

**BOLIVIA'S NEW CONSTITUTION:
AVOIDING VIOLENT CONFRONTATION**

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BOLIVIA'S NEW CONSTITUTION: AVOIDING VIOLENT CONFRONTATION

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Bolivia is moving dangerously toward renewed confrontation and violence as the government of President Evo Morales and his Movement toward Socialism (MAS) party seek to embed sweeping state reforms in a new constitution. Their proposals are being sharply criticised in the Constituent Assembly (CA) by opposition leaders representing the eastern lowlands and the urban middle classes, and the dispute is widening the breach in an already polarised country. The CA's life has been extended to 14 December 2007 but time is not on delegates' side. In the next four months, Bolivia's political leaders need to engage in a wide-ranging dialogue to reach national consensus on fundamental issues.

The issues at stake include the very nature of the state, whether unitary or decentralised with strong federal elements; significant shifts in the balance among the executive, legislative and judicial branches of government; and a new territorial order, with emotionally driven, competing demands for regional, indigenous and local autonomies and each side equating victory or defeat with political and economic survival. The MAS and its allied parties and social movements are pushing for a "plurinational, communitarian, unitary state" (*Estado unitario plurinacional comunitario*) that, in their view, would compensate for centuries of exclusion of the indigenous peoples. The proposal would cut across traditional regional borders and economic redlines and is meeting tough resistance from affected social and political sectors, who assert ethnic political divisions would be the prelude to Bolivia's Balkanisation.

The CA had a one-year term to resolve these and other issues in a new constitution but the bulk of the time was squandered in zero-sum battles over voting procedures and how to deal with opposition proposals. The fiercest opposition to Morales, including sporadic violence, has come from prefects and civic committees in Santa Cruz, Tarija, Beni and Pando departments. Conflicts have also emerged between urban and rural populations.

On 3 August 2007, MAS and the opposition parties brokered an eleventh-hour agreement in Congress that authorized a four-month extension of the CA, until 14 December. That agreement also addressed a series of issues, including respect for minority proposals; implementation

of departmental autonomy in the eastern region in accordance with the July 2006 referendum; and creation of a high-level "political commission" outside the CA to help build consensus – a difficult task considering the intransigent stances of government and opposition delegates for twelve months.

Morales's management of the government also has fuelled opposition charges that political uncertainty is holding back much needed foreign and private investment. Though public revenue has increased thanks to high commodity prices, pro-government elements are fighting each other for control of the oil, gas and mining money. Land tenure policy causes discontent not only among large estate owners and agribusinesses, but also among landless peasants, a core part of Morales's constituency, who are angered over collective land titles that benefit indigenous peoples exclusively.

If President Morales does not lead the new dialogue in a manner that defuses tensions and achieves consensus, he risks new violence and, ultimately, the failure of his project of near-revolutionary change.

RECOMMENDATIONS

To the Government of Bolivia:

1. Maximise prospects for the Constituent Assembly (CA) to reach agreement on the constitutional text or texts to be submitted for ratification to popular referendum by conducting negotiations, led by President Morales, with all political forces to produce a statement signed by all CA delegates that commits their parties and movements to:
 - (a) reach such agreement by 14 December 2007;
 - (b) reject violence and punish militants from any political or social movement involved in or inciting it;
 - (c) end the use of marches and strikes to pressure the CA; and

- (d) find mechanisms to incorporate compatibly core elements of departmental autonomy for Beni, Pando, Santa Cruz and Tarija, as described in the July 2006 referendum, and indigenous autonomy.
2. Give the high-level political commission all resources it needs to accomplish its consensus-building task.
3. President Morales and the nine elected departmental prefects should reiterate mutual respect and promote permanent dialogue between the political and civil society representatives of the eastern lowlands and the western highlands.
4. The departmental-level presidential delegates should be selected on a non-partisan basis and act as anti-corruption monitors under clear statutory authority until department assemblies are elected and can assume that oversight function.
5. The government should communicate better with private sector representatives and foreign investors, so that the nationalisation process is conducted transparently, without surprises and in accordance with international standards.
6. The government should order the security forces and the attorney general's office to disband extremist groups on both ends of the political spectrum, arrest and prosecute members considered to have incited or engaged in violence and seize and destroy their weapons.

To the Bolivian Congress:

7. Work with the government to promote integration of the indigenous populations in national life in compliance with Convention no. 169 of the International Labour Organization.

To the Directive Board of the Constituent Assembly:

8. Prepare a new voting mechanism by the beginning of September 2007 that provides for:
 - (a) immediate plenary voting on all articles of the new constitution that achieve consensus in the thematic committees;
 - (b) plenary consideration of and voting on minority proposals with respect to articles that remain contentious, as envisaged in the amendment to the CA law that extended the life of that assembly; and
 - (c) submission of articles that achieve a simple but not two-thirds majority to a national referendum.

9. Discuss contentious issues openly and disseminate information widely through public forums and the media, including the possibility of radio/tv broadcasts of plenary sessions.
10. Conduct permanent dialogue with the high-level political commission so that agreements reached by it are swiftly and precisely communicated to CA delegates.

To the Political Parties and Social Movements:

11. Engage in modernisation processes that allow more direct participation of grassroots organisations in the political debate and open civic committees to broader sectors of the population, including election of their leadership by all members.
12. Stimulate dialogue between the government and MAS and opposition prefects and eastern lowland civic committees about how best to implement policies of social inclusion and economic development of eastern lowland indigenous peoples, landless peasants and western highland migrants.

Bogotá/Brussels, 31 August 2007

BOLIVIA'S NEW CONSTITUTION: AVOIDING VIOLENT CONFLICT

I. INTRODUCTION

President Evo Morales and his Movement toward Socialism (MAS) party seek sweeping state reform in the Constituent Assembly (CA) that was established on 2 July 2006 but have been subject to increasing criticism from the eastern lowlands and the urban middle classes for stimulating polarisation. The social divide has widened not only between the western highlands and the eastern lowlands, but also between urban and rural Bolivia.

Hope that the CA would bring positive change has been replaced by scepticism. The assembly failed to produce a new constitution within its one year timeframe, forcing MAS and the opposition parties in Congress – Poder Democrático y Social (PODEMOS), Unidad Nacional (UN) and Movimiento Revolucionario Nacionalista (MNR) – in early August 2007 to broker an eleventh-hour extension until 14 December. However, representatives of indigenous movements and some MAS delegates are opposed, perceiving the amendment of the 2006 CA law as undue interference by Congress. With both MAS and its allies and the opposition intransigent on substance, the country is moving dangerously toward renewed confrontation and violence.

CA delegates have followed narrow, partisan logic, rather than attempting to unite a divided society around consensus. There have been recurrent standoffs, especially during the first six months when rules and the voting mechanism were at the heart of assembly debates. In June 2007, a crisis erupted, when MAS delegates and their allies blocked plenary consideration of proposals by the PODEMOS-led minority. The challenge in the next four months will be to address the nature of a new Bolivian state that needs to incorporate indigenous people politically and economically. Also at stake are the territorial order of the country, with regional autonomy at the heart of the dispute; new institutions, including presidential re-election and political representation of ethnic groups in Congress; and issues such as the resumption of historical rivalries between the armed forces and police.

Opposition to the Morales/MAS project to “refound” Bolivia has been building over autonomy for the eastern

departments of Santa Cruz, Pando, Beni and Tarija.¹ Tensions began when the president and his party actively campaigned for the “no” vote in the July 2006 referendum on departmental autonomy (RDA), which was overwhelmingly supported in the east. The government has lost credibility in that region, because it has been unable or unwilling to build bridges with its political and civil society representatives, including the department prefects elected for the first time in December 2005 and the civic committees, and because it supports forms of autonomy for indigenous peoples and municipalities, alongside departmental autonomy.

The violent 11 January 2007 clashes between pro-government coca growers and inhabitants of the city of Cochabamba, which left two dead and more than 100 injured, revealed that the east-west divide currently driving politics includes an urban-rural aspect. MAS itself suffers from clear internal and organisational weaknesses. Morales's leadership and strong popular support are not matched by a modern party structure, and the competition among ideological factions has not been resolved. MAS has not defined its position on fundamental issues, and urban and educated sectors of society are distancing themselves from its reform agenda. The challenge for the president is to make MAS more cohesive while also reaching out to broader segments of society, especially the urban middle class in the eastern lowlands.

While macro-economic performance is good – due largely to high natural resource prices – investors and the export-oriented private sector contend that political uncertainty is undermining development prospects. Bolivia also faces price hikes for basic goods and rising inflation. Nationalisation of the hydrocarbon sector, Morales's flagship policy, has produced more public revenue but many citizens suffer from fuel shortages. The government has also been unable to resolve disputes among its own supporters over control of royalties and revenue. Large estate owners in the eastern lowlands oppose the land reform policy, and landless peasants, who are part of the Morales constituency, have criticised the award of collective land titles to indigenous peoples. Coca cultivation is another area of potential conflict, domestically and

¹ Bolivia has departments, provinces, sections of provinces, cantons and municipalities.

internationally: illegal crops have increased in Los Yungas and Chapare, as have cocaine seizures.²

Against this background of heightened tensions, the CA has become the central battleground. There is great concern that violent confrontation between the government and the opposition could develop if the political players continue to view it as a zero-sum game instead of a chance to design a more just, inclusive, democratic future.

II. THE CONSTITUENT ASSEMBLY

A. ONE YEAR OF FAILURE

President Morales pressed establishment of a Constituent Assembly (CA) to transform the state's structure – a long-standing demand of many sectors of society – in his election campaign, vowing to “refound Bolivia” (“*refundar Bolivia*”). One of his first acts of government was to ask Congress to pass a law for election of CA delegates; on 6 March 2006, he signed that law and an accompanying one establishing a referendum on regional autonomy.³ The CA was to convene in the constitutional capital, Sucre, on 6 August 2006, and to deliberate for no less than six months and no longer than one year. To date, however, it has not approved a single article of the new constitution. Political deadlock between the government coalition and the opposition coalition (PODEMOS, UN, MNR) has been constant.

The CA plenary on 2 July 2007 declared it urgent to extend the 6 August deadline to 14 December 2007. Morales reluctantly accepted the need for this, and Congress agreed only three days before the deadline. It amended the original law to provide a four-month budget and mandate respect for initiatives produced by the minority; respect for the binding nature of the results of the 2006 referendum on departmental autonomies; creation of a high-level “political commission” outside the CA to help build consensus; and two referendums – one for the draft articles that did not receive two-thirds approval in the CA, one for the full text of the new constitution.⁴

Two hardcore MAS allies opposed the action, the National Council of Ayllus and Markas of the Qullasuyo indigenous movement (CONAMAQ) and the Movement without Fear (MSM) party. However, both MAS and opposition assembly delegates considered the amendment necessary, though for fundamentally different reasons. For the opposition, the CA is the product of a law and is regulated by the still valid constitution (“*carácter derivado*” of the

² President Morales announced amendment of Law no. 1008 to increase the limit of legal coca crops from 12,000 to 20,000 hectares but Congress has not passed it; coca “industrialisation” programs are still unknown; and the “social control” used to monitor voluntary eradication of coca “surplus” does not appear to have reduced crops. The UN Office on Drugs and Crime (UNODC) estimated they increased from 25,400 hectares in 2005 to 27,500 hectares in 2006. U.S. and Brazilian authorities have expressed concerns about the use of surplus coca to produce cocaine. Crisis Group will examine this issue in a subsequent report on the impact of the war on drugs in the Andean Region.

³ The laws were, respectively, 3364 and 3365. For background and in-depth analysis of the CA, see Crisis Group Latin America Report N°18, *Bolivia's Rocky Road to Reforms*, 3 July 2006, pp. 14-22.

⁴ The referendum on articles unable to achieve a two-thirds majority in the CA plenary is to be held within 120 days after 14 December 2007. The CA will have 30 days to incorporate the results in the draft constitution. The referendum on ratification of the constitution will be held within the following 120 days. The National Electoral Court will decide the exact dates. “Los partidos logran principio de acuerdo para la Constituyente”, *La Razón*, 2 August 2007. “Un comité coadyuvará en la búsqueda de consensos”, *La Razón*, 2 August 2007. “El Congreso amplía el plazo y pone reglas a la Asamblea”, *La Razón*, 4 August 2007.

CA). Thus, Congress had the power to extend the assembly.⁵ MAS and its allies say Congressional authority was only needed for budgetary reasons, since the CA has plenipotentiary powers (“*carácter originario*”), so could have extended its own mandate.⁶

There still is uncertainty on the legality of the amendment. Some constitutional experts argue that extension of the CA's mandate required a new popular vote.⁷ Bringing the issue to the Constitutional Court, however, would further inflame the situation: the government has been at loggerheads with that court since October 2006, when it ruled against Morales's efforts to give the CA explicit plenipotentiary powers to “refound” Bolivia. In 2007, pro-government demonstrators twice attacked the court building in Sucre,⁸ while Morales filed breach of legal duty charges against four judges in the Congress after the court dismissed four Supreme Court judges he appointed in May.⁹

Though the Morales government embodied the desire for change of the majority of Bolivians, it made the mistake of not leading the CA process in an inclusive fashion. Extensive Crisis Group interviews in La Paz, Sucre and Santa Cruz from January through July 2007 suggest that the CA deadlock is due mainly to: 1) lack of clarity in MAS's constitutional reform concept and its lack of interest in seeking consensus; 2) domination by partisan interests; and 3) lack of delegate preparation on constitutional issues and a tendency to be sidetracked by secondary issues.

⁵ Crisis Group interviews, CA delegates, Sucre, 4-7 July 2007.

⁶ Crisis Group interviews, CA delegates, Sucre, 6 July 2007.

⁷ Crisis Group interview, sociologist, Santa Cruz, 9 July 2007.

⁸ The Supreme Court called on the government twice to guarantee the judges' safety after its building in Sucre was attacked by so-called “red ponchos” (Aymara guard) and Huanuni miners on 26 January and 26 April 2007, respectively. “El Poder Judicial pide garantías al Poder Ejecutivo”, *La Razón*, 30 January 2007. The Omasuyos province “red ponchos” leaders claimed the attackers were imposters. “Los Ponchos Rojos dicen que fueron suplantados”, *La Razón*, 31 January 2007. The Huanuni miners demanded courts not hinder mining sector nationalisation. “El Tribunal Constitucional pide garantías a Morales”, *La Razón*, 28 April 2007.

⁹ Crisis Group interviews, CA delegate, Sucre, 11 June 2007, and journalist, La Paz, 15 June 2007. Morales blamed the Supreme Court for blocking efforts to bring to justice former President Gonzalo Sánchez de Lozada, charged with the murder of more than 70 civilians during the October 2003 protests, and former officials accused of corruption. “El Gobierno se enfrenta con el Tribunal”, *La Razón*, 15 May 2007. In early June, the judicial sector went on strike to demand the government respect its independent powers. “Jueces paran por primera vez en la historia y Evo los acusa”, *La Prensa*, 5 June 2007. Congress has 90 days to rule on the government's charge against the Supreme Court.

The Morales government dismissed the National Pre-Constituent and Pre-Autonomy Board, created by the interim Eduardo Rodríguez government in 2005 to facilitate consensus on the new constitution, reportedly because it could not control it.¹⁰ Instead, it opened the Presidential Representation to the CA (REPAC) office in Santa Cruz, seeking to build bridges with the social movements and civic groups of the eastern lowlands. However, the opposition largely dismissed this as a political instrument under Vice President Alvaro García's personal control, and that office was closed in a few months.¹¹

MAS was confident it could eliminate right-wing opposition in the CA elections. Morales claimed it could win 70 per cent of the seats. However, MAS ended up with 137 of 255 seats (53.7 per cent), while the main opposition parties won 86 (33.7 per cent).¹² This should have prompted the two sides to negotiate but they did not. During the first six months, debate was limited to procedural matters,¹³ including election of the directive board (*mesa directiva*), establishment of 21 thematic committees¹⁴ and rules for approving texts.

¹⁰ Crisis Group interviews, CA delegate, Sucre, 12 June 2007, and sociologist, Santa Cruz, 9 July 2007. Special Law no. 3091 of 6 July 2005 provided for election of a Constituent Assembly (CA) on the first Sunday of July 2006 and the establishment of the National Pre-Constituent and Pre-Autonomy Board. See Crisis Group Latin America Report N°15, *Bolivia at the Crossroads: The December Election*, 8 December 2005, pp. 11, 18-20.

¹¹ Donors held back new financial commitments to REPAC following Director Gisela López's resignation after criticising that Raul García (Vice President Alvaro García's brother) handled donor aid without her authorisation. Crisis Group interview, Sucre, 12 June 2007. “La Repac se quedó sin ayuda de los cooperantes”, *La Razón*, 6 September 2006; also Crisis Group Latin America Briefing N°13, *Bolivia's Reforms: The Danger of New Conflicts*, 8 January 2007, p. 9.

¹² MNR (eight seats), MNR-A3 (two seats), MNR-FRI (eight seats), PODEMOS (60 seats) and UN (eight seats). See Crisis Group Report, *Bolivia's Rocky Road to Reforms*, op. cit., pp. 16-17.

¹³ Crisis Group interviews, CA delegates, Sucre 12 June and 4 July 2007.

¹⁴ According to article 24 of the rules, there are 21 thematic committees in charge of the following subjects: 1) Vision of Country; 2) Citizenship, Nationality and Nationalities; 3) Duties, Rights and Guarantees; 4) New State Organisation and Structure; 5) Legislative; 6) Judiciary; 7) Executive; 8) Other State Organs; 9) Departmental, Provincial, Municipal and Indigenous Autonomies, Decentralisation and Territorial Division; 10) Education and Intercultural Affairs; 11) Integral Social Development; 12) Hydrocarbons; 13) Mining and Metallurgy; 14) Hydraulic Resources and Energy; 15) Rural, Agrarian and Agro-Industrial Productive Development; 16) Renewable Natural Resources, Land, Territory and Environment;

On 17 November 2006, the CA came to a complete standstill when the MAS delegates ignored the two-thirds majority voting rule stipulated in the CA law and tried to impose an absolute majority rule.¹⁵ This prompted an angry reaction from much of the country, which felt MAS was trying to dictate the constitution. Hunger strikes and massive protest marches were called in middle-class neighbourhoods in La Paz, Cochabamba and Sucre. General strikes and large town meetings (*cabildos*) were organised in the eastern lowland departments of Pando, Beni, Tarija and Santa Cruz throughout November and December.¹⁶ The mounting polarisation led to scattered violent demonstrations in La Paz and Santa Cruz, which reached a climax in Cochabamba, where pro-government *cocaleros* (coca growers) and supporters of the city's opposition prefect, Manfred Reyes, clashed in street fights that left two dead and dozens badly injured on 11 January 2007.¹⁷

The violence in Cochabamba prompted difficult negotiations between the government and the opposition.¹⁸ Some MAS militants associated the two-thirds majority with the old period of "pact democracy" ("*democracia pactada*"),¹⁹ when they were in the minority and had to accept the decisions of a majority which made its own backdoor deals.²⁰ The dispute was finally resolved only on 17 February 2007, when the plenary adopted a compromise voting formula, but the CA was left with less than six months to pass the new constitution.²¹

17) Amazonian Integral Development; 18) Coca; 19) Economic and Financial Development; 20) National Borders, Foreign Affairs and Integration; and 21) Security and National Defence.

¹⁵ Under the MAS proposal, the opposition could designate only three contentious articles as requiring a two-thirds majority. Any of these that obtained a simple but not two-thirds majority would be put to a referendum.

¹⁶ See Crisis Group Briefing, *Bolivia's Reforms*, op. cit., pp. 8-12.

¹⁷ On the January 2007 Cochabamba clashes, see Section III below.

¹⁸ Crisis Group interviews, journalist, Santa Cruz, 5 February 2007, and political analyst, La Paz, 15 June 2007.

¹⁹ See Crisis Group Report, *Bolivia at the Crossroads*, op. cit., p. 6.

²⁰ Crisis Group interviews, CA delegate, Sucre, 1 February and 12 June 2007.

²¹ The compromise provided for: a) the final report of the thematic committees to be adopted by an absolute majority (if no consensus, the committees to submit two reports: one signed by the majority of the delegates of the committee, one by the minority; with both reports to be debated in the plenary); b) the full text of the constitution draft ("*aprobación en grande*") to be approved by an absolute majority of delegates present; c) the constitution to be approved article by article ("*aprobación en detalle*") by two thirds of the delegates before 2 July 2007; d) the articles that failed to achieve a two-thirds majority to be reviewed and decided upon by a Harmonisation Committee (*Comisión de Concertación*); e) articles that failed to achieve

Supported by donors such as the German Gesellschaft für Technische Zusammenarbeit (GTZ), CA delegates went on field trips across the country for more than two months, until 30 April 2007, to gather citizens' proposals in the capitals of the nine departments and in the city of El Alto ("territorial forums"). Although smaller communities were also visited, the reach of the forums has been described as limited,²² and their utility was questioned by some delegates Crisis Group interviewed, who said the parties used them to promote themselves rather than foster open discussion.²³ The approximately 4,500 proposals gathered were systematised with donor help but allegedly were mostly ignored by the thematic committees.²⁴

The CA's thematic committees had until 30 May to analyse proposals and submit final reports. However, the directive board had to put off the deadline because nineteen of the 21 committees failed to meet it.²⁵ Discussions were difficult as the constitutional concepts of each party were openly discussed for the first time; moreover, delegates' lack of preparation was evident.²⁶

On 6 June, the CA's work again ground to a halt as MAS and its allies sought to exclude from plenary debate the minority report prepared by PODEMOS in the important Vision of Country committee. MAS delegates split, some voting for the majority report, presented by the party, others for a minority report submitted by Alianza Social (AS) and supported by Concertación Nacional (CN), both MAS allies.²⁷ The result was that both the majority and minority reports favoured by MAS delegates obtained a

a two-thirds vote and to be approved by the Harmonisation Committee to be submitted to a referendum; f) the final constitutional text submitted to the plenary by the Conciliation and Style Committee (*Comité de Concordancia y Estilo*) to be approved by two thirds of the delegates present; and g) the results of the 2 July 2006 referendum on departmental autonomy to be respected. Artículo 70, "Reglamento general de la Asamblea Constituyente", *Boletín Informativo Constituyente al día*, vol. 2, no. 24, Fundación de Apoyo al Parlamento y a la Participación Ciudadana.

²² Crisis Group interview, CA delegate, Sucre, 12 June 2007; telephone interview, international cooperation officials, La Paz, 17 August 2007.

²³ Crisis Group interviews, CA delegates, Sucre, 12 June 2007. "Expertos detrás de la Asamblea", *La Prensa*, 23 April 2007.

²⁴ Crisis Group interviews, CA delegates, Sucre, 12 June and 6 July 2007; telephone interview, international cooperation officials, La Paz, 17 August 2007. There are also rumours that the Tarija Territorial Forum included proposals from people not present.

²⁵ Only the coca and rural productive development commissions submitted consensus reports on time.

²⁶ Crisis Group interview, sociologist, Santa Cruz, 9 July 2007.

²⁷ "Acta de sesión Comisión Visión de País", 6 June 2007; "El MAS se adueña de mayoría y minoría en la Constituyente", *La Razón*, 7 June 2007.

simple but not absolute majority, while the opposition's report was excluded. PODEMOS and MNR-FRI delegates strongly objected, not only because their report was blocked but also because Committee Director Félix Cárdenas denied a vote to self-declared independent Jorge Lazarte, who had recently joined the body and supported the opposition's report.²⁸ MAS made a similar move in the Land and Territory committee.

It is open to question whether MAS broke the rules, which do not explicitly prohibit a party to split its votes on reports but do specify that the majority report should be approved by an absolute majority (though Cárdenas contests this).²⁹ What is clear is that the pro-government majority sought to prevent plenary debate on the opposition's report.³⁰ On 14 June, dozens of PODEMOS delegates and supporters reacted violently, damaging property on the CA premises, insulting MAS members and hurling plastic bottles filled with rocks at police.³¹

Widespread criticism of the procedures³² prompted the CA's directive board to reject the reports produced by the committees and set a new, 21 June deadline for submitting reports in accordance with the absolute majority principle. However, on 25 June, the MAS-led coalition in the Land and Territory committee again tried to exclude plenary debate on the opposition's ideas.³³ Cárdenas also again refused Lazarte a vote, even though the Chuquisaca

District Superior Court declared decisions from which he had been barred invalid and ordered his rights reinstated.³⁴ Cárdenas argued that the CA's plenipotentiary nature made it immune from interference by other institutions.³⁵ Faced with this impasse, on 9 August the CA's directive board accepted both the majority and minority reports in order to allow the plenary to decide between them.³⁶

The public has begun to show increasing disapproval of CA operations. Strikes, marches and protests – some mildly violent and including the burning of Morales's picture – have been growing in Sucre and across the country since late May. On 16 August, following the CA decision to drop the issue of full capital city status for Sucre, a mob attacked two journalists and forced a number of opposition CA delegates to go into hiding. Many citizens feel the thematic committees have not taken their special concerns into account on matters as varied as education, the rights of women and ethnic minorities and the police.³⁷ Resistance against MAS's constitutional project has grown the most in the eastern lowlands. Its effort to steamroll the committees in June and the unveiling of its autonomy proposals were coupled with verbal confrontations between the government and both Santa Cruz Prefect Rubén Costas and Santa Cruz Civic Committee President Branko Marinkovic.³⁸

Only three committees submitted consensus reports by the next deadline, 13 July;³⁹ six sent a single report with disagreements on certain articles;⁴⁰ eleven produced two

²⁸ First CA Vice President Roberto Aguilar confirmed that Lazarte's transfer to the Vision of Country committee, after resigning as fourth vice president of the directive board, had been accepted, though a new MAS delegate had to join as well to maintain proportionality. As the new MAS delegate never did join, Cárdenas wanted to give Lazarte the right to speak but not vote in order not to tip the committee's balance to the opposition. Crisis Group interviews, CA delegates, Sucre, 11-12 June 2007.

²⁹ Crisis Group interview, CA delegate, Sucre, 5 July 2007.

³⁰ In defence of this procedure, MAS delegates argued that report voting alliances showed the pro-government group was actively seeking consensus. Crisis Group interviews, CA delegates, Sucre, 12 June 2007, and political analyst, La Paz, 14 June 2007.

³¹ "Por golpes y agresiones once podemistas serán procesados", *La Prensa*, 15 June 2007. In another violent incident on 10 July, PODEMOS delegate Fernando Morales attacked the Bolivian Eastern Indigenous Peoples Confederation (Confederación de Pueblos Indígenas del Oriente de Bolivia, CIDOB) leader Adolfo Chávez. Though PODEMOS leaders condemned this, they also tried to minimise it by arguing that Chávez had previously sought to attack CA delegate Jorge Lazarte and that Chávez was sending CIDOB members, including children and the elderly, to march during the winter. "La agresión de Morales radicaliza la demanda autonómica indígena", *La Razón*, 12 July 2007.

³² "Imposiciones antidemocráticas", *La Razón*, 10 June 2007.

³³ Crisis Group interviews, CA delegates, Sucre, 4 and 6 July 2007.

³⁴ The court ruling came after Jorge Lazarte filed a "protection appeal" ("*recurso de amparo*") against the violation of his constitutional rights.

³⁵ "La Constituyente rechaza la 'injerencia' del Poder Judicial", *La Prensa*, 29 June 2007.

³⁶ "La Directiva dicta salida a la crisis en Visión de País", *La Prensa*, 10 August 2007.

³⁷ The Movimiento Cultural Saya Afroboliviano (MOCUSABOL) complained that MAS had no Afro-Bolivian CA candidates, though 30,000 Afro-Bolivians live in 200 communities in Nor-Yungas and Sur-Yungas provinces (La Paz), working mainly on coca leaf production. Manuela Zurita, "Identidad afro", *Pulso*, 15-21 June 2007. Women's groups criticised the CA's position on reproductive rights, especially the "right of life since conception" promoted by the Duties, Rights and Guarantees committee, as unacceptable religious interference in women's fundamental rights. Guadalupe Pérez et al., "De la esperanza al atropello", *La Razón*, 1 June 2007. The 13 July MAS majority report of the thematic committee dropped the words "since conception"; the PODEMOS minority report retained them. "Retiran derecho a la vida desde la concepción", *La Razón*, 14 July 2007.

³⁸ See Section III B. below.

³⁹ The committees on Other State Organs, Integral Social Development and Coca.

⁴⁰ The committees on Structures of the New State; Hydraulic Resources and Energy; Rural Productive Development; Land

reports;⁴¹ and the Vision of Country committee again submitted three. According to CA First Vice President Roberto Aguilar, the 21 committees produced 530 draft articles in the majority reports and 580 in the minority reports; only 194 were the product of consensus.⁴² The plenary will have to sort out the three Vision of Country reports; the Security and National Defence committee reports were rejected as not in compliance with the minimum number of signatories for the majority report.⁴³

While some sectors of society questioned the utility of giving the same delegates who had squandered a year another four months and urged election of a new CA,⁴⁴ MAS stepped up efforts to approve the entire text by 6 August. However, the opposition resisted,⁴⁵ and MAS gave in on 3 August, leading to the decision to pass the extension in Congress.⁴⁶

As noted, two MAS allies as well as some MAS delegates objected to what they called Congressional interference with the CA's plenipotentiary powers. On 4 August CONAMAQ organised a march of at least 500 indigenous people in Sucre that symbolically closed down the CA buildings in protest of the failure to write a constitution and the political agreement in Congress.⁴⁷ However, after

and Territory; Amazonian Integral Development; and Borders and Foreign Affairs.

⁴¹ The committees on Citizenship and Nationalities; Duties, Rights and Guarantees; Legislative; Judicial; Executive; Autonomies; Education and Intercultural Issues; Hydrocarbons; Mining and Metallurgy; Economic Development and Finance; and Security and National Defence.

⁴² "530 artículos se presentaron por mayoría", *La Razón*, 17 July 2007.

⁴³ One signatory of the majority report in the Defence and Security committee (with seven delegates) withdrew support, leaving it with only three signatories. The minority report was submitted by the remaining three delegates but it was argued that the version submitted differed from what had been discussed. "La directiva de la Asamblea analiza intervenir a Defensa", *La Razón*, 15 July 2007.

⁴⁴ The Association of Bolivia's Professionals called for a new election of CA delegates as the current ones had been incapable of producing a new constitution within twelve months. At least 40 students went on hunger strike in Santa Cruz and La Paz on 31 July, demanding a new CA election. The indigenous CONAMAQ issued a statement on 29 July protesting the extension, because the CA had been unable to write a constitution reflecting indigenous peoples' demands. "Tres sectores piden cerrar la Constituyente el 6 de agosto", *La Razón*, 2 August 2007.

⁴⁵ "MAS y Podemos redactan dos bases de Constitución", *La Razón*, 2 August 2007.

⁴⁶ "El MAS desiste de aprobar en grande la nueva Constitución", *La Razón*, 4 August 2007. President Morales signed the law (no. 3728) on 4 August 2007.

⁴⁷ CONAMAQ has fourteen delegates under the banners of MAS and other parties in the CA. "La ampliación provoca una crisis en la Constituyente", *La Razón*, 5 August 2007.

meeting with President Morales on 8 August, the majority of MAS delegates agreed to support the extension deal.⁴⁸ While it appears that 30 of 137 MAS delegates remain unhappy with it, CONAMAQ and MSM have stayed in the MAS alliance.⁴⁹

B. THE ROAD TO DECEMBER 2007

Both camps blame the other for the failure to produce a new constitution by 6 August. A MAS CA delegate told Crisis Group dialogue had not been possible because the eastern lowland civic groups only wanted to fuel tensions in order to force MAS to give up its reforms.⁵⁰ Opposition CA delegates and Santa Cruz residents insisted MAS wanted to consolidate its political dominance, regardless of the consequences for representative democracy, through immediate re-election of Morales, elimination of departmental representation in Congress, re-centralisation of government by refusing the departmental autonomy voted on in the July 2006 referendum and further "ethnicisation" of public life.⁵¹ Another complaint was that foreign advisers and left-wing NGOs were behind MAS ideological inflexibility in the CA,⁵² though Crisis Group found no evidence of their presence.

The narrow, partisan logic followed by CA delegates during the past year has widened the social and political divide. Those who represent indigenous peoples in the CA are determined to correct what they consider centuries-old wrongs. Pro-government indigenous representatives and MAS members told Crisis Group there are two issues on which they will not compromise: the plurinational state and indigenous autonomies.⁵³ Eastern lowland CA delegates and those close to the region's civic committees say they will not settle for anything short of the kind of autonomy the four eastern departments supported in the 2 July 2006 referendum but was defeated nationally, 57 per

⁴⁸ "Rige la ley de ampliación y la Asamblea se adecúa", *La Razón*, 9 August 2007.

⁴⁹ MAS will create an "ethics committee" to discipline dissident delegates. "El MAS conforma una comisión para juzgar a los rebeldes", *La Razón*, 10 August 2007.

⁵⁰ Crisis Group interview, CA delegate, Sucre, 6 July 2007.

⁵¹ Crisis Group interviews, CA delegate, Sucre, 4 July 2007, and business sector representative, Santa Cruz, 10 July 2007.

⁵² Crisis Group interviews, CA delegates, Sucre, 12 June and 7 July 2007. According to press sources, MAS receives support from Spanish, Venezuelan and Cuban advisers. "Expertos detrás de la Asamblea", *La Prensa*, 23 April 2007. For a critic on the role of foreign NGOs in shaping of Bolivia's indigenous political activism, see Jean-Pierre Lavaud, "Bolivie vers l'anarchie segmentaire? L'ethnicisation de la vie politique", *Revue Hérodote*, 4th trimester 2006, no. 123, pp. 62-81.

⁵³ Crisis Group interviews, indigenous intellectual, La Paz, 2 July 2007, and CA delegates, Sucre, 5-6 July 2007.

cent to 43 per cent. They consider the MAS autonomy proposal at odds with their notion of decentralisation.⁵⁴

If the CA is to bring the deeply divided society together, all political and social actors will have to work very hard in the next four months to reach consensus on the following issues: 1) the unitary or “plurinational” nature of the state; 2) the character of the participation of the indigenous peoples in the political and economic systems; 3) the territorial order, indigenous and/or regional autonomy and the extent of decentralisation; 4) the new institutional setup, including presidential re-election and political representation of ethnic groups in Congress; 5) the project of transferring the seat of government and parliament from La Paz to Sucre, giving the latter “full capital” status; and 6) the relationship between the armed forces and the national police.

1. The nature of the new state

The standoff in the Vision of the Country committee embodies perhaps the biggest challenge.⁵⁵ The committee is charged with defining the state’s very nature. The articles it adopts will strongly impact the whole constitution, especially state institutions, territorial order, the economy, land allocation and use and international relations. Two fundamentally different notions are in play. MAS, allied with small parties and social movements, seeks a “plurinational communitarian unitary state” (*Estado unitario plurinacional comunitario*), combining a bigger role for government in all aspects of national life with recognition of the coexistence of multiple nations within the country and much greater political and economic inclusion of indigenous peoples. The minority led by PODEMOS, MNR and the independent, Jorge Lazarte, promotes the idea of Bolivia as a single nation that recognises the ethnic, linguistic, cultural and regional diversity of its citizens.⁵⁶

There is a long history of indigenous communities organising to fight land grabs by “whites” (“*criollos*”)⁵⁷ but the issue of enhanced inclusion was first raised in modern politics by the Movimiento Indio Tupaj Katari (MITKA), which was influential in the late 1970s and even urged a plurinational state.⁵⁸ Subsequently, the Bolivian Eastern Indigenous Peoples Confederation (CIDOB) rallied the eastern lowland indigenous peoples in the 1980s,⁵⁹ and a short-lived indigenous guerrilla movement, Ejército Guerrillero Tupaj Katari (EGTK), also emerged.⁶⁰

With the consolidation of democracy in the 1990s, ethnic issues came forcefully into national politics. In 1991, Bolivia ratified Convention no. 169 of the International Labour Organization (ILO), which recognises specific rights for “tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community”.⁶¹ It also

⁵⁷ In the 1898-1899 civil war, the troops led by the Aymara leader, Zárate Willka, rebelled against federalist leader and former ally General Pando. Willka’s allies in the indigenous communities began a bloody campaign to recover their lands. Scattered indigenous resistance against illegal land grabs continued until the 1952 revolution, when political participation was extended to the entire population (universal vote); land reform was implemented in the western highlands and colonisation of the Cochabamba valleys and eastern lowlands was promoted, along with unions that labelled the indigenous rural populations “peasants” (“*campesinizó la población indígena*”). The state promoted the dilution of ethnic-cultural diversity by promoting the “Mestizo State”. Xavier Albó and Franz Barrios, *Por una Bolivia plurinacional e intercultural con autonomías* (La Paz, 2007), pp. 34-37.

⁵⁸ Katarism advocates struggle against ethnic and class oppression. MITKA fractured due to ideological divergences between those who promoted intercultural harmonisation with the non-indigenous populations and those who promoted a radical anti-*q’ara* (anti-white) stance. Jose Teijeiro, *La rebelión permanente* (La Paz, 2007), p. 174.

⁵⁹ CIDOB organised massive marches in 1990 and 1992, giving visibility to the demands for community lands. See Crisis Group Reports, *Bolivia at the Crossroads*, op. cit., pp. 7, 19, and *Bolivia’s Rocky Road*, op. cit., p. 17.

⁶⁰ The EGTK was founded by Aymara leader Felipe Quispe (“Mallku” or “Condor”), who was arrested in 1992. After prison, he took control of the CSUTCB union and created the Movimiento Indígena Pachakuti (MIP) party that won six seats in Congress and 6 per cent of the presidential vote in 2002; another prominent member was the current vice president, Alvaro García.

⁶¹ Governments commit to: “(a) ensuring that members of these peoples benefit on an equal footing from the rights and opportunities which national laws and regulations grant to other members of the population; (b) promoting the full realisation of the social, economic and cultural rights of these peoples with respect for their social and cultural identity, their customs and traditions and their institutions; and (c) assisting the members of the peoples concerned to eliminate socio-

⁵⁴ Crisis Group interviews, CA delegates, Sucre, 4-5 July 2007, and civic committee member and business sector representatives, Santa Cruz, 9-10 July 2007.

⁵⁵ Crisis Group interviews, CA delegates, Sucre, 4-7 July 2007.

⁵⁶ See the majority and minority reports of the Vision of Country committee: “Por un Estado Unitario Plurinacional Comunitario y la autodeterminación de naciones originarias, pueblos indígenas y campesinos”, Informe de la Mayoría, Movimiento al Socialismo (MAS), 5 June 2007; “Bolivia una Comunidad de Naciones”, Documento de Minoría, Alianza Social (AS). Under the “full citizenship” and “equality of rights” principles, the opposition proposal aims at recognising social, economic, political and cultural rights of the indigenous peoples. Manfredo Bravo, “Informe comparativo de la comisión Visión País”, 2 June 2007, at www.plazapublica.org/articulo.php?id=456.

had its first vice president of Aymara-descent, Víctor Hugo Cárdenas (1993-1997).⁶² Other breakthroughs included the constitutional reform of 1994, recognising the state's multi-ethnic and pluricultural nature (*multiétnico y pluricultural*); the education reform of 1994, establishing bilingual education; the Popular Participation Law (PPL) of 1994 implementing decentralisation at the municipal level and recognising indigenous municipalities;⁶³ and the land reform law of 1996, establishing the Indigenous Community Territories (*Territorios Comunitarios de Origen*, TCOs).

These reforms, however, have been criticised by some indigenous intellectuals and political activists as instruments of the "subordination culture" imposed upon indigenous peoples by the *criollos*. The municipality-centred PPL dissolved indigenous community structures (*ayllus*); bilingual education is only applied to the indigenous communities, which is seen by some as giving "native" languages inferior status; and constitutional reform is perceived as a "*q'ara*" ("white-skinned") law.⁶⁴ The CA is seen as fundamentally different:

The calling for a meeting of the Constituent Assembly, with all its limitations, constitutes an effort to generate the first social pact between the indigenous majority and the non-indigenous communities (the *mestizo* and white minority). This historical moment of the 21st century calls for a new constitution that meets the demands of the third millennium, especially for indigenous peoples and nations who fought for centuries and still fight for self determination and recognition of their basic rights; both fundamental parts of a historical and political debt that needs to be repaired.⁶⁵

MAS's proposal of a plurinational state stresses the pre-colonial existence of indigenous peoples and nations and the "right to self-government, [to] preserve their culture and reconstruct territorial entities within the framework of

the constitution".⁶⁶ Advocates say the term "plurinational" refers to the coexistence of various nations inside Bolivia, equating "nation" with "people", "culture" or "community".⁶⁷ According to a prominent indigenous intellectual, the plurinational state would be the political instrument to achieve "decolonisation".⁶⁸ However, critics caution that using the plurinational state as the method for recognising social, ethnic and cultural diversity would ignore "Bolivianhood" – a gradual, complex process of social and cultural breeding (*mestizaje*).⁶⁹ They also see a plurinational state as risking the "ethnicisation" of public administration, particularly if it would require establishing ethnic quotas. Bolivia, they say, would become a segregationist state, operating on the basis of ethnic origin instead of the individual merits of its citizens.⁷⁰

Sources close to the government and the MAS-led alliance in the CA told Crisis Group that a multi-ethnic and pluricultural state is insufficient, that the largest indigenous groups – Quechua, Aymara and even Guaraní – cannot be considered only as ethnic groups but have to be recognised as true nations.⁷¹ Their argument is based on the 2001 population and household census, in which 62 per cent identified themselves as indigenous.⁷²

Critics respond that the census was not objective, as it failed to include the "*mestizo*" category, forcing people to self-identify as belonging to a specific ethnic group. According to a 2006 study, 64 per cent of Bolivians consider themselves "*mestizo*" or "*cholo*"; only 19 per cent identify themselves as indigenous, 11 per cent as whites and 0.55 per cent as Afro-Bolivians.⁷³ Félix Patzi, a sociologist

economic gaps that may exist between indigenous and other members of the national community, in a manner compatible with their aspirations and ways of life". C169 Indigenous and Tribal Peoples Convention, ILO, 1989, article 2.

⁶² Former Vice President Cárdenas was a member of the MRTKL party, which represented a modern strain of Katarism.

⁶³ The PPL opened the door to the establishment of a "commonwealth of municipalities" (*mancomunidades de municipios*) for development purposes. This was complemented with the 2000 Dialogue Law, which takes indigenous people into account in development plans. See also Crisis Group Report, *Bolivia at the Crossroads*, op. cit., p. 6.

⁶⁴ Jose Teijeiro, op. cit., pp. 177-182.

⁶⁵ Aureliano Turpo, *Estado plurinacional: reto del siglo XXI* (La Paz, 2006), pp. 197-198. [Crisis Group translation].

⁶⁶ See article 2 (the precolonial existence), in "Por un Estado Unitario Plurinacional Comunitario y la autodeterminación de naciones originarias, pueblos indígenas y campesinos", Informe de la Mayoría, Movimiento al Socialismo (MAS), 5 June 2007.

⁶⁷ "Asamblea y proceso constituyente. Análisis de propuestas para un Nuevo tiempo", REPAC, La Paz, 2007, p. 64.

⁶⁸ "Decolonisation" refers to the replacement of institutions (social, economic and political) that came with European colonisation of the Americas. Crisis Group interview, La Paz, 2 July 2007.

⁶⁹ Erika Brockmann, "Estado plurinacional y regionalización", *Pulso*, 29 June-5 July 2007.

⁷⁰ Crisis Group interviews, CA delegates, Sucre, 4 and 5 July 2007, and sociologist, Santa Cruz, 9 July 2007.

⁷¹ Crisis Group interviews, indigenous intellectual, La Paz, 2 July 2007, and CA delegates, Sucre, 5 and 6 July 2007.

⁷² Quechua: 30.7 per cent; Aymara: 25.2 per cent; and other indigenous groups living in the eastern lowlands: 6.1 per cent.

⁷³ "In the first place, ... Bolivians are more willing to identify themselves as an Aymara or Guaraní than to call themselves 'indigenous' or 'native'. In the second place, it seems clear that when the 'mestizo' option is available, the large majority of Bolivians feel drawn to it. In the face of other alternatives, most Bolivians feel 'mestizo'. Nevertheless, the identification of oneself as 'mestizo' does not appear to be stable over time". Mitchell A. Seligson et al., "Democracy Audit: Bolivia 2006

and first education minister in the Morales administration, contested that study, arguing that the indigenous population could be better identified by “biological reproduction” (most marriages are guided by ethnic affinities) and “self-definition” according to age. Younger Bolivians, he said, tend to identify themselves as *mestizo*, while older generations identify with an ethnic group due to the “ethnic limits” imposed by social interaction.⁷⁴

The plurinational communitarian unitary state would imply a fundamental change, as all indigenous peoples (36 ethnic groups) would be considered nations with distinct rights to land, law and government, and communities would become the centre of decision-making.⁷⁵ Critics contend this would run counter to the modern conception of the citizen as the main subject under rule of law.⁷⁶ In addition, critics call the indigenous ideology the product of an elite – MAS cadres and indigenous intellectual bourgeoisie with a weak social base – while indigenous people seek above all social inclusion and better living standards.⁷⁷ One expert on indigenous affairs considers that the government and MAS are wasting their energy on an ideological debate instead, for example, of paying attention to small Amazonian indigenous peoples on the brink of extinction.⁷⁸ Many believe the underlying issue is the need to implement “positive discrimination” policies to address historical social exclusion.⁷⁹

A PODEMOS delegate cautioned that, paradoxically, the MAS proposal of the plurinational state could give a “face-lift” to the Camba Nation movement, the extremist, racist pro-independence movement of the eastern lowlands.⁸⁰ Even MAS delegates reluctantly acknowledged

this could be an unwanted consequence.⁸¹ Other analysts contend the declaration of a plurinational state could be a “safety valve” to defuse tensions of radicals but would not really be implemented.⁸² Yet others fear the debate is opening a Pandora’s box of nationalisms, including indigenous nations’ rights to self-determination, self-government, and self-justice as well as reconstitution of their territorial entities, with control of natural resources. Such a Balkanised Bolivia, they say, could infect neighbouring Chile, Peru, Argentina and Paraguay, where Aymara, Quechua and Guaraní peoples live along the borders.⁸³

Crisis Group asked CA delegates if equating “nations” to “peoples”, as defined in ILO Convention no. 169,⁸⁴ could help overcome the existing distrust. MAS-coalition delegates said this could be worth exploring;⁸⁵ a PODEMOS delegate on the Vision of the Country committee said the term “plurinational” might be worth discussing if “nation” was used only as an identity factor, deprived of problematic self-determination attributions.⁸⁶

2. Territorial order

Though the 2006 autonomy referendum failed nationally due to the votes of the five western and central departments, it carried in a landslide in the eastern departments, whose CA delegates are committed to try to insert in the new constitution an autonomy regime that includes election of local authorities with executive and administrative competencies and economic-financial resources.⁸⁷

MAS’s proposal recognises these basic features but also covers other types of autonomies: indigenous, regional, provincial and municipal. All would enjoy the same status (“*equi-potencia*”) and be accountable only to the central government. According to an official, this would be the best antidote to the “centralising tendencies” in the department capitals; also, autonomies at indigenous or

Report”, Latin America Public Opinion Project, Vanderbilt University, 2006, p.16, available at <http://sitemason.vanderbilt.edu>.

⁷⁴ Félix Patzi, “Miserable estudio sobre identidad”, *La Razón*, 16 July 2007.

⁷⁵ Crisis Group interview, indigenous intellectual, La Paz, 2 July 2007.

⁷⁶ Crisis Group interviews, CA delegates, Sucre, 4-5 July 2007.

⁷⁷ Crisis Group interviews, CA delegate, Sucre, 12 June, and political analyst, La Paz, 14 June 2007.

⁷⁸ Crisis Group interview, expert on indigenous affairs, La Paz, 3 July 2007.

⁷⁹ Ibid; Crisis Group interviews, CA delegates, Sucre, 4-5 July 2007.

⁸⁰ Former Santa Cruz Prefect Sergio Antelo and former Santa Cruz Civic Committee President Carlos Dabdoub are among the founders of the “Camba nation” movement. The “Camba nation”, which supposedly encompasses the eastern lowlands of Bolivia and its inhabitants of mostly Spanish and white descent, is defined in contrast to the indigenous Aymara and Quechua peoples of the highlands. Its exponents see the “Camba nation” as a legitimate reaction to “century-old Andean-centrist” domination. Crisis Group Latin America Report N°7, *Bolivia’s Divisions: Too Deep to Heal?*, 6 July 2004; Crisis Group

interviews, CA delegates, Sucre, 4 -5 July 2007; Gustavo Pinto, *La Nación Camba. Fundamentos y desafíos* (Santa Cruz, 2003).

⁸¹ Crisis Group interviews, CA delegates, Sucre, 5-6 July 2007.

⁸² Crisis Group interviews, journalist and political analyst, La Paz, 15 June 2007, and CA delegate, Sucre, 4 July 2007.

⁸³ Crisis Group interview, expert on indigenous affairs, La Paz, 3 July, 2007. Plurinationalism advocates seem unconcerned about external implications. Crisis Group interviews, indigenous intellectual, La Paz, 2 July 2007, CA delegates, Sucre, 5-6 July 2007.

⁸⁴ “The use of the term *peoples* in this Convention shall not be construed as having any implications as regards the rights which may attach to the term under international law”, C169 Indigenous and Tribal Peoples Convention, ILO, 1989, article 1.3.

⁸⁵ Crisis Group interviews, CA delegates, Sucre, 5-6 July 2007.

⁸⁶ Crisis Group interview, CA delegate, Sucre, 4-5 July 2007.

⁸⁷ Beni, 73.8 per cent; Santa Cruz, 71.1 per cent; Tarija, 60.8 per cent; and Pando, 57.7 per cent. Crisis Group Report, *Bolivia’s Rocky Road*, op. cit., p. 17.

regional levels – a “commonwealth” (“*mancomunidades*”) of municipalities – could help overcome the financial problems of municipalities that are dependant on the central government (40 of 327 municipalities have such problems).⁸⁸

By keeping autonomies at the departmental level, however, the eastern lowland departments seek to reinforce the prefects – the level of government between the central government and the municipalities that was not taken into account in the 1004 Popular Participation Law. The MAS proposal for multiple autonomies, with special emphasis on the indigenous, is perceived in the east as undermining departmental autonomy. Citizens of Beni, Tarija and Santa Cruz told Crisis Group the Morales government has lost credibility on the issue.⁸⁹

As a response to the MAS proposal, the eastern lowland prefectures and civic committees called for massive mobilisation on 2 July 2007, the anniversary of the referendum. Stepping up the defence of regional autonomy, the regional authorities “enacted” the autonomy statutes that had been elaborated by the Democratic Autonomy Committee (Junta Autonómica Democrática, JAD) in late 2006 with a view to strengthening political coordination between autonomy supporters in the east;⁹⁰ in Santa Cruz, representatives of indigenous peoples signed a “social and political pact” to defend indigenous autonomy and the department’s TCOs.⁹¹ The autonomy statutes were rejected by the Morales government as “seditious”, while the indigenous leaders that signed the pact were called unrepresentative.⁹² Though some found the statutes’ phrasing unfortunate and said they needed thorough debate,⁹³ others warned that the indigenous peoples in the east are divided, and many are afraid of losing their TCOs.⁹⁴

⁸⁸ Crisis Group interviews, government official, La Paz, 30 January 2007, 2 July 2007.

⁸⁹ Crisis Group interviews CA delegates, Sucre, 4-6 July 2007, and civic committee member and business sector representatives, Santa Cruz, 9-10 July 2007.

⁹⁰ The JAD was created in December 2006 by the prefects and civic committees of the four eastern lowland departments; it coordinates action in defence of the departmental autonomies based on the mandate of the July 2006 referendum.

⁹¹ “Pacto social y político de unidad de los pueblos de Santa Cruz”, 2 July 2007, signed by Guarayo, Chiquitano, Guaraní, Mojeño and Ayoreo leaders.

⁹² Crisis Group interviews, CA delegate, Sucre, 6 July 2007, and government official, Santa Cruz, 10 July 2007.

⁹³ The Santa Cruz draft autonomy statute includes controversial tasks such as establishing electoral rules; regulating the departmental police; appointing attorneys and judges of the Superior Court of Justice; establishing a distinct Cruceño “citizenship” and regulating “internal migration”. The term “migration” has a negative connotation for Bolivians. Crisis Group interview, journalist, La Paz, 3 July 2007.

⁹⁴ Crisis Group interviews, CA delegate, Sucre, 4 July 2007,

MAS’s autonomy proposal has also met resistance from the Municipal Associations’ Federation (FAM), representing all municipalities. It argued that municipal autonomy had not been properly discussed in the CA. Mayors said multiple autonomies would dismember current departmental and municipal jurisdictions.⁹⁵

The indigenous population in the western highlands is rather homogenous and concentrated in two ethnic groups (Quechua and Aymara), while the eastern lowlands have 34 indigenous peoples scattered across the territory. Among these, differences in size are striking: some are tens of thousands; the smallest has nine members.⁹⁶ Under the proposed indigenous autonomy regime, their lands would become Indigenous Territorial Entities (ETIOs), including the 3.76 million TCO hectares given to eastern lowland indigenous peoples in 2006-2007. According to a MAS delegate on the Land and Territory committee, the TCOs allow the indigenous populations to undertake only sustainable use of land and resources. The ETIOs would give those impoverished populations the possibility to use natural resources for socio-economic development.⁹⁷ A PODEMOS delegate on the committee said there is concern that converting TCOs into ETIOs could take land from the eastern lowland indigenous groups and divide it up for western highland migrants and colonisers.⁹⁸

Populations of indigenous origin that have migrated to other regions of the country could also demand autonomy. An example may be the settlement of San Julián in Santa Cruz department, which has strong Quechua migration. It is uncertain whether, under MAS’s proposal, such a community could be autonomous, and the non-Quechua population would be compelled to live under its values, practices and customs (*usos y costumbres*).⁹⁹ According to one indigenous intellectual, even big urban settlements like El Alto, with a population of one million, could be

sociologist, civic committee member and business sector representatives, and Santa Cruz, 9-10 July 2007.

⁹⁵ “Las alcaldías rechazan las autonomías del plan masista”, *La Prensa*, 13 June 2007. “Los municipios rechazan el proyecto del oficialismo”, *La Razón*, 13 June 2007.

⁹⁶ “Mestizos más que indígenas son una mayoría en Bolivia”, *La Razón*, 1 July 2007.

⁹⁷ Crisis Group interview, CA delegate, Sucre, 6 July 2007.

⁹⁸ Crisis Group interview, CA delegate, Sucre, 4 July 2007. Another PODEMOS delegate claimed exclusive management of natural resources by the indigenous peoples in their autonomous territories would be inconsistent with MAS criticism that the eastern departments’ autonomy concept showed no national solidarity. Gamal Serhan, “De la nación plural al Estado plurinacional”, *La Razón*, 13 June 2007.

⁹⁹ Crisis Group interviews, member of the Lower House of Congress and government official, La Paz, 15 June, 2 July 2007.

subject to indigenous autonomies should the majority of the population so desire.¹⁰⁰

Another contentious issue is the legislative capacity of autonomous departments. Advocates say broad competencies are needed to improve governance at the intermediate level.¹⁰¹ MAS delegates are inclined to concede only limited regulatory authority, arguing this is all the 2006 referendum requires.¹⁰²

Critics have also pointed out the increasing difficulties for implementing indigenous autonomy even in the western highlands: rural populations may support this but the urban areas of Chuquisaca and Cochabamba are already demanding departmental autonomy.¹⁰³ There were protests in four municipalities of the poor Los Lípez region south of Potosí in late May 2007, where civic groups threatened to establish a new autonomous department if the regional government did not pay more attention to their needs.¹⁰⁴ In the region between Oruro and Potosí, two Aymara *ayllus* have disputed control of a valley for years. These kinds of conflicts, with their sporadic violence, could emerge across the country in the process of defining the territory of indigenous autonomies.¹⁰⁵ There is fear that should such indigenous autonomous areas control natural resources, fratricidal violence could develop.¹⁰⁶

Despite the innovative characteristics of MAS's multiple autonomies proposal, Crisis Group could not get straightforward answers in June and July 2007 about financing and whether the direct relations all autonomous areas would have with the central government would increase the latter's centralising tendencies. Officials acknowledge there would have to be different types of indigenous autonomies for the more populous Aymara, Quechua and Guaraní peoples than for the smaller ones, for whom municipal autonomy might fit best.¹⁰⁷ Indeed, the opposition claims that already recognised indigenous municipalities better suit the needs of the smaller peoples, and further divisions would only threaten national unity.¹⁰⁸

3. The new institutional set-up

If the CA succeeds, it will reshape Bolivia's political institutions. The most radical change MAS wants with respect to the executive branch is an immediate presidential election after adoption of the new constitution, as expressed by President Morales in early 2007. The opposition argues that the absence of immediate re-election of officials has played an important role in maintaining Bolivia's democracy for twenty years.¹⁰⁹ Though one opposition CA delegate told Crisis Group incorporating presidential re-election in the new constitution is non-negotiable, other sources called it a bargaining chip for which the opposition can get important MAS concessions.¹¹⁰

Another change would be election of indigenous public officials through their peoples' own traditional methods, parallel to "traditional" electoral democracy in non-indigenous territories. According to an indigenous intellectual, the Aymara exercise of power is based on collective decisions and periodic rotation of community leaders; this type of government in the *ayllus* could be replicated in the indigenous autonomous territories, making parties there irrelevant and likely to disappear over time.¹¹¹ A PODEMOS delegate pointed out, however, that women are forbidden to govern the *ayllus*, so these might have to be modernised, which could be considered inconsistent with the "decolonisation" process some radical indigenous ideologues advocate.¹¹²

MAS wants to replace the bi-cameral Congress with a single-chamber National Assembly. The opposition fears abolition of the Senate would eliminate or at least undermine department representation.¹¹³ MAS also initially pressed for each "indigenous nation" to elect representatives by their own practices and traditions. The opposition accepts that local governments could be elected in such manner but considers selecting national representatives in this way would be an undemocratic restriction on the universal vote, perhaps the biggest political achievement of the 1952 revolution.¹¹⁴ MAS dropped this proposal in August, straining relations with CONAMAQ and CIDOB.¹¹⁵

MAS wants to incorporate "communitarian justice" (indigenous customary law), which it considers a

¹⁰⁰ Crisis Group interview, indigenous intellectual, La Paz, 2 July 2007.

¹⁰¹ Crisis Group interviews, CA delegates, Sucre, 4-5 July 2007. *La Razón*, 6 June 2007.

¹⁰² Crisis Group interviews, CA delegates, Sucre, 6 July 2007.

¹⁰³ Crisis Group interview, CA delegate, Sucre, 12 June 2007.

¹⁰⁴ *La Razón*, 1 June 2007.

¹⁰⁵ Crisis Group interview, expert on indigenous affairs, La Paz, 3 July 2007.

¹⁰⁶ Crisis Group interview, CA delegate, Sucre, 4 and 5 July 2007.

¹⁰⁷ Crisis Group interview, government official, La Paz, 2 July 2007.

¹⁰⁸ Javier Medina, "García Linera y el Estado Ch'Ulla", *Pulso*, 6 July 2007.

¹⁰⁹ Crisis Group interview, CA delegate, Sucre, 7 July 2007.

¹¹⁰ Crisis Group interviews, former ambassador, La Paz, 3 July 2007, and CA delegate, Sucre, 6 July 2007.

¹¹¹ Crisis Group interview, indigenous intellectual, La Paz, 2 July 2007.

¹¹² Crisis Group interview, CA delegate, Sucre, 4 July 2007.

¹¹³ Bolivia's Senate has 27 seats; three for each of the nine departments.

¹¹⁴ Crisis Group interviews, CA delegates, Sucre, 6-7 July 2007.

¹¹⁵ "Los indígenas se alejan del MAS y éste dice que no son sus bases", *La Razón*, 3 August 2007.

fundamental part of the plurinational state, into the judicial system for all matters except crimes committed against the state.¹¹⁶ Local executive authorities would rule on indigenous community matters without being part of a hierarchical structure of tribunals, and their rulings would not be subject to appeals, since the people's wisdom would be considered superior to that of individual judges; their rulings would be subject only to the Constitutional Court, at least 50 per cent of whose judges would be indigenous.¹¹⁷ An expert on civil law believes that the two justice systems can coexist, but their jurisdictions, both substantive and geographical, must be clearly defined.¹¹⁸

Another innovative institution MAS wants to introduce is an organ of "social control" ("*control social*"), as the state's fourth power, consisting of representatives from indigenous and social movements and above all other established powers (executive, legislative and judicial).¹¹⁹ However, according to a prominent MAS CA delegate, the concept has been revised after meeting stiff resistance from university students, who objected to the university's autonomous regime being controlled by such an "omnipotent" institution.¹²⁰ He said MAS is now discussing with its grassroots how to keep society active in surveillance of state institutions without creating a new bureaucracy.¹²¹

4. Other contentious issues

A standoff developed in the CA after delegates from Sucre, the capital and seat of the judiciary, proposed to transfer the government and Congress there from La Paz, so it would have "full capital" status ("*capitalidad plena*").¹²² Though this is an old demand, the issue only gained momentum in mid-June,¹²³ at a time when MAS's

effort to block PODEMOS's minority reports was paralysing the CA. Chuquisaca delegates won unexpected support, especially from the eastern lowlands and PODEMOS (except its La Paz delegates). The opposition succeeded, over MAS objections that it would cause more regional polarisation, in taking it to the plenary.¹²⁴ On 20 and 25 July respectively, La Paz and Sucre authorities and civic groups called for massive marches against and for the proposal.¹²⁵ A Chuquisaca delegate called Sucre an "impartial city", physically between Santa Cruz and La Paz and without the latter's historical association with a strong central government.¹²⁶ In mid-August, however, the CA dropped the issue, prompting large protests and a suspension of its work.

The historical tensions between the armed forces and the national police re-emerged with submission of the Security and Defence committee's majority and minority reports on 13 July. Despite government warnings that the CA should not make decisions that could harm military-police relations, the reports re-opened old wounds: the majority report called for limiting the armed forces to external security and stripping them of their role as guarantors of the legal order; the minority report proposed a national police with reduced competencies: traffic, tourist police and fire would fall under control of municipalities, while special crime and drug task forces would become part of the public control and oversight ministry (*ministerio público*); issuance of ID cards would become a responsibility of the National Electoral Court (CNE).¹²⁷ Members of the police reserves went on a hunger strike in La Paz to protest the proposal.¹²⁸ The directive board rejected both reports for failing to satisfy rules governing committee work.

¹¹⁶ Crisis Group interview, CA delegate, Sucre, 5 July 2007.

¹¹⁷ Crisis Group interviews, indigenous intellectual, La Paz, 2 July 2007, and CA delegate, Sucre, 5 July 2007.

¹¹⁸ Crisis Group interview, CA delegate, Sucre, 5 July 2007.

¹¹⁹ Crisis Group interview, CA delegate, Sucre, 7 July 2007.

¹²⁰ Throughout June 2007, university students protested against the social control proposed by MAS and in defence of the university autonomy regime in Cochabamba, Santa Cruz, Sucre, Potosí, Tarija and La Paz. "Siete universidades sostienen conflictos", *La Prensa*, 16 June 2007. In Potosí, they protested the town-meeting election of the Tomás Frías University authorities (Potosí). "Universitarios rechazan control social", *La Razón*, 13 June 2007. Later that month, President Morales declared that the CA would respect the university autonomy regime and the private education system.

¹²¹ Crisis Group interview, CA delegate, Sucre, 6 July 2007.

¹²² The 1868 constitution made Sucre Bolivia's capital. Following the victory of the liberals in the 1899 Federal Revolution, the executive and legislative branches of government were transferred to La Paz, leaving the judicial branch in Sucre.

¹²³ The Inter-institutional Committee for the Full Capital began lobbying the CA in April. It is led by Universidad Mayor de San

Francisco Xavier Rector Jaime Barrón; Sucre municipal council president Fidel Herrera; Sucre Mayor Aideé Nava; Civic Committee president Jhonn Cava; Chuquisaca Prefect David Sanchez; and the CA delegates and lawmakers of Chuquisaca department. "Podemos propone traslado de poderes y La Paz reacciona", *La Prensa*, 14 June 2007. Mass halted work in the Autonomy committee after the opposition introduced the issue on 13 June. "Autonomías no sesionará si la capitalidad no es retirada", *La Razón*, 5 July 2007.

¹²⁴ Sucre might have referendum support from Tarija and Potosí (historical friends), Santa Cruz, Pando and Beni (political interest) and parts of Cochabamba; La Paz's only ally would be Oruro. Crisis Group interview, CA delegate, Sucre, 6 July 2007.

¹²⁵ For coverage of the 20 July march in La Paz, see El Evento Section, *La Razón*, 21 July 2007; "Sucre jura defender la sede para romper con el centralismo", *La Razón*, 26 July 2007.

¹²⁶ Crisis Group interview, CA delegate, Sucre, 5 July 2007.

¹²⁷ "Comisión apunta a evitar cambios en la Policía y FFAA", *La Razón*, 16 July 2007.

¹²⁸ According to press estimates, the break-up of the national police could cost over \$13.5 million annually in retirement and other benefits. "Una división le restaría a la Policía Bs 107,6 millones año", *La Prensa*, 23 July 2007.

III. THE MORALES GOVERNMENT AFTER EIGHTEEN MONTHS

The months to come are likely to be tumultuous. Both sides are playing for high stakes, and neither appears to have discarded use of some violence as a way to “make things move”. MAS and pro-government supporters view their opponents’ actions as designed to defeat the “revolution in democracy”; many in the opposition, especially in the eastern lowland departments, believe the government’s CA stance has brought a violent confrontation closer. All interviewees were concerned that the 11 January 2007 clashes in Cochabamba city might be more widely repeated if consensus is not reached in the CA.¹²⁹

A. THE GOVERNMENT, MAS AND THEIR ALLIES

MAS won the December 2005 elections because a majority of Bolivians wanted change above all. Its support is still strong, Morales is a charismatic figure who commands respect,¹³⁰ and the social movements have only partially filled the void left by the collapse of the old party system. MAS’s landslide allowed it to form a government without allying with other parties. It is the only party with the capacity to mobilise the streets, and it has also won the backing of the armed forces high command. The government has acted on some issues important to broad sectors of the population: nationalisation of the hydrocarbon sector; the Juancito Pinto bonus to poor children in primary school; and the delivery of collective land titles to indigenous peoples.

MAS is a hybrid, combining elements of a political party and a social movement, but has been unable to resolve its

internal struggles between the *cocaleros*, who are Morales’s core supporters; the indigenous peoples across the country, but especially the Aymara movements; the “old” Left that includes former Guevarist guerrilla fighters, Maoists and Trotskyites; and supporters among the urban, professional, middle-classes, from whom the bulk of the government’s officials and technocrats come.¹³¹ An unstable equilibrium allows Morales to referee and settle the disputes.¹³² MAS also has institutional weaknesses: it has strong leadership from Morales and popular support but lacks political structures. It relies mainly on “newcomers” for government and social movements for street support. A top-down, disciplined labour union tradition leaves little opportunity for grassroots dissent. This, combined with the government’s poor crisis management (e.g. the Cochabamba clashes) and MAS’s push for domination in the CA has alienated especially the urban, educated, young middle classes.¹³³

Moreover, the permanent confrontation with other sectors of society, such as the eastern lowlands, city dwellers, cooperative miners and the opposition, has restricted support to the narrow range of moderate to far left. Some analysts suggest its core support is 30 to 35 per cent of the electorate, while the remaining 20 to 25 per cent who voted for it in 2005 normally prefer less radical options.¹³⁴ By contrast, the eastern lowlands opposition is progressively appealing to a wider ideological spectrum, from the far right to the moderate centre-left. MAS may have erred in publicly rejecting political alliances, which it equated to the backdoor dealings of the past. Samuel Doria’s UN could have been a natural ally but is now part of the opposition. MAS has also burnt bridges in the eastern lowlands to elements that have left-wing tendencies but have joined the opposition.¹³⁵

MAS likewise risks gradual loss of support due to “mobilisation fatigue”. According to one source, many citizens are tiring of repeated political mobilisation since 2000; they will still rally when they consider their interests are genuinely at stake but mere slogans will not suffice.¹³⁶ Some social movements that support MAS

¹²⁹ The crisis erupted on 14 December 2006 after opposition Prefect Reyes supported the eastern lowland civic groups’ demand for departmental autonomy, mixing up the words “autonomy” and “independence”, and called for a new autonomy referendum for Cochabamba within 60 days. Morales considered this a provocation, and Morales supporters and MAS party militants called for Reyes’s ouster. On 8 January 2007, anti-Reyes protestors clashed with police, burning the Cochabamba prefecture building’s façade; Interior Minister Alicia Munoz fired the department police chief, arguing that police provoked the protestors. (Morales reversed this after the police high command protested.) These events set the stage for arming of urban groups that clashed with *cocaleros* in the city on 11 January. For a detailed report on the riots, see “11 DE ENERO Kochalas contra kochalas”, *La Prensa*, 15 July 2007.

¹³⁰ People consider “he is not corrupt like the others” and “is one of ours”. Crisis Group interview, journalist, La Paz, 3 July 2007.

¹³¹ Jorge Lazarte, “El Nudo gordiano del gobierno de Evo Morales”, *Pulso*, 26 January-1 February 2007.

¹³² Crisis Group interview, CA delegate, Sucre, 1 February 2007.

¹³³ Crisis Group interviews, political analyst, La Paz, 3 July 2007, and CA delegates, Sucre, 1 February, 6 July 2007.

¹³⁴ Crisis Group interview, expert on indigenous affairs, La Paz, 3 July 2007.

¹³⁵ Sources mentioned there are no MAS political operators in the eastern regions who can act as a counterweight to the civic committees; Carlos Hugo Molina, Santa Cruz prefect during President Carlos Mesa’s term, has moved closer to the government’s critics. Crisis Group interviews, La Paz, 30 January, 3 July 2007.

¹³⁶ Crisis Group interview, expert on indigenous affairs, La Paz, 3 July 2007.

are floundering because their leaders joined the government.¹³⁷ While the indigenous population massively supports Morales, some analysts contend that the most radical indigenous movements such as CONAMAQ and CIDOB have grown weaker; the only hardcore support Morales can rely on is the *cocalero* movement in Cochabamba.¹³⁸ Problems arise when a natural MAS ally like La Paz Mayor Juan del Granado's MSM is not included in party meetings; indeed, the two parties have no coordination at the highest levels.¹³⁹

To defend the concept of a plurinational state with indigenous autonomies, the indigenous movements have established a Unity Pact (*Pacto de Unidad*).¹⁴⁰ According to an indigenous representative and ally in the CA, MAS lacks effective leadership in the assembly, and its mistakes have strengthened the right-wing opposition. Due to their small size, however, he said, MAS allies have no choice but to support the party to the end.¹⁴¹ Nevertheless, CONAMAQ's rejection of the extension agreement could lead to further elements of the indigenous movements distancing themselves in the coming months.

¹³⁷ After FEJUVE leader Abel Mamani was appointed water minister, the El Alto social movement has failed to mobilise people as in the past; this became evident in early 2007 when it failed to oust Prefect José Luis Paredes (PODEMOS). Crisis Group interview, political analyst, La Paz, 3 July 2007.

¹³⁸ CONAMAQ has media impact but no solid popular base. Crisis Group interviews, expert on indigenous affairs and political analyst, La Paz, 3 July 2007, and Sucre, 4 July 2007. CIDOB is stronger but has had internal divisions in the past few years; some of its former leaders now support the Santa Cruz prefect's office and the civic committee. The Guaraní people may be the strongest in the lowlands and can block the vital road to Yacuiba that connects with Argentina. Crisis Group interviews, agribusiness representative, Sucre 4 July 2007, and sociologist, Santa Cruz, 9 July 2007.

¹³⁹ Crisis Group interview, political analyst, La Paz, 3 July 2007.

¹⁴⁰ This is a federation created to defend indigenous movements' interests in the CA, including CONAMAQ, CIDOB, the Confederación Sindical de Colonizadores de Bolivia (CSCB), the Confederación Sindical Única de Trabajadores Campesinos de Bolivia (CSUTCB), the Federación Nacional de Mujeres Campesinas, Indígenas Originarias Bartolinas Sisa (FNMCIOSB "BS"), the MOCUSABOL, the Asociación Nacional de Regantes and Sistemas Comunitarios de Agua Potable (ANARESCAPYS), and the Coordinadora de Pueblos Étnicos de Santa Cruz (CPESC). "Propuesta de las Organizaciones Indígenas, Originarias, Campesinas y de Colonizadores hacia la Asamblea Constituyente", *Pacto de Unidad*, 5 August 2006. Indigenous peoples mobilised in late June/early July 2007: the Guaraní Peoples Assembly (*Asamblea de los Pueblos Guaraníes*) blocked the Santa Cruz-Yacuiba road on 27 June; in the first week of July, they brought supporters to Sucre, as did indigenous people from Beni.

¹⁴¹ Crisis Group interview, CA delegate, Sucre, 5 July 2007.

B. THE OPPOSITION

The political opposition is composed of a handful of parties, of which PODEMOS is the strongest.¹⁴² During Morales's first year in office, it merely reacted to his initiatives. Government mismanagement and MAS mistakes, a PODEMOS member claimed, helped it recover from its resounding defeats at the ballot box in 2005-2006.¹⁴³ In early 2007, it coalesced and won the senate presidency, giving it veto power over MAS congressional initiatives. Though PODEMOS presents itself as a cohesive party in the CA, however, the eastern lowland-oriented domination of its leadership produces internal tension.¹⁴⁴

The toughest opposition to the government is led not by parties but by the civic committees and prefects of the eastern lowlands, especially in Santa Cruz.¹⁴⁵ Morales never took advantage of the third of the *Cruceño* vote he won in December 2005, thus creating an opening for the civic committees and prefects to form a strong, regionally-based opposition movement. The government's ideological biases may have prevented it from recognising the importance of departmental autonomy for mainstream, eastern-lowland society.¹⁴⁶ Instead, it adamantly opposed that status and attacked the region as unpatriotic and selfish. It also did not try to establish good relations with civil society representatives there and upset a majority of the local population by trying to dismiss elected opposition prefects. In response, the eastern department leaders began to coordinate with the new Democratic Autonomy Committee (JAD) and rallied massive popular support.¹⁴⁷

¹⁴² Only three opposition parties are in Congress: PODEMOS (28.94 per cent of the congressional votes; thirteen senate and 43 lower house seats); UN (7.79 per cent; one senate, eight lower house seats); and MNR (6.46 per cent; one senate, seven lower house seats). In regional elections for department prefects, PODEMOS won La Paz, Beni and Pando. Coalitions of regional civic groups opposed to MAS won the traditional MAS stronghold of Cochabamba (*Alianza Unidad Cochabambina*, AUN), as well as Santa Cruz (*Autonomía para Bolivia*, APB) and Tarija (*Encuentro Regional: Camino al Cambio*). See www.cne.org.bo.

¹⁴³ Crisis Group interview, CA delegate, Sucre, 7 July 2007.

¹⁴⁴ 29 of 60 PODEMOS delegates demanded the resignations of CA vice president Mauricio Paz (Beni) and bench leader Rubén Darío Cuellar (Santa Cruz) in order to advance a more nationally-oriented vision of the party. "La Directiva dicta salida a la crisis en Visión de País", *La Prensa*, 10 August 2007.

¹⁴⁵ Crisis Group interviews, expert on indigenous affairs and political analyst, La Paz, 3 July 2007.

¹⁴⁶ "The government in general is being short-sighted with the opposition in the eastern lowlands, because it only sees it through the prism of oligarchic interests ruling over it". Crisis Group interview, expert on indigenous affairs, La Paz, 3 July 2007.

¹⁴⁷ Crisis Group interviews, political analyst, La Paz, 14 June 2007, and CA delegates, Sucre, 1 February, 6 July 2007.

Although the government and MAS say they respect the outcome of the July 2006 referendum on regional autonomy, their proposal for multiple autonomies has weakened their credibility in the eastern lowlands. Morales's repeated equation of the eastern region's autonomy demands with separatism and division has estranged potential urban and even rural support there. Many in the eastern lowlands associate their defence of the two-thirds majority in the CA and departmental autonomy with the defence of democracy,¹⁴⁸ though critics note that the self-proclaimed champions of democracy – the civic committees – select their own leaders in restricted votes.¹⁴⁹

The standoff with opposition prefects has continued, after the *cocalero* movement failed to remove Manfred Reyes in Cochabamba in January 2007.¹⁵⁰ The government has used several tactics to discredit regional leaders, while the latter have stepped up their rhetoric in direct response to MAS tactics in the CA.¹⁵¹ Morales appointed officials to

¹⁴⁸ Crisis Group interviews, Santa Cruz, 9-10 July 2007, including an analyst who argued that the antipathy is so strong that the government's position is seen as "aggression" against the local population.

¹⁴⁹ Crisis Group interview, journalist, La Paz, 3 July 2007. Branko Marinkovic won the presidency of the Santa Cruz Civic Committee in an election in which only business, labour, provincial and student organisations were allowed to vote. "Branko Marinkovic gana elección cívica cruceña", *Los Tiempos*, 11 February 2007.

¹⁵⁰ In June, the finance ministry asked the comptroller's office to investigate misuse of public funds by Cochabamba Prefect Reyes (purchase of new office cars). "La Contraloría inicia auditoría a Reyes Villa por uso del IDH", *La Prensa*, 12 June 2007.

¹⁵¹ On 5 June, tensions resumed when Morales's cabinet met Santa Cruz's Prefect Rubén Costas and the civic committee. While Morales wanted to discuss regional development issues, the Santa Cruz leadership, following disclosure of MAS's multiple autonomies proposal, insisted on addressing departmental autonomy. Morales left the meeting less than an hour later to booing, and rocks were thrown at his motorcade. "Los autonomistas abuchean y apedrean la caravana de Evo", *La Prensa*, 6 June 2007. On 9 June, the Santa Cruz team asked for a new meeting, after MAS sought to steamroller the Vision of Country and Land and Territory committees in the CA. Morales stayed in a Santa Cruz hotel, meeting only social movement representatives. "Gobierno y Prefectura hacen fracasar el diálogo", *El Deber*, 10 June 2007. On 18 June, the JAD called for civil resistance to MAS's plurinational state and multiple autonomies proposals. It set a 2 July deadline to launch the four departments' draft autonomy statutes and asked the military to prevent dismembering of the country. "La 'media luna' convoca a las FFAA y a la resistencia civil", *La Prensa*, 19 June 2007. Armed Forces Commander General Wilfredo Vargas replied that the armed forces would defend territorial integrity and the government but would not allow armed uprising or secession. "Las FFAA no permitirán la división", *La Razón*, 20 June 2007. Land Vice Minister Alejandro Almaraz accused Santa Cruz Civic Committee President Branko Marinkovic's

the new posts of presidential delegates in all departments except La Paz on 2 April 2007, a move viewed as an attempt to curb the powers of departmental prefects and recentralise the administration. The success of the measure remains questionable, as the eastern prefects have rejected the authority of the presidential delegates, who are said to serve as little more than the personal secretaries of the president when he visits the regions.¹⁵²

The government also seeks to undermine the political support of the eastern departments' leadership. Morales has embarked on an effort to deepen relations with municipalities there, visiting El Niño-affected areas and bypassing budgetary rules to give Venezuelan aid money directly to the mayors.¹⁵³ Some alliances between the civic groups and the mayors have reportedly been broken as a result.¹⁵⁴ The government is likewise stepping up efforts to give out TCO land titles in Santa Cruz and Beni. Anti-prefect roadblocks and protests organised by pro-government indigenous and peasant groups are seen as designed to undermine public confidence in the elected officials.¹⁵⁵

family of illegally taking 27,000 hectares from the Guarayo people TCO. "Familias croatas se aduenaban de Bolivia", *ABI*, 28 June 2007. On 19 July, senior land official Juan Carlos Rojas said the boundary registration (*saneamiento*) of that Marinkovic family land was revoked. The family and former land officials were accused of fraud. "El INRA anula obrados de los lotes de la familia Marinkovic", *La Prensa*, 20 July 2007. A source close to the process said the manipulation of *saneamiento* documents involved was common in the early stages of the law's implementation, in the late 1990s and that most documents from the time should be revoked. Crisis Group interview, CA delegate, Sucre, 4 July 2007.

¹⁵² Crisis Group interviews, journalists, Santa Cruz, 9 July 2007.

¹⁵³ On 10 March, Morales gave Venezuelan aid to Beni mayors; on 9 April, he gave from \$100,000-\$150,000 to fourteen Pando mayors for public works. Crisis Group interview, political analyst, La Paz, 14 June 2007. Also, see below.

¹⁵⁴ Crisis Group interviews, political analysts, La Paz, 14 June 2007.

¹⁵⁵ A week of roadblocks organised by pro-government social and peasant movements in San José de Chiquitos, Camiri, Yapacaní and Concepción (Santa Cruz department) cut off the city of Santa Cruz in early July 2007. In Tarija department, the prefect's office and the civic committee organised protest marches against delays in construction of the Villamontes-Tarija gas pipeline and against new central government health insurance that would reduce revenue of the prefect's office. In Yacuiba, farmers and cattle ranchers protested government land grants to Guaraní indigenous peoples for two weeks. Peasants led by MAS CA delegate Luis Alfaro set up some sixteen roadblocks that paralysed the city of Tarija in July. Peasants demanded the prefect's office create an emergency fund for natural disasters and transfer hydrocarbon royalties to their communities. Interior Minister Alfredo Rada rejected Prefect Mario Cossio's request that police clear the roads, arguing it was the regional authorities' responsibility to negotiate social demands. As food and fuel

The prefects have also been busy. In Tarija, Mario Cossío has accelerated measures to decentralise departmental administration at the provincial level.¹⁵⁶ Rubén Costas is disbursing money to Santa Cruz's fifteen provinces; Cochabamba's Reyes is building roads.¹⁵⁷ A MAS member acknowledged that the prefects' public relations campaigns (including nationwide television advertisements) convey an image of efficiency and appeal emotionally to their region's self-image.¹⁵⁸ However, the emphasis on public works construction may be dangerously affecting spending on education and health.¹⁵⁹

There are worrying signs of small groups preparing for violence. In late July 2007, a videotape was released apparently showing hooded civilians drilling with assault rifles in the rural western highlands.¹⁶⁰ The armed forces' decision to hold their annual 7 August parade in Santa Cruz and invite indigenous groups like the "red ponchos" from Achacachi (La Paz) to participate was criticised locally as a provocation, and the radical *Cruceño* Youth Movement (*Unión Juvenil Cruceñista*) that has been implicated in violent incidents in the past¹⁶¹ called for "defence". Tensions heightened on 1 August, when a Molotov cocktail and a dynamite stick – it failed to detonate – were thrown at the Santa Cruz civic committee headquarters.¹⁶² However, the parade took place without incident.

supplies diminished, the Tarija prefect's office and civic groups held the Morales government responsible and said citizens take action to unblock the roads. "Entidades tarijeñas llaman a la población a desbloquear", *La Prensa*, 23 July 2007. Hydrocarbon Minister Carlos Villegas invited Cossío to La Paz to discuss the energy crisis, but he refused until the roadblocks ended. "Bloqueo y paro golpean a Tarija; el diálogo no avanza", *La Razón*, 25 July 2007.

¹⁵⁶ Crisis Group interview, CA delegate, Sucre, 6 July 2007.

¹⁵⁷ Crisis Group interviews, government officials, La Paz, 30 January 2007.

¹⁵⁸ Crisis Group interview, CA delegate, Sucre, 1 February 2007.

¹⁵⁹ Figures from 2006 show that on average over 70 per cent of the money goes to investment projects (roads, 45 per cent; electricity, 14 per cent; agriculture, 13 per cent); less than 30 per cent goes elsewhere (health, 5 per cent and education, 2 per cent). "¿En qué gastarían el dinero las prefecturas el 2007?", Fundación Jubileo, 2007, p. 9. Perhaps in response, the prefects have shifted their tone somewhat. At the 2 July 2007 town meeting, in Santa Cruz, Costas spoke of humanist socialism. Reportedly, the prefects have begun to contest what MAS thought was its monopoly on a discourse of social responsibility. Crisis Group interviews, La Paz, 3 July 2007.

¹⁶⁰ Available at www.youtube.com.

¹⁶¹ See Crisis Group Briefing, *Bolivia's Reforms*, op. cit., p. 11.

¹⁶² "Los Ponchos Rojos ensayan en un regimiento", *La Razón*, 2 August 2007. "Cívicos exigen expulsión de ONGs por 'entrometidas'", *El Nuevo Día*, 2 August 2007.

C. GOVERNMENT MANAGEMENT OF THE ECONOMY

After completing one year in office in January 2007, Morales reshuffled his cabinet, removing controversial ministers and adding non-MAS, left-wing militants and NGO workers in what was seen as an attempt to defuse criticism for the handling of numerous problems, including the CA standoff, the regional autonomy rallies and the Cochabamba riots.¹⁶³ Education Minister Félix Patzi and Interior Minister Alicia Muñoz – both strongly associated with indigenous and social movements – had been perceived as the most intransigent ministers and had estranged urban, middle-class support.¹⁶⁴ Roberto Aguilar, a shrewd MAS political operator, took over as first vice president of the CA.¹⁶⁵ However, Morales dismissed Public Works Minister Salvador Ric and the president of the state-owned oil and gas company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), Juan Carlos Ortiz, both from Santa Cruz, without replacing them with other eastern lowland representatives.¹⁶⁶

The government pushed ahead with the hydrocarbon sector nationalisation that had been a great political success in the first year but there are growing concerns about the competence of those in charge.¹⁶⁷ Four YPFB presidents were appointed in one year, one of whom, MAS militant Manuel Morales, lasted only two months due to a scandal about the new contracts signed with twelve transnational oil and gas companies.¹⁶⁸ His appointment in January 2007

¹⁶³ The new ministers are: Alfredo Rada (government, from the Santa Cruz-based NGO CEJIS); Jerjes Mercado (public works); Walter Delgadillo (labour, ex-COB union member); Víctor Cáceres (education, communist party member); Gabriel Loza (planning, formerly of the Social and Economic Policy Analysis Unit); Celima Torrico (justice, MAS member); and Susana Rivero (agriculture, former CEJIS member).

¹⁶⁴ Crisis Group interviews, political analysts, La Paz, 30 and 31 January 2007.

¹⁶⁵ Crisis Group interview, political analyst, La Paz, 31 January 2007. Patzi was named Morales's envoy to the CA but currently works as a university professor. Muñoz was given a diplomatic post in Geneva.

¹⁶⁶ Crisis Group interview, political analyst, La Paz, 31 January 2007.

¹⁶⁷ Crisis Group interview, hydrocarbon expert, Santa Cruz, 10 July 2007. For background on nationalisation of the hydrocarbon sector, see Crisis Group Report, *Bolivia's Rocky Road*, op. cit.

¹⁶⁸ Throughout March, newly appointed YPFB President Manuel Morales Olivera came under fire, after errors made while signing 44 contracts with twelve foreign companies in October 2006 were revealed. He had been an architect of those contracts while a close adviser to Morales and the YPFB. Though the government initially said these were minor "technicalities", numerous mistakes were found, including congressional approval of documents different from the signed versions, uncertainty over the size of royalties due Bolivia and MAS legislators' admission

drew harsh criticism from the start, because he reportedly did not meet the job's minimum legal requirements.¹⁶⁹ In addition, the government had to abandon its project of centralising YPF's vice presidencies in La Paz, following strikes in the oil town of Camiri (Santa Cruz) demanding the decentralisation stipulated by the 2005 hydrocarbon law. Manuel Morales was replaced by the hydrocarbon vice minister, Guillermo Aruquipa, on 23 March.

Nevertheless, President Morales kept moving forward with nationalisation, buying back the Guillermo Elder Bell (Santa Cruz) and Gualberto Villaroel (Cochabamba) Petrobras-owned oil refineries on 12 May for \$112 million. He also announced his government would negotiate purchase of the majority share of four other foreign-owned companies.¹⁷⁰ YPF was several weeks late in taking over operations of the refineries due to insurance problems but finally did so on 26 June, amid problems with the supply of fuels, especially petrol and liquefied petroleum gas (GLP), which is used in Bolivia as household fuel, that became more critical as the austral winter set in.¹⁷¹

In less than six months, YPF has grown from fewer than 100 employees to 500. It is criticised for hiring technicians and engineers it must train instead of experienced people to assure a smooth transition. It now manages the whole fuel chain, from production to distribution to paying

they had not fully read the documents. PODEMOS filed a lawsuit with the attorney general's office against all officials involved in the preparation of the legal documents.

¹⁶⁹ According to YPF rules, its president of the company must have a graduate degree and at least ten years experience in the hydrocarbon sector; Olivera lacks these qualifications. He is a close Morales ally in MAS; his sister, Marcia Morales, is national customs director, a politically lucrative post ("*botín de guerra político*"). Crisis Group interviews, political analysts, La Paz, 30 and 31 January 2007. "Redes familiares de masistas implican a tres ministerios", *Los Tiempos*, 19 March 2007.

¹⁷⁰ Pipeline company Transredes (partially owned by Royal Dutch Shell); Chaco (British BP-owned); Andina (Spanish/Argentine Repsol-YPF subsidiary); and the Hydrocarbons Logistics Company of Bolivia (owned by German and Peruvian investors).

¹⁷¹ The fuel shortage has several reasons: 1) Bolivia now imports diesel fuel from one source, not three, using a Peruvian port and the Paraná river, which needs dredging in Bolivia and Paraguay; 2) Bolivian refineries process 90 per cent of the country's crude oil production (40,000 barrels daily) to produce diesel, gasoline, lubricants (in Cochabamba) and GLP, but fuels are highly subsidised so there is no economic incentive to expand capacity; 3) GLP consumption has increased from 750 tons per day to more than 1,000, while capacity is 950; considerable amounts of GLP are also being smuggled to neighbouring countries (about 5 per cent of total production) or are being sold illicitly on the black market (20-25 per cent of what is produced for public transportation and 10 per cent of what is produced for industrial farm use). Crisis Group interview, hydrocarbon expert, Santa Cruz, 10 July 2007.

royalties to the hydrocarbon-producing departments. There is no longer independent management, given the hydrocarbon ministry's involvement. Oil experts, most opposed to nationalisation, fear YPF could become even more politicised.¹⁷² Aruquipa has been criticised by some YPF's board members for disregarding the company's statutes and its board's supervisory role.¹⁷³

Though international companies such as Gazprom (Russia) and Statoil (Norway), as well as Dutch, Canadian and Brazilian investors have shown interest, no one appears ready to put money in due to political uncertainty.¹⁷⁴ Brazilian sources confirmed they have a hold on new investment.¹⁷⁵ More than a year after the initial announcement, Morales and Venezuelan President Hugo Chávez finally agreed on 9 August 2007 on establishment of Petroandina, a \$600 million investment of YPF (60 per cent) and Venezuela's PDVSA (40 per cent) for oil exploration and exploitation north of La Paz.¹⁷⁶

In January 2007 Morales announced the government would soon nationalise the mining sector. Negotiations to increase tax on independent miners began on 15 January, with the government expecting to increase annual revenue from \$58 million to \$300 million, but strikes in Potosí and La Paz forced it to back down on 7 February. Though one source expects the government's concept to discourage only middle-sized mines,¹⁷⁷ the large San Cristóbal operation in Potosí recently complained that the proposed tax regime would increase the government's share of its revenue from 70 to 90, making exploitation not viable for foreign investors.¹⁷⁸

A presidential decree nationalised the Vinto mining complex, a Swiss Glencore International AG subsidiary, on 11 February. Reminiscent of the hydrocarbon nationalisation, the army took over in the presence of Morales and cabinet members. Swiss authorities expressed concern, and Glencore announced it would sue in an international court. The decree gave no indication of compensation, and officials have said the company committed numerous, unspecified irregularities. But the

¹⁷² Crisis Group interview, hydrocarbon expert, Santa Cruz, 10 July 2007.

¹⁷³ "Directorio de YPF no conoce de las decisiones que toma Aruquipa", *La Razón*, 26 July 2007.

¹⁷⁴ Crisis Group interview, hydrocarbon expert, Santa Cruz, 10 July 2007.

¹⁷⁵ Crisis Group interview, La Paz, 14 June 2007.

¹⁷⁶ "Nace Petroandina y Evo dice que hallará crudo en La Paz", *La Prensa*, 10 August 2007.

¹⁷⁷ Crisis Group interview, political analyst, La Paz, 14 June 2007.

¹⁷⁸ Apex Silver (U.S.) and Sumitomo (Japan) invested about \$900 million in development of the San Cristóbal mining company. "El Ejecutivo acepta dialogar con San Cristóbal sobre los tributos", *La Razón*, 1 August 2007.

government may have miscalculated: Glencore is a leading seller of Bolivian tin in international markets, and clients may not want to buy shipments that might be vulnerable to court seizure.¹⁷⁹

Morales also announced intention to nationalise Telecom Italy's ENTEL telephone company in April. Though officials argued the company had invested insufficiently in rural coverage and infrastructure, the move was played down in following weeks as investors threatened legal action. In his annual address to the nation on 6 August 2007, the president said his government would nationalise the Electric National Company (ENDE), owned by Spanish Red Eléctrica Española and Iberdrola.¹⁸⁰

The government anticipates additional investments in both natural gas – Argentina is to spend \$1.2 billion to enlarge daily pipeline capacity from 5 million to 27.7 million cubic metres in expectation of over \$17 billion in revenues over twenty years¹⁸¹ – and mining – an agreement was signed in July 2007 with Indian Jindal Steel & Power, which will invest about \$2.1 billion to make development of the Mutún iron ore project in Puerto Suárez (Santa Cruz) viable within five years.¹⁸² Construction on both projects is to start in 2008, with revenues anticipated to grow from 2010. Agribusiness has been promoting bio-fuels as a long-term solution to economic stability in the eastern lowlands and tropics of La Paz and Cochabamba. Brazil has offered cooperation, especially in technology transfer (a bio-diesel pilot plant), but there is no Bolivian counterpart, and it is unclear whether the government wants to pursue such projects. While officials caution about food security; critics contend the government is sensitive to the views of Presidents Castro (Cuba) and Chávez, who have publicly rejected bio-fuels.¹⁸³

On international markets, Bolivian imports and especially exports have risen since 2004.¹⁸⁴ Estimated GDP growth

for 2006 was 4.6 per cent, compared to 4 per cent in 2005, and a projected 4 per cent in 2007. GDP per capita growth was 1.8 per cent in 2005, 2.3 per cent in 2006.¹⁸⁵ This reasonable macro-economic performance is largely due to high prices of minerals and natural gas. Net foreign exchange reserves in the Central Bank increased from \$1.72 billion in December 2005 to \$3.18 billion in December 2006 and in May 2007 reached \$3.84 billion.¹⁸⁶ However, the currency's increase in value against the U.S. dollar hurts export competitiveness.¹⁸⁷

Entrepreneurs contend that despite isolated efforts to promote national industry – like ending used clothing import licences to promote local production and opening the Development Bank – the government does little to expand markets for non-traditional exports. Without a long-term agreement with the U.S., the eight-month extension of the Andean Trade Preferences and Drug Eradication Act (ATPDEA) only puts off exporters' difficulties. The Peoples' Trade Agreement (*Tratado de Comercio de los Pueblos*, TCP) with Venezuela and Cuba is hampered by the former's barriers to Bolivian exports, while exports to the latter have been non-existent.¹⁸⁸ Bolivia's December 2006 application to join Mercosur has raised questions from business about comparative advantages vis-à-vis other members and the economic consequences of a withdrawal from the Community of Andean Nations (CAN).¹⁸⁹ Negotiations of

in 2005 to \$4.297 billion in 2006; imports were \$2.865 billion in 2005, \$3.436 billion in 2006. Initial figures for the first quarter of 2007 show exports at \$966 million, imports at \$880 million. Banco Central de Bolivia. Balanza de Pagos; www.bcb.gov.bo.

¹⁸⁵ International Monetary Fund; www.imf.org.

¹⁸⁶ "Reservas Internacionales del Sistema Bancario Consolidado", Banco Central de Bolivia, www.bcb.gov.bo.

¹⁸⁷ "Exportadores advierten que la caída del dólar les afectará", *La Razón*, 12 July 2007. The Boliviano dropped from 8.08:1 on 9 February 2006 to 7.6:1 on 23 August 2007.

¹⁸⁸ Venezuela requires certificates of non-production or insufficient production on more than 1,500 products that take at least three weeks to be issued. There are Bolivian products waiting at Peruvian ports since February 2007, while Venezuelan products enter Bolivian markets freely. Crisis Group interview, business sector representative, Santa Cruz, 9 July 2007.

¹⁸⁹ An ad hoc commission was created by Mercosur's Council of the Common Market to consider Bolivia's application. It first met in March 2007 and is expected to finish work in September. Entrepreneurs have criticised the application, because Bolivia has commercial deficits with all Mercosur members; it is not clear how Bolivia would manage membership in both the CAN and Mercosur, which have different tariff regimes. Crisis Group interview, Santa Cruz, 9 July 2007. "El inviable ingreso pleno al Mercosur", *La Razón*, 18 January 2007. "Adhesión de Bolivia al Mercosur: Oportunidades y desafíos", *Integración y Trabajo*, No. 33 (June 2007). "Bolivia duda del actual Mercosur", *La Razón*, 17 January 2007. "Bolivia sigue la ruta de Chávez en el

¹⁷⁹ Crisis Group interview, political analyst, La Paz, 14 June 2007.

¹⁸⁰ "La refundación de Ende es prioridad del Gobierno", *La Razón*, 7 August 2007. Two days later, the vice ministry of electric and alternative energies was transferred from the public works ministry to the hydrocarbons ministry. "El sector eléctrico retorna a la tuición de Hidrocarburos", *La Prensa*, 10 August 2007.

¹⁸¹ Rosario Gabino, "Bolivia/Argentina: acuerdo energético", BBC Mundo.com, 19 October 2006.

¹⁸² "Jindal Steel deberá producir 1,7Mt de acero el 2014 - Bolivia", *Business News Americas*, 24 July 2007.

¹⁸³ Crisis Group interviews, La Paz, 14 June 2007. MAS recently announced a draft law to promote bio-diesel production from soybean, oil palm, macororó and motacú but said bio-fuels will not be promoted if they put food security at risk. "El MAS prepara una ley que apoya el biodiesel, pero con condiciones", *La Razón*, 26 July 2007.

¹⁸⁴ Exports of goods and services increased from \$3.279 billion

a CAN Association Agreement with the European Union almost failed as Bolivia (holding the CAN presidency) dragged its feet.¹⁹⁰

The government faces increases in the prices of basic goods and rising inflation. In June 2007, the Central Bank recorded an annual inflation rate of 6.6 per cent, up from 3.49 per cent in June 2006.¹⁹¹ The government argues this results from increases in Central Bank reserves and internal spending at a time of food shortages due to losses caused by El Niño.¹⁹² However, economic analysts cite additional factors, including an increase in remittance payments entering the country from a growing emigrant population (140,000 in Spain alone in 2006); illegal activities such as money laundering from drug trafficking and smuggling; and Venezuelan money given by the government to municipalities without having been included in the national government budget.¹⁹³

Not only Bolivian and foreign entrepreneurs and investors complain. Even government sympathisers acknowledge a climate of increasing uncertainty. Without investment guarantees, basic infrastructure (such as the electricity grid, utilities and fuel production) is not getting enough capital for maintenance and enlargement to meet growing internal demand. This could severely undermine acceptance of the government in the next months.¹⁹⁴

Mercosur", *La Razón*, 18 January 2007. "Bolivia explora en silencio su ingreso al Mercosur", *La Razón*, 28 March 2007.

¹⁹⁰ While Colombia and Peru wanted to negotiate a free-trade agreement (FTA) with the U.S., Bolivia and Ecuador wanted special treatment because of the different levels of development among CAN countries. "Morales dice que Cumbre de CAN estuvo cerca de fracasar", *Los Tiempos*, 11 June 2007. Gary Antonio Rodríguez, "Ahora, resulta que los europeos son los malos", *La Razón*, 10 June 2007. Negotiations with the U.S. will begin in September and are expected to last fourteen months. Bolivian demands for special treatment and issues such as intellectual property, investment and services are on the agenda. "Oficial: El acuerdo CAN-UE se negociará en 14 mesas y desde septiembre", *Bolpress*, 25 July 2007.

¹⁹¹ Banco Central de Bolivia, www.bcb.gov.bo.

¹⁹² "El Comportamiento de la Inflación y las Políticas del Banco Central de Bolivia", Bolivian Central Bank Press Release NP5/2007, 10 July 2007.

¹⁹³ Crisis Group interviews, political analyst, La Paz, 14 June 2007 and business sector representative, Santa Cruz, 9 July 2007. According to Finance Minister Luis Arce, \$30 million in Venezuelan aid was given directly to mayors. According to a source, the government issued Executive Decree no. 29079 (27 March 2007) to get around restrictions on the use of state funds ("no son de libre disposición"). "El Estado reparte cheques de Venezuela", *La Razón*, 13 April 2007.

¹⁹⁴ Crisis Group interview, NGO representative, La Paz, 2 July 2007.

D. SOCIAL UNREST AND GOVERNMENT RESPONSE

There is a risk of new conflicts over control of natural resources.¹⁹⁵ Following the violent clashes between cooperative and state-owned COMIBOL miners in the Posokoni mountain in Huanuni (Oruro) in October 2006, the government tried to settle the problem by nationalising the mine and hiring its some 5,000 cooperative miners. This was seen as problematic at the time,¹⁹⁶ and the cooperative miners disputed the constitutionality of the decree.¹⁹⁷ The situation remained precarious, and unionised COMIBOL miners struck on 2 July, blocking the La Paz-Oruro-Cochabamba road to demand adjustment of the nationalisation decree, more investment, co-management and sharing of company revenues and removal of the mining and labour ministers, as well as the Oruro prefect.¹⁹⁸ After police opened the road and arrested 27 on 5 July, miners announced an unlimited strike.¹⁹⁹ That strike, which cost an estimated \$1.5 million daily, ended on 12 July, when the government agreed to convert the decree into a law and modernise the local mining industry.²⁰⁰

However, the cooperative miners objected, marching from El Alto to La Paz on 17 July, where they experienced violent police repression, a significant amount of dynamite was seized, and ten miners were arrested.²⁰¹ The cooperative miners agreed to negotiate with the government but have maintained roadblocks in Huanuni and on roads to Potosí; when locals tried to lift one of the latter roadblocks on 19 July, two were injured by miners who threw dynamite sticks.²⁰²

¹⁹⁵ See Crisis Group Briefing, *Bolivia's Reforms*, op. cit., p. 13, and Crisis Group Report, *Bolivia's Rocky Road*, op. cit., p. 19.

¹⁹⁶ See Crisis Group Briefing, *Bolivia's Reforms*, op. cit., pp. 12-13.

¹⁹⁷ The presidential decree D.S. 28901 of 31 October 2006 gave COMIBOL total control of Posokoni mountain and direct management of the deposits. The cooperative miners argue that the decree unilaterally breached the lease they signed with COMIBOL on 28 January 2000. "Los mineros de Huanuni se declaran en emergencia", *La Prensa*, 17 July 2007.

¹⁹⁸ "3,000 mineros bloquean el altiplano", *El Deber*, 4 July 2007. "Mineros piden dialogar con García y el bloqueo persiste", *La Razón*, 4 July 2007. "Mineros condicionan el diálogo a la renuncia de funcionarios bolivianos", *La Jornada*, 10 July 2007.

¹⁹⁹ "La Policía desbloquea rutas y los mineros preparan otras medidas", *La Razón*, 6 July 2007; "Huanuni declara huelga indefinida y el diálogo se aleja", *La Razón*, 8 July 2007.

²⁰⁰ "Las pérdidas llegan al millón y medio de dólares", *La Razón*, 6 July 2007. "Acaba el conflicto minero y Huanuni vuelve a producir", *La Razón*, 12 July 2007.

²⁰¹ "Policía reprime a cooperativistas", *La Razón*, 18 July 2007.

²⁰² "Los mineros van al diálogo y al bloqueo", *La Razón*, 19 July 2007. "Dos heridos por explosión de dinamita en movilización de mineros en Potosí", *El Deber*, 20 July 2007.

While the Senate discusses turning the decree into a law, the government must balance between the conflicting demands of the unionised and cooperative miners. Critics claim the case demonstrates that the nationalisation policy for the mining sector is divisive, risks more violence and may even cost MAS a considerable part of its core support.²⁰³ Additionally, the CA proposal for indigenous autonomy, including control of natural resources, is fuelling new demands: the Uncía and Llallagua *ayllus* in northern Potosí want royalties from the exploitation of natural resources in their ancestral territories.²⁰⁴

Another royalties conflict erupted on 18 April 2007, when inhabitants of Gran Chaco province (Tarija) clashed with troops guarding the facilities of Transredes, the gas pipeline operator, leaving one dead and eighteen injured and halting 1.5 million cubic feet per day of gas to Argentina. Since 2005, Gran Chaco and O'Connor provinces have disputed jurisdiction over Chimeo canton, site of the Margarita natural gas field, Bolivia's third biggest. Gran Chaco residents accuse the Tarija governor's office of bias, while O'Connor residents issue threats if it does not settle the dispute. Tarija's opposition prefect, Mario Cossío, accused the government of inciting the confrontation. After the violence, the case was transferred to the Potosí governor's office but Tarija residents say this only delays matters, while the royalties fight continues.²⁰⁵

Land reform disputes are likely to extend beyond the traditional struggle between eastern lowland, landless peasants and large estate owners. The government froze implementation of the October 2006 agrarian reform law (*Ley de Reconducción de la Reforma Agraria*)²⁰⁶ and declared a state of national disaster after El Niño-associated rains from January to mid-March 2007 left over 50 dead, more than 90,000 families homeless and \$250 million to \$300 million in material losses (plus over \$1.5 billion in lost profits). Beni and Santa Cruz were the hardest hit departments: Beni's capital, Trinidad was flooded, more than 100,000 cattle drowned and much cropland was destroyed. The government initially calculated 300,000 hectares lost in Beni and 100,000 in Santa Cruz but a joint agribusiness/government study found damage to more than seven million and one million hectares respectively.²⁰⁷

The government has committed \$20 million from donor and state funds for reconstruction of roads and basic infrastructure in flooded areas.²⁰⁸ However, the Agricultural Chamber of Eastern Bolivia (CAO) disputed the new rules for implementation of the agrarian reform law and withdrew from talks with the government on 14 June to protest against how the "social and economic function" (FES) of lands would be determined. The complaint included that three years would give farmers insufficient time to recover from the floods.²⁰⁹ After President Morales met private sector representatives in early July, the government again suspended registration of property boundaries (*saneamiento*) and the FES evaluation. On 2 August, however, he announced in Ucureña (Cochabamba) enactment of the law and vowed to continue with *saneamiento* and FES evaluation.²¹⁰ This prompted angry agribusiness representatives to announce the creation of "civil resistance committees".²¹¹

Since January 2007, the government has transformed over 3.7 million hectares across the country into indigenous community lands (TCOs). Some 60,000 people have asked for land but officials have determined that only 25 per cent will really farm,²¹² and they underline commitment to give public land to those who need it and will work it but not encourage speculation. The best way to do this is by giving collective land titles,²¹³ by providing such titles to indigenous communities, the government is reducing the potential for future conflict.²¹⁴

²⁰⁸ Crisis Group interview, high government official, La Paz, 15 June 2007.

²⁰⁹ Crisis Group interview, CA delegate, Sucre, 4 July 2007. A high government official insisted the period was adequate. In order to determine the FES according to the amount of livestock, the National Institute of Agrarian Reform (Instituto Nacional de Reforma Agraria, INRA) would take into account current figures and those in pre-flood vaccination certificates; INRA would buy satellite images to determine pre-flood land use and infrastructure. Agribusiness representatives wanted no FES evaluation for five years followed by a three-year special treatment period but "if we had given cattle growers and agribusiness farmers what they were asking for, land reform would have stalled for another ten years". Crisis Group interview, La Paz, 15 June 2007.

²¹⁰ The first peasant union was founded in Ucureña. Morales gave 5,166 land titles (over 700,000 hectares) to peasants and vowed the *saneamiento* of 20 million hectares in 42 months. "La reversión de tierras está en marcha en el país", *La Razón*, 3 August 2007.

²¹¹ Critics contend the process could become highly politicised, as INRA does not have adequate technical capacity. "El Gobierno pone en marcha su reforma agraria", *La Prensa*, 3 August 2007.

²¹² Crisis Group interview, government official, Santa Cruz, 10 July 2007.

²¹³ Crisis Group interviews, government officials, La Paz, 15 June 2007, and Santa Cruz, 10 July 2007.

²¹⁴ Crisis Group interview, political analyst, La Paz, 31 January 2007.

²⁰³ "El Cuento minero", *La Razón*, 19 July 2007.

²⁰⁴ "Tierra: indígenas versus el Estado", *La Razón*, 23 July 2007.

²⁰⁵ Crisis Group interview, CA delegate, Sucre, 6 July 2007.

²⁰⁶ Agribusiness and PODEMOS called this law unconstitutional and accused MAS of giving "inducements" to two "alternate" (*suplente*) senators from the opposition to form a quorum to pass it. Crisis Group Briefing, *Bolivia's Reforms*, op. cit., p. 4.

²⁰⁷ Crisis Group interview, CA delegate, Sucre, 4 July 2007.

However, this has raised tension between indigenous communities (the main beneficiaries) and landless peasants. This new type of conflict erupted in the Apolo region (north of La Paz) on 17 May, when 600 landless peasants entered Madidi National Park threatening to cut down the rainforest and occupy the land by force if the government did not heed demands which included immediate hydrocarbon exploration, roads and overturning the decision that gave a TCO in Buenaventura and Ixiamas to the Leco ethnic group (6 per cent of Apolo's population). In a similar case in San José (Santa Cruz), Chiquitano members of the Local Social Groups (*Asociaciones Sociales del Lugar*, ASLs) set up a roadblock in early July to protest the CA Land and Territory committee report threatening to end the forest regime that allows municipalities and ASLs to use 20 per cent of public lands for sustainable forest management.

The government expelled the Madidi Park occupiers and dismissed the protests as promoted by illegal loggers and land traders and drug traffickers.²¹⁵ Yapacaní in the Chore natural reserve (Santa Cruz) has a similar problem; 90 per cent of settlements are illegal and its residents are to be ousted while the remaining 10 per cent are to receive titles. In San José, despite the prefect's agreement with the ASLs, the government is determined to give public lands to landless communities and not leave a handful of people working in the ASLs as sole resource beneficiaries.²¹⁶ These situations highlight Morales's need to adjust the land reform program to help individual peasants if he does not want to risk estranging core supporters.

IV. CONCLUSION

Through much of 2006, the majority of Bolivians felt their country was going in the right direction, with hydrocarbon nationalisation, the referendum on regional autonomy and inauguration of the CA. After frequent conflicts in and around the CA, including the violence in Huanuni, many now believe it is heading in the wrong direction.²¹⁷ A recent poll found 62 per cent believed the CA was instigating regional conflicts and creating division among citizens, though it was more negatively perceived in the eastern lowlands than in the western highlands.²¹⁸ The rural-urban divide as well as the east-west geographic divide has been deepening. If violent confrontation is to be avoided, all political actors need to recall that the election of Morales was a vote for change and make efforts to find consensus on the nature, limits and timing of those changes.

For MAS to remain the dominant party, President Morales must encourage its modernisation, by greater, more transparent and better institutionalised grassroots participation in debate and management, but also by reaching out to broader segments of society. The main opposition parties (PODEMOS, UN, MNR) should engage in dialogue with MAS. Civic committees should expand membership to additional sectors of the population and make election of their leaders more transparent.

The recognition of the legitimacy of departmental autonomy for Santa Cruz, Tarija, Beni and Pando in the amendment that extended the CA to 14 December 2007 needs to be respected. But indigenous autonomy also has made its way into CA discussions, and it is crucial for the CA to find a way to incorporate both it and some form of indigenous autonomy compatibly in the new constitution. A combined model with elements that depend on the department and on the size and characteristics of its indigenous inhabitants might be one possibility to consider.²¹⁹

At the same time, indigenous autonomy should be strengthened at the local level, while leaving the intermediate level untouched, at least in the eastern departments that supported the 2006 referendum. Though this could be perceived as weakening municipalities, these are already strongly rooted as political and administrative institutions. The key is to design a proper institutional framework for indigenous municipalities, with broad autonomy as well as

²¹⁵ Crisis Group interview, high government official, La Paz, 15 June 2007.

²¹⁶ Crisis Group interview, government official, Santa Cruz, 10 July 2007.

²¹⁷ "Informe Nacional sobre Desarrollo Humano 2007. El estado del Estado en Bolivia", UNDP, La Paz, 2007, p. 451.

²¹⁸ "La Constituyente es vista como un escenario de conflicto y desunión", *El Deber*, 3 July 2007.

²¹⁹ President Morales has advocated such a solution. Crisis Group interview, expert on indigenous affairs, La Paz, 3 July 2007.

indigenous voting districts. Indigenous institutions to promote indigenous pride, culture and identity and recognised as part of the state's structure could be more easily implemented without discriminatory aspects at the local level.²²⁰

Many believe the radicals in both camps are responsible for polarising recent debate but if either side backs down now, supporters would consider it betrayal.²²¹ This was evident when CONAMAQ and some MAS delegates rejected the 3 August party agreement in Congress. With only four months left, however, that agreement should be seen as the starting point to renew confidence in the CA. Now that "Bolivians have learned what the others want",²²² delegates should engage in frank debate and build bridges between MAS and its allies on one side and the right-wing opposition and the eastern lowlands on the other.

President Morales should acknowledge the differing needs of his constituents and carry on permanent dialogue with opposition and eastern lowland leaders. As leader of MAS, he must use the high-level political commission created by the amendment extending the life of the CA to get personally involved in the assembly's negotiations, in the first instance to reach agreement for all 255 CA delegates to issue a statement committing their parties and movements to:

- reach agreement by 14 December 2007 on the constitutional text or texts to be submitted for ratification to popular referendum;
- reject violence;
- cease grassroots marches or strikes to exert pressure on the CA; and
- find compatible mechanisms to incorporate core elements of departmental autonomy for Beni, Pando, Santa Cruz and Tarija, as described in the July 2006 referendum, and indigenous autonomy.

Secondly, a new voting mechanism for the final CA session should be instituted by the beginning of September 2007. It should allow immediate voting on all articles on which the thematic committees have reached consensus and an opportunity for minority proposals to be considered with regard to all articles still in dispute. Finally, the most contentious issues should be discussed openly, so that all citizens are aware of them, with radio/tv broadcasts of plenaries considered.

Bogotá/Brussels, 31 August 2007

²²⁰ Crisis Group interviews, expert on indigenous affairs, La Paz, 3 July 2007, and CA delegate, Sucre, 5 July 2007.

²²¹ Crisis Group interviews, anthropologist and expert on autonomy, Sucre, 4 July 2007.

²²² Crisis Group interview, sociologist, Santa Cruz, 9 July 2007.

APPENDIX A
 MAP OF BOLIVIA

