

Stefano Casertano

Has Morales' ethno-socialism lost its glaze? (*)

Increasing unrest in the upland plain

In a Policy Brief presented in November 2009¹, I showed evidence concerning the social, political and economic division that has been characterizing Bolivia with increasing contrast since the election of Evo Morales and his Movimiento al Socialismo in December 2005. The poorer and "native" upland plain, the home of most of Morales' supporters, is in stark contrast with the wealthier lowlands where a majority of people of European descent are increasingly seeking independence from the rulers in La Paz. Adding to the other problems is the fact that the lowlands host almost all of the country's gas reserves, with around 85% located in the district of Tarija. The largest lowland district, Santa Cruz de La Sierra, is the "economic engine" of the country, representing more than one quarter of the national economy; the other two lowland departments, Beni and Pando, are scarcely inhabited.

My analysis, consistently with almost all of the literature of the time, concluded that the incumbent president Morales was likely to win the elections that later took place in December 2009. His leftist "Bolivarian" message had met with increased support among native people, both in the uplands and the lowlands. Although the gas industry still showed problems in terms of foreign investment attraction – one is free to point at an ill-directed 2006 nationalization plan as the culprit² – remarkable discipline in terms of monetary policy and inflation containment contributed to the overall economic stability of the country. Morales managed to win a landslide victory, with 63%, partly due to a divided opposition. The analysis also stated that opportunities for civil confrontation were increasing, and that the presidential election day could have been a difficult time.

Luckily enough, no violence outbreak of any significance took place during the election, but six months later the country is now showing signs of instability. It is quite typical for

¹S. CASERTANO, *Bolivia's ethno socialism and the coming civil conflict*, ISPI Policy Brief, 166, 2009.

² See C. ZISSIS, *Bolivia's Nationalization of Oil and Gas*, 2006, Council on Foreign Relations.

N. 193 - JULY 2010

Abstract

The April 2010 local elections round gave mixed results for Evo Morales: although his leftist Movimiento al Socialismo gained control of an opposition stronghold (the department of Pando), his party lost the mayor's seat in the capital La Paz.

Bolivia is showing signs of unrest: despite good financial discipline shown during the crisis, the economy is still awaiting much-needed reforms – and not socialist ones. The coming months will show whether the political goodwill of Morales will prompt a real change towards development, or if Bolivia is bound to repeat its cycle of hope and despair.

Stefano Casertano teaches International Energy Economics and Politics at Potsdam University. A Columbia University MBA graduate, he is also a consultant to private and public institutions in Europe and the Middle-East.

(*) The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.

Bolivia and its *de facto* capital La Paz to host demonstrations on their streets; this is a lively sign of social participation by citizens. It is not uncommon to encounter demonstrations about different issues rallying contemporarily in the Avenida Buenos Aires, one of La Paz's main streets. But some episodes from recent weeks mark an increasing climax in the protests, which have started to produce some casualties.

At the end of May 2009, an indigenous group lynched four policemen and a citizen, accusing them of extortion, and released the corpses of the victims only two weeks later. In the same month, 200 people from 47 *Guarani* tribes, originating from the south-eastern Chaco lowland, started a blockade of the highway connecting the Bolivian city of Yacuiba with Argentina: the government had approved the deployment of seismic exploration systems for gas that included 15m deep explosions, allegedly diverting underground water flows. In the city of Caranavi, some 100 km north-east of La Paz, protesters blocked another road and burned down a police station, demanding that a "fruit processing plant" be built in the region – and wounding four police officers and a civilian in the meantime. Only through last-minute negotiations was a 1,000 km march from the city of Riberalta in the La Paz department to the Western highlands called off: Morales promised to grant more protection to communities residing in resource-rich areas.

Although these events could easily be dismissed by the government as local expressions of violence with no political value, Morales could not turn a blind eye to the series of general strikes that hit the country in the same period: rallies of people demanding wage increases flooded the streets of the main Bolivian cities. There have been some arrests in La Paz: reportedly, a group of factory workers attempted to attack the Ministry of Work with dynamite, and tried to ignite its doors. Beneath the mere economic value of their demands (the protesters rejected a plan for a mere 5% wage increase in a national contract³, deeming it to be inferior to inflation), the most worrisome point for the government is that the main organization coordinating the demonstrations is the Central Obrera Boliviana (COB), a union that gathers every possible category of workers, from teachers to miners and nurses. The COB has been responsible for the rise and fall of many country leaders ever since 1952, the year when a military junta was ousted and republican rule was introduced.

Morales' government had to negotiate peace with the workers' associations, one by one. Teachers suspended their strike only after two weeks, when a new pact was signed with the Minister of Education, promising talks on pensions and ending pay discrepancy between rural and urban areas; nevertheless, the strike has not yet

been called off, but only "suspended"⁴ by the teachers' union. To face the opposition of the COB at large, the government offered to lower the retirement age by two years to 58, sadly equal to Bolivia's life expectancy for men (but improving), and some reforms in terms of contributions to the pension fund. Special categories such as miners, the backbone of some local economies, may retire at 51 after five years in the mines – given the life expectancy of 35-40 for tin diggers. Although the COB has ended the strike, the organization still remains "on guard" as negotiations with the government continue.

The fact that Morales' seat is less stable than before has also been demonstrated by the outcome of a round of local elections held in April 2010. The government's main party, the leftist Movimiento al Socialismo (MAS) managed to get a grip on the important department of lowland Pando, gaining an overall advantage in the count with six out of nine departments under its control.

Traditionally anti-Morales Tarija, Beni and Santa Cruz de la Sierra persisted in their support of local political groups, and yet Morales lost seven out of the nine runs for the mayorships of the department capitals. The most sensational win by the opposition was the seat in La Paz. Seemingly, Morales' ethno-socialism has lost some of the glaze that it had as recently

³ *El paro se hace sentir, pero el gobierno no cede*, in «Opiniòn», 2nd May 2009.

⁴ *Bolivian Teachers End Strike After Reaching Pact With Government*, in «Latin American Herald Tribune», May 24, 2010.

as December 2009. So is this just a passing phase, or is something deeper changing in Bolivia's political life?

The source of discontent

In my analysis of last year, I categorized the social and economic problems into three layers.

- ✓ The first is the "national dimension", emerging from wealth polarization problems throughout Bolivia (still the poorest country in South America).
- ✓ The second is the "inter-departmental dimension", opposing the lowlands and the highlands.
- ✓ The third is the "intra-departmental dimension", it is the most relevant for explaining Bolivia's current situation: native people living in resource-producing areas have an agenda that in many cases opposes that of their departmental government.

So, from which layer are Morales' problems emerging? Most of the evidence seem to point to the intra-departmental dimensions, especially with regard to how the MAS is dealing with the issues of native peoples' communities. In February 2009 a national referendum approved a constitution that empowered local communities, by forming local autonomies that were directly under central government, and thus tackling the control of the departments. But the solutions were for both the upland and the lowlands. In the upland, natives were granted "protection" by La Paz. In the lowlands, communities living in areas rich in

gas or wood were free to form "native municipalities" and avoid departmental government, often controlled by conservative groups of European descent⁵.

Beneath the strict administrative aspects of the new Chart, what mattered was the social impact that the political agenda of La Paz had on native communities. As a first example, in 2009 the government of Tarija and the national government started a sort of challenge to get the *Guarani* tribes living in the gas-rich areas onto their side: some received free money to "buy capital goods", while others were granted special self-determination rights. Similar occurrences developed in other departments. We can make a comparison with the strategy attempted by the military rule, to control the communities close to the oil-rich Niger Delta: in 1976 a system of Local Government Authorities (LGAs) was introduced, with the aim of weakening states, empowering tribal leaders and bringing them onto the side of the military by granting such groups access to oil revenues. As the number of LGAs grew uncontrollably to the present 774, the situation became quite simply unmanageable, and the LGAs were proved to be stable sources of instability⁶.

⁵ M. WEISBROT - L. SANDOVAL, *The Distribution of Bolivia's Most Important Natural Resources and the Autonomy Conflicts*, Center for Economic and Policy Research, Issue Brief, Washington, 2008.

⁶ A.OYEFUSI, *Oil and the Propensity to Armed Struggle in the Niger Delta Region of Nigeria*, World Bank Policy Research Paper 4194, 2007.

A similar process, with considerably lower levels of violence, may be currently taking place in Bolivia: La Paz has made itself accountable for all the demands and policies of the country, and empowered local communities are now presenting their bill.

This is the common red line linking the events that have taken place in recent weeks. The blockades and protests concerned demands directed to central government from local communities. Even the lynching of five people in south-west Bolivia may have had close ties with the empowerment given to native uses: indigenous leaders explained that «lynching was part of their tradition», while the civilian was murdered through a ritual⁷.

If Evo is the friend of the natives, just as any good friend he is expected to listen to their claims and demands; if he does not, or if he fails to act with readiness, the claimers will complain. It is still unclear how far the protests will go, because this largely depends on the government's reaction. The first signals are not encouraging. In June the Deputy-Minister for Coordination with Social Movements, César Navarro, declared that the US development agency USAID was responsible for some of the protests. He stated that «USAID is using its economic resources to incorporate, infiltrate and maneuver social organizations, including corrupting its leaders. It is for this reason that

⁷ *Bolivia's empowered tribes blamed for lynching of policemen*, in UPI.com, 10th June 2010.

USAID is providing financing to native organizations»⁸. On 17th June the Confederation of Bolivia Native People (CIDOB) set up a march from a city in lowland Beni to La Paz, demanding that local communities be granted the right to modify department borders without a referendum, but through “native uses and traditions”, a formula that is constantly cited in the new constitution. Navarro claims that a CIDOB leader has accepted the implantation of a USAID plan, which is steering such “irrational and unconstitutional” demands⁹.

Moreover, the International Republican Institute (IRI), the foreign arm of the US Republican Party, has reportedly invested 50,000 USD for «organization aspects in the process of ideological democratization, in the strengthening of the organizations that represent it [in Bolivia] and that are concentrated in many areas», including those where the natives’ march took place in recent weeks.

In a strange play of contradictions, at the same time as this Bolivia is reestablishing diplomatic ties with the US, after expelling the Washington ambassador from the country in 2008, having accused him of meddling with the opposition. Arturo Valenzuela, US Assistant Secretary of State, met with Foreign Minister David Chuquehuanca in La Paz on 1st June.

Working Bolivia

The sides of Bolivia’s administration that seem to work concern two other delicate issues: the relationship with the departments and the financial administration.

The lowlands-highlands struggle has not yet taken a violent path because citizens still believe in and rely on the power of political representation: although the 2009 presidential election was indeed a delicate one, it did not lead to outright physical confrontation nor was it accompanied by outbursts of violence. In May 2010 Morales enacted a law that grants him the power to suspend regional opponents from office if they are accused of a crime: this is a risky rule, given the fact that some of the courts will be regulated through “native uses and traditions”, and that all of the three incoming governors opposing Morales face charges brought by the government. No demonstrations have taken place in the affected departments yet¹⁰, but Morales’ reaction, represented by this law, may reduce room for democratic confrontation: a strategy that is likely to backlash if the economic situation worsens.

The financial management of the country is the other element to the merit of the Bolivian government. Notwithstanding widespread and increasing corruption, and the heavy burden of populist economic policies, Bolivia’s financial management has been

disciplined and accountable, and has reduced the risks generated by avoidance of free-market approaches.

In particular, Bolivia has been put under great pressure by the international crisis, due to the high significance of its exports and the importance of gas revenues in the general economy. Hydrocarbon exports sank from 3.5 billion dollars in 2008 to almost 2.1 in 2009. Overall exports contracted 23%, and imports hit minus 12%, resulting in a commercial account surplus, with reduced growth. The immediate reaction was the abrupt introduction of an expansive monetary policy: although such decisions normally lead to widespread inflation (especially in South America and in oil & gas producing countries), this move was motivated by the very serious economic situation, and has provided some fresh air to the receding economy. Moreover, in 2009 Bolivia was the only large country in Central and South America in which the state reduced both capital and current account spending: reduced resources from falling gas revenues were not substituted with debt¹¹.

In the third quarter of 2009 the country experienced 3.2 percent growth, with a aggregate result of 5.8 at the year-end. However, the whole structure is still too dependent on hydrocarbons. Simulations show that without gas the state deficit would have been 9.8% of GDP in 2008 and 8.4 in 2009; with gas, the 2009 state

⁸ Navarro: *Dirigentes indigenas permite injerencia de USAID y generan conflictos sociales*, in *Jornadanet.com*, 17th June 2010.

⁹ *Ibidem*.

¹⁰ *Bolivia’s Morales Signs Law That May Oust Elected Opponents*, in «Bloomberg Businessweek», 25th May 2010.

¹¹ IMF and Bolivian Government data.

balance was closed at par, at least according to the government's figure¹². The country is still a terrible place to invest, and foreign capital directed to Bolivia fell 51% from 2008 to 2009, to a mere 204 million dollars – including gas investments¹³. The situation is particularly worrisome for hydrocarbons, because receding investments (after positive signals in 2008) are likely to affect production performance in the years to come. In 2008 the government announced plans to increase gas production more than two-fold by 2015, from 41 million cubic meters per day to 100. The state energy company YPFB committed to invest 1.2 billion dollars in the plan; mere peanuts given the economics of this industry. International alliances have to be sought, but the government is giving preference to state-owned companies such as Gazprom of Russia, Petrobras of Brazil and PDVSA of Venezuela: a great solution for politics, but less so for technicalities¹⁴. Companies already present in the territory, such as Repsol, experience very complicated relations with the government¹⁵.

In 2009 some news hit the business media world: Bolivia had a new frontier of expansion, represented by the world's largest lithium reserves, located in the south-

west of the country. Lithium is a mineral widely used in the IT industry and for batteries. But in June 2010 an American team of geologists discovered even larger reserves of lithium in Afghanistan: a smash hit for the self-consciousness of the South-American country, which was about to enjoy a quasi monopoly of the market. It is not a lucky break that will determine the success of the country in the years to come.

In some cases Bolivia has shown signs of economic maturity, while in others the limits imposed by the rules of its systems affect its citizens' wealth. Bolivia runs the risk of enjoying just a fraction of the benefits bundled for emerging economies, because 5% growth is high compared to mature countries, but below average considering the country's current situation. And Bolivia may suffer from problems correlated with economic reforms: wealth polarization may leave many people behind, beneath slogans and "community" projects. In larger cities like Cochabamba or Tarija, residents are already experiencing challenges related to high-paced urbanization: more and more people are arriving there from the countryside, and violence is increasing. The difficulty for Bolivia is managing its growth to seek an inclusive model, and it runs the risk that equilibrium based on native communities will not be resilient enough.

Data demonstrate that the protests and demonstrations of the last week are not due to economic problems: they are a signal from the people of growing civil consciousness.

But how and where this consciousness will grow is a very difficult responsibility for the government to manage. The choice is in the hands of Morales and his people: repression is the worst answer that may be used to manage the dissent of this first half of 2010. The choice is also in the hands of the Bolivians: the April elections showed that there is still a democratic way to express dissent to Morales, should he ever introduce policies that people dislike.

Conclusions: why has Morales' ethno-socialism lost its glaze?

In analyzing the political message of Morales, one should pay particular attention in differentiating between two interrelated aspects:

- ✓ ethno-socialism as a political representation of much-felt need for the people to live in a society that is an expression of cultural traditions, call it "Andean", "Native" or even "Bolivian", possibly as a reaction to strong-handed attempts to reform the economy towards liberal, free-market dynamics in the Nineties;
- ✓ ethno-socialism as a tool for political control, empowering a political leadership to embody the "national sentiment", imposing a reformist agenda to all the country, without the necessary participation of all the involved groups (see the assertive way chosen to approve the new Constitution).

During the first mandate of Morales, enthusiasm did not allow the public opinion to

¹² Bolivia's Ministry of Finance and Economy data.

¹³ Bolivia Central Bank data.

¹⁴ See R. PIROG, *The Role of National Oil Companies in the International Oil Market*, Congressional Research Service, 2007.

¹⁵ *Bolivia: Political risk and delays deter investment*, in «Financial Times», 25th May 2010.

distinguish the two aspects. As month after month enthusiasm is giving room to a more cold-minded evaluation of the advantages and the setbacks of ethno-socialism, the second “nationalistic” aspect is prevailing in the consciousness of people, and Morales is demonstrating its limits.

By empowering distinct cultural groups as “sources of law”, a ruler can enjoy great advantages at the beginning, and this is exactly what Morales did by assigning ethnic institutions the possibility of emanating codes of conduct and administration. Yet, with time, the social tissue becomes highly fractionalized, with the even more challenging side of having just one reference point: the top leader, or Morales. The “vertical” structure of power and politics is not sustainable: groups tend to prefer to talk to the leadership, rather than interacting. Society becomes structurally rigid. The leadership retains power, until groups have to face reality: it is not able to answer everybody’s requests. And this is exactly what is happening now in Bolivia. Although at the beginning it may not seem so, the reality of facts is that the advantages of giving up cultural peculiarities and be united, are much larger than the advantages of stressing distinct cultural personalities of different groups.

Morales’s Ethno-nationalism, although “ethnic”, in the end is just what it is: a form of “nationalism”. As such, it is not a “fixed-in-time” or “ancestral” cultural idea, but a living one, which is constantly promoted

by propaganda and political initiative. People who participate to nationalism seem to believe that it is the “natural” way of organizing a state, and that it refers to the “real” nature of the population. It is a paradox of nationalism: appearing ancient, when is a normal product of industrialization. This is what is happening in Bolivia: Andean rituals are no different than Celtic rituals or references to the Roman empire. In the end, for better or for worse, people wake up.

La ricerca ISPI analizza le dinamiche politiche, strategiche ed economiche del sistema internazionale con il duplice obiettivo di informare e di orientare le scelte di policy.

I risultati della ricerca vengono divulgati attraverso pubblicazioni ed eventi, focalizzati su tematiche di particolare interesse per l’Italia e le sue relazioni internazionali e articolati in:

- ✓ Programma Africa
- ✓ Programma Caucaso e Asia Centrale
- ✓ Programma Europa
- ✓ Programma Mediterraneo e Medio Oriente
- ✓ Programma Russia e Vicini Orientali
- ✓ Programma Sicurezza e Studi Strategici

- ✓ Progetto Argentina
- ✓ Progetto Asia Meridionale
- ✓ Progetto Cina e Asia Orientale
- ✓ Progetto Diritti Umani
- ✓ Progetto Disarmo
- ✓ Progetto Emergenze e Affari Umanitari
- ✓ Progetto Internazionalizzazione della Pubblica Amministrazione

Le pubblicazioni online dell’ISPI sono realizzate anche grazie al sostegno della Fondazione Cariplo.

ISPI
 Palazzo Clerici
 Via Clerici, 5
 I - 20121 Milano
www.ispionline.it

Per informazioni:
ispi.policybrief@ispionline.it
ispi.policybrief1@ispionline.it

© ISPI 2010