

Bolivia



The triumph of the national majorities and the challenge of change

J. Osvaldo Calle and María Lohman

Recent experiences of privatisation have deepened Bolivia's already endemic social and political crisis. The 'shock therapy' of the 1980s and the 'capitalisation' of state-owned companies in the 1990s entrenched neo-liberal reforms in the country. But popular uprisings over the ownership of gas and water supplies have shown a desire for change. Elections in December 2005 resulted in the defeat of the conservative parties that controlled the country for the last twenty years, and the new president has claimed he will 'bury the neo-liberal model'.

Two decades since the start of the neo-liberal cycle in Bolivia – characterised by the privatisation of state-owned companies and public services, trade liberalisation, and the generalised reduction of the state – there are still no signs of significant improvements in the quality of life for the majority of its population. However, the time has come to reform the neo-liberal reforms implemented till now.

The pressure for the nationalisation of natural resources, state-owned companies and public services is growing ever stronger, although there remains resistance from the legal institutions created by the reforms of previous governments, and from the multinationals which now feel that their interests are under threat.

Bolivia is still unable to translate its obvious wealth in natural resources into a programme of sustainable redistribution. As noted in a recent United Nations Development Programme (UNDP) report, "there exists in the country a structural impediment to the redistribution of this wealth in order to generate employment and income for the majority of the population". The same report argues that this problem could be classed as a typical characteristic of an economy "based on the exploitation of natural resources and raw materials, and where a

separation remains between the actors and sectors that generate income, and the sectors that generate employment" (PNUD, 2005:31).

Prior to the specific analysis of the present state of and prospects for public services, this chapter presents a brief review of recent Bolivian history. It would not be possible to understand the objectives and direction of the reforms currently underway without looking at the evolution of the country's economy, politics and society over the last few decades.

Bolivia: recent history

The present state of the Bolivian economy, politics and society is the result of several years of mistaken policies (see Antelo and Jemio, 2000). Neo-liberal reforms were applied between 1982 and 1985 after Bolivia suffered the consequences of the exhaustion of the statist model in place since the 1952 national revolution. The social and economic decline was aggravated by the foreign debt crisis and by an inflation process that reached an annual rate of 24,000 percent. The government of the time, *Unidad Democrática y Popular* (Democratic and Popular Unity) had got into power with massive popular support,

but its authority was blocked by the Parliament, which was controlled by the right.

“*Bolivia is dying*”, exclaimed Víctor Paz Estensoro at the time. Although he had signed the 1952 decree that nationalised the mines, by 1985 Paz Estensoro was already a neo-liberal convert. Decree number 21060, signed that year, opened a period in which successive governments competed to destroy the country’s institutional apparatus and state-owned companies.

Under the influence of North American economist Jeffrey Sachs, the right-wing government of Paz Estensoro and the ex-dictator Hugo Banzer subjected the economy to ‘shock therapy’. This ‘therapy’ allowed them to control inflation, but at an extremely high social cost. Unemployment increased dramatically, several state-owned companies were paralysed and municipalities were forced to relinquish control of public services. With the borders open to the entry of products, a measure which put an end to the incipient national industry, the country even began to import match boxes, while the government administration attempted to show that companies still operating in state hands were inefficient.

The government of Jaime Paz Zamora, an ex-leftist who took up the presidency in 1989 with the support of the ex-dictator Hugo Banzer, deepened the reforms, and with the passing of a new Investment Law generated the conditions for multinationals to operate in Bolivia. Paz Zamora did not dare to privatise the big state-owned companies, despite the fact that at the time – with the fall of the Berlin Wall and the disintegration of the Soviet Union – neo-liberalism had advanced ideologically and was increasingly accepted as the only way out for the Bolivian economy.

In the 1993 electoral campaign, the then presidential candidate Gonzalo Sánchez de Lozada stated that Bolivia had lost its way in the reform process. As a solution, he argued for a new programme of reforms aimed at transferring a 50 percent stake in each of the main state-owned companies to multinationals. This was intended to accelerate Bolivia’s annual growth rate to 8.1 percent, eliminate the fiscal deficit, generate half a million jobs and develop deep educational reforms. Sánchez de Lozada won the elections with 35 percent of the vote, and applied the so-called ‘capitalisation’ of state-owned companies, a process of privatisation designed to ensure that investors kept control of the company as well as the chequebook controlling the resources which they ostensibly provided (Baldivia, 1998).

During this process – which was complemented by social security reforms – the state distanced itself from the direct control of public service companies and became a regulator through the *Sistema de Regulación Sectorial* (SIRESE, The Sectoral Regulation System), a body defined as an ‘arbitrator’ between the interests of the companies and local stakeholders. To justify privatisation, the national authorities stated that the savings made through no longer financing public companies showing a deficit would instead be allocated to social policies. Consequently, the government launched its educational reforms at the same time as it began to implement a plan to decentralise state power through so-called ‘popular participation’. But citizens’ participation remained rhetorical, because they were not given the capacity to manage public services, and the appropriate financial resources were not released.

The neo-liberal reform introduced changes to the logic of public management to make it compatible with the intention of ‘reducing the state’. The poorer social sectors, however, did not receive the resources needed to confront their needs. On the contrary, the majority of the expenditure went on clearing the foreign and domestic debt generated to promote this process of institutional change. Macroeconomic indicators showed the enviable state of the Bolivian economy when the reforms were applied, but this was not reflected in the pockets of the citizens. A model was put in place that forced Bolivians to pay rates indexed to the dollar, although their salaries increasingly declined as a result of inflation. For the state, the reforms that were implemented led to a dramatic fall in income and increased the levels of public debt. In sum, the implementation of the reforms really only benefited multinationals and a tiny group of private sector employees.

In August 1997 the ex-dictator Hugo Banzer took office as a democratic president. Banzer had reached the presidency with a discourse that defended state-owned companies, particularly the state oil company *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB, Bolivian Oil Company). Nevertheless, once in government, he not only supported the continuation of neo-liberal policies, but also deepened them by handing out bigger concessions to multinationals operating in the country.

With Banzer in government, however, the model could not count on the benefit of the doubt that had paved the way for reforms. In April 2000, a popular rebellion in Cochabamba against privatisation and the increase in drinking water rates, a peasant mobilisation



in the Altiplano, and a police rebellion in La Paz, marked the beginning of a series of social mobilisations that questioned the result of the economic reforms.

In August 2002 Gonzalo Sánchez de Lozada returned to power at the head of an alliance with Jaime Paz Zamora's *Movimiento de Izquierda Revolucionaria* (MIR, Revolutionary Left Movement, which despite its name was a born-again advocate of market reforms). This new alliance, formed with the support of the United States embassy in Bolivia, saw the parties put aside their mutual accusations of corruption and *vendepatrias* – a derogatory term for someone accused of selling off their homeland – in a 'desperate' effort to maintain neo-liberal government.

In his second term, Sánchez de Lozada attempted to solve the overwhelming fiscal deficit problem, with technical advice from the International Monetary Fund (IMF), by applying a 25 percent tax on salaries. In response to the government proposal, a rebellion by the Special Security Group, the elite police corps, left at least 30 people dead in armed confrontations between the police and the military.

Although Sánchez de Lozada overcame his first political crisis, the government's legitimacy was put into question and its authority weakened, leading powerful economic groups to press for the formation of a government alliance which would include all the neo-liberal parties with parliamentary representation. The formation of this alliance aimed to give free reign to a project, led by a partnership between the Spanish oil company Repsol and the British BP, for the export of Bolivian gas to Chile – supposedly "to the United States through Chilean ports". The new export option was vigorously rejected by the majority of the population, who urged that natural gas should not be supplied to Chile until Bolivia is granted sovereign access to the Pacific Ocean (Bolivia lost its maritime territories in a war against Chile in the nineteenth century). The majority of the population also demanded that the country's energy resources be processed within Bolivia and not exported as raw materials, as had been the case with silver and tin in previous decades.

In September 2003 a peasant mobilisation against the export of natural gas was repressed by the military, leaving eight people dead. But the repression deepened the uprising rather than placating it. It extended to the city of El Alto, where residents forming part of the *Federación de Juntas Vecinales* (Fejuve, Federation of Neighbourhood

Councils) staged a prolonged strike and blocked the neighbouring city, the Bolivian capital La Paz. These mobilisations were repeatedly repressed, leaving at least 60 protesters dead and hundreds injured. The uprising spread to other sectors – including the middle class, which organised a massive hunger strike – eventually forcing Sánchez de Lozada to resign the presidency and flee to the United States.

The popular rebellion left the neo-liberal political system in deep crisis, and led to the formulation of the 'October agenda'. This was a set of three central demands: the approval of a new hydrocarbon law to reassert sovereignty over gas reserves, the formation of a Constituent Assembly to rewrite the country's constitution, and the trial of politicians responsible for the protesters' deaths. These initiatives were entrusted to Carlos Mesa, a journalist who had for years been neo-liberalism's best propagandist in Bolivia and who, as vice-president to Sánchez de Lozada, now became his successor.

During his first period in office, Mesa developed a discourse in which he appeared to have abandoned his traditional neo-liberalism, and achieved an approval rating nearing 80 percent of the population. At the same time, the World Bank (WB) announced that the viability of the Bolivian economy depended on the actions Mesa could take whilst enjoying a high level of popular support. Mesa attempted to use his popularity to reorganise the political system and create a space for the Bolivian oligarchy, based in the province of Santa Cruz, to advance measures that would constrain the ever-growing demands to nationalise state-owned companies and public services. With financing from the multinationals, Mesa pressed for a referendum on the contentious gas issue, appointed employees on multinational payrolls to key positions and, on the grounds of protecting foreign investment, defended the multinationals operating public services in Bolivia.

The last of these measures led to a new popular mobilisation in El Alto, the aim of which was to expel the subsidiary of a multinational that operated the municipal water service. Mesa chose to resign in June 2005 in the face of this growing mobilisation rather than authorise an intervention. In a volatile social climate, the presidents of the Senate and the Chamber of Deputies were forced to decline the presidency, although they were constitutionally the next in line, and Bolivia's Supreme Court President, Eduardo Rodríguez, was appointed interim president in advance of new elections.

Bolivia was then thrown into a complex and disputed political process that culminated in elections on 18 December 2005. The elections were preceded by several weeks of uncertainty over the conditions under which they could take place, and the distribution of parliamentary seats that would result – a constitutional crisis that was one of the most prominent features of the campaign (see Lohman and García, 2005). The electorate's preferences were mainly divided between Evo Morales of the *Movimiento al Socialismo* (MAS, Movement Towards Socialism) and Jorge Quiroga Ramírez, of the *Poder Democrático y Social - PODEMOS* (Democratic and Social Power Movement), who had served as vice-president during the government of ex-dictator Hugo Bánzer and subsequently as president. The election resulted in an absolute majority for Morales, the candidate of the left, who during his campaign had committed himself to “bury the neo-liberal model”.

The water and gas ‘wars’

The ‘gas war’

Bolivian history records two occasions when mass mobilisations forced the nationalisation of hydrocarbons: in 1937, when the state-owned company YPFB was formed, and in 1969, when the infrastructure owned by Gulf Oil & Co. was nationalised. From 1985, with the demise of the state's mining industry, YPFB became the Treasury's main source of income, despite consecutive governments limiting its functions and development.

The reforms in the sector began in 1990, when the Investments Act – which allows for up to 100 percent foreign ownership and eliminates the restrictions on inflows and outflows of capital – was passed. The passing of the new Hydrocarbons Act in 1991 allowed the specific entry of multinationals into the oil and gas business.

In 1996, YPFB was included in the ‘capitalisation’ plans for state-owned companies, and a new Hydrocarbons Law was passed which put an end to the era of state-owned oil and gas in Bolivia. The new law reduced the tax duties on oil companies from 50 to 18 percent, gave oil companies ownership of mineral products and forced Bolivians to buy fuel produced in Bolivia as though it were imported from Kuwait. YPFB, which until then had the monopoly on Bolivian oil, was broken up. Its exploration, exploitation and transport activities were handed over to multinationals, more specifically to an axis built around Enron and Shell, as part of a process

that was tainted by corruption (see Calle, 2001). Subsequent pressure from the IMF forced the privatisation of the country's two oil and gas refineries, removing the state's ability to regulate oil and gas supplies. Bolivia, with the second largest gas reserves in South America, subsequently experienced several shortages of liquefied petroleum gas, at the same time as Bolivian natural gas was being exported very profitably.

The increase in international oil prices and the subsequent rise in the price of fuel on the domestic market provoked popular unrest, which gradually turned to protest. In October 2003, a dispute over gas exports became the explosive factor sparking widespread social unrest, and instigated a change in the balance of political forces – which had benefited the right since 1985.

The Carlos Mesa government pushed for a referendum, which was financed by oil companies and which contributed to distracting and demobilising the population. This referendum also concealed a total continuity with the policy of looting hydrocarbon resources (see CEDIB, 2004). The new law passed in May 2005 tried to be a counter-reform, but did not allow the state to regain control of the whole chain of exploration, exploitation, production and hydrocarbon trading. On the contrary, in the last two years the volume of gas exported on completely unfavourable terms tripled, leaving only ten percent of the industry for the country. Even so, multinationals believe that the new law is confiscatory and have threatened to take the country to an arbitration tribunal. In the interests of the oil companies, the hegemonic economic sectors also proposed an institutional reform promoting regional autonomy in an attempt to gain greater control of areas with important natural resources, and so maintain conditions favourable for the operations of foreign corporations.

The counter-reform in the hydrocarbon sector is not over. Presently there are several bill proposals that call for the nationalisation of hydrocarbon resources in Bolivia. These proposals are conditioned by: the ability of the social sectors to mobilise; the results of the recent general elections (Morales announced that he would re-nationalise the oil and gas industry); and by the Constituent Assembly election forecast for mid-2006.

The ‘water wars’

Drinking water and drainage services in Bolivia were operated by social organisations, co-operatives and municipal companies. The reform of the sector began in



1997, when in the framework of the capitalisation plan of public companies and services, the drinking water and drainage services of the cities of La Paz and El Alto were granted to *Aguas del Illimani S.A.* (AISA), a subsidiary of the multinational, Suez, whose headquarters are in France.

Applying the same policy of privatisation, in September 1999 the Banzer government granted Cochabamba's water and drainage service to the *Aguas del Tunari* consortium, made up of: International Water Limited, which is owned by the Italian company Edison SpA, Bechtel of the US, Abengoa of Spain, and four Bolivian investors. At the same time, the government was pushing to pass a law privatising the routes and sources of water, and all drinking water services. Under the management of *Aguas del Tunari* water rates increased by up to 300 percent.

In response to this rate hike, and to show opposition to the proposed water law, popular urban protests and social mobilisation by peasants spread. The protest in Cochabamba was repressed with violence, including the use of snipers, yet despite the repression and international pressure the popular mobilisation achieved the multinational's expulsion and the annulment of the water privatisation. After being expelled from Cochabamba the company sued the Bolivian state, seeking compensation for alleged damages and harm arising from the non-completion of their contract. The case is still pending a definitive outcome.

Once the privatisation was annulled, the objective put forward by the social coalition which had coordinated the popular mobilisation was to rebuild Cochabamba's municipal water company, *Servicio Municipal de Agua Potable y Alcantarillado* (SEMAPA, Municipal Drinking Water and Drainage Service), as a public company managed in a transparent and efficient way, and based on citizen participation and social justice. The results, however, have not been those expected, as the building of a new model of management and participation has been very complex and plagued by problems. According to a recently published study:

The lack of financing, interference by state institutions, party-based politics, corruption and the conditions imposed by international financial institutions (IFIs) are just some of the obstacles the new SEMAPA must face. Because of this, the improvements in access to water and drainage have been slow. At the moment, SEMAPA's main problem lies in strengthening itself as

a popular and public association, and in providing the improvements people want and need (Sánchez Gómez and Terhorst, 2005:131-132).

In the case of *Aguas del Illimani*, the residents of La Paz and El Alto residents have complained since 1997 about the constant deterioration in service, which has accompanied rising bills and connection costs. These failures in the quality of service are due to staff cutbacks made in order to lower costs, resulting in a lack of maintenance. Moreover, connection requests made by residents of several areas were rejected by the water company on the grounds that it could not afford them.

These occurrences led to protests by the *Federación de Juntas Vecinales de El Alto* (FEJUVE, Federation of EL Alto Neighborhood Committees), an organisation that in 2004 had initially requested a review of the contract with AISA, and later its expulsion. Carlos Mesa's government ignored these requests and in January 2005 El Alto's residents organised a mobilisation that was only suspended after the president had signed a decree on a negotiated suspension of the contract.

In response, Mesa's government reneged on its commitments in the face of heavy pressure from international organisations. These included the German technical co-operation agency GTZ, which was responsible for financing drinking water projects. It threatened to withdraw its support to anti-poverty programmes if AISA was expelled.

The social mobilisations, led once again by FEJUVE, were revived in response to the Mesa government's failure to honour its commitments, and the Bolivian president's continued defence of multinational oil companies' interests. The protests paralysed the city of El Alto and encircled the city of La Paz. In the face of these increased mobilisations, Carlos Mesa resigned from the presidency.

Pressured by the social mobilisations, the new government of Eduardo Rodríguez ordered an integral audit of AISA to be carried out, in order to check the level of investments and the quality of service. FEJUVE proposed the formation of a social public company to replace the disputed Suez subsidiary.

But despite the negative experiences of water privatisation in La Paz and Cochabamba, the government has continued to promote the adoption of operational models which include the private sector in the management and financing of services. This policy has the full support of international organisations.

The dismantling of the National Electricity Company

Until 1995, 50 percent of the electricity produced in the country was generated by the *Empresa Nacional de Electricidad*, (ENDE, National Electricity Company). The rest was produced by the privately managed Bolivian Power Company, in addition to co-operatives organised to run the service. ENDE was ‘capitalised’ – that is, transferred to private capital after a law which divided up the generation, distribution and transmission sectors was approved – and the three generating units that resulted (Valle Hermoso, Corani and Guaracachi) presently generate 51.5 percent of Bolivia’s electricity. The transmission unit was transferred to the Spanish consortium *Transportadora de Electricidad* (TDE) which controls 10,000 kilometres of high and medium voltage power lines.

With the reform of the sector, rates were indexed to the dollar and rises and unjustified charges were observed. Since the partition of ENDE there has been a passive attitude on the part of the Electricity Superintendence. To give an example, in Trinidad, a city in the west of Bolivia, an electrification project was rejected because it was not profitable for TDE. This type of attitude motivated several residents’ protests, the most important of which was the one led by FEJUVE in the city of El Alto. In an attempt to weaken the protests against the rate increases, particularly in El Alto, Carlos Mesa’s government approved a decree that brought into force the *tarifa solidaria* (subsidised rate), according to which 220,000 families would pay only 10 bolivianos (a little more than one US dollar) for monthly electricity consumption, as long as consumption did not exceed 50 kilowatts a month. However, the costs of this measure would not be paid by the companies, but by middle class consumers who consumed over 300 kilowatts. In response, other sectors joined the opposition, including businessmen, forcing the government to consider changing the original proposal.

The complaints of FEJUVE El Alto forced the Electricity Superintendence to instruct the company ELECTROPAZ to return 22,644,336 bolivianos (USD 2,915,417) to the municipalities of La Paz, El Alto, Viacha, Achacachi and Achocalla in August 2005, for the overcharging of electricity used in street lighting. In the last few days of September 2005, five cities suffered electricity cuts, a situation which was attributed to the lack of

natural gas provision. The authorities did not make reference to the fact that energy generation in Bolivia is higher than consumption. In general, the problems of the electricity service occur more in the companies administered by multinationals – those that operate in the country’s main cities – than in co-operatives or municipal companies in charge of the service in small cities.

Multinationals and co-operatives in the telecommunications sector

Bolivia’s local telephone market is in the hands of telephone co-operatives, whose combined strength would be roughly equivalent to that of ENTEL, the privatised national communications company. The co-operative members are themselves the users, and in that sense it is the direct beneficiaries of the service who run them. In the last few years, telephone co-operatives have become an attractive target for politicians seeking economic and political gain, leading to frequent accusations of corruption in their administration. The defenders of neo-liberalism proposed the privatisation of the co-operatives as a solution to corruption. But they were unsuccessful in this because the co-operatives are already considered to be private, non-profit companies – on the grounds that they are membership-based.

Until 1995, international telecommunications was a service supplied through the state company ENTEL. But this company was incorporated into the capitalisation plan and transferred into foreign hands, principally Telecom Italia. A law passed specifically for this transfer gave ENTEL a monopoly to exploit the long-distance telephone service, a measure which has led to Bolivia having the highest rates in the region, and has made the service inaccessible to those on low incomes. The opening of the sector to competition in 2001 led to a reduction in rates and connection costs, although not to the level of other countries in the region.

In the context of commercial competition, companies use aggressive advertising campaigns to attract clients, although they are frequently sanctioned by the Telecommunications Superintendence for ‘misleading advertising’. ENTEL, the sector’s largest company, has received the most sanctions for this reason. The sector’s regulations favour the company against the users, who cannot access new technology. This is the case with the Voice-Over-Internet Protocol system, presently spreading across the world as the most used alternative for reducing long-distance calling costs. In Bolivia, operators



who do not belong to the big telecommunication operators but dare to offer services using alternative technology at cheaper prices are sanctioned.

For the last few months an alliance of Bolivian telephone co-operatives has tried, unsuccessfully, to buy shares in ENTEL, which are presently in the hands of the firm's Italian parent company Stet. The promoters of this measure justified it as part of an effort to avoid the foreign transfer of economic surpluses generated by Bolivian companies. There is clear evidence that this has previously taken place. Some time ago, an official investigation determined that ENTEL's capitalisers withdrew USD 100 million from Bolivia in an irregular manner, and refused an inspection of its investments. ENTEL has used its four million dollar advertising budget to counter and silence these criticisms.

A neo-liberal educational reform

Until 1995, Bolivia's education sector was governed by an Education Code passed in 1955 in the context of the country's 'national revolution'. But since 1992, successive neo-liberal governments have attempted to implement reforms aimed at realigning the education sector and subordinating it to the political economy. In accordance with international organisation recommendations, the reforms prioritise primary education, leaving secondary and higher education in the hands of the private sector. This decision has led to periodic student and teacher mobilisations, with both schools and universities demanding larger budget allocations from the Bolivian government.

The reform of education, seen by the trade unions as an attempt to 'neo-liberalise' schools, has promoted the decentralisation of the service. Already, USD 300 million have been spent in the process, but apart from a well-paid civil service, few in Bolivian society are satisfied with the results. The teachers' unions are amongst the most critical, opposing the reforms on economic, social and pedagogical grounds. In the economic sphere, unions have demanded improvements in teachers' salaries (on average they currently receive USD 100 a month) and in the educational infrastructure. In the social sphere, teachers reject the neo-liberal idea of a state that does not guarantee a right to education for all citizens. And in the pedagogical sphere, teachers have rejected the Educational Reform Act on principle, for subordinating education to commercial ends.

Official statistics only record public education servic-

es, but a further consequence of the government's neglect of the education system since the application of neo-liberal reforms has been the growth of private schools, colleges and universities. Increasingly, higher income families have enrolled their children in the private education system.

The teaching profession remains one of the most organised social sectors. Teachers' unions have the support of parents' organisations, with whom they lead periodic protests demanding better conditions for education. Their critics have accused the teaching unions of being politically motivated, however, and claim that their organisations show a strong presence of 'ultra left' political parties.

Health and Social Security

The informalisation of the economy has turned health services into a luxury for much of the population, with many families losing the cover previously granted to them through work insurance. Currently, only 23 percent of the population enjoys health insurance. For most of the population, health services are reduced to meaning basic medical assistance.

The government strategy aims to decentralise health services; that is to say to distribute the government's responsibilities without distributing financial resources. Under this scheme, the Treasury finances medical and auxiliary personnel through local authorities, although the municipal governments are already responsible for health clinics, health centres and second and third level support hospitals.

Social organisations have questioned this transfer in duties, although there have been some advances on the issue. In September 2005, municipalities agreed to accept greater responsibility for health services once they receive the benefits of the distribution of a new tax on hydrocarbons. But these reforms are being resisted by health sector workers, who believe that the municipalities lack the resources and the capacity to administer the service efficiently.

In relation to social security, the Bolivian pensions system was previously based on the principle of solidarity. But the post-1985 neo-liberal reforms have weakened the system, leaving it almost without the reserves needed to make payments to the retired. This is a consequence of the rise in unemployment, which has resulted in a reduced number of taxpayers. The reform of the pensions system was carried out in accordance with the

guidance of the IMF and the World Bank. Since 1997, the country has operated a pension scheme based on individual contributions. This reform neglected to finance the old system, however, and today it has become one of the main causes of Bolivia's fiscal deficit. Official figures show that the deficit generated by payouts on pensions has reached 5.5 percent of GDP.

The end of the reforms?

The experience of transferring public services to private capital has been a disaster for Bolivians. But it has forced them to organise politically in order to recover control of key sectors and induce deep political changes. The conservative parties, which have controlled the country for the last 20 years, are now deeply discredited. They argued that the reforms were aimed at “*reducing the state and enlarging the nation*”. But 20 years on, the state is almost non-existent, Bolivia is wracked by a permanent political crisis, and the dominant socio-economic sectors and multinationals do not rule out the country's disintegration.

Popular discontent has increased as a result of public service reforms and privatisations, as well as by the handover of hydrocarbon reserves to multinational companies. These accumulated discontents have created a ‘social bomb’, with the result that Gonzalo Sánchez de Lozada and Carlos Mesa, two presidents associated with defending the interests of multinationals, have already been expelled from power.

A tiny proportion of the population has benefited from the reforms and extension of the power of multinationals. But the majority is pushing for the development of new social and political processes. However, at present it is not possible to make long-term political projections, in the same way as it is difficult to foresee the future of public services. The prospects for recovering and extend-

ing public services are deeply conditioned by the political results of the December 2005 elections and by the strength of the social movements, particularly in the country's poorest cities.

With the triumph of Evo Morales, it is foreseeable that the social sectors will begin an accelerated mobilisation to nationalise natural resources and recover control of public services. Based on previous experience, it can be anticipated that such actions could provoke an economic blockade by international organisations and/or foreign governments, or law suits against the Bolivian state being brought before international tribunals, as anticipated in many agreements signed by the previous national governments.

The December 2005 election results emphatically show that the right has been unable to achieve its aim of staying in government to deepen the reforms and complete the decentralisation/privatisation of health and education services. It is to be hoped that the change of government marks the end of an era in which multinationals were able to act with impunity, safe in the knowledge that the government would defend foreign investments and assure their ‘legal security’. Had the left failed to gain the presidency, the conservative government would have attempted to solve the fiscal deficit caused by the reforms through applying new taxes, as recommended by Rodrigo Rato, managing director of the IMF, who made a flash visit to La Paz in February 2005. But it is far too early to tell whether the new left-wing government will prove successful. Morales has made welcome promises to reverse the country's post-1985 neo-liberal reforms. But his government runs the risk of being as unstable as those that have preceded it, as it faces the parallel pressures of social movements demanding a radicalisation of the process of change, and a political and economic right wanting to freeze these very same changes.

References

- Antelo, E. and J.L. Jemio** (eds.) (2000) *Quince años de reformas estructurales en Bolivia. Sus impactos sobre la inversión, crecimiento y equidad*. La Paz: Comisión Económica de Naciones Unidas para América Latina y el Caribe (CEPAL) y Universidad Católica Boliviana (UCB).
- Calle, J.O.** (2001) *Para entender la capitalización: El que manda aquí soy yo*. La Paz: UPS Editorial.
- CEDIB** (2004). ‘El referéndum del 18 de julio. Evitemos que Mesa legalice Lo Ilegal’. Retrieved from the website of the Centro de Documentación e Información Bolivia (CEDIB): <<http://www.cedib.org>>.
- PNUD** (2005) *Informe temático sobre Desarrollo Humano. La economía más allá del gas*. La Paz: Programa de las Naciones Unidas para el Desarrollo (PNUD).



Sánchez Gómez, L. and Terhorst, P. (2005) 'Cochabamba, Bolivia: asociaciones públicas y colectivas tras la guerra del agua', in B. Balanyá, B. Brennan, O. Hoedeman, S. Kishimoto y P. Terhorst (eds.) *Por un modelo público de agua. Triunfos, luchas y sueños*. Barcelona: Transnational Institute (TNI), Corporate Europe Observatory (CEO) and El Viejo Topo.