Bolivia's Ambivalent "Process of Change"

By Miguel A. Buitrago
miguelabuitrago@gmail.com

Summary

Ever since Evo Morales arrived to the Presidency of Bolivia in 2006, he and his government have been implementing what they have called the Process of Change (*Proceso de Cambio*). This process, which formally began in 2009 with the approval of a new constitution, has been defined by the government as anti-neoliberal and has sought to reinvent the Bolivian state by introducing normative, institutional and administrative reforms. The most important reforms strengthened the indigenous population's rights, increased their political participation and placed the state at the center of development. In light of those significant changes to the Bolivian state, this article analyzes the Process of Change during the eight years Morales has been in power. In particular, it focuses on the changes observed in the economic, political and social areas. The article contends the Morales government has followed an ambivalent course of action. On the one side, it has sought to firmly establish political power in the hands of indigenous peoples; bring about social justice and equality as well as more inclusion for them into the political process. On the other side, the government has displayed shades of authoritarianism by repeatedly disregarding the rule of law and the constitutional order as well as infringing on some rights and liberties of the opposition, in the process contradicting its own aims. In light of Morales' real possibility to be elected president of Bolivia for a third term, it would be imperative for him and his government to think about the consequences of an ambivalent course of action.

Tags

Bolivia, Bolivian Politics, Evo Morales, Plurinational State, Democratization, Democracy

Ever since Evo Morales arrived to the Presidency of Bolivia in 2006, he and his government have been implementing what they have called the Process for Change (*Proceso de Cambio*). This process has sought to reinvent the Bolivian state by introducing normative, institutional and administrative reforms. The vehicle for these changes has been the approval of a new constitution in 2009, which, aside from redefining the Bolivian state as plurinational, anti-colonial, anti-neoliberal, indigenous, communitarian and state-led developed, it significantly enhanced the rights and status of the Bolivian indigenous population. For example, it increased political participation, it included that population in the decision-making processes as well as focused on their social and economic development.

At present time, Morales is approaching the end of his second and current term in office, as he is due to face re-election in October 2014. While the opposition has been notoriously slow in presenting a strong front capable of successfully challenging Morales at the ballot boxes, the government and the incumbent have been marching on their course without hesitation. The very real possibility that Morales will be once again elected President has invited observers to speculate over the continuation and the direction of the Process of Change. This article, in contrast, aims at looking back at Morales' first and second terms and to ask the also relevant question as to whether his government has been as transformative as it aimed to be and whether the changes that took place were beneficial for Bolivia, its citizens and its democracy. In essence, the article evaluates what are the positive and negative aspects of the Morales government so far, in light of the achievements of prior governments.

From a consolidation of democratic principles and practices point of view, the Morales government has approached the implementation of the Process of Change with ambivalence. While the government has realized very moderate improvement in social areas such as poverty, education, health and the establishment of social programs, its limited view of placing the objectives of the process at the center of political life has all too often transgressed many political rights and citizens' freedoms considered fundamental for the consolidation of democracy. Such ambivalence has prompted many critics to seriously place into question the advancements of the Process of Change as well as Morales' democratic credentials.

The economic environment

The Bolivian economy has performed seemingly well under the Morales government. However, several developments have to be considered to better appreciate the economy's performance under this government. First, Morales inherited policies from prior governments which, on the one hand, induced solid macroeconomic performance, but on the other hand, had negative effects on the population. From 1982 to 1985 Bolivia experienced a severe economic crisis plagued by hyperinflation which largely destroyed the industrial base, obliterated investment, dismantled the basis for growth and forced many people into bankruptcy and poverty. In a desperate response the country implemented shock therapy and structural adjustment policies. The policies worked and the country embarked on a new era of macroeconomic stability. Consequently, throughout the 1990s, Bolivia reconstructed its economy mainly by continued adherence to structural

adjustment policies. This resulted in an almost self-evident macroeconomic stability and a partial industrial recovery for Bolivia, which, to a large extent, translated into a significant level of stability in the democratic procedures. For example, the transfer of power was conducted through constitutionally mandated and internationally recognized free, fair and peaceful elections and governance followed a coalition-based government mechanism which provided much needed continuity beyond the presidential term.

The weaker side of these policies, however, was the effects they had on the domestic environment. An ambitious program of decentralization, privatization, and liberalization was implemented from 1993 on, which had a degree of initial success. However, the opening of the economy to the world markets affected negatively the local industry. The privatization of many state enterprises proved to be devastating for workers because it resulted on massive layoffs in the mining industries—one of the country's most important industries—as well as significant losses of employment for workers in the hydrocarbons and utilities industries. In consequence, the loss of employment triggered massive waves of internal migration from rural to urban areas around the country. This situation was continued by the subsequent governments. In this manner, these developments became a decade-long experience with unemployment, insecurity and poverty. During Sanchez de Lozada's second and short lived term (2002 – 2003) the situation erupted in a severe social and political crisis which brought Bolivia's young democracy to the brink of collapse.

Second, the Morales government had a propitious start. As Morales' arrived to the presidency in 2006 the economy was stable on the macro level, but had significant social and political problems. Considering the country had been on a relatively successful democratic path for some decades and it had just been through a severe social and political crisis, the international community had much interest in supporting Bolivia's efforts to reassert its democracy. It can be argued that for that reason, between 2005 and 2007, several international development organizations such as the IMF, WB and the Inter-American Development Bank (IADB) as well as several partner countries such as Spain, Italy, Germany, the US and Japan, forgave Bolivia's international obligations. This was an important impulse for Morales and his government and an important signal from the international community towards Bolivia. While Bolivia's total debt had been in decline in the previous years, it declined more conspicuously once Morales took office. All in all, according to the Bolivian Central Bank (BCB), Bolivia's debt relief reached 2.3 Billion dollars.

However significant this gesture from the international community had been in favor of Bolivia, it did not mean the Morales government was going to continue a policy approach of fiscal restraint. To the contrary, as the government's actions to date corroborate, it has continued to borrow financial resources from multilateral organizations such as the Development Bank of Latin America (CAF) and the IADB as well as the financial markets and even the Bolivian Central Bank, where Bolivia keeps substantial reserves. The government's ambitious development plan, which places the state at the center of the development, required significant increases in the level of government spending and investment since Morales arrived to power.

The centrality of the state will become evident as the economic environment under Morales is further analyzed.

Third, the Morales government has had to deal, with some degree of success, with a latent inflation rate, which nonetheless has been affecting the domestic economy because the prices of primary products – such as meat, some vegetables, bread, barley, sugar, flour, rice and soy – have been increasing at a notable rate. According to WB data, from 2003 on, the inflation rate had begun to slowly rise and since 2006 the pace has picked up. During 2007, 2008 and 2011 the inflation rate has seen significant increases in the order of 8, 14 and 9 per cent per annum respectively. Several reasons help explain these increases. In first place, because the government has been receiving more revenue due to the nationalization of important industries, higher international prices of its most important export (natural gas) and successful efforts to collect more taxes, it has been injecting cash into the economy. Morales has regularly increased wages, redistributed government income through social transfer programs, started investments in infrastructure, financed projects through the central bank and build-up the bureaucracy. Combined with the increase of food prices at the international level, the consequence has been that the injection of cash in the rather small Bolivian economy without really realizing investments to increase the productive base had a significant effect on the level of prices.

To counterbalance those negative effects on inflation, the Morales government has been trying to control inflation by making use of orthodox and unorthodox policies. For one, it has been acting upon the money supply through open market operations and the implementation of a policy of providing incentives for the economy to use the local currency, known as the *Bolivianization* of the economy. On the other side, it has been controlling the general price levels of primary goods through subsidized assistance for medium and small farmers and producers, through an agency capable of lowering prices through the control of production as well as through the import, production and commercialization of comestibles. Lastly, *Fundacion Milenio*, a reputable Bolivian think tank, has argued that the government has made changes to the consumer price index methodology in order to reduce the effects of comestibles price increases to the indexⁱ. These have been actions that have disguised the negative effects rather than dealt with the problem at hand.

Fourth, Morales has been able to show successes in the area of trade, including historical surpluses on its trade balance. This development is specifically attributable to the government's nationalization of the country's hydrocarbon resources and the ensuing re-negotiation of contracts with the foreign companies operating in Bolivia as well as the increase in the price of those resources at the international level. The nationalization has meant that, while prior governments received some 12 to 17 per cent of taxes for the exploitation and commercialization of natural gas and oil, Morales raised those percentages to an equivalent of 80 per cent. In addition, the nationalization could not have come at a better time because of the rise in the prices of natural gas in international markets. In fact, the significant increase during 2006 to 2012 on the volume and value of exports is largely attributable to the export of natural gas to Brazil and Argentina,

Bolivia's most important trading partners. The caveat is that the Bolivian economy has been highly dependent on the export of natural gas.

Fifth, the Morales government has been able to induce a positive development in the official open unemploymentⁱⁱ rate. This is attributable to the movement the economy has experienced due to the government's expansive policies and investments in infrastructure as well as the redistribution of government income in the form of social programs. These policies have translated into more government-related jobs and more money in the pockets of citizens, not to mention the considerable increase in the size of the government itself. Only in the last years the unemployment rate has suffered a setback, which might be explained by the latest 20 per cent increase in the national minimum salary on April 2013. In fact, according to official reports, the government has increased the minimum wage by 173 per centⁱⁱⁱ since 2006. This increase is most likely one factor that prevents private enterprises in Bolivia to hire new workers.

Finally, the relatively healthy state of the economy is reflected in its positive economic growth. While there was positive growth during the governments prior to Morales, the current government argues the economy experienced acceleration in growth under its watch. To substantiate this claim, the government says the Bolivian economy has been growing at up to 3 per cent annually between 1985 and 2005 and an annual average of 4.8 per cent between 2006 and 2012^{iv}. That would mean a moderately better than average growth rate for developing nations. Contributing factors have been the larger revenues the state has been receiving product of the nationalizations of various industries such as hydrocarbon, mining and telecommunications and, more specifically, the revenues received from the export of natural gas which have benefited from a surge in the prices at the international level. The government has been spending and investing these resources.

The social environment

The Morales government has earned better reviews, even at the international level, in the social area. One significant development is that the average quality of life for a Bolivian has marginally improved. However, it is important to point out that this improvement has not only been Morales' achievement. During the prior governments the quality of life also improved as marginally as under Morales. Two examples should illustrate how the governments before Morales did implement some policies that advanced the betterment of Bolivian lives. First of all, the Law of Popular Participation (LPP), introduced in 1994^v, after municipalizing the entire country, allowed for the automatic redistribution of a part of the state's revenue directly to the municipalities. This has had a major impact in the redistribution of government resources because, from that point on, rural areas, which had not received financial resources before, were transferred funds to invest in education, health, infrastructure, sanitation, culture and sports. Second, the country's participated in the Millennium Goals (MG) initiative under the leadership of multi-lateral organizations such as the United Nations, the World Bank, the IMF and the US government. The Bolivian government's attempt to adhere itself to this initiative was the Bolivian Strategy for Poverty Reduction (EBRP) and the effort to continue with such goals was the *Bolivia Digna* (Bolivia

Dignified) program. The last report before the arrival of Morales^{vi} enumerates the progress made by Bolivia in various dimensions. For example, the reduction of extreme poverty between 1996, 2000 and 2005 was from 41 to 45 to 38 per cent of the population respectively. Another example is the reduction of malnutrition in children under 3 years old. While in 1994 it was 28.3 per cent, in 2003 was 24.2 per cent. Moreover, while in 1999 6.6 percent of the population was illiterate, in 2005 only 5 per cent could not read or write, also the number of women between 14 and 44 that did learn to write and read rose from 92.8 in 1999 to 95.1 in 2005. Finally, Bolivia was able to reduce from 1990 to 2003 by 35 percentage points its children mortality rate.

Yet, it is also important to highlight that the Morales government implemented several schemes that made tangible difference in the lives of Bolivians because they were directly applied to the citizens themselves, and for sure that is the reason why these differences have weighted so much on the support for him and his government. As part of its government revenue re-distribution efforts, Morales introduced government transfer programs: the Juana Azurduy, Juancito Pinto and *Dignidad* (dignity) bonuses. The first is an incentive for pregnant women to receive prenatal and postnatal care, the second is a yearly payout to school children and the third is a small rent for senior citizens. These cash transfers reached, according to the government, just over 3 million people, which represent just about 30 per cent of a population which did not receive any type of assistance before. Such transfers do not only raise the average individual income but also, and most importantly, the incomes of many families. Other programs have sought to target households, such as the *Tarifa Dignidad* (Dignity Tariff) which lowers electricity bills and the agricultural insurance against catastrophes which benefits victims of inclement weather with 1000 bolivianos. Furthermore, a program that benefited the population was the alphabetization program the government implemented resulting in a considerable reduction of the country's illiteracy rate. Finally, the Morales government, with the help of Cuba, conducted a health campaign which brought much needed medical care to the rural areas of country. Bolivia has steadily made improvements in its development efforts in the last eight years and stands noticeably above the medium human development level, albeit below the average of the world's development and much below the average of the Latin American region.

Political rights and freedoms

While the Bolivian economy has been performing satisfactorily under the Morales government, supporting its efforts to consolidate the process of change, and the ensuing social advancements have been encouraging people to support him further, the developments in the rights arena have been mostly controversial. In that manner, Bolivia has consolidated itself according to Freedom House^{vii} as a partly-free country with a score of 3 since 2004, whereas in 2003 it scored 2.5 thereby being classified as a free country. In spite of the fact that during the governments prior to Morales seemed to have performed very questionable actions –for example, the brutal repression of demonstrations under Banzer's period or the infamous Gas War episode on October 2003 under Sanchez de Lozada or the unconstitutional government changes during the 2003/2005 crisis– there was the general agreement that such actions were undertaken within the realm of the rule of law and that the democratic rules of the game were never put into question. However,

under the current Presidency of Morales there is a persistent belief that this government has been moving in and around the boundaries of the rule of law. In other words, that Morales' adherence to liberal democratic principles hasn't been that strong.

This critique towards Morales can be best illustrated by observing the government's actions as it seeks to achieve its aims. For instance, Morales has been able to achieve an overwhelming majority (2/3 majority) in the national assembly –with only in the Senate being short of a majority— giving him an unprecedented control over the Executive and the Legislative branches of government. Granted that can happen in such a democracy, the critical observations have come as a result of how he has used that advantage. One example of an overreach of power has been his and his party's efforts to push through a new constitution. During the Constituent Assembly process in 2007 and 2008, Morales and his government considerably intervened in the writing of the new Constitution by providing the different groups of supporters with expert opinion, counsel and leadership. By the end of the process, the MAS faction within the assembly had come to completely dominate the process, even taking decisions without the opposition's presence, which at some point had decided not to participate in protest against alleged non adherence to the assembly's rules and procedures. The result of that process – the denominated Oruro Constitution – had to then be re-negotiated with a significantly weakened opposition in Congress before being submitted to a referendum in 2009. To achieve the end result, the passing of a new Constitution, the government appealed to its supporters to besiege the Congress building to apply pressure against the opposition.

Another example has been how he has been successful in neutralizing a strong regional opposition which had emerged as a result of the 2005 general elections. This block, denominated *Media Luna* (Half Moon, because of the shape the regions formed in the Bolivian map) was led by the region of Santa Cruz and included Beni, Pando, Tarija and Sucre departments. Morales was able to weaken that opposition using anti-corruption law with retroactive enforcement in combination with a constitutional provision that allowed elected officials be removed from office if state attorneys brought charges against them. Among the most prominent opposition politicians forced out of elected office are Mario Cossio (former Governor of Tarija), Jose Luis Paredes (former La Paz Prefect), Manfred Reyes Villa (former Governor of Cochabamba), and Roger Pinto (former Senator), who along with an unusually large number of other opposition figures have obtained asylum in countries such as Brazil, Paraguay, Peru and the US because they felt politically persecuted by the government.

Another source for criticism has to do with the manner in which Morales has been able not only to strategically place supporters in key offices in the government –for example in the electoral court, the office of the Ombudsman or some Governorship—but also in the judicial branch of government. A small army of public attorneys and judges has been particularly useful, especially at the time of dealing with opposition leaders. Many of these attorneys and judges have declared themselves “committed” with the process of change. Being committed with the cause severely restricts peoples or actors ability, and in many offices the duty to, constructively criticize the

government's actions. That concretely means, for example, that neither the judicial nor the legislative branches can exercise their controlling functions vis-à-vis the executive.

A further example has been how Morales has tried to control the media, in particular the private media companies. The latter have tended to criticize Morales and his government. To counter that, the government has relied on the passing in 2010 of one piece of legislation that has been highly criticized before and after it passed. The denominated law against racism and all forms of discrimination, while having a noble aim, punishes any words, expressions or even opinions that can be interpreted as racist or discriminatory. The law, however, does not define what is racist or discriminatory and leaves those concepts up for interpretation. The relevance of this law is given through the current political and ethnic context existent in the country. The media has, and not without reason, complained that the freedom of expression and the principle of free press have been inhibited significantly because criticism against the indigenous government has been all too often attacked by the government as racist or discriminatory. This has even led to supporters on the streets physically attacking media offices, principally in the city of El Alto.

Finally, and more recently, Morales has been criticized for his insistence on running for reelection. This decision has awakened considerable skepticism from the part of the opposition. Critics argue that Morales is following the Model followed by Hugo Chavez, thus he wants to stay in the Bolivian presidency indefinitely. An often cited explanation is that those leaders, who have worked hard to create a new system, even if it is in their own minds, have the tendency to want to stay in office as guardians of what they have created. If Morales wins in October 2014 it would be his third term in office, whereas the constitution he himself worked hard to pass stipulates that one president can only run for two consecutive terms. His explanation has been that the 2009 Constitution founded a new state; therefore, his first term in office did not apply.

To circumvent this problem, Morales relied on his party's control of Congress and sympathetic judges in the Constitutional Court. First, the government successfully introduced in 2011 an electoral process to appoint the Supreme and Constitutional Courts judges. In this case, particularly useful for the government have proven judges who have shown "compromise" with the government's policies. Second, Congress, using its absolute majority, passed a law which cleared the way for Morales to run in 2014. The law went through a revision for constitutionality process, and the Constitutional Court judges deemed the law constitutional.

Conclusion

The Morales government has been following an ambivalent course in its process of change. While he has been able to continue the economic progress began in prior governments and to place emphasis on social equality and justice as well as increased political inclusion of the indigenous peoples in Bolivia, the government has also increasingly displayed authoritarian impulses by attempting to restrict certain rights and liberties, in favor of – as the government argues: the benefit of all. This approach has taken the Bolivian democratic process for a walk along its borders, risking thus the occasional side step outside democracy.

Even though, the economy had earned praise even at the international level, observers have turned more careful in the last couple of years. The relatively good standing of the Bolivian economy has been due to developments before and during the Morales government. The prior governments left a legacy of solid macroeconomic policies, namely stable and controllable inflation, a stable foreign exchange rate, lower and controllable levels of foreign debt and a degree of liberalization that induced some growth. For its part, the Morales government has largely contributed towards a solid financial situation for the country. Early on, it sought the reduction of the foreign debt and an unprecedented increase in government revenues by nationalizing Bolivia's natural resources. During the first presidential term, the rise in the natural resources' prices, couples with the government's actions provided for that financial stability. At the same time however, in light of the government's insistence of pursuing a state-led economic growth—focused on redistribution of resources, large amounts of state investment, and a range of subsidies to the economy and price controls—the prospects for this continued positive development is uncertain. Certain is, that the country has started to experience a rise in inflation, creeping levels of external debt, and the crowding-out effects the central government might be playing in the economy.

An area in which Morales and his government have earned praise has been the social policy area. Though a minimal improvement when compared regionally, the improvements attained through the re-distribution of government revenue in the form of social programs has made a palpable impact in the lives of many Bolivians. These programs have lifted many people out of indigent poverty. To that one has to mention the moderate but important improvements in the areas of education and health. However, the most important positive development emanating from the Morales government has been its efforts to, first, assert indigenous peoples rights; and second, promote the inclusion of those peoples in the political life of the country as well as in the decision-making process.

Finally, the area in which Morales and his government have earned much criticism has been the area of political rights. The government's actions in this area have been polarizing. His supporters, for example, have tended to highlight his achievements on the social justice and equality areas, such as the re-distribution of state resources through social programs and his achievements in the economic area, such as the nationalization of utility companies and energy firms as well as his efforts to establish the government as the central factor driving economic development. Additionally, his supporters do highlight Morales' efforts to include the indigenous population in the political process through participation. This is seen as the Morales government's democratic credentials and, in the eyes of many supporters, balance the way in which he deals with the political rights and liberties of political minorities.

On the other hand, critics have keenly observed Morales' repeated disregard for the country's new constitutional order and of the rule of law. In that light, Morales has been criticized for the manner in which he and his government have used the almost absolute majority in Congress to advance the agenda. At the same time, criticism has also been raised for the government efforts to control important public offices and high positions in the legislative branch. Every time the

government seems to advance its agenda using its control of power, critics voice their concern pointing at abuse of power. Lastly, Morales has earned considerable criticism with his efforts to control what can be said and printed in the general media.

Such ambivalence has prompted a debate about Morales' democratic credentials. Critics are just not sure about Morales' beliefs regarding liberal democratic values. If anything is clear about Morales, is the fact that he has very little interest in following liberal democracy as a model, as all of his predecessors did. In fact, he has intensely criticized the liberal democratic system and its main expression, the USA. Instead, Morales seems to be drawing ideas from the radical democracy camp and seems to be following its own idea of democracy.

This ambivalence regarding democratic principles and values seems to be there to stay as long as Evo Morales is president. His government's agenda, as expressed on the Patriotic Agenda 2025, clearly expresses the intention to keep following the same path towards development. While the intention to keep addressing poverty, the lack of basic infrastructure, the betterment of health and education, support local production of goods, keep on benefiting from the exploitation of natural resources, and the inclusion of the indigenous peoples, is seen as a noble and desirable course of action, the decision to make the state play the central role in the economy as well as in society to achieve its aims is highly questionable. Especially questionable is when the government is confronted with difficult decisions where there are no winners and almost all parties involved can lose part of their interests. It is so because the more power the state accumulates; the more chances there are for the state to abuse its power. This is an old reflection that should be very relevant for Bolivia these days.

ⁱ Fundación Milenio. 2013. Inflación Real en Bolivia. Informe Nacional de Coyuntura, 182.

ⁱⁱ This measure includes frictional and hidden unemployment.

ⁱⁱⁱ Ministerio de Economía y Finanzas Públicas. 2012. Evaluación de la Economía Boliviana 2012.

^{iv} Ministerio de Economía y Finanzas Públicas. 2012. Evaluación de la Economía Boliviana 2012.

^v The LPP was a decentralization program which raised the role of the municipality to the detriment of the departmental government level. Many experts go as far as arguing that the arrival of Morales to the Bolivian presidency could not be explained without the LPP.

^{vi} Navia, Monica, ed. 2006. Progreso de los Objetivos de Desarrollo del Milenio. Cuarto Informe. La Paz: Unidad de Análisis de Políticas Sociales y Económicas (UDAPE) and Comité Interinstitucional de las Metas de Desarrollo del Milenio (CIMDM).

^{vii} Freedom House. Freedom in the World 2013. <http://www.freedomhouse.org>