

## Bolivia: Rescuing the New Constitution and Democratic Stability

### I. OVERVIEW

President Evo Morales's efforts to consolidate sweeping reforms on the basis of a controversial new constitution have steered Bolivia into a cul-de-sac. On 8 December 2007, his supporters in the Constituent Assembly (CA) provisionally passed the text by running roughshod over procedures and virtually excluding opposition delegates. Weak attempts to bridge the deepening divide have failed, increasing potential for a violent confrontation both sides still seem to wish to avoid. Openly defying Morales in May 2008, however, Santa Cruz massively approved the department's autonomy statutes by referendum. Two other eastern lowland departments followed suit, with the fourth expected to do so on 22 June. Morales is pushing for final adoption of the constitution by referendum and a popular vote of confidence. The Organization of American States (OAS), the European Union (EU) and several European countries, and the Group of Friends (Argentina, Brazil and Colombia) should provide good offices to help the government and opposition reach urgent agreement on a revised constitution that can keep the country together.

Bolivia needs both democratic stability and socio-economic progress, but the two camps are currently pursuing zero-sum strategies, and the Constitutional Court is inoperative, unable to serve as an impartial arbiter. It is essential to move away from "duelling referendums" aimed at subduing the other side. Basic consensus is needed regarding the compatibility between departmental autonomy and the several further layers of regional and indigenous autonomies contained in the new constitution and perceived by the eastern lowlands as undermining their economic foundations and administrative competencies; use and distribution among the nine departments and between them and the central government of revenues from the Direct Hydrocarbon Tax (IDH); and the status of the city of Sucre as the constitutional capital but not seat of government.

The government should provisionally stop taking IDH money away from the departments to finance its new pension fund (*Renta Dignidad*), and discussions about

Sucre's status should be postponed to a later stage. The autonomy question is top priority and must be tackled immediately, including by:

- holding off final adoption of the new constitution and the referendum on recall of elected public officials;
- establishing a robust forum for renewed political dialogue between the government and President Morales's ruling Movement toward Socialism (MAS) party on one side and the opposition on the other, by calling on the OAS, the EU and key European countries, and the Group of Friends to provide good offices and financial support;
- focusing within a mutually agreed timeframe on resolving the differences over, and achieving compatibility between departmental, regional and indigenous autonomy;
- finding agreement on an appropriate legal, technical and political framework to amend the draft constitution; and
- tackling the use and distribution of IDH revenues and the capital status of Sucre once the above agreements have been reached and the constitution has been amended accordingly.

### II. POLITICAL POLARISATION AND VOLATILITY

On 8 December 2007, the CA deputies of the MAS party of President Evo Morales and its political allies approved Bolivia's new constitution, ending sixteen months of fruitless discussion and, at times, heavy confrontation between the government and the opposition in the CA. This did not, however, end the standoff between the central government/MAS and the political opposition, mostly in the eastern lowland departments. To the contrary, Bolivia is today more polarised and volatile than ever since Morales took office in January

2006 and began implementing sweeping social, economic and political reforms.<sup>1</sup>

## A. THE NEW CONSTITUTION: ILLEGAL AND ILLEGITIMATE?

At the heart of the standoff is the new constitution, which is unacceptable to the opposition without critical changes. The leadership of its main parties – Poder Democrático y Social (PODEMOS), Unidad Nacional (UN) and Movimiento Nacionalista Revolucionario (MNR) – and the prefects of the eastern lowland departments of Santa Cruz, Tarija, Beni and Pando as well as Cochabamba charge that it lacks both legality and legitimacy.

In September 2007, in a last-ditch attempt to achieve basic consensus on the new constitution, the main political forces created the Political Council, a high-level commission outside the assembly headed by Vice President Álvaro García Linera and composed of CA delegates from the sixteen political forces represented in that body. However, after it failed to build bridges between the two camps,<sup>2</sup> the government realised that it would be unable to obtain the absolute two-thirds majority among the CA's 255 delegates needed to adopt a draft constitution.

In order to approve a full text by the 14 December deadline, the MAS rushed the approval process. Its delegates either ignored or used their majority to modify articles of the rules of debate: deliberation times to approve articles were reduced; MAS delegates did not coordinate daily agendas with opposition forces, and those agendas were not published 24 hours before plenary sessions; and reports from the thematic commissions were not distributed to all delegates.<sup>3</sup> More-

over, most opposition delegates were denied access to the sessions by pro-government social movements (coca growers and trade unions).

As part of its strategy to ensure quick adoption of the constitution, the MAS also exploited a legal loophole. According to the 3 August 2007 Extension Law (*Ley de Ampliación*),<sup>4</sup> if at least one article of the draft failed to obtain an absolute two-thirds majority in the CA plenary, Congress would have to call a referendum charged with settling the dispute over that article (*referendum dirimidor*, “settlement referendum”) within 30 days from 14 December 2007 (the final CA deadline).<sup>5</sup> It would then have to incorporate its results in the constitution and send the amended full text to the CA plenary for a vote in which the approval of only two thirds of all delegates present rather than of two thirds of all 255 delegates would be required for passage.<sup>6</sup> MAS forced the call for such a referendum by deliberately creating a deadlock over Article 398 on land tenure.<sup>7</sup>

Following violent November 2007 clashes in Sucre,<sup>8</sup> Congress also passed a law permitting the CA board of directors to convene the assembly anywhere in Bolivia.<sup>9</sup> However, only MAS congressmen were present for the vote, because social movements and union

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<sup>1</sup> See Crisis Group Latin America Report N°18, *Bolivia's Rocky Road to Reforms*, 3 July 2006; Crisis Group Latin America Briefing N°13, *Bolivia's Reforms: The Dangers of New Conflicts*, 8 January 2007; and Crisis Group Latin America Report N°23, *Bolivia's New Constitution: Avoiding Violent Confrontation*, 31 August 2007.

<sup>2</sup> The efforts to resolve the standoff seemed about to produce results, but the biggest opposition party, PODEMOS, and MIR (Revolutionary Left Movement) opposed in particular the proposal on the capital (see section II.B.3 below) and refused to sign. Moreover, indigenous leaders opposed the proposal on indigenous autonomies on the grounds it would further fragment their territories and limit their autonomy. “Los indígenas desconocen al consejo suprapartidario”, *La Razón*, 17 October 2007.

<sup>3</sup> According to the opposition, MAS delegates clearly violated Articles 10, 55, 61, 70 and 74 of the CA rules of proce-

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dure. “El MAS violó al menos 6 normas de la Asamblea”, *La Razón*, 11 December 2007.

<sup>4</sup> That law amended the *Ley de convocatoria* 3364 of 6 March 2006, extending the CA's mandate for four months.

<sup>5</sup> On 9 December 2007, the CA passed a resolution establishing that “in order to call the settlement referendum, Congress must pass a law within 30 days after receiving the referendum document from the CA”. If the law has not been voted within that period, the resolution provides that the executive can call the referendum. Resolution AC/PLEN/RES/0022/2007.

<sup>6</sup> Articles 1, 3 and 4 of the 3 August 2007 Extension Law for the Constitutional Assembly. Once the full text has been passed in the CA plenary, it must be submitted for final popular approval (50 per cent plus one vote) in a referendum.

<sup>7</sup> Crisis Group interviews, constitutional and agrarian experts, journalists and political analysts, La Paz, 5, 7-8 February 2008 and Santa Cruz, 11-12 February 2008. Many contended Article 398 was not particularly controversial and that there was no vital difference in the two options for maximum area (5,000 or 10,000 hectares).

<sup>8</sup> See section II.B.3 below.

<sup>9</sup> Law 3792, 28 November 2007. The directive board, made up of the president and vice-presidents of the CA and the chairpersons of its committees, was responsible for procedural matters. The majority party in the CA was granted the presidency, the first vice-presidency and the first, second, fifth and sixth secretary positions. The opposition held the second, third and fourth presidency and the third and fourth secretary positions. Article 9 of the CA general rules.

members prevented opposition members of Congress from entering the building. On 28 November, the board proposed to move the assembly to Oruro, as Sucre was considered unsafe. This was announced, however, just a few hours before the session was scheduled to begin,<sup>10</sup> so as to impede the opposition from attending.<sup>11</sup> Since the main opposition parties had already decided to boycott, only MAS delegates and a few opposition members from Samuel Doria's UN party were in Oruro on 8 December. With the exception of Article 398, the new constitution (411 articles) was approved in hours, without debate.<sup>12</sup>

It is unclear whether this unusual procedure violated Bolivia's general legal framework and was unconstitutional.<sup>13</sup> The opposition claims the law passed by Congress and the changes to the CA's internal rules voted by MAS delegates in order to steamroll the vote on the constitution violated the 6 March 2006 Law establishing the CA (*Ley de Convocatoria 3364*) and were, therefore, illegal. MAS and its allies, basing their argument on Articles 3 and 21 of Law 3364 and Article 1 of the CA's general rules, contend that the CA had plenipotentiary powers (*caracter originario*) to establish its internal rules and that neither Law 3364 nor the constitutional order were violated.<sup>14</sup> With Bolivia's Constitutional Court inoperative,<sup>15</sup> confusion prevails.

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<sup>10</sup> On 5 December 2007, the CA chairman, Silvia Lazarte, had announced that the plenary session would be held in Laura Ñ (Chapare province) on 12 December 2007; the move and the new earlier date were announced at 12:30am, less than 24 hours before the sessions were scheduled to begin. "El MAS decide aprobar hoy la CPE en Oruro a las 18.00", *La Razón*, 8 December 2007.

<sup>11</sup> Crisis Group interviews, political analysts and journalists, La Paz, 5, 8 and 9 February 2008.

<sup>12</sup> Opposition members from Samuel Doria's UN party nevertheless abstained and tried to stop the MAS from continuing with what they considered irregular procedures. For further on the voting tactic, see section III.A below.

<sup>13</sup> Crisis Group interviews, political analysts, La Paz, 5-9 February 2008.

<sup>14</sup> Article 3 states that the Assembly is "independent and exercises the sovereignty of the people. It does not depend nor submit to the constituted powers, and its only purpose is the complete reform of the Political Constitution of the State". Article 21 recognises that the Assembly has its own internal regulatory body designed to establish the overall regulation of its operation. Article 1 of the CA general rules establishes that "the Constituent Assembly is indigenous as it is based on the will for change of the people, as the leader of the Sovereignty of the Nation". An October 2006 Constitutional Court decision (Sentencia N° 586/2006) on the nature of the CA – plenipotentiary or "derived" (*caracter derivado*), that is, subordinate to the existing legal and constitutional framework – was too ambiguous to settle the matter.

<sup>15</sup> See section II.C below.

It is clear, nonetheless, that the adopted text seriously lacks legitimacy. The government insists that its approval by a majority of CA delegates, themselves democratically elected by a majority of citizens, is sufficient.<sup>16</sup> A number of more neutral observers suggest that both sides deliberately stimulated the polarisation and radicalisation that have characterised the constitutional process since mid-2006:<sup>17</sup> the opposition, led by the prefects of the eastern lowland departments, sought to weaken the moderate MAS elements in the CA, while hardcore MAS elements refused concessions on the grounds that the majority was entitled to impose its views on the defeated opposition.<sup>18</sup> However, as the text was voted without the presence of the main opposition parties and so without true debate, it was obviously not adopted on the basis of anything like a broad national consensus. While some opinion polls conducted just after the CA vote showed that a majority of Bolivians opposed the new constitution, others reflected an even division or a slight advantage for those favouring of the new constitution.<sup>19</sup>

## B. CRITICAL ISSUES

### 1. The autonomy statutes

At the heart of the current crisis are the eastern lowland departments' demands for increased autonomy. The Morales government was legally bound to respect the landslide results in favour of the general concept of departmental autonomy in the 2 July 2006 referendums in Santa Cruz, Beni, Pando and Tarija.<sup>20</sup> The civic groups and prefects of those departments were not content with that victory, however, because the con-

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<sup>16</sup> Crisis Group interview, senior governmental official, La Paz, 7 February 2008.

<sup>17</sup> Crisis Group interviews, independent political analysts, La Paz, Santa Cruz, 7-12 February 2008.

<sup>18</sup> Ibid. Some observers argue that access to the sessions was not really denied (UN opposition members could enter) and that the opposition could have blocked adoption of the new constitution and, by doing so, could have avoided discussion over its legality, if it had not boycotted the sessions in order to avoid, as it saw it, legitimising the process.

<sup>19</sup> For instance, according to an opinion poll conducted by Ipsos Apoyo, Opinión y Mercado, between 11 and 18 December 2007, 41 per cent opposed the new constitution, 39 per cent favoured it. "El No a la CPE del MAS lleva ventaja, según una encuesta", *La Razón*, 30 December 2007.

<sup>20</sup> For background and in-depth analysis of the autonomy referendums, see Crisis Group Report, *Bolivia's Rocky Road to Reforms*, op. cit.; and Crisis Group Briefing, *Bolivia's Reforms*, op. cit. Article 2, Law 3365 of 6 March 2006 on regional autonomy states clearly that the referendum results were to be binding for members of the CA and departments.

stitution did not reflect their aspirations. They adopted more radical positions and called for additional referendums on specific elements of departmental autonomy.

The massive vote in favour of those more specific departmental autonomy statutes in the 4 May Santa Cruz and 1 June 2008 Beni and Pando referendums<sup>21</sup> reinforced the autonomy drive.<sup>22</sup> Even though the National Electoral Court (CNE) rejects these referendums as illegal, and the Morales government has said it also will not recognise them, the eastern lowland departments continue to defy the central government. On 15 May 2008, Santa Cruz began to implement its autonomy statutes unilaterally by convening its new departmental legislative assembly. It is expected that on 22 June Tarija will join the other three eastern lowland departments by voting in favour of its autonomy statutes.

The statutes they have been voting on would upgrade their autonomy, providing in varying degrees from case to case a large assumption of competencies and power by the new departmental governments.<sup>23</sup> In Santa Cruz, for example, the 155 articles of the new autonomy statutes approved by the departmental provisional assembly<sup>24</sup> on 12 December 2007 and the May 2008 referendum purport to confer legislative and executive competencies for 43 matters involving taxes, land distribution, police and education on the new departmental legislative assembly and governor.<sup>25</sup>

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<sup>21</sup> In Santa Cruz, 85.6 per cent voted in favour of the autonomy statutes (participation was 61 per cent); in Beni 80.2 per cent voted in favour (participation was 65.5 per cent); in Pando 81.8 per cent voted in favour (participation was 53.5 per cent). Results provided by Ipsos and *La Razón*, 2 June 2008.

<sup>22</sup> These 2008 referendums have been directly on the departmental autonomy statutes, an important step toward implementation beyond the more general 2006 referendum on the concept of autonomy.

<sup>23</sup> According to constitutional experts, the autonomy statutes of Pando, which were modified a week before the referendum, are somewhat more compatible with the new constitution than those of Beni, Tarija and Santa Cruz, since they would not break ties with the central government. For instance, they acknowledge the indigenous autonomies, do not give the new governor power to hand over land titles, do not envisage creation of departmental police and do not change the existing norms for election of departmental officials and representatives. "El proyecto autonómico de Pando no rompe el lazo con el poder central", *La Razón*, 29 May 2008.

<sup>24</sup> The autonomous provisional assembly of Santa Cruz was created on 28 January 2005 and is composed of 152 representatives (senators, deputies, municipal councillors, presidents of municipal councils) elected by popular vote, plus one each of four indigenous communities (Guarayos, Chiquitanos, Capitanía Alto y Bajo Izozog and Guaranies).

<sup>25</sup> Articles 6 and 20 of the autonomous departmental statutes of Santa Cruz, 15 December 2007.

The differences between the autonomy stances of the Morales government and the eastern lowland departments are emphasised all the more by the new constitution, which introduces two additional autonomies<sup>26</sup> that cut across departmental powers and are, therefore, opposed by the eastern lowlands: for regions, defined as between the departmental and municipal levels of government,<sup>27</sup> and for indigenous peoples.<sup>28</sup> According to senior government officials, the new administrative and political entities essentially respond to two considerations: the need to decentralise power within the departments<sup>29</sup> and, by doing so, to improve regional governance;<sup>30</sup> and the intent to implement fully Convention 169 of the International Labour Organization and the UN Declaration on the Rights of Indigenous Peoples.<sup>31</sup>

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<sup>26</sup> Article 281 and 290.

<sup>27</sup> See Articles 281, 282 and 302. Article 281 states: "The region will be constituted by the democratic will of its citizens and by the union of municipalities or provinces with geographical continuity, which share culture, languages, history, an economy and complementary ecosystems... A province, by the democratic will of the population of its municipalities, which by itself has the characteristics of region, will be able to bring together a provincial region, with an autonomous government, in accordance with the conditions and the requirements of the law of Autonomies and Decentralization".

<sup>28</sup> See Articles 290-297 and 305. For instance, Article 295 states: "The decision to convert municipalities and rural native territories in a rural native territorial region will be adopted by the inclusion of these municipalities and territories, according to its norms and procedures of direct consultation, corresponding to the requirements and conditions established by the constitution and the law". For an analysis of these intermediate levels, see Crisis Group Report, *Bolivia's New Constitution*, op. cit., pp. 9-11.

<sup>29</sup> Under the new constitution, prefects are to be appointed by the president. In 2005, the government of Carlos Mesa introduced direct elections of departmental prefects, with the winner then to be appointed by the president. See Crisis Group Latin America Report N°15, *Bolivia at the Crossroads: The December Elections*, 8 December 2005, p. 10.

<sup>30</sup> By delegating departmental competencies to the regional autonomies – the latter being unable to define these competencies by referendum (Article 281 of the new constitution), it is said that "these regions ... are the best way to coordinate and directly arrange the development plans with the direct participation of the community". Document published by the vice ministry of decentralisation, June 2006.

<sup>31</sup> Article 290: "The rural native autonomy is the expression of the right to self-government as an exercise of the self-determination of the nations and the native people and the rural communities, whose population share territory, culture, history, languages and organisation or economic, social, political and legal institutions". Convention no. 169 of the International Labour Organization (ILO) recognises specific rights for "tribal peoples in independent countries whose social,

However, the new indigenous autonomies potentially reduce departmental competencies, since they include such authority as to “manage and administer renewable natural resources”.<sup>32</sup> Other articles in the new constitution explicitly limit departmental autonomy; for instance, Article 410 states that presidential decrees override departmental or municipal norms.<sup>33</sup> Consequently, the opposition contends that the constitution has been deliberately drafted to undermine departmental autonomy.<sup>34</sup> Some even claim that the CA process was part of a “racial hegemony plan”<sup>35</sup> to weaken traditional elites who, having lost power nationally, are trying to conserve it at a regional level.

The Morales government denies such charges. Nevertheless, at the heart of the dispute over a new territorial order there is indeed the broader issue of the manner and degree by which power is to be redistributed to the benefit of the traditionally excluded indigenous populations.<sup>36</sup>

## 2. The Direct Hydrocarbon Tax and the *Renta Dignidad* pension program

The government’s enactment on 21 October 2007 of Law 3791 establishing the *Renta Dignidad*, a new pension fund for persons over 60 financed from the 2005 Direct Hydrocarbon Tax (IDH),<sup>37</sup> further com-

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cultural and economic conditions distinguish them from other sections of the national community”. Article 1 of the declaration adopted by the UN General Assembly on 13 September 2007 affirms: “Indigenous peoples have the right to the full enjoyment, as a collective or as individuals, of all human rights and fundamental freedoms as recognised in international human rights law”. On 8 November 2007, Bolivia’s Congress incorporated the declaration into national legislation.

<sup>32</sup> Article 305.

<sup>33</sup> By establishing that presidential decrees are superior to departmental or municipal norms, Article 410 would give the executive branch of government the authority to weaken the departmental autonomies. Similarly, while Article 278 affirms that the departments have “deliberative, prosecuting, legislative and normative faculties”, Article 299, which details the exclusive competencies of the pluri-national state, in effect reduces those competencies.

<sup>34</sup> Crisis Group interviews, journalists and political analysts, Santa Cruz, 11 February 2008.

<sup>35</sup> Crisis Group interview, political adviser of the Santa Cruz Civic Committee, Santa Cruz, 12 February 2008.

<sup>36</sup> Crisis Group interviews, political analysts, La Paz and Santa Cruz, February 2008. In private, a senior governmental official also agreed with this view. Crisis Group interview, La Paz, 7 February 2008.

<sup>37</sup> The IDH was created (Article 53) pursuant to the 17 March 2005 Hydrocarbon Law.

plicated the autonomy issue.<sup>38</sup> The decision to replace the so-called Bonosol pension fund,<sup>39</sup> which was running out of money and had become unsustainable, was taken on both technical and political grounds.<sup>40</sup> President Morales, who was elected on a platform of sweeping reforms, was also eager to implement his own program.

The relatively straight-forward pension reform, however, became embroiled in a larger project. Since 2005, the money channelled to the regions from the IDH tax had increased considerably as a consequence of both the rise in international oil and natural gas prices<sup>41</sup> and the contracts concluded with transnational oil and gas companies pursuant to the 2005 hydrocarbon law and presidential decree 28071 of 1 May 2006.<sup>42</sup> The World Bank and the government were in agreement, nevertheless, that the IDH had become an extremely unfair redistribution system and required revision.<sup>43</sup> The government decided to reduce from 56.9 per cent to 24.39 per cent the proportion of funds redistributed from the IDH to the elected departmental governments, the prefectures,<sup>44</sup> then proposed an additional 30 per cent reduction of IDH money for the departments.

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<sup>38</sup> The *Renta Dignidad* proposal surfaced in October 2007 and prompted strong negative reactions. “La resistencia al recorte del IDH se hace sentir en seis regiones”, *El Deber*, 26 October 2007.

<sup>39</sup> The Bonosol pension fund was created in 1994, during Gonzalo Sánchez de Lozada’s first administration (1993-1997).

<sup>40</sup> Crisis Group interviews, journalists and political analysts, La Paz, 7 and 9 February 2008.

<sup>41</sup> Article 55 of the 2005 Hydrocarbon Law establishes that the proportion of the IDH will be 32 per cent of the commercial value of total production of hydrocarbons. According to statistics from the hydrocarbon and energy ministry, in 2001 the state received only \$188 million; in 2007 income from royalties, the direct hydrocarbon tax and the state-owned oil and gas company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), rose to \$1.572 billion.

<sup>42</sup> See Crisis Group Report, *Bolivia’s New Constitution*, op. cit., pp. 16-19.

<sup>43</sup> The IDH tax is divided among the nine departments without considering population. Royalties (18 per cent of total hydrocarbon production) do not benefit all departments, since some do not have hydrocarbon resources. Article 55 of the 2005 Hydrocarbon Law. See also “Bolivia, Análisis de la Situación Institucional y de Gobernabilidad. Hacia una Descentralización Inclusiva”, World Bank document, 20 March 2006.

<sup>44</sup> On 24 October 2007, President Morales issued presidential decree n° 29322 modifying the percentages of IDH distribution to prefect offices, municipalities and universities, as follows: 66.99 per cent to municipalities of a department; 8.62 per cent to the public university of a department; the balance to the departmental prefect office.

The eastern lowland departments charged that the two measures amounted to withholding more than 70 per cent of their IDH funds, thereby jeopardising their financial viability. Finance Minister Luis Arce contended that the decision was legal<sup>45</sup> and would only affect 8.3 per cent of total departmental money, and the government and the Bolivian Association of Municipalities agreed to create a technical commission to examine the issue. The situation was radicalised, however, when the presidency minister, Juan Ramon Quintana, said that if Congress did not approve the project, the government would implement the new pension fund by decree.

For a time, the government appeared to step back from confrontation over the IDH, first proposing to compensate the departments through a \$117 million fund and later offering to return part of the money raised from the IDH to the departments (about \$50 million in 2008).<sup>46</sup> But the opposition, particularly in Tarija and Santa Cruz departments, which as natural gas producers benefit most from the IDH, rejected the offer, and the government began paying the new pensions on 1 February 2008.

### 3. Sucre's capital status

The new constitution, like its predecessor, refers to Sucre as "the capital of Bolivia" (Article 6), but it does not mention the demand to transfer the executive branch of government and the Congress there from La Paz to join the central judiciary. The struggle over full capital status forcefully re-emerged in June 2007, after CA delegates from Chuquisaca made that proposal.<sup>47</sup>

In mid-August 2007, the decision to exclude the issue from the CA plenary sessions on the grounds that it would cause further divisions within an already highly polarised population caused the issue to be taken to the streets, where it resulted in a blockade and suspension of the CA. The prefect of Chuquisaca, David Sánchez, resigned,<sup>48</sup> and violent clashes left several dead and injured.

The issue rapidly became a major problem for the Political Council, following its creation in late September 2007. In mid-October, the Council proposed that a "fourth power" – the electoral power – be located in Sucre.<sup>49</sup> It also suggested that Sucre be recognised as Bolivia's "historical capital" and some congressional sessions (mainly the inaugural, the solemn ending and all honorary ones) be held there. On 24 October, however, Chuquisaca as well as opposition PODEMOS and MIR political leaders flatly rejected the proposal,<sup>50</sup> so that they could use the issue to obstruct approval of the new constitution.<sup>51</sup>

The situation became further polarised in mid-November, when the CA tried to reconvene in Sucre after a three-month suspension, and the city's inhabitants started a vigil outside the assembly, in an attempt to force consideration of the issue. Faced with massive protests, MAS decided to relocate the sessions to a military college 5km outside the city, which in turn led to a boycott by the opposition<sup>52</sup> and new violent clashes between protesters and police, which left three dead and hundreds injured. In March 2008, Branko Marincovic, president of the Santa Cruz Civic Committee, tried to revive the issue, proposing to hold the "settlement referendum" on capital status<sup>53</sup> instead of land tenure.<sup>54</sup>

The sensitive issue remains unresolved and is likely to resurface. If the eastern lowland departments' autonomy drive continues, that dispute will sooner or later refocus on the question of the country's political power centre.<sup>55</sup> Bolivians recall that the only civil war in the republic's history began after a dispute over

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<sup>45</sup> According to the government, regulating decree (*Decreto reglamentario*) 29322 has full legal validity and permits modification of the internal distribution of the tax. However, the Hydrocarbon Law determines the departmental appropriation but not internal percentages.

<sup>46</sup> "El Gobierno sube la compensación a las regiones por el IDH", *La Razón*, 9 February 2008.

<sup>47</sup> See Crisis Group Report, *Bolivia's New Constitution*, op. cit., p. 12.

<sup>48</sup> "El prefecto Sánchez se va y advierte de enfrentamientos", *La Razón*, 31 August 2007.

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<sup>49</sup> Concretely, the proposal was to transfer the National Electoral Court (CNE), responsible for resolving administrative and technical electoral issues and disputes, from La Paz to Sucre.

<sup>50</sup> "Sucre rechaza el 4º poder y la Asamblea vuelve a tambalear", *La Razón*, 25 October 2007. The proposal had been approved by the representatives of a majority of the political forces in the Political Council: MAS, MNR, ASP, AS, MOP, MNR A3, AYRA, MSCFA, UN, Camino al Cambio, MBL and CN.

<sup>51</sup> Crisis Group interviews, journalists and political analysts, La Paz, 8 February 2008.

<sup>52</sup> The opposition charged the move was authoritarian and violated Article 6 of the CA law, which provided for convening in Sucre. MAS delegates argued somewhat feebly that the law only established the city where the CA would convene but did not specify in which building or facilities.

<sup>53</sup> "'Media luna' busca adelantar sus consultas autonómicas", *Los Tiempos*, 3 March 2008.

<sup>54</sup> See section II.A above.

<sup>55</sup> Crisis Group interviews, political analysts, La Paz, 8 February 2008 and Santa Cruz, 12 February 2008.

capital status.<sup>56</sup> In La Paz, however, hardcore MAS supporters firmly reject transfer of the government and Congress, including for the more prosaic reason that 10,000 to 15,000 jobs are at stake.

### C. INSTITUTIONAL BLOCKADE

Bolivia is so polarised that without strong third-party engagement, there appears to be virtually no room for consensus and compromise. Both sides have resorted to legally questionable procedures. The traditional opposition parties (MNR, UN and PODEMOS) gained control of the Senate in 2007, since which time several legislative initiatives of the government have been blocked. Then, with regional autonomy at the forefront of political confrontation in the second half of the year, the eastern lowland prefects and civic committees emerged as the strongest and most vociferous opposition to the Morales government, relegating those parties to a secondary role.

Since August 2007, the Constitutional Court has also been paralysed. Following the resignation of four of its five judges,<sup>57</sup> it has no quorum and is unable to hold proceedings. Similarly, no attorney general has been appointed. The Judiciary Council (*Consejo de la Judicatura*) went a month without a quorum until a president, Supreme Court Magistrate Eddy Fernández, was elected on 22 April 2008.<sup>58</sup>

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<sup>56</sup> In 1898-1899. For an in-depth analysis of this issue, see, for example, Julio César Velásquez, *Acerca de la Capitalidad de la República de Bolivia* (La Paz, 1998).

<sup>57</sup> In May 2007, the Morales government accused four Constitutional Court judges of prevarication and usurpation of functions (*delitos de prevaricato y usurpación de funciones*). The judges were accused of having issued a constitutional verdict dismissing four acting members of the Supreme Court who had been appointed by President Morales a few months earlier. While, the government suspected that the decision was meant to impede the Supreme Court's prosecution of Bolivia's ex-President Gonzalo Sánchez de Losada, the president of the Constitutional Court, Elizabeth Íñiguez, insisted it was legal, and there was a political motive behind the government action. Subsequently, over 1,200 judges threatened a 48-hour strike in support of their accused colleagues (22 August 2007). Critics said that President Morales was motivated by political interests aimed at impeding any constitutional control. "En manos del MAS está la suerte de los magistrados", *La Razón*, 21 August 2007. Three of the accused judges quickly resigned. On 7 March 2008, a fourth, Arias Romano, also resigned, leaving the Constitutional Court with only one magistrate, Silvia Salame, and totally inoperative. "Sin Tribunal Constitucional", *La Razón*, 7 March 2008.

<sup>58</sup> The Judiciary Council is the administrative and disciplinary organ of the Bolivian judiciary, in charge of all its hu-

More generally, there is concern about the manner in which judges are selected.<sup>59</sup> In the last ten years, many have been appointed on a temporary basis, mostly for political reasons.<sup>60</sup> The Morales government continued this practice, arguing that it had no other choice until the new constitution was adopted.

The National Electoral Court has also been accused of partisanship. On 6 January 2008, President Morales appointed José Exeni as its president, replacing Salvador Romero.<sup>61</sup> In the first hours following his appointment, Exeni dismissed three key directors.<sup>62</sup> Faced with the prospect of several elections and referendums,<sup>63</sup> the government's decision could well have been politically motivated. The opposition questioned Exeni's appointment,<sup>64</sup> while Morales accused Exeni's predecessor of having opposed the CA process<sup>65</sup> and claimed that the U.S. had arranged for the CNE to obstruct the creation of his MAS ten years earlier.<sup>66</sup>

Exeni has subsequently tried to show some independence. In March 2008, the National Electoral Court suspended indefinitely the "settlement" and approval referendums on the new constitution, citing insufficient preparation, and rejected the current round of autonomy referendums as beyond the power of the eastern lowland departments to initiate.<sup>67</sup> However, while these decisions were applauded by independent

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man resources. It is composed of a president, the president of the Supreme Court and four councillors (*consejeros*) elected by a two-thirds majority of the Congress.

<sup>59</sup> Crisis Group interviews, political analysts and diplomats, La Paz, 6-8 February 2008.

<sup>60</sup> Since 1997, Bolivia has had six different governments. For a more in depth analysis, see Crisis Group Latin America Report N°7, *Bolivia's Division: Too Deep to Heal?*, 6 July 2004.

<sup>61</sup> Romero was appointed by President Carlos Mesa to a four-year term in January 2004.

<sup>62</sup> The directors of civic and citizen education, computing and property and services.

<sup>63</sup> See section III.A below.

<sup>64</sup> Senator Óscar Ortiz (PODEMOS) declared: "We are very concerned about the presence of a MAS-identified person within the Electoral Court". "Exeni destituye a 3 directores clave de la CNE", *La Razón*, 9 January 2008.

<sup>65</sup> "This is a boycott, a sabotage of peaceful and democratic transformations", he said, adding that Exeni's predecessor had not made sufficient efforts to get Bolivian citizens living abroad to participate in the elections. "Evo ataca a la Corte Electoral", *La Razón*, 8 January 2008. See also Crisis Group Report, *Bolivia's Rocky Road to Reforms*, op. cit.

<sup>66</sup> "Morales denuncia que EEUU utilizó a la CNE", *La Razón*, 8 January 2008.

<sup>67</sup> "Exeni bloquea los referendos, pero 3 Cortes lo desconocen", *La Razón*, 8 March 2008. See also section III.A below.



organisations,<sup>68</sup> they further polarised the situation. The court is now not only deeply divided internally<sup>69</sup> but is also rejected by the opposition parties and the eastern lowland departments, who question both the legality and legitimacy of its decisions.

### III. POTENTIAL FOR VIOLENT CONFLICT

Even though the Santa Cruz, Beni and Pando autonomy referendums provoked only isolated incidents, the atmosphere remains highly volatile. For the constitution to be definitively adopted, two additional referendums are necessary: the first is the “settlement referendum” on Article 398; the second, the “approval referendum”, is on the full text of the constitution, once Article 398 has been finalised and the entire document has been passed by the CA plenary.

With constructive political dialogue difficult, the government and the congressional opposition have agreed to a recall referendum (*referendum revocatorio*), to be held on 10 August 2008, in which Bolivians will be asked to pass judgments on Morales and Vice-President Álvaro García Linera, as well as on the prefect of their department. However, this vote is very unlikely to disentangle the crisis. In private, both sides acknowledge they are not in a position to defeat the other but also do not know how to end the stand-off.<sup>70</sup> By the same token, it is unclear how far they are prepared to compromise, including by incorporating more departmental autonomy provisions, which could increase the chances of the constitution ultimately being widely accepted.

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<sup>68</sup> On 11 March 2008, Bolivia’s ombudsman, its Permanent Assembly of Human Rights, Asofamd, the Bolivian Chapter of Human Rights (el Capítulo Boliviano de Derechos Humanos), the Human Rights Community (la Comunidad de Derechos Humanos), the UNIR Bolivia Foundation, the Methodist Church, the Jubileo Foundation, the Pastoral of Social Mobility (pastoral de la Movilidad Humana), the Women Coordination (Coordinadora de la Mujer) and the Bolivian Press Workers Syndicate Confederation (la Confederación Sindical de Trabajadores de la Prensa de Bolivia) released a declaration defending the CNE’s decision. “El órgano electoral del país se fractura por los referendos”, *La Razón*, 11 March 2008.

<sup>69</sup> Ibid.

<sup>70</sup> Crisis Group interviews, MAS delegates and opposition representatives, La Paz and Santa Cruz, 6 and 11 February 2008.

### A. ELECTORAL CONFRONTATION?

The Morales administration proposed a recall referendum during the violent street protests of November 2007 in Sucre, with the idea that Bolivia’s problems should be resolved by voting, not street pressure. On 10 December 2007, it presented the recall referendum law to the Congress, where five days later it was approved by the lower house. Subsequently, however, Morales has appeared reluctant to pursue the concept, perhaps since, as some political analysts contend, he has lost support among the middle class and has been made more cautious by the result of the 2 December 2007 referendum in Venezuela.<sup>71</sup>

It is open to question whether the decision to resort to such a vote is less risky today than when it was made in December. To recall Morales and/or prefects, the “No” vote percentage must be higher than that by which those leaders were elected.<sup>72</sup> As this is a very difficult standard to meet, in particular in the case of Morales who was elected with an unprecedented 53.7 per cent in the first round in 2005, most Crisis Group sources believe the referendum will not radically change the balance of power between the government, its MAS allies and the regional opposition,<sup>73</sup> although the prefects of Cochabamba, La Paz and perhaps Pando might be defeated. The big question would then be what the sides would do next.

As discussed above, the government has opted for a “settlement referendum” to advance the new constitution,<sup>74</sup> a tactic the opposition rejects as a “smoke screen meant to cover up the illegal approval of the constitution”.<sup>75</sup> Should that referendum be boycotted

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<sup>71</sup> Crisis Group interviews, political analysts, La Paz, 8 and 9 February 2008. On 2 December 2007, President Hugo Chávez’s far-reaching constitutional reforms, including unlimited presidential re-election, were narrowly defeated in a referendum.

<sup>72</sup> Article 8-1 of the recall law.

<sup>73</sup> Crisis Group interviews, political analysts and journalists, La Paz, 5, 8 February and Santa Cruz, 12 February 2008.

<sup>74</sup> On 8 December 2008, all articles of the new constitution except one were adopted by a two-thirds majority of delegates present, not by an absolute majority of all 255 delegates. Since Article 398 on extension of land tenure did not get the required majority, Bolivians will be asked in a referendum whether the maximum authorised land tenure should be 5,000 or 10,000 hectares.

<sup>75</sup> Crisis Group interviews, La Paz, 6-7 February 2008, Santa Cruz, 11-12 February 2008. Opponents argue that the question on land tenure is technical, demagogic and contrived to enable a “settlement referendum” and subsequent adoption of the constitution by a majority of two thirds of delegates present rather than of the entire CA. The opposition in Congress, which has controlled the Senate since 2007, has re-



in the eastern lowland departments – highly likely unless some concessions on departmental autonomies are made in the text – the new constitution would lose further legitimacy, even if the referendum obtained a majority of votes nationally. On the other hand, if before the end of June 2008 all four of those departments have approved their autonomy statutes by referendum landslides, the Morales government would be left with few options other than to negotiate with their opposition groups.

On 8 January 2008, Vice-President García Linera said the government would be open to minor modifications, in order to create compatibility between the recently “enacted” departmental autonomy statutes and the regional, municipal and indigenous autonomies stipulated in the new constitution.<sup>76</sup> That same day, the Morales government and Bolivia’s nine prefects agreed on creation of a “technical dialogue commission”.<sup>77</sup> By mid-February, however, the commission had failed to produce results, and both camps took yet more radical positions. A number of experts consulted by Crisis Group claimed it would be technically possible, though complicated, to make the new constitution compatible with the autonomy statutes.<sup>78</sup> Others disputed this.<sup>79</sup> Some countries have achieved constitutions with at least as many different geographic/political divisions. If it is to find an acceptable mechanism, however, Bolivia will need to demonstrate a greater degree of political compromise than has thus far been apparent.

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fused to enact the law calling the settlement referendum. After the 30-day deadline expired, the Morales government was entitled to call the referendum without resorting to Congress. However, Morales made another unsuccessful attempt to persuade the Congress. At the end of February 2008, when dialogue became virtually impossible, the government decided to set the settlement referendum for 4 May, the same day as the Santa Cruz referendum on its departmental autonomy statutes. However, the next month the CNE suspended the settlement referendum.

<sup>76</sup> On 8 January 2008, after a twelve-hour meeting between Morales government high officials and the prefects of Bolivia’s nine departments, Vice-President Álvaro García Linera stressed the necessity to forge a broad national pact and mentioned the possibility to revise the new constitution. “El diálogo perfila un pacto y abre la negociación de fondo”, *La Razón*, 8 January 2008.

<sup>77</sup> “El diálogo perfila un pacto y abre la negociación de fondo”, *La Razón*, 8 January 2008.

<sup>78</sup> See, for example, Franz Xavier Barrios, “Compatibilizar la CPE con los Estatutos”, *La Razón*, 11 January 2008.

<sup>79</sup> Crisis Group interviews, political analysts and Bolivian journalists, La Paz, 8-9 February 2008 and Santa Cruz, 11 February 2008.

The main issues at stake are so intertwined and complex that any modification to the constitution would at least run the risk of reviving debates over the whole text; positions are polarised to an extent that if either side were to back down, its supporters would likely feel betrayed and protest violently. Hardcore supporters of the Morales government would be certain to resist revision of the approved text.<sup>80</sup> Similarly, eastern lowland prefects, particularly Rubén Costas in Santa Cruz, are under pressure from their Civic Committees and radical supporters, who oppose any “pact”. A constitutional expert insisted to Crisis Group that the only way to resolve the crisis would be to put the current text aside and give a small, independent commission two years to draft a new document. That seems unrealistic, however. At the least, a political solution would have to precede a technical one.

## B. CRISIS POTENTIAL

At this stage, few people consider Bolivia’s territorial disintegration is imminent, but the political deadlock severely jeopardises President Morales’s capacity to govern. There is a general sense in the country that government and opposition are not yet on the brink of violent conflict, but the potential for such a confrontation has to be seriously assessed.<sup>81</sup> Renewed street protests could well lead to local violence, and if this were to occur in three or four departments simultaneously, the government would be hard pressed to restore order.

Also, while large-scale authoritarian repression is highly unlikely, the situation could deteriorate seriously. The events of 2007 showed the limits of the government’s ability to contain popular upheavals.<sup>82</sup> While until recently the government regularly threatened to resort to force,<sup>83</sup> in April 2008 Morales clearly

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<sup>80</sup> Crisis Group interviews, political analysts and journalists, La Paz, 6-8 February 2008.

<sup>81</sup> Crisis Group interviews, political analysts, La Paz, 6-8 February 2008.

<sup>82</sup> In October 2007, the military closed the Santa Cruz Viru Viru international airport, but retreated the following day, when 40,000 Santa Cruz inhabitants marched to it to retake control. In Sucre during the violent street protests of November 2007, police had to flee and demanded security guarantees before returning. On 6 December 2007, in Riberalta, a Venezuelan Hercules C-130 plane allegedly full of arms was attacked by a mob and forced to leave the airport.

<sup>83</sup> For instance, in December 2007, President Morales threatened to use force, after the eastern lowland departments unilaterally voted their autonomy. “El Gobierno advierte con usar la fuerza contra autonomistas”, *La Razón*, 12 December 2007.

stated that he would not declare a state of exception in Santa Cruz department, though he accused “small conservative and fascist groups” of promoting Bolivia’s disintegration.<sup>84</sup> However, he now faces pressure from his hardline supporters to counter the eastern lowlands autonomy moves, and while he may not order security forces to act, those supporters could well take destabilising steps.

Political polarisation has exacerbated racist sentiment on both sides. Some in the opposition deem the new constitution itself to be racist, since it bestows the privileges of self-government, including self-justice and control of natural resources, on the country’s 36 indigenous communities. The government accuses radical supporters of the *Camba Nation* – an extremist, racist, pro-independence movement in the eastern lowlands<sup>85</sup> – of fuelling the autonomy drive with anti-indigenous rhetoric. In December 2007, the International Federation of Human Rights (FIDH) expressed grave concern over the intensification of acts of violent discrimination against human rights organisations and indigenous populations, especially in Santa Cruz department.<sup>86</sup> Provocations from indigenous extremists, the “red ponchos”, continue as well.<sup>87</sup>

If mounting political instability cannot be halted, the increasingly difficult economic situation could deteriorate rapidly, making matters more unmanageable. Until recently economic growth enabled Morales to cater to his supporters’ demands but at the cost of stimulating ever greater demands. If economic growth slows, social conflicts could increase. In January 2008, Morales announced a 10 per cent increase of the minimum wage<sup>88</sup> and declared that maintaining economic growth would be his government’s top priority in 2008. However, 2007 ended with mixed results: annual growth fell from 4.5 per cent to 3.8 per cent, and inflation reached 12.6 per cent compared to 4.95 per

cent in 2006.<sup>89</sup> Economists assert that political uncertainty is already having an effect. They warn that investments will only maintain gas production at its current level; if the government wants to fulfil its commitments to sell gas to neighbouring countries, it must double production by 2011.<sup>90</sup>

### C. INTERNATIONAL CONCERNS

In December 2007, European and Latin American governments (notably neighbouring countries) expressed worries about the uncertain situation.<sup>91</sup> Sources from the U.S. Department of State told the press that recent limits on participation and debates within the CA were regrettable but reiterated that the constitutional process was an important step toward democracy and social justice.<sup>92</sup> During his visit to La Paz in December 2007, Brazil’s President Luiz Inácio Lula da Silva expressed public support for Morales.<sup>93</sup> Brazil, whose longest border is with Bolivia and whose largest city, Sao Paulo, depends on Bolivian gas,<sup>94</sup> is concerned about the possible destabilisation of the neighbouring, gas-rich department of Santa Cruz. Lula’s pledge to invest \$750 million in Bolivia until 2011 was, therefore, greeted positively by the Morales government.<sup>95</sup>

During his January 2008 visit, OAS Secretary General José Miguel Insulza’s statements that the new constitution did not directly conflict with democratic principles<sup>96</sup> produced strong criticism from opposition leaders, who felt that he should have been more critical, in particular regarding what they viewed as undemocratic procedures leading to adoption of the final

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<sup>84</sup> “Morales no declarará estado de excepción en Santa Cruz”, Associated Press, 8 April 2008.

<sup>85</sup> See Crisis Group Reports, *Bolivia’s Divisions* and *Bolivia’s New Constitution*, both op. cit.

<sup>86</sup> “La Federación de DDHH expresa preocupación por lo que sucede en Bolivia”, *La Razón*, 14 December 2007.

<sup>87</sup> The “red ponchos” are Aymara warriors, militia groups originating from Achacachi, a small town on the shores of the Titicaca Lake, 90km from La Paz. In January 2008, during the 181st anniversary of the founding of La Paz’s Omasuyos province, they announced they would organise a rifle competition to determine their best shooters in case of civil war. “Los ‘Ponchos Rojos’ defenderán a Morales”, *EFE*, 17 April 2008.

<sup>88</sup> “Evo anuncia mayor presencia del Estado y un alza salarial del 10%”, *La Prensa*, 23 January 2008.

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<sup>89</sup> “Preliminary overview of the economies of Latin America and the Caribbean 2007”, UN Economic Commission for Latin America and the Caribbean (ECLC).

<sup>90</sup> Crisis Group interview, diplomats, La Paz, 7 February 2008.

<sup>91</sup> “El cuerpo diplomático ve con preocupación al país”, *La Razón*, 14 December 2007.

<sup>92</sup> “Estados Unidos observa cómo se aprobó la CPE”, *La Razón*, 11 December 2007.

<sup>93</sup> In private, Lula da Silva advised Morales, however, to be more patient. Crisis Group interviews, diplomats, La Paz, 7 February 2008.

<sup>94</sup> See Crisis Group Report, *Bolivia’s Rocky Road to Reforms*, op. cit., pp. 9-11.

<sup>95</sup> “Brasil busca ser aliado privilegiado”, *El Deber*, 12 December 2007.

<sup>96</sup> “If I look at the new constitution, I see no points which go against the basic principles promoted by the Organization of American States”, said Insulza during a press conference, adding that the text “does not go against any basic principles of a democratic state, which leads us to declare ourselves pleased in this regard”.

draft.<sup>97</sup> During his “Aló Presidente” television and radio show on 14 October 2007, Venezuela’s President Hugo Chávez, already much involved in supporting Bolivia financially, expressed concern the country could become a new Vietnam and said his government would intervene if Morales were overthrown or assassinated by the “oligarchy”.<sup>98</sup> The Bolivian opposition was outraged,<sup>99</sup> but on 23 April 2008 Morales received renewed support from Venezuela, Cuba and Nicaragua, with Chávez accusing the U.S. of promoting a “Kosovoisation” (partition) of Bolivia and add-

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<sup>97</sup> For instance, Gabriel Dabdoub, president of the Santa Cruz business organisation CAINCO, declared that Insulza could not ignore the controversial way the constitution had been adopted and that the OAS had lost credibility. Departmental prefects, who had been received in Washington by the OAS in October 2007, also requested that the secretary general send an official mission to Bolivia to review the new constitution. Insulza rejected the proposal, although he named a special envoy, Argentine Raúl Alconada, in charge of coordinating observation of Bolivia’s electoral process. According to Crisis Group sources, he also urged Morales to adopt a more democratic stance, Crisis Group interview, diplomats, La Paz, 7 February 2008.

<sup>98</sup> The Venezuelan government is giving aid money directly to the police, the military, social organisations and municipalities and offering tractors to peasants and grants to students. It has also funded construction of schools and hospitals, and the Bank of Venezuela recently opened a subsidiary in Bolivia to handle micro-loans. In 2006, Chávez bought the football World Cup broadcasting rights and subsequently ceded them to the Bolivian state channel. He currently finances, apparently with \$80 million, the “Bolivia cambia, Evo cumple” campaign to promote Morales’s image. The two Super Puma presidential helicopters used by Morales are a loan from Venezuela, and their crew is Venezuelan. Venezuela also backs the construction of a new Bolivian military base in the Amazonian city of Trinidad. There is speculation regarding arms sales, the presence of military instructors and financing for rehabilitation of Bolivian military barracks. Nevertheless, some contend the total funds received by Bolivia does not exceed \$100 million. In addition, while Chávez still has strong personal influence on Morales, Venezuela has become less visible since Chávez’s domestic troubles have increased. Some Bolivian analysts point out that Bolivia is not as closely aligned with Venezuela as is often said and maintains an independent stance on various issues. When in April 2006, Chávez said Venezuela would withdraw from the Community of Andean Nations (CAN), Bolivia defended the organisation. More recently, when Chávez promoted creation of a gas equivalent to OPEC, Bolivia expressed reservations. While Chávez rejects the UN mission in Haiti, Bolivia has contributed 288 troops. Crisis Group interviews, journalists, political analysts and diplomats, La Paz and Santa Cruz, 5-12 February 2008.

<sup>99</sup> “Chávez recibe ola de críticas por su amenaza”, *La Razón*, 16 October 2007.

ing that “the empire was desperately trying to retake control of Bolivia”.<sup>100</sup>

After the 4 May 2008 Santa Cruz autonomy referendum, Chávez again threatened to intervene, saying Venezuela would not stand by with its arms crossed: “You may accuse me of meddling. I plead guilty”.<sup>101</sup> With large and growing international reserves thanks to the hydrocarbon tax revenues and high international gas and oil prices, the Morales administration should consider carefully whether it is wise to continue relying so heavily on Chávez’s help, which gives the Venezuelan head of state leverage to interfere in Bolivia’s internal affairs and deepens the divide between the government and the opposition. As an alternative, Morales might seek to strengthen cooperation with Brazil, which has strong interests in Bolivian natural gas but is politically more neutral.

Bolivia’s diplomatic moves remain a U.S. concern.<sup>102</sup> In September 2007, during a visit by President Mahmoud Ahmadi-Nejad, Bolivia and Iran announced establishment of diplomatic relations and signed cooperation agreements valued at \$1.1 billion.<sup>103</sup> Morales declared his country would have similar relations with Libya.<sup>104</sup> Information in the computers of Raúl Reyes, the second-in-command of the Colombian insurgent group FARC, who was killed on 1 March 2008 in an attack on his camp inside Ecuador,<sup>105</sup> reportedly shows that Bolivian politicians of the Communist Party and of the Sin Miedo movement, as well as indigenous leaders such as Felipe Quispe, though not current Morales government officials, had contacts with that insurgency.<sup>106</sup>

In January 2008, Morales declared that an international crusade and a U.S. plot against him were under way.<sup>107</sup>

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<sup>100</sup> “Países del Alba solidarizan con Evo Morales”, Associated Press, 23 April 2008.

<sup>101</sup> “Chávez advierte que actuará para evitar separación de Bolivia”, *El Nuevo Herald*, 8 May 2008.

<sup>102</sup> “En EEUU dicen que Bolivia-Irán es asunto de seguridad nacional”, *La Razón*, 31 October 2007.

<sup>103</sup> EFE, 24 January 2008.

<sup>104</sup> “Evo Morales elogia los vínculos de su país con Irán y Libia”, *El Nuevo Día*, 26 September 2007.

<sup>105</sup> See Crisis Group Latin America Briefing N°17, *Colombia: Making Military Progress Pay Off*, 29 April 2008.

<sup>106</sup> “Los vínculos de las FARC”, *La Razón*, 14 May 2008. Reportedly, the message mentioning these links was sent on 2 September 2003. “Las FARC crean cédulas clandestinas para su expansión internacional”, *El País*, 11 May 2008.

<sup>107</sup> “The Bolivian government believes that the U.S. embassy has provided support to an ‘irregular’ police intelligence group operating in the country for over fifteen years.... Government [Interior] Minister Alfredo Rada explained during an interview with *La Prensa* that the executive had detected ‘irregu-

Accusations were levelled against Ambassador Philip Goldberg,<sup>108</sup> including claims that U.S. Agency for International Development (USAID) programs were financing opposition efforts to overthrow the Bolivian government. The embassy called the charges unfounded, and relations were further complicated when La Paz accused an embassy official of having asked U.S. citizens to spy on Venezuelans and Cubans in Bolivia in 2007.<sup>109</sup> They are not likely to improve after Bolivia's additional declarations in defence of traditional coca use, following the renewed call of the UN's International Narcotics Control Board in March 2008 for it to ban coca chewing and the use of the plant in products such as tea.<sup>110</sup> Nevertheless, Bolivian police cooperation against drug trafficking has helped avoid a worse confrontation.<sup>111</sup>

#### D. INTERNATIONAL MEDIATION?

After the controversial adoption of the constitution, Brazilian, Argentinian and Chilean as well as European diplomats met both sides and were reportedly helpful in defusing tensions and preventing a major confrontation.<sup>112</sup> In April 2008, representatives from the EU, the OAS, the Community of Andean Nations (CAN) and the Group of Friends (Brazil, Colombia and Argentina) visited,<sup>113</sup> called for a peaceful solution to the stalemate and cautioned against violence.<sup>114</sup> After meeting with President Morales on 1 April, Sub-Secretary for Political Affairs Dante Caputo said the

OAS was ready to help if asked.<sup>115</sup> A few days later, the EU also offered good offices over the standoff.<sup>116</sup>

As the Catholic Church's attempt to broker a deal, initiated in mid-March 2008, was not making tangible progress,<sup>117</sup> these offers were mostly welcomed. Chancellor David Choquehuanca said the government would seriously evaluate the EU proposal to play a facilitating role, while PODEMOS Senator Luis Vásquez indicated he also viewed the EU as neutral and impartial.<sup>118</sup> However, these moves raised concerns with other opposition leaders. In early April, the Santa Cruz Civic Committee announced it would oppose mediation by Brazil or Argentina, because they were allied to the government, and their efforts would only serve MAS interests and those of Brazil and Argentina. Similarly, PODEMOS leader Jorge Quiroga, who does not oppose mediation by a group of friendly countries, warned against the OAS as sole mediator, asserting that Insulza had disqualified himself and what mattered was to have a balanced group, free of Venezuelan influence.<sup>119</sup>

Since then, Caputo, who visited Bolivia on two more occasions in April 2008 and met with both the opposition prefects and the government, has engaged the OAS in a de facto facilitation, which has not yet produced renewed dialogue between the two sides. Both the U.S. and the EU recently said they were encouraging the effort, together with the Group of Friends.<sup>120</sup> It also is possible that a friendly nation such as Norway, which is engaged with the Morales government on a cooperative basis over natural gas and timber issues and has a history of quiet diplomatic activism, could offer its own good offices.<sup>121</sup>

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larities' in the operations of at least two intelligence units in the country". *El Nuevo Herald*, 28 January 2008.

<sup>108</sup> On 10 November 2007, President Morales accused U.S. Ambassador Philip Goldberg of links with alleged Colombian criminal and paramilitary groups, after Morales showed a photo of Goldberg and John Jairo Vanegas, accused by the Bolivian police of involvement in bank robberies, kidnappings and assassinations, attending a public event together.

<sup>109</sup> "US diplomat faces spying charges in Bolivia", Associated Press, 15 February 2008.

<sup>110</sup> "Bolivia to defend coca leaf at UN", BBC, 10 March 2008. For background analysis of U.S.-Bolivian relations over the drug issue, see Crisis Group Latin America Reports N°25, *Latin American Drugs I: Losing the Fight*; and N°26, *Latin American Drugs II: Improving Policy and Reducing Harm*, 14 March 2008. Crisis Group interviews, diplomats, La Paz, 7 February 2008.

<sup>111</sup> Crisis Group interview, State Department officials, Washington DC, May 2008.

<sup>112</sup> Crisis Group interviews, diplomats, La Paz, 7 February 2008.

<sup>113</sup> From 3 to 6 April 2008, the delegation met with President Morales and opposition representatives.

<sup>114</sup> "La Unión Europea se ofrece para facilitar el diálogo en Bolivia", *La Razón*, 12 April 2008.

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<sup>115</sup> "La OEA está dispuesta a colaborar si se lo piden", *La Razón*, 2 April 2008.

<sup>116</sup> "La Unión Europea se ofrece para facilitar el diálogo en Bolivia", *La Razón*, 12 April 2008.

<sup>117</sup> On 14 March 2008, the opposition invited the Catholic Church to facilitate a renewed dialogue between the Morales government and the eastern lowland departments. Cardinal Julio Terraza's attempt, however, rapidly bogged down. "La mediación de la Iglesia aún no da frutos", *El Nuevo Herald*, 17 March 2008. "La Iglesia recibe presiones para llamar al diálogo", *La Razón*, 10 April 2008.

<sup>118</sup> "La Unión Europea se ofrece para facilitar el diálogo en Bolivia.", *La Razón*, 12 April 2008.

<sup>119</sup> "In Santa Cruz vetan a Brasil y Argentina de la mediación", *La Razón*, 2 April 2008.

<sup>120</sup> "EEUU apoya la necesidad de diálogo con mediadores", *La Razón*, 9 May 2008. "EU Presidency statement on Bolivia", 7 May 2008.

<sup>121</sup> "EEUU apoya la necesidad de diálogo con mediadores", *La Razón*, 9 May 2008. "EU Presidency statement on Bolivia",

#### IV. CONCLUSION

The standoff between the Morales administration and the political and eastern lowland opposition over departmental, regional and indigenous autonomies and the controversial new constitution threatens to further destabilise Bolivia. If mutual intransigence persists and at least some dialogue is not resumed, a new round of violent confrontation between government/MAS supporters and the civic committees in the eastern lowlands is a real possibility. The country is in the midst of a series of referendums that instead of helping to clear the path toward basic consensus on key issues – especially the several layers of autonomy, but also the use of the Direct Hydrocarbon Tax (IDH) and Sucre's status as a capital – could further increase the gulf between the camps.

The only conceivable way to overcome the crisis is for all parties to engage in a truly constructive dialogue, giving priority to resolving the autonomy issue by amending the not-yet-adopted new constitution accordingly. The government should step back on its IDH-financed pension fund (*Renta Dignidad*), and the Sucre debate should be postponed. Both sides should also seriously consider postponing the recall referendum until after the new constitution has been amended and adopted; they should call on the OAS, the EU and selected European countries and the Group of Friends to offer good offices and financial help.

**Bogotá/Brussels, 19 June 2008**



## APPENDIX A

### MAP OF BOLIVIA



## APPENDIX B

### ABOUT THE INTERNATIONAL CRISIS GROUP

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The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 135 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

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The Crisis Group Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policy-makers around the world. Crisis Group is co-chaired by the former European Commissioner for External Relations Christopher Patten and former U.S. Ambassador Thomas Pickering. Its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

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