic model.

The indigenous culture sees the state as being more real than the Western conception of the state. In the same way as the indigenous religion is more related to the physical dimension (earth, sky, water and fire), the indigenous movement is waiting for the state *that will come*. The *Pachakuti* ('time will return') is a belief that, in the same way that 500 years ago the Spaniards invaded Bolivia and changed all the structures completely, the current 500 year cycle will end in 2032. From then on, structures will change completely and a true indigenous state will arise.

The other conception of the state, defended by the Santa Cruz elite, wants Bolivia to become part of the

¹¹ Interview with the authors, 27 May 2006, Santa Cruz.

¹² Interview with the authors, 22 May 2006, Cochabamba.

¹³ Interview with political scientist, Dunia Sandoval, Santa Cruz.

¹⁴ *Kollasuyo*: ancient name for the Andean region now known as Bolivia.

¹⁵ Interview with Felipe Quispe, 26 May 2006, La Paz.

laws of globalisation and to be structured according to the Western state model. This view of democratic liberalism would like Bolivia to be declared a *mestizo* state rather than indigenous. It is opposed to the centrist state model, as are the indigenous people, but it advocates a state with autonomous departments (as opposed to the indigenous autonomies). Another fundamental element of this view of the state is the defence of private property, which is considered a central tenet of the liberal model to be defended at all costs.

Both these models are opposed to centralism, but they both propose different models of decentralisation and, in short, there are no concrete proposals defining the most viable model towards which the future Bolivian state should aim.

Intolerance and confrontation between these different views on state structure, production and social organisation have precipitated an ongoing state crisis and have thwarted the national Bolivian project. Tension between communitarism and democratic liberalism is at the heart of the Bolivian crisis and a means of coexistence has yet to be found. The greatest challenge for Evo Morales' government is that it has to find a middle-of-the-road solution that will lead to an inclusive state, while at the same time not radically disappointing either of these two ideological groups whose differences could transform social fracture into violent conflict. This is a difficult task requiring specific resources and negotiation skills.

Alvaro García Linera, Vice-President of *Movimiento al Socialismo* (MAS), proposes a theory that could be seen as the third state model, a middle way combining the four productive sectors in Bolivia: modern industrial, urban-artisanal, peasant community and Amazon (hunting and fishing among other activities). Previously, these four social and productive models were atomised and hierarchised. This third organisational model, proposed by MAS, sees them as coexisting. Linera defends a multicultural, social and community based state, regulated by *Andean capitalism*, which he defines as a capitalist regime with

strong links between indigenous, family and peasant potentialities, working towards a project for national development and productive modernisation. He advocates a strong capitalist state, comprising a fourth power represented by social movements. For this state, the revolution is a process which, on the one hand, will depend on how efficiently these transformations are managed and, on the other, will need to be strengthened by hydrocarbons, foreign investment, local private investment, and micro-business, family, artisan and community economics. The idea is 'to transfer part of the surplus from nationalising hydrocarbons to promoting the role of specifically Andean and Amazon means of self-organisation, self-administration and trade development'.¹⁶ In fact, before Morales came to power, five percent of the profits from hydrocarbon sales already went to developing local communities and this stimulus had given more power to the local councils and accelerated autonomous and anti-centralist trends.

However, this transfer of resources is not a simple task and it is not likely to improve in the future, given the existing taxation mechanisms which veer between inefficiency and corruption with a long-standing tradition of 'tax dodging' as described by José Nogales, director of the daily newspaper *La Voz* in Cochabamba.¹⁷ Eighty percent of the population does not pay taxes, some because they are poor, others because they are rich, and a large proportion because the necessary state structure does not exist. The informal economy accounts for the lion's share – around 70 percent of the Gross National Product – making it very difficult to collect taxes.

The viability of this third State model, and the correct assimilation and implementation of the trends and structures conceived to bring about the synthesis of elements of the Western liberal state and of the *Kollasuyo*, will be essential for Bolivian stability in the medium to long-term.

¹⁶ 'La Bolivie depuis l'élection d'Evo Morales'. Interview with Alvaro García Linera', *Points de Repère*, Montreal: *Alternatives Internationales*, Winter 2006, p. 16.

¹⁷ Interview with the authors, 23 May 2006.

IV. The Movement towards Socialism Project

Evo Morales' government and *Movimiento al Socialismo* have given a voice to a significant proportion of the population who were excluded from state decisions and, to a large degree, exploited. This reality is also combined with the important factor of indigenous identity and culture.

The goal of the Morales government since its election campaign has been to highlight the need to achieve political and economic integration for excluded sectors of the population by means of profound constitutional reform and redistribution of wealth. Its programme is structured around two specific projects: the Constituent Assembly and Nationalisation of Resources. In order to achieve these two objectives the following are needed:

- 1) An institutional administrative system that works – an effective taxation system and an independent legal system combined with a strong anticorruption system;
- 2) A pact with traditional landowning sectors and the owners of other sources of wealth. This pact faces enormous difficulties and obstacles owing to class and identity barriers (racism);
- 3) A pact with the trade unions and social movements that make up MAS and have supported it politically and who now demand tangible results and benefits;
- 4) Stability on the external international front. To this end, Morales should seek alliances with moderate European and Latin American countries. Its close alliance with Venezuela places Bolivia on a direct line of confrontation with the United States and, given current American political ideology, this

position could give rise to other confrontations that would weaken the process of internal reform and create obstacles. In general, the United States maintains a cautious attitude and is not attacking Morales' government. As long as Morales continues collaborating in coca eradication (see below), Washington is prepared to include Bolivia in the group of beneficiary countries who receive trade preferences from the United States.

The First Steps

In Bolivia the term re-founding the state is often used. MAS has embarked on an ambitious project which is the creation of the Constituent Assembly. Its goal is to draw up a new Constitution which will form the basis of an inclusive democracy. However, this project, on which the Morales government bases the re-founding of the state, appears to be more discursive and political than real. Indeed the real change in Bolivian history wrought by President Evo Morales' election victory is the appropriation by the people of governmental discourse. No president has received an absolute majority of votes since 1982.

It could be said, therefore, that the legitimacy of the current government is what gives rise to hopes about the possibility of change in Bolivia. This legitimacy, however, must be preserved and cultivated. There are several interest groups that could put MAS' continuity at risk. On the one hand, too many expectations have been raised by the Constituent Assembly and it is clear that a governability pact with the conservatives does not exist, which means that social fragmentation remains a considerable obstacle. On the other hand, many observers coincide in that neither the Constituent Assembly nor the Parliament truly represent the indigenous population. It is necessary to link new social movements more effectively with the government so that MAS' historic legitimacy can survive in order to undertake reforms.

Hand in hand with the constitutional reform project, which is designed to involve excluded citizens in

political discourse, is the Nationalisation of Resources, aimed at including the same citizens economically. The nationalisation of hydrocarbons and reformulation of contracts with the foreign companies who controlled Bolivian deposits for ten years after President Sanchez de Lozada conceded them to foreign ownership, has already happened politically. The Senate has approved 44 contracts with oil companies and the regulations are currently being drafted. The next, and by no means easy step, will be the redistribution of wealth.

On 2 July 2006, Bolivian citizens voted simultaneously on two key questions concerning the state reform project led by Movement towards Socialism. The first was which representatives would be in charge of rewriting the state's new political constitution. The second was whether Bolivia should be structured according to a centralist system or in departmental autonomies. The results of these two votes would condition, to a large extent, the scope and viability of the Morales government's project to re-found the state.

In neither case did the Government achieve an absolute majority, and the results opened the door to complex negotiations about the state and power. At the same time, both issues revealed a number of problems that affect state structure and its democratic capacity to undertake the reforms needed to build an inclusive society with different identities, and to combat the high levels of poverty and inequality.

Despite these results, that would appear to indicate that progress on reforms depended on negotiations, alliances and consensus, there exists within MAS a general opinion in favour of having a strong government that can push reforms through, even if this means governing by decree. In fact, when listening to members of the Morales government, one perceives a feeling of mission and urgency. For the first time, a popular government is in power with the backing of widespread legitimate support, and this opportunity to reform the state cannot be missed.

For some indigenous groups and leaders Morales is too moderate, and they believe that in the end this government will be like all the others and will betray their expectations. The indigenous leader Felipe Quispe, ex-executive secretary of the Unique Confederation of Rural Labourers in Bolivia (CSUTCB) shares this view and he assures that 'changes will not happen because Evo is a reformer and not a revolutionary'.¹⁸ But members of the elites, especially in Santa Cruz, think that the president is following the advice of the Venezuelan president Hugo Chávez, and that he is going to try and impose a democratically elected dictatorship, approved by the Assembly. The fear, or prediction, that in Bolivia in the medium term there could be a democratically elected government with authoritarian leanings, without actually becoming a dictatorship, is a scenario that is seriously considered in several circles.

¹⁸ Authors' interview with Mabel Azcui, a FRIDE collaborator, 26 May 2006, La Paz.

V. Political Programme Based on Social Demands

It is obvious that on December 18 2005, MAS won the general elections by responding to a social demand that had been patent for many decades. This coalition of groups with different demands reached power with a programme defined by the political struggles of the last 10 years such as, for example, the so-called war over water and gas and, in particular, a rejection of structural adjustment and the neoliberal policies of the nineties. These privatisation policies fell apart at the end of the decade, owing to the impact of the Asian crisis and instability in Argentina and Brazil. For a large sector of the population, neoliberalism did not provide any benefits and, for most people, the state, political corruption and neoliberalism came to mean one and the same thing.

The Morales government was elected, as one member of a social movement stated, 'to put into practice what other governments had already decided or accepted'. Indeed, during the conflictive presidency of Carlos G. Mesa, a number of 'governability pacts' were agreed that gave rise to three commitments:

- 1) Hold a binding referendum on the use and purpose of energy resources;
- 2) Reform the 1996 Hydrocarbon Law to re-establish national sovereignty over energy sources; and
- 3) Convoke a Constituent Assembly to build an inclusive and more democratic state.¹⁹

The political parties that had promoted this economic model lost legitimacy. The Poder Democrático Social

(PODEMOS), led by ex-President Jorge Tuto Quiroga, embodied for most voters, traditional party politics in which different political parties took turns in power and shared out the portfolios, the so-called 'pact for democracy'. MAS' triumph can be seen more as a break with this deadlock situation than as a threat to democracy.

The MAS programme focused on having greater control over natural resources, undertaking constitutional reform with the aim of giving more power to indigenous peoples and the poor, promoting agricultural reform, and holding a referendum on regional autonomy. Likewise, the MAS government promised to find new ways of tackling the problem of coca production for illegal purposes.²⁰ In the first nine months of government, Morales has made progress in each one of these areas, garnering both support and adverse reactions within and outside of Bolivia.

Over and above these achievements, the coalition led by Evo Morales, a rural labourer and trade unionist for the coca farmers, embodies two identity traits:

Firstly, Bolivian nationalism, which is part of the country's history. After independence, Bolivia lost territory to its neighbours and became landlocked, and it is surrounded by neighbouring countries. Since the nationalist revolution in 1952, which was populist and modernising, the nationalist factor has been even more relevant, even in the armed forces. Nationalism has thus been both a unifying factor and one causing divergence. It was the driving force behind the building of the nation, as in almost all post-colonial societies. It also eliminated references to the ethnic factor in a country with an indigenous majority, and Indians were integrated in worker-producer trade unions. The ending of inequality was sought through class alliances and revolution. However, nationalism has not been able to provide an answer to the social differences and, since the nineties, the increasing demand for autonomous government, detrimental to national interests.

¹⁹ See Juan Ramón Quintana Taborga, 'Bolivia; un Destello al Final del Túnel', *El Debate Político*. Year 1, number 2, December 2004, Buenos Aires: Fondo de Cultura Económica, p. 38.

²⁰ Currently, Morales is studying the legalisation of approximately 3,000 acres of coca, in addition to the 12,000 allowed under the 1008 Law/Bill, a measure opposed by the United States.

The second factor is indigenous identity. Over 60 percent of the 8.86 million inhabitants are Amerindian.²¹ The indigenous communities have been marginalised by political processes and have suffered heavy exploitation since colonial times. In Bolivia, 62.7 percent of the population is poor and the majority is indigenous, with 26.5 percent living in extreme poverty. 'We are entering into the house of the state for the first time', we were told by Bienvenido Saku, a social activist.²² And indeed, this can be seen at first hand when one walks around Plaza Murillo in the capital city of La Paz. Barefoot country people call at the gates of the Presidential House and ask for an interview with 'compañero Evo' and the security guard lets them through. Only 50 years ago, indigenous people were not even allowed to walk around this central plaza.

This fusion between nationalism and the indigenous factor has given rise to demands, struggles and some progress in legal issues. As Radcliffe and Westwood explain in their study on state building in parts of Latin America, 'Establishing the "nation" as a terrain of struggle and contestation, as the indigenous movements have done, is part of the politics of national identities. This policy implies accepting the State, which organises the "national" and "foreign" aspects, and also the battles for democracy and citizenship'.²³

And indeed, the indigenous population has gained a legal institutional identity over the last years, for example by means of the constitutional reform in 1994 that recognised Bolivia as a multiethnic state and Article 171 of the Constitution that recognises collective rights. The so-called 'Peoples of the East' have a community justice system with full procedures.

²¹ Figures concerning this issue vary and official figures are provided by the 2001 Population and Housing Census (INE), in which 40 percent of those over 15 years are Quechua, 24 percent Aymara, 27 percent *mestizo* and eight percent white. Eighty-eight percent of the population are practising Catholics. In Santa Cruz, it has been theorised on a *Camba* identity, which is based on the presence of *mestizos* and whites. The idea of the *Camba* Nation is intended to justify secessionism.

²² Interview with the authors, 27 May 2006, Santa Cruz.

²³ Sarah Radcliffe and Sallie Westwood, *Rehaciendo la Nación. Lugar, identidad y política en América Latina*, Quito: Ediciones Abya-Yala, 1999, p.73.

This justice is secondary to the law prevailing in the State. However, as María Teresa Zegada, of the *Universidad Mayor de San Simón* in Cochabamba explains, 'these formal gains have not had a real impact on people's living conditions'.²⁴

MAS obtained 54 percent of the votes against right-wing PODEMOS. Its victory also represented the large number of social movements that have proliferated in Bolivia over the last 20 years, and proved how active these groups are. Traditional trade unionism, which arose in the mines, was substituted in the eighties by rural labour movements, coca growers, informal-economy workers, energy and services trade unions and others. Agriculture, mining, exploitation of energy resources and construction are currently the main productive sectors.

The most dynamic sector of the economy is, however, hydrocarbons and this explains the importance of exercising even greater control over it. An additional income of 860 million US dollars in the last year has come from remittances sent by emigrants living in the United States, Europe and other Latin American countries.²⁵ It is estimated that two million Bolivians live abroad, although the figure is not accurate, and that approximately 150 leave the country every day with different destinations.

²⁴ Interview with the authors, 23 May 2006, Cochabamba.

²⁵ P. Gregorio Iriarte O.M.I., *Análisis Crítico de la Realidad. Anexos*, Cochabamba: Grupo Editorial Okipus, 2006, p. 54.

VI. The Constituent Assembly

Since the country declared independence in 1825, a Constituent Assembly has been sought by a large proportion of Bolivian society and it has been promised by successive governments. The formal demand was made in 1990 when the indigenous people of East Bolivia marched under the slogan 'For land, territory and dignity'. Now, for the first time in history, the Assembly is being set up and of the 3,713,345 Bolivians registered on the National Electoral Register (PNE), 3,133,602 (84.51 percent participation) decided at the polls who their representatives would be.²⁶ MAS describes the Assembly as 'an act of democratic revolution by the people to replace outdated structures after 180 years of oligarchic regime' and a 'materialisation of the people's centuries-old struggles'.²⁷

This double referendum, for Assembly members and the Referendum on the Autonomies, raised complex challenges for MAS' plans and for the future of Bolivia. The main issues to be discussed by the Assembly are land, national resources, the State's administrative structure, indigenous rights and future economic policy. Sociologist Jose Martínez considers that the legislation the Assembly passes might not effect real change and that for the Assembly to be truly useful, it will have to create a new Social Pact.²⁸

²⁶ This represents a participation level of 84.51 percent, a percentage equalling the participation in the Presidential elections in December 2005, the highest in the last 25 years. See results of the Constituent Assembly referendum on the autonomies 2006, http://www.cne.org.bo/centro_doc/separatas/acr2006_cartilla_resultados.pdf and National Electoral Tribunal, Electoral Register Statistics by Geographical region and Age, http://www.cne.org.bo/consulta_ciud/consultas/EstadisticaPneAcra2006.aspx. It is still surprising however to see the enormous gap between the number of registered citizens and the total population, estimated at 9.1 million by the United Nations in 2005.

²⁷ Proposed Bill for Convoking the Constituent Assembly presented to the National Congress 2006 by the President of the Republic.

²⁸ José Martínez, 'Sociodiversidad Constituyente', *Artículo Primero*, special edition on the Constituent Assembly, Year IX, number 17, March 2005, Centro de Estudios Jurídicos e Investigación Social, pp. 153-166.

Original Assembly or derived

However, when the Assembly started its first session on 6 August 2006, the debate focused fundamentally on whether the Assembly should be considered 'original' or 'derived' from pre-established powers. Another issue was the system for approving constituent articles. Regarding the first issue, MAS maintained that for there to be a genuine re-founding of the democratic state, the Constituent Assembly should have the power to act unfettered by the limitations imposed by the three traditional powers. In the context of this debate, Morales pointed out that 'since 1825, eighteen constituent assemblies have been set up, all of them derived, and as a result none of them changed anything', in addition to the fact that 'the last changes to include the legal status of the referendum cost the lives of Bolivians'.²⁹ PODEMOS was opposed to this idea, to the point where they threatened to leave the Assembly and accused MAS of a coup d'état against their own government.

The concept of 'original' refers to the fact that the Assembly should not have a pre-established legal framework, thus enabling it to act with total independence and autonomy. The debate ranges therefore between an Assembly with 'original' power, able to change the structure of power and defines issues such as the control over natural resources, or an Assembly whose power derives from pre-existing state power and whose legitimacy would be limited to reforming the Constitution.

In fact, it all depends on how the prevailing laws are interpreted. The Political Constitution contemplates a total reform in Article 232 of the second Title and the Law for Convocation to the Constituent Assembly mentions the Assembly in Chapter 3: 'It is independent and exercises the sovereignty of the people. It does not depend on, nor is it subject to, the constituted powers and its sole purpose is the total reform of the Political Constitution of the State'. It would appear evident that

²⁹ Presidential press release, 9 October 2006, La Paz.

the Constituent Assembly envisaged by this article is more than a simple denomination, given that its founding and original nature is respected. However, in last analysis, this could be seen as merely a formal recognition, as it appears that the Assembly will partially reform the text. In fact, García Linera has stated on several occasions that only 10 or 20 percent of the Constitution would be changed. Nevertheless, many social actors fear that MAS might want to eliminate certain institutions such as Parliament and that this is an eventuality that cannot be totally ignored.

Regarding the regulations for approving new constituent articles, the Law makes clear the need for a two thirds majority to approve any reform. It is evident that this law is a legacy of the previous Government, but to some extent it safeguards democratic forms and it imposes the need for a consensuated reform of the Constitution. If MAS imposed changes without reaching minimum agreements with the most conservative sectors, this would lead to a widening of the social rifts that already provoke divisions and tensions within the reform process and it would disrupt the scheme for peaceful coexistence based on multiculturalism and tolerance.

Political Constitution of the State Second Title: Constitutional Reform

Article 232. The total Reform of the Political Constitution is the exclusive jurisdiction of the Constituent Assembly, which will be convoked by a Special Convocation Law stipulating the forms and methods of electing the constituent members. The reform will be sanctioned by two thirds of the votes of the members present in the National Congress and cannot be vetoed by the President of the Republic.

Special Law for Convoking the Constituent Assembly

Article 3 (CA). The designation CA refers to the meeting of representatives elected by means of universal, direct and secret suffrage. It is independent and exercises the people's sovereignty. It does not depend on, nor is it subject to, the constituted powers and its sole purpose is the total reform of the Political Constitution of the State.

The CA will not interfere in the functioning of the constituted powers, which will continue to exercise their constitutional functions without interruption.

Land Reform

Land is a critical issue and one of the most difficult to resolve. Long-standing differences divide people in both East and West of the country and they view each other with mutual distrust. As historian Anita Lema explains, 'seen from the West, the East is the promised land which was taken by the whites while those in the East perceive the West as a source of rebellion caused by the people in the poor lands'.³⁰

In the East, land is also over-exploited, particularly for soy crop production. Land is basically controlled by large *hacienda* owners and to a lesser extent by small landowners. Another element that adds to the conflict is that Brazilian citizens and companies, who settled in the border area during the last decade, bought Bolivian land which President Morales now wants to expropriate.

However, the hard fact is that land is concentrated in the hands of the few and very often not used. A recent report by the Catholic Church reveals that 90 percent of productive land in Bolivia is controlled by 50,000 people. Legally, the state can expropriate land that is not used for production, but corruption and inefficient policing and legal systems make it almost impossible to enforce the law.³¹ An indigenous leader explained to FRIDE how some indigenous people are bribed to testify that large tracts of land are supposedly being cultivated. Others are victims of looting for forest resources. María Teresa Hosse, Director of the Centre for Andean Communication and Development, explains that 'now the state helps to protect against looting. Indians know that they can turn to the state and that the state will respond'.³²

In Bolivia, there is a superposition of legal titles in many areas of the country so that the same land can have different licenses such as forestry and mining

³⁰ Interview with the authors, 26 May 2006, Santa Cruz.

³¹ Hal Weitzman, 'Land Redistribution Plan Pits Bolivia's Farmers Against State', *Financial Times*, 6 June 2006.

³² Interview with María Teresa Hosse, Director of the Centre for Andean Communication and Development (CENDA), Cochabamba.

concessions, authorisation for exploiting hydrocarbons, and a protected areas designation. In addition, the indigenous peoples claim their rights over communal lands and they are fighting legal battles to have these lands redistributed.

There is increasing social pressure about this issue and a great deal of expectation about what MAS will do. On 2 June, MAS approved seven Supreme Decrees, known as 'Seven furrows in the Land Revolution'. The objective was to achieve the redistribution of estates to those who are without land or who possess insufficient land. Indigenous people belonging to the MAS grassroots began a march to rally support for the immediate approval of these modifications to the INRA Law (National Institute for Agrarian Reform), the returning of unused land tracts to the Bolivian State and the granting of Original Community Lands (OCL) to indigenous groups in the country.³³ Social and political tension increased sharply, highlighting once more the country's social fracture. On Tuesday 28 November 2006 the Law 'Community Land Reform' was finally approved authorising the expropriation of unproductive land that does not fulfil a social or economic function.

The Autonomy Issue

The National Referendum on Departmental Autonomy reflects the conflictive future of Bolivian state structure. The results revealed that a majority rejected the departmental autonomy system and only four departments voted in favour: Santa Cruz, Pando, Beni and Tarija; in other words, the four that form the *half moon* where there is an influential white and *mestizo* population. These departments want to have a high degree of autonomy, and even independence, as they

³³ In 1992 President Jaime Paz Zamora reinstated the much-needed land reform process after the first initiative on land reform in 1953 was truncated. This process culminated with the approval of the INRA Law in late 1996. Since then, under the INRA Law, TCO title deeds have been reviewed and approved with the economic support of International Cooperation. See 'Doce temas para el debate sobre la tierra, territorio y desarrollo rural', Fundación Tierra, Banco Temático de la Fundación UNIR, <http://www.bancotematico.org/bancotematico/archivos/22291.pdf>

are rich in resources and have a much higher economic growth than the rest of the country.

According to the Law of Convocation passed this year, the results of this referendum will be binding for the Constituent Assembly. As a result, the departments that voted in favour of departmental autonomy by a simple majority will become autonomous departments once the Constitution is approved. This would lead to a de facto division between East and West, and this prospect creates great uncertainty owing to the tensions that have already arisen between the *half moon* region and the *high lands*, particularly regarding land distribution. According to comments in the Bolivian press, this referendum has made patent and crystallised the fact that there are *two Bolivias*.

The likelihood of the 'Yes' vote in Santa Cruz, the least culturally indigenous department, was well known before the referendum. Indeed, both the referendum initiative and the way the question was expressed arose from demands for autonomy by Santa Cruz and negotiations by *cruceño* leaders with ex-President Carlos G. Mesa. Now the Santa Cruz authorities, and those of the other four Eastern departments who voted yes by a majority vote (almost 70 percent of the votes), are calling for the legal framework which they consider they should be granted by the Constitution. This framework will be debated by assembly members during the year spent writing the new constitutional text.

The referendum question:

Do you agree, within the framework of national unity, to give the Constituent Assembly the binding mandate to establish a regime of departmental autonomy, which would come into effect immediately after the approval of the New Political Constitution of the State, in the Departments where this Referendum receives a majority vote, so that the authorities of said Departments will be directly elected by their citizens and will receive from the National State executive powers, legal and administrative functions and the economic and financial resources assigned to them by the new Political Constitution of the State and its Laws?

According to Juan Carlos Urenda Díaz, one of the lawyers who drew up the autonomous proposal, the Bolivian state is weak and unstructured and, at the same time, excessively centralised. The project for autonomy would therefore rectify these problems by means of three outcomes: creating a more democratic framework, achieving greater efficiency and making autonomous departments an effective vehicle for channelling the demands of excluded groups.³⁴

The model of autonomy has yet to be designed that would enable the four Eastern departments that voted 'Yes' to be established. The departmental leaders of these regions are on the defensive because of President Morales' recent declarations, after the referendum result was made known, recalling the importance of the 'No' victory nationwide. Leaders of the Civic Committees in Santa Cruz and Pando published resolutions in defence of autonomy and made controversial statements encouraging unity, 'because if we, the *cambas*, do not unite, the *collas* will try to destroy us, because unfortunately we have an indigenous president'.³⁵

The debate on autonomies within MAS is not so polarised as the election campaigns have made out. MAS campaigned for the 'No' vote so that the 'Yes' vote of the *half moon* political groups would not win. However, many members of the Morales Government believe that a specific model of autonomy is essential for the new Bolivia: indigenous autonomy.

The results of these two popular referendums, in addition to post-electoral tensions and the first steps being taken by the Constituent Assembly, all seem to paint the same picture: there are still two Bolivias within a single state structure and they have no choice but to get on with each other. Not to mention the fact that there are numerous possibilities envisaged for the state's future organisation. The need to make pacts in

the Constituent Assembly guarantees the participation of a greater number of social and political sectors in conceiving the new state's theoretical basis and this will strengthen democracy, although it may slow up Morales' project for re-founding Bolivia.

Morales hoped to initiate debate in the Constituent Assembly without the pressure of demands for independence by the white and *mestizo* departments in the East. The leaders of these departments cleverly abandoned their demands for secession and chose to portray themselves as Bolivians who do not want to destroy the state but simply want more autonomy. In fact, the Spanish autonomic model is seen as a possibility.

Writer and historian Ruber Carvalho considers that Bolivia is a state that was badly designed from the outset, and that it would be better if it were divided rather than being incorrectly united. He believes that the trends towards autonomy and independence on the one hand, and populist nationalism on the other, form part of an era of acute polarisation which has begun to appear in Latin America.³⁶ To a large extent the process that is being initiated now will prove whether his analysis is correct or not and whether the country can begin a more just, democratic and decentralised phase of state building. It will also need to reach an agreement with international actors so that its rich resources are used more equitably.

According to the National Report on Human Development in Bolivia:

*While taking into account the cultural and economic singularities of each individual and each group, in addition to their qualifications and initiatives, the best scenario is that we can all live well and even improve our standard of living, as long as this is sustainable. However this should not occur at the expense of some, while favouring others, either in terms of social class or territory.*³⁷

³⁴ Interview with the authors, 27 June 2006. See also Juan Carlos Urenda Díaz, *Separando la Paja del Trigo. Bases Para Constituir las Autonomías Departamentales*, Santa Cruz de la Sierra: Editorial Imprenta, 2005.

³⁵ Statements made by the President of the Civic Committee of Pando, David Torrico, to Spanish newspaper *La Razón*, July 2006.

³⁶ Interview with the authors, 24 May 2006, Santa Cruz.

³⁷ Xavier Albó et al., 'Por una Bolivia Plurinacional e Intercultural con Autonomías', *Working Paper*, National Report on Human Development in Bolivia, September 2006.

VII. Growing Expectations that are Difficult to Fulfil

As a general rule, the results of constituent reforms tend not to fulfil expectations and it is even less likely in this case where it is hoped that real changes in the functioning of the political and economic system will take place. The reform could create a legal framework that would encourage improvements in these systems and this might lead to improvements in the country's living conditions, but this would not be an immediate effect nor could it be guaranteed.

According to the Law of Convocation, a two-thirds majority (170 votes) of the 255 seats in the Constituent Assembly is needed to draft articles for the new Constitution that will establish the foundations of the new state. MAS, however, defends the possibility that the articles for the new Carta Magna can be approved by an absolute majority, in other words with the support of the 137 seats that MAS commands.

The Special Law for Convocation to the Constituent Assembly makes it impossible for any party to reach such a majority, and this has triggered the race to form political alliances and coalitions.³⁸ This law favours the representation of minority groups and the result is a considerably plural representation in the Assembly, but for the moment it prevents MAS from carrying out reforms that it promised in its electoral programme. Both the government and the opposition have been making progress in talks with different political fronts in order to form coalitions that will

provide a majority vote. However, at the same time, the battle has begun to establish the procedure for approving the new constituent articles.

The election results were favourable for the MAS government, and it obtained a majority in the Assembly, but the current voting system which is designed to favour minorities means that MAS' 54 percent of the votes did not give it an absolute majority and it ended up with 137 assembly members.³⁹ As a result, Morales needs to make pacts. Results indicate, nevertheless, that his government has not suffered any political defeats in the first six months of his mandate.

The Assembly was presented as a historical, political and social break with the elitist state, and as such it has generated expectations in the population that will be difficult to fulfil. The new Carta Magna will be ratified or rejected on 6 August 2007 when the definitive text – which will presumably be ready by then – will be submitted to a referendum. However, the Assembly alone cannot tackle many of Bolivia's problems.

In the hypothetical case that the text were approved by an absolute majority of votes (an essential condition for approving the Carta Magna), the changes that it would entail for the complex and rather weak Bolivian state would not take effect immediately, by any means. Even more importantly, there is no guarantee that the new Constitution articles would necessarily be observed. Furthermore, if the new Constitution is not approved by an absolute majority of citizens, the 2004 Constitution will remain effective.⁴⁰

On the other hand, it is crucial to bear in mind that many of the social problems (unemployment, social exclusion and widespread crisis) that led the Bolivian

³⁸ The Special Law for Convocation to the Constituent Assembly (http://www.cne.org.bo/centro_doc/normas_virtual/acra2006/ley_convocatoria_ac.pdf) was negotiated in the Congress and MAS was forced to give ground on several points. Of the three representatives for each of the 70 constituencies, the winning party takes two seats and the runner-up one. And in the nine departments, the winner takes two, and the second-, third- and fourth-placed parties one apiece.

³⁹ The election results were: 50.7 for MAS with 137 assembly members; 15.3 percent for PODEMOS (60 members) and National Unity 7.1 percent with 8 members. The other fifty seats correspond to smaller groups who make alliances according to their interests.

⁴⁰ If an absolute majority is not reached, the Constitution regulated by Law N° 2650 of 13 April 2004, and the Law of 6 July 2005, will prevail.

people to demand a Constituent Assembly, are not caused by constitutional problems, given that the political and legal basis of the Bolivian Constitution is the same as that of many other States with very different political and social realities.

One sector of Bolivia that has not been included in the Assembly are those organisations representing, or claiming to represent, the original peoples; for example, CONAMAQ, CIDOB and a few others. They have demanded 26 representatives to be chosen according to their customs and traditions, on the basis that if the country is pluricultural and multiethnic, the forms of election should also be varied.⁴¹

These organisations and their representatives (leaders from El Alto) are the same ones that mobilised people in the disturbances in 2003. They blocked roads throwing the country into such chaos that two presidents (Sánchez de Lozada and Carlos G. Mesa) were ousted. However, the role of this 'parallel Assembly' in the current scenario does not appear to be so dominant. As not all indigenous organisations have been included on the list of candidates, MAS' image is not so radical and more in tune with the majority of its voters.⁴²

In any case the Assembly, which will sit continuously and uninterruptedly for no less than six months and no more than a year, will presumably approve a text with two thirds of the current Assembly members, as set out in the present State Political Constitution. When this process has finished, the Executive will convoke a Constituent Referendum.⁴³

The regulations governing deliberations, however, continue to be one of the most controversial issues.

⁴¹ Traditional 'habits and customs' of electing candidates involve assemblies, consensus and debate. This means that people have some control over the leader, including the possibility of revoking the election.

⁴² International Crisis Group, *Bolivia's rocky road to reforms*, Policy Report, 3 July 2006. According to this report, MAS did not include some of its possible political allies on MAS' list of candidates for the assembly in order to protect its greater interest by distancing MAS from radical views that might deter urban voters.

⁴³ Articles 24, 25 and 26 of the Special Convocation Law to the Constituent Assembly 6 March 2006.

Although it has been established that the system of decision making will be mixed (some articles will be passed by two thirds of the Chamber and others by an absolute majority), the first months of activity in the Assembly have not been very productive owing to disagreements of this type and there is a long road to travel yet before any real consensus can be reached.

VIII. Nationalisation of Hydrocarbons

The nationalisation of hydrocarbons is the other major project that forms the basis for re-founding Bolivia. The use made of profits generated by trading with natural resources, mainly natural gas, underpins the restructuring of the development model that the Morales government is undertaking. Leaving aside exploitation solely for export, the reformulation and renegotiation of contracts aims to continue guaranteeing profits for foreign companies present in Bolivia while at the same time enabling Bolivia to start receiving profits that reflect international market rates for the resources under its land.

The project for regaining control of hydrocarbons is coordinated by Bolivian National Oilfields (YPFB), and it has already had some success. The Executive aims to ensure that the state's surplus income after nationalisation, which according to official estimates will be over 1.5 billion euros per annum (23 percent of the total that Bolivia produces) will lead to an improvement in the standard of living for Bolivians and solve the economic and social problems affecting the country.

Most oil companies did not want to leave the country. The promises of legal security made by the Bolivian Government, when it renegotiated the contracts, served as a guarantee so that these companies would accept

the new conditions: increased taxes (between 50 percent and 82 percent of the value of the gas and oil extracted) and to act as operators associated with the state company YFPB. The two oil companies most affected by nationalisation were Repsol YPF, which controls 26 percent of Bolivian deposits through its branch company Andina, and the Brazilian company Petrobras, owner to date of 43 percent of the deposits. The government has reached agreements with 10 oil companies, including Petrobras, BG the UK-based gas company, Total of France and Repsol of Spain. Bolivia will own the land that produces gas and will supervise the processing and transport of crude oil. At the same time, companies will be able to vary their tax contribution if they consider that there has been a depreciation of the machinery.⁴⁴

This renegotiation, which has been productive for both sides, can be considered one of the government's successes. Both in Bolivia and abroad, there were doubts as to whether the Morales government would have the capacity or the will to carry out this process.

Since the nationalisation of hydrocarbons was announced, MAS has informed that the profits from the Direct Tax on Hydrocarbons (IDH) would be spent on social and educational matters (fundamentally early education, from 0 to 6 years, for which there was no existing programme.) Shortly after negotiating with the oil companies, the Executive announced a number of measures for redistributing the new wealth, for example, the establishment of the annual grant 'Juanito Pinto', for primary children who cannot continue their studies because of family economic problems.

IX. Coca and Narcotrafficking

Bolivia is the third global producer of coca leaf (after Colombia and Peru) with a total of 28,450 cultivated hectares.⁴⁵ The United States vetoed coca leaf because it is considered to be a harmful drug, which is classified by the United Nations anti-drug convention as a controlled substance. The Morales government defends the centuries-old leaf as being central to indigenous identity, culture and way of life. But they have cleverly avoided confrontation with the American government by calling their policies 'negotiated eradication' and 'zero cocaine', thus leaving the door open for negotiation.

The battle to eradicate coca in Bolivia has been violent and costly in terms of the environment and human rights violations. Cultivated in Bolivia for centuries and a highly valued trading commodity in the pre-Columbine era, it became an important crop from the seventies onwards as it provided the base for cocaine production. Although initially it was found principally in the high lands of Los Yungas, Chapare became the main coca growing area in the seventies.

The eighties' economic crisis caused a 10 percent increase in the population of Chapare as a result of emigration from Potosí and Oruro where mines were closed down. Workers were drawn by the prospect of earning a living from a crop that produced three or four harvests a year, was not affected by plagues and commanded a much higher price than other products in the region such as palm heart, pineapple or maracuyá. At the same time, the demand for cocaine increased, mainly in the US and Europe, and during Hugo Banzer's second term the 'Dignity Plan' was set up. This was a prelude for the 'zero coca' policy and a

⁴⁴ Richard Lapper and Hal Weitzman, 'Morales shows pragmatic side as Bolivian economy grows', *Financial Times*, 17 November 2006.

⁴⁵ Statistics from 2003. Evaluation of Bolivian Stability 2000-2005, Dirk Kruijt, Clingendael Dutch Institute for International Relations, Conflicts Research Unit, March 2006.

golden opportunity for US interference in Bolivian territory. The army violently attacked coca producing communities causing several deaths.

These were the circumstances that fomented the coca trade union organisation that Evo Morales comes from. The trade unions responded with ever more efficient organisation to Washington's increasing repression and tutelage.

The problem with mixing the politics of drugs with coca in Bolivia is that it prevents coca from being studied within the framework of social policies. MAS defends the *cato* of coca per family and reconversion of the coca leaf towards other products that can be traded, for example *mate*, considering the coca leaf as just another natural resource. This is an outright 'No' to radicalising the issue and in fact what MAS proposes is to find rational answers to the problem. On 9 October 2006, by way of example, President Morales announced the investment of 500 thousand US dollars for coca leaf processing. This project was to be funded by the Venezuelan Government within the framework of the *Tratado de Comercio de los Pueblos* (TCP) of Bolivia, Cuba and Venezuela (People's Trade Treaty).⁴⁶ Venezuela has made a commitment to buy the total production of manufactured goods.

Correct handling of the coca issue is vital for Bolivia's international relations and, therefore, for the nation's future. When Morales travelled to Europe, before he was sworn in as President, the messages he received from European leaders were clear: he would receive support as long as he guaranteed legal security for foreign companies and collaborated in the fight against drugs.

Morales answered this by clearly establishing the difference between coca and cocaine, and between those who grow the leaf and narco-traffickers. His goal

was to tackle this problem without human rights violations, and with dignity. Neither did he wish to risk losing national sovereignty, as had occurred in the past when the term 'limited sovereignty' was coined to describe the situation. Evo Morales changed tack and was willing to negotiate with all sides, without losing sight of his priorities – the Bolivian people's security and their needs.

International anti-drug policies have never achieved their goal of eradicating narco-trafficking and there are more victims among poor farmers than among the real *capos* of the business. According to Theo Roncken, a researcher for Acción Andina-Bolivia, the international war against drugs is often called a false war for two reasons: in the first place, because it will never carry out the supposed goal of reducing drug consumption. In the second place, because it has brought about economic, political and military changes that selectively favour the interests of influential individuals and groups who wield political power. In the same line 'some analysts maintain that rather than a war against drugs, it is more like a war to control the drugs business and its profits'.⁴⁷

X. Conclusions

Movimiento al Socialismo's election victory in December 2005 wrought a decisive change in Bolivian politics and it affords a unique opportunity for developing and implanting a new state model that will be more inclusive. Most of the population has the perception of having been completely excluded from political processes and of having suffered economic exploitation in the past.

The legitimacy commanded by Evo Morales' government is endorsed by broad participation in the elections, an absolute majority of the votes and a

⁴⁶ The People's Trade Treaty was signed by Venezuela, Cuba and Bolivia in 2006 with the aim of involving fair trade in public policies within the *Alternativa Bolivariana para los Pueblos de América* (ALBA, Bolivarian Alternative for the Americas). ALBA arose as a counterbalance to the Free Trade Area of the Americas (FTAA), ALCA in Spanish, for Área de Libre Comercio de las Américas.

⁴⁷ See Theo Roncken 'From repression to... repression', Commentary on the Zero Cocaine policy of the Bolivian government, Acción Andina-Bolivia, March 2006.

grassroots base rooted in the country's social movements. However, this legitimacy needs to be cultivated through skilful handling of growing expectations among the poorest sectors of the population created by MAS' arrival to power.

Since it reached power, the MAS Government has made satisfactory progress on several fronts but it has encountered vexing obstacles in others. It has managed to make progress towards its two main goals:

- Nationalising hydrocarbons - the signing of 44 contracts with foreign companies became law after being approved by the Parliament
- The inauguration of the Constituent Assembly.
- These two projects comprise the core of the MAS reform programme. Regarding nationalisation of hydrocarbons, the Government has managed to stabilise and consolidate the relationship with foreign companies, but it is not clear how the new income will bring about a redistribution of wealth and tangible results in reducing poverty.

Regarding the Constituent Assembly, the disagreement between MAS and the opposition about the process for approving reforms is a serious fracture that reveals a much greater obstacle: that of the *two Bolivias*, and the growing demand for autonomy by the *half moon* departments (Santa Cruz, Tarija, Pando and Beni). The Eastern departments have recently announced their intention of forming an Autonomy movement, *Junta Autónoma*, to coordinate actions aimed at ensuring departmental autonomy for this region. The land reform process is critical and opposition to it comes from the same source. It has caused a rupture in negotiations between the Executive and *cruceño* business organisations and could be seen as a potential source of violence.

Regarding policy on coca, the Morales government has acted skilfully by transforming the traditional 'Yes' or 'No' coca discourse, and by introducing negotiated eradication and the 'zero cocaine' programme. They have backed their plan by investing in coca leaf processing, within the framework of the TCP, and by generating an aura of stability around one of the key issues for

Bolivia's international relations. The feasibility of establishing a consensus will be vital for long-term stability, and it will be necessary to clarify whether the dichotomy between increasing coca production and eradicating narco-trafficking is realistic or not.

XI Recommendations for Cooperation⁴⁸

Given the challenges Bolivia faces, the international community needs to find the most effective way of helping. Fifty-seven percent of the Official Development Assistance (ODA) that Bolivia receives is European. It amounts to 170 million euros, of which 50-60 percent comes from Spain. Spain is a donor country whose role is not only determined by the volume of cooperation, but also by historical links and its experience in finding political solutions to creating a balance between central government and regional autonomy.

Bolivia is faced with the need to heal several ruptures:

- *An ethnic gap*, as witnessed by the process of indigenous emancipation. It has been accelerated by the election of a government whose political platform includes the representation of leaders (and voters) of the indigenous population of the Altiplano;
- *A social gap*, expressed by the social groups that formed the 'street democracy' movement during the violent outbursts from 2000 to 2005. For the most part they are the inhabitants of shanty towns on the edges of large Bolivian cities, and they – just like the indigenous population – voted for the Morales government;
- *A regional gap*, which is manifested by the autonomy movement of the *half moon* departments, which have a higher standard of living than the rest of Bolivia.

⁴⁸ This section was written with Dirk Kruijt, lecturer at the University of Utrecht, and Alejandro Bendaña, director of the Centre for International Studies at Managua. All responsibility is the authors' own.

These three gaps create lines of division among Bolivia's citizens and are a threat to the country's stability. Finding a balanced solution which will satisfy all parties is no easy task for the government. Development cooperation can provide structural support for a government that proposes to implement economic, social, cultural and political changes. At the same time, it can improve the conditions for finding solutions to these three problems.

Multilateral cooperation (the World Bank, International Monetary Fund, International Development Bank) should contribute to strengthening financial institutions on the macro-economic level. At the same time, Bolivia seeks to establish new relations with the International Financial Institutions (IFIs) and it would be a good idea if European cooperation helped to shape that new relationship. The greatest challenge for European cooperation is that it should distance itself from the IFIs, who aim to impose 'coherence' and to define the 'effectiveness' of aid. A more specific approach is needed, political rather than commercial, more in tune with the new situation on the continent.

Bolivia's decision to create close relations with Venezuela, Cuba and MERCOSUR (*Mercado Común del Sur* – Southern Common Market),⁴⁹ and the signing of the People's Trade Treaties, is also significant.⁵⁰ European cooperation could collaborate in studying market alternatives and external sources of financing. It is important that European cooperation, allied with American cooperation, is not seen to be competing with ALBA (*Alternativa Bolivariana para los Pueblos de América* – Bolivarian Alternative for the Americas). Europe should review its commitment to the logic of Free Trade Treaties (FTT), and it should also contribute to ensuring debate on these issues.

⁴⁹ MERCOSUR is a Regional Trade Agreement between Brazil, Argentina, Uruguay, Paraguay and, more recently, Venezuela. Bolivia, Chile, Colombia, Ecuador and Peru currently have associate member status.

⁵⁰ The TCP includes aspects that are not contemplated in the FTTs proposed by the United States and the European Union namely: guarantees of markets for Bolivian products, recognition of the State as the regulator and main outlet for trade, non-competing complementary production of participating

In the same vein, European cooperation could contribute to reinstating the state's fundamental role in trade. Cooperation should be granted without conditionings, with the full cooperation of the state and its people in order to tackle trading issues that are vital for genuinely reducing poverty. Reducing customs barriers is not enough as it is also necessary to help the state to guarantee markets.

American cooperation tends to focus on the fight against corruption and drugs, and other areas of governability of interest for other states. These issues are not areas in which Spanish cooperation can make a significant contribution. Spanish assistance, on the contrary, should focus on the areas where it can make a significant contribution, for example:

- Regional autonomies
- Administration, justice and rule of law
- Employment and trade unions
- Fight against poverty and urban development
- Exclusion, social inequality and identities
- Problems associated with European multinational companies

Regional autonomies

Spanish assistance can cooperate in (partially) solving the problem of regional autonomies by providing information about the administrative functions and experiences of Spanish autonomies. Spain can provide institutional support in many areas including administration, planning and management at regional and local level, in terms of regional and local government legislation. Likewise, Spain could organise exchanges so that Bolivia could become familiar with decentralisation programmes designed to improve the administration of local institutional management in Central America.

Administration, justice and rule of law

With a view to improving the tax system, technical advice would be very useful in order to create a

decentralised system. In the medium to long-term this would significantly improve wealth redistribution and contribute to the welfare of the population by reducing bureaucracy and bringing it closer to the people. The importance of town councils in Bolivia could make this task easier. Likewise, contributions to the legal system and guidance for effective subnational government would be very beneficial for Bolivia's political stability.

Employment and Trade Unions

International cooperation must develop special programmes for women, aimed at improving their employment opportunities and providing an independent income and it must also promote neighbourhood and professional organisations. Technical and financial assistance is required to generate jobs. Given that most new jobs in the Andean and Central American countries have been created by the informal economy (for example, from the late eighties onwards in Peru three out of every four jobs were in the informal sector), the emphasis needs to be placed on creating small-scale businesses, micro companies and opportunities for self-employment. Cooperation should not ignore the fact that the policies promoted by the IFIs and Free Trade Treaties directly attack stable employment and provoke poverty thus fomenting emigration and internal displacement.

One challenge in the short-term is to prove that the demands made by popular protest movements, or at least some of them, will be met in the near future. However, any wealth distribution programme that is announced, or put into practice, will probably meet with great resistance from the middle classes. Their salaries would be reduced and part of the private sector would be affected by lower investment rates.

Bolivia's spending capacity depends on its capacity to generate national income. Irrespective of the programmes created - cultural, social, political

integration or emancipation - Bolivia's income and its options for generating employment need to be guaranteed and increased. A coherent technological, administrative and commercial infrastructure for dealing with Bolivia's natural resources is also essential. Creating a framework for negotiation, and working together to achieve a consensus is equally essential for generating and maintaining a climate of stable relations between the public and private sectors.

The issue of cultural, religious and indigenous leadership is important. MAS is a socio-political grouping comprising a variety of movements with a strong trade union ethos. An effective capacitating strategy in the context of democratic trade unions is worthy of consideration. In order to build a strong, just and democratic movement, it is essential to invest in promoting a new type of leadership capable of facing future challenges.

Within the context of a general education programme, Bolivian education authorities need support to develop a specific programme of continuous training for leaders. This would be aimed at new leaders from urban areas, indigenous communities, and the lower and middle levels of popular movements both nationally and regionally and also at the level of local neighbourhood committees. Basic popular democracy originates at local level - in neighbourhoods, small towns and communities, in women's organisations and micro business associations - and this is where it is also preserved.

Another beneficial measure would be the creation of continuous training centres for leadership that would guarantee 'bottom up' democratic participation and, in this way, the continuity of the emancipation process. It is important that trade unions identify their own needs, and the same applies to educational authorities. They need to identify the human resources necessary to provide training. Cooperation can and should help to identify people with skills in different areas, particularly in the context of trade unions and government offices.

Fight against Poverty and Urban Development

Funds for municipal development and small neighbourhood projects should be made available as these encourage and sustain popular participation. Likewise, it would be worthwhile to contribute to urban development programmes that would benefit the big cities where massive urban poverty is concentrated (for example in the cities of El Alto and La Paz in Cochabamba and Santa Cruz).

Technical and financial assistance is required for integrated urban development. In Latin America the vast majority of the population lives in cities and the outer city marginalised *barrios* are territorial concentrations of poor people where the informal economy and social exclusion predominate. It is essential to create urban development programmes in order to heal social rifts and to mitigate social exclusion. If long-term programmes for consolidating democratic stability are to be successful, shanty towns and excluded communities need to be targeted. Integration of the poor is vital as they are discriminated against and their emancipation is incomplete. Consequently, a long-term programme is recommended to alleviate urban poverty and to provide urban services, in particular urban employment, public health, leadership of popular associations and municipal administration.

Exclusion, Social Inequality and Identities

Partial contributions can be made to the problem of social exclusion as this is mainly an ethnic problem, and these would consist of long-term programmes aimed at emancipating Indo-American peoples, especially the Quechuas, Aymaras and people of the Amazon. Specific legislations could be developed to guarantee the rights of ethnic minorities. Programmes supporting bilingual education and the coexistence of

two linguistic cultures in education, legislation, economic administration and politics could be created. Spain has wide-ranging experience in all these areas.

Another important matter is technical and logistical assistance for a bilingual approach in higher education. Relevant experiences in emancipation of indigenous peoples, ethnic minorities and other ignored sectors of the population in other Andean and Central American countries should be made available to the Government. The experiences of other Andean countries such as Ecuador and Peru, and Central American countries such as El Salvador, Honduras and Guatemala are very relevant.

Another challenge for cooperation in general is to assist the Government in undertaking democratic and citizen emancipation in the long-term. This needs to be accompanied by stable long-term public policies. A process needs to be found for rapidly incorporating the poor and indigenous population in the economic, cultural, social and political spheres of the country. It is also important to integrate the excluded urban poor in everyday city life.

It is possible to make some progress towards solving the problem of social inequality, by providing financial and technical support in the fight against poverty: creating job opportunities through small and micro businesses support for self-employment, advice for management and business training and training for middle-grade technicians and people with little education.

Problems Associated with European Multinational Companies

A multi-sided dialogue should be encouraged with local governmental agencies, local and external NGOs and the private sector both at national and international level. A key issue is the importance of corporate social responsibility and the role of the country's energy resources in promoting policies on poverty reduction and other social priorities.

ANNEX

List of Interviewees

Cochabamba

Esther Balboa, Chief Official for Human Development, Honourable Municipality of Cochabamba

Ana Rosa Angulo, Coordinator of Cochabamba/Tarija Programme, Netherlands Development Cooperation

Fernando Mayorga, Director General, Universidad Mayor de San Simón

Iván Canelas, Member of National Parliament for Movement to Socialism (MAS)

José Nogales, Editor-in-Chief, La Voz newspaper

María Teresa Hosse Sahonero, Director, Centre of Andean Communication and Development (CENDA)

Oscar Terán

María Teresa Zegada, Polical Analyst

Santa Cruz

Elba Flores, Research Director, Centre for Legal Studies and Social Investigation (CEJIS)

Anita Lema, Historian

Ruber Carvalho, Analyst and journalist, business magazine Cash

Jorge Asbún, Constitutional lawyer

Carlos Molina, President, Centre for Sustainable Human Participation and Development (CEPAD)

Mauricio Bacardit, Director, Pastoral Social de Cáritas (PASOC)

Dunia Sandoval, Coordinator of the Analysis and Research Team, Pastoral Social de Cáritas (PASOC)

Leonardo Tamborín, Director, Centre for Legal Studies and Social Investigation (CEJIS)

Gisela López, Representative of the President for the Constituent Assembly and the Referendum (REPAC)

Fernando Vicenti, Leader and Analyst, Movimiento al Socialismo (MAS).

Juan Carlos Urenda Díaz, Constitutional lawyer, consultant to the Santa –Cruz Civic Committee

Bienvenido Saku, Indigenous peoples leader.

La Paz

Felipe Quispe, ex-Leader of the Indigenous Movement Pachakuti and founder of the Guerilla Army Tupac Katari

Ana María Campero, Director, UNIR Foundation

Mauricio Medinacelli, ex-Minister of Hydrocarbons

Antonio Peredo, Senator of the Republic of Bolivia

Oscar Ortiz, President, Committee of Economic and Credit Policy

Silvia Rivera Cusicanqui, Lecturer, Universidad Mayor de San Andrés

Javier Gómez Aguilar, Research Centre for Labour and Agrarian Development (CEDLA)

Jorge Lazarte Rojas, Political scientist

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Bolivia is a weak state with a dynamic civil society. Throughout its history since it achieved independence in August 1825, the Bolivian state's rather precarious functioning has been disrupted again and again by uncontrollable popular rebellions that toppled one government after another.

The December 18 elections in 2005 proved to be a historic moment when the first indigenous president ever was elected by an absolute majority in a country whose majority indigenous population has been excluded for centuries. This report outlines the structural challenges facing Bolivia in this new phase

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