

# WebMemo



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## Bolivia: Santa Cruz Voters Stand Firm— Against Morales and for Democracy

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President Evo Morales is intent upon gathering unchallenged and unending power to impose “21st Century Bolivarian Socialism” in Bolivia. Although pro-democracy, free-market forces appear to have scored a significant victory in a May 4 referendum about control of the country’s mineral-rich and economically more successful eastern lowlands, Morales and his followers will surely not give up their quest to subjugate the industrious and independent-minded Department of Santa Cruz.

Instability in Bolivia is a threat to the entire South American continent and to the United States. The Bush Administration and Congress, joined by other pro-democracy U.S. allies, should do everything possible to support the establishment of market-based democracy in Bolivia.

**Power Struggle.** In a referendum on Sunday, May 4, voters in the Department of Santa Cruz, which includes Bolivia’s largest and most industrialized city in the country’s agriculturally rich and energy-rich eastern lowlands, delivered a powerful rebuke to leftist President Evo Morales by calling for the creation of a provincial legislature with broad powers to challenge the authority of the central government in La Paz.<sup>1</sup> Among the most significant of these powers would be the authority to approve royalty agreements with foreign companies for the exploitation of the department’s abundant natural gas. Much of the tax revenue in Bolivia comes from levies on hydrocarbons, and Morales’ nationalization plans call for Santa Cruz to bear the heaviest costs of his politics of redistribution.

The statute also gives departmental officials more control over Bolivian national security forces as well as “over land titles—a move aimed at countering Morales’s proposals to break up large parcels of land and redistribute plots to landless farmers.”<sup>2</sup> Approval of the autonomy statute further challenges Morales’ efforts to draft a more centralized and authoritarian constitution and has pushed Bolivia to the breaking point. It could “spark violence.”<sup>3</sup> Three other departments (Beni, Prando, and Tairja) are scheduled to hold similar referenda in June.

Although Bolivia is “one of the poorest and least developed countries in Latin America,”<sup>4</sup> the eastern lowlands are the wealthiest part of it and are blessed with “an impressively diverse economy, including not only oil and gas but also forest products and commercial agriculture.”<sup>5</sup> Mark Falcoff of the American Enterprise Institute points out that, economically speaking, “the lowland departments, particularly Santa Cruz, eastern Chuquisaca, and Tarija” are “extensions of the Argentine north” and have higher living standards.<sup>6</sup>

People in the lowlands “have every reason to regard normal trade with the outside world as the key to prosperity.”<sup>7</sup> Most of the country’s “mestizo” (racially mixed, representing 30 percent of Bolivia’s

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population) and white European (15 percent) citizens live in the lowland areas.<sup>8</sup> Residents of gas-rich Santa Cruz, where about 25 percent of Bolivians live, have demanded more control over their resources and greater decision-making powers.<sup>9</sup>

Critics claim the departmental leaders are selfishly seeking to retain a veto power on economic policy at the expense of Bolivia's impoverished majority. Overall, Morales has pursued a divisive, ethnic, and redistributionist strategy that tends to polarize Bolivians and has fostered the current autonomy movement.

**Bolivarian Socialism.** The highlands power base of Evo Morales, formerly head of the coca leaf-growers union, is home to the majority indigenous Quechua and Aymara Indians. Advised and funded in part by Venezuelan President Hugo Chávez, Morales came to power in December 2005 after mounting a ruthless and sometimes violent populist campaign in 2003 and 2004 that stoked and exploited anger over a proposed pipeline to export some of Bolivia's newly discovered natural gas. By May 2006, the Morales government had "issued a decree 'nationalizing' the hydrocarbons sector and

calling for the renegotiation of contracts with hydrocarbons companies."<sup>10</sup>

Morales has relentlessly pushed an anti-U.S., anti-globalization 21st Century Bolivarian Socialist agenda and wants to undo many of the privatization reforms that neo-liberal governments undertook in Bolivia in the 1990s under the International Monetary Fund's Washington Consensus program.<sup>11</sup> To increase his regime's control over the lowlands, Morales has followed the same strategy and used the same legalistic tactics employed by Chávez in Venezuela and President Rafael Correa in Ecuador: pushing for a new constitution that centralizes power in the presidency and empowers Morales to redistribute national income to his impoverished political base. "Morales's backers passed the proposed constitution December 9, 2007 in a constitutional assembly boycotted by much of the country's political opposition,"<sup>12</sup> although they say they "were prevented from attending."<sup>13</sup>

The political uncertainty has resulted in lower levels of foreign investment in Bolivia. "Investment in exploration and production in Bolivia's oil and gas industry fell to \$149 million last year, the lowest

1. Monte Reel, "Bolivia's Richest Region Votes Solidly for Autonomy: Referendum Is Major Rebuke to President Morales," *The Washington Post*, May 5, 2008, p. A9, at <http://www.washingtonpost.com/wp-dyn/content/article/2008/05/04/AR2008050402147.html> (May 5, 2008).
2. Monte Reel and Evan Abramson, "Four Bolivian States Challenge Morales: Bid for Self-Rule Prompts Demonstrations," *The Washington Post*, December 16, 2007, p. A29, at <http://www.washingtonpost.com/wp-dyn/content/article/2007/12/15/AR2007121501920.html> (May 2, 2008).
3. Bill Faries, "Bolivian Autonomy Vote May Undercut Morales, Spark Violence," Bloomberg News, May 2, 2008, at <http://www.bloomberg.com/apps/news?pid=20601086&sid=atMzzwJzf.zM> (May 2, 2008).
4. U.S. Central Intelligence Agency, *The World Factbook*, "Bolivia," April 15, 2008, at <https://www.cia.gov/library/publications/the-world-factbook/geos/bl.html#Econ> (May 2, 2008).
5. Mark Falcoff, "The Last Days of Bolivia?" American Enterprise Institute *Latin American Outlook*, June 1, 2004, at [http://www.aei.org/publications/pubID.20580/pub\\_detail.asp](http://www.aei.org/publications/pubID.20580/pub_detail.asp) (May 2, 2008).
6. *Ibid.*
7. *Ibid.*
8. U.S. Department of State, Bureau of Western Hemisphere Affairs, "Background Note: Bolivia," October 2007, at <http://www.state.gov/r/pa/ei/bgn/35751.htm> (May 2, 2008).
9. James Painter, "Bolivia Poll Sparks Crisis Fears," BBC News, April 30, 2008, at <http://news.bbc.co.uk/2/hi/americas/7375983.stm> (May 2, 2008).
10. U.S. Department of State, "Background Note: Bolivia."
11. Economist Intelligence Unit, *Country Profile: Bolivia*, June 5, 2007, pp. 4–5, at [http://www.eiu.com/report\\_dl.asp?issue\\_id=1242297909&mode=pdf](http://www.eiu.com/report_dl.asp?issue_id=1242297909&mode=pdf) (May 2, 2008).
12. Reel and Abramson, "Four Bolivian States Challenge Morales."
13. Painter, "Bolivia Poll Sparks Crisis Fears."

since 1996, according to the Santa Cruz-based Hydrocarbons Chamber. The chamber's members include Petroleo Brasileiro SA, Total SA, and BG Group Plc."<sup>14</sup>

**What Should Be Done.** The setback to Morales can be compared to the defeat on December 2, 2007, of a constitutional referendum in Venezuela that would have granted Hugo Chávez unlimited rule. Electorates in Venezuela and Bolivia are not ready to give blank checks to their populist leaders and have begun to show resistance to populist/socialist steamrollers.

While breakdown of national unity, destabilization, and violence along regional lines benefits no one in Bolivia, the May 4 referendum should force Morales and his government, which has declared the referendum illegal, to reconsider its divisive and reckless assaults on the country's most productive areas. In an effort to shore up support and regain the political upper hand, Morales and his

opponents have agreed to hold a recall referendum on August 10.

Morales needs to recognize there are limits on the power of the central government and on his ability to reshape Bolivia into a socialist workers paradise. That model has been tried before—in the former Soviet Union. It failed miserably then, and the people of Bolivia know that it is doomed to fail again in the future. The U.S. should remain vigilant throughout and seek, through public diplomacy, coordination with regional allies, and work with institutions of civic society, to foster the spirit of democratic capitalism in the Andes.

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14. Faries, "Bolivian Autonomy Vote May Undercut Morales, Spark Violence."