



constitutional self-rule.

The five countries under study in this edition of the magazine are at different points in the continuum between basic decentralization and full-fledged devolution. None are facing the imminent secession of any of their sub-national units.

Of the five, Japan is among the least devolved. The *Economist* magazine recently commented that, “more than any big rich democracy, Japan concentrates political power and financial resources at the centre.”

However, earlier this year a government panel recommended the quasi dismantling of the centrally governed state that has existed since 1867. The proposal would limit the central government to 16 areas including diplomacy, national security and trade policy. Under the plan, regional governments would also have responsibility for areas such as public works and industrial promotion.

In Morocco the government is seeking to defuse the anger of radical youth and put a halt to terrorist bombings that

shocked the country five years ago. Part of its strategy is to give responsibility for social and economic development to the local level.

In the South American countries, Colombia has provided significant funding to fuel decentralization, but the reforms do not come close to resembling devolution.

In Bolivia, populist President Evo Morales is fighting a losing battle against sub-national regions in the east of the country voting to transfer national fiscal powers to the regions. For Morales, this decentralization is a power grab by wealthy landowners and a means for them to duck their tax burden. Morales wants that extra tax revenue to help the poorer, largely indigenous 70 percent of the population.

Meanwhile, in Peru, decentralization has advanced in fits and starts over the last 29 years. Martin Tanaka and Sofia Vera of the Institute of Peruvian Studies, write that decentralization in their country has been chaotic and thus far failed to establish a coherent and orderly institutional framework for providing government services to the people.

# Class, ethnic conflicts paralyze Bolivian reforms

President Morales dithers on decentralization

BY FRANZ X. BARRIOS SUVELZA

**W**HEN SOCIALIST CANDIDATE EVO MORALES BECAME the first indigenous president of Bolivia in 2006, with a mandate to bring about sweeping change, there were expectations from his supporters that he would do great things.

Bolivia is a society divided along economic and ethnic lines. Morales's supporters are also indigenous, and are mostly economically underprivileged.

The challenge is significant. Bolivia is one of the poorest countries in South America and the country of 9.2 million people had a shopping list of expectations.

On one side, indigenous peoples, mostly in the mountainous western regions, want improved democracy, a stronger negotiating position with the multinational oil and gas companies and a total reform of the constitution with a formal recognition of indigenous rights. Indigenous Bolivians make

up as much as 70 per cent of the country's population and are Morales's strongest supporters.

On the other side, wealthier Bolivians in the eastern lowlands, mostly of Spanish and mixed descent, want the national government in La Paz to agree to greater autonomy for their regions.

Initially in early 2006, these two groups had an uneasy peace under Morales' leadership. But many of Morales' supporters wanted him to dismantle so-called “neo-liberalism,” the policy of unfettered markets and small governments that do not interfere with the flow of capital and goods. That is where the two first collided after Morales nationalized the oil and gas sector in May 2006.

In the east, which chafes under Morales's rule, four out of Bolivia's nine regions wanted to block Morales from heavily taxing their soy plantations and cattle ranches, and hoped, through the process of devolution, to gain a larger share of their natural gas revenues, which are now under Morales' control.

The pro-Morales forces – led by his Movement Towards Socialism party – want the wealth generated by those eastern regions to raise the standard of living elsewhere in the country.

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At first it looked as if both of these two irreconcilable goals could be achieved. But neither the Morales forces nor the eastern regions were prepared to compromise.

### Autonomy advocates confront Morales

Unrest with the new president and his programs had been brewing for some time in the east. In July 2006, Morales' opponents won a first round of referendums supporting the principle of provincial autonomy in four regions in eastern Bolivia. It served as a dress rehearsal for the definitive referendums soon to come and a sharp warning to Morales. The stage for the autonomy movement was set in motion back in December 2005 when, in the first democratic regional elections since 1825, six of Bolivia's nine regions elected governors from parties opposed to Morales's socialist party.

### Time slips away

Meanwhile, while the eastern seats were preparing for additional referenda, time was slipping away on Morales and his bid to have a new constitution adopted rapidly, a constitution that he promised would entrench political and economic rights for his indigenous supporters.

It took 18 months of frustrating sessions of the Constituent Assembly to complete a draft constitution. That constitution, written exclusively by the pro-government majority and a few allies, was adopted amid tumult. The referendum on the constitution, originally scheduled for May 4, 2008, was put on hold by the government after the electoral court held that the referendum could not be organized in time for that date. No new date has yet been set.

In the constitutional negotiations, the constituent assembly's pro-Morales forces refused until the last minute to cede a modicum of legislative powers to the regions in the new constitution. The pro-government faction feared that allowing such legislation would mean giving up political powers that they just could not concede, and wrongly calculated that the demand for autonomy was simply manoeuvring by the wealthy landowners.



An indigenous woman votes in the referendum in May 2008. The pro-autonomy forces in Santa Cruz won the vote.

In a last-minute effort by Vice President Alvaro Garcia to reach agreement with the eastern factions, the final draft of the constitution introduced legislative powers for the subnational sphere – in what was a concession to the regions seeking greater autonomy. But those powers were not deemed satisfactory by the landowners. For their part, the pro-Morales forces inserted into the draft constitution a variety of provisions such as autonomous entities, as well as regional and indigenous ones, which created a complex and potentially unmanageable network of governments.

In an interview with the BBC on April 24, 2008, Morales accused his opponents in the eastern regions of really being interested in money, not in devolution, claiming that the more wealthy easterners only became interested in devolution when they lost control of the central government.

### Losing control

"If we look at history, we see that there have always been demands for federalism when the rich minority have lost control of central government, but then when they get it back again, they forget all about autonomy."

The next clash between the two forces took place on May 4, 2008. The subnational region of Santa Cruz held a

referendum, asking voters to approve a statute of autonomy passed by the region's legislature the previous December. The referendum was approved by 85 per cent of the voters. Morales' supporters had called upon people in Santa Cruz to boycott the vote, but without much success.

In April, Morales had promised that the new constitution would guarantee devolution of powers to the regions, according to the BBC:

"But it will be autonomy for the people, not autonomy for the rich elite in Santa Cruz."

The next showdown will likely come right after the date is set for the referendum to approve the draft constitution. The new

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## The Bolivian autonomy referendum of 2006

The question to voters was: "Do you agree, within the framework of national unity, with giving the Constituent Assembly the binding mandate to establish a regime of regional autonomy, applicable immediately after the promulgation of the

new Political Constitution of the State in the regions where this referendum has a majority, so that their authorities are chosen directly by the citizens and receive from the National Government executive authority, administrative power and financial resources that the Political Constitution of the State and the Laws grant them?" – *from the referendum of July 2, 2006, in which the four eastern regions voted a solid "Yes."*

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constitution identifies the 36 indigenous people of Bolivia for the first time in history, lists their languages as official languages nationally, and requires each region to have at least two official languages, one of which must be Spanish. Opposition critics say that if the constitution is passed in its current form, it will split Bolivia.

This chain of events and the outcome hold several lessons for Bolivians. The first is that Morales was mistaken when, in 2006, he mounted a fierce campaign for the No side in the autonomy referendum. This act galvanized voters against him in the four eastern regions, where the pro-autonomy forces would later win. Morales unwisely campaigned on the platform that Bolivia's only pressing issues were greater control over its natural resources and integration of its indigenous inhabitants into Bolivian society and institutions. The country, however, has other challenges. One is regional autonomy. Here Morales made a crucial error. Not content to pursue his strategy in favour of indigenous and anti-liberal policies, he went further and dismissed the pro-autonomy movement as an expression of simple greed on the part of the oligarchy – a few wealthy families.

**Compromise needed**

The mistakes Morales made arise from two different definitions of federalism. One is Morales' "cultural federalism" with economic power held mostly by the central government. The other is a "federalism of autonomy" of regions like Santa Cruz, which wants to keep all the revenues from its natural resources. These two extremes have led to an all-or-nothing struggle between Morales' supporters and the richer eastern regions.

Until the two sides acknowledge some validity in each other's goals, compromise will not be possible. This common ground could lay the foundations for a new territorial model, which is neither completely federal nor completely autonomous. One way of implementing it could be an agreement on equalization payments between the richer and poorer regions. That may not be difficult to agree upon in principle. Where the battle will play out is over what is to be equalized: government services, perhaps including medical care and retirement, or the standard of living?

Morales's strongest argument against devolution is that it

would lead to a return of the *latifundia*, the system in early Latin America that put large landowners in mansions and kept the peasant farmers living in huts.

The opponents of the president are strongest in the region of Santa Cruz, the largest of the four easternmost regions led by the opposition. These four regions – Beni, Pando, Tarija and Santa Cruz – are commonly called "the half moon" by Bolivians

because on the map, the outline of the four regions resembles a crescent moon.


The region of Santa Cruz is the largest contributor to Bolivian GDP (30 per cent), and generates a major chunk of the country's tax revenues. In 2007 the value of exports from Santa Cruz was four times that of the region of La Paz. Second in wealth is the region of Tarija, one of the four regions that approved autonomy in principle in 2006 and which is also preparing for its own referendum to implement that autonomy. About 85 per cent of Bolivia's natural gas reserves are located in Tarija, which accounts for its economic muscle.

**East demands autonomy**

The origins of the demand from Bolivia's east, for greater autonomy, go back to the beginning of the Spanish occupation. The eastern lowlands, isolated for centuries from the mineral-based economy of the west, have an Amazonian climate and look towards Brazil rather than to La Paz. Add to that a strong Spanish presence and some indigenous peoples quite different from those of the west, and you get a part of the country with a very different identity.

With a municipal system that has been democratizing since the mid-1990s and an irrepressible regional movement, Bolivia could, with a few changes, invent a new territorial model that is neither unitary nor federal nor autonomous.

That structure could be one in which the three orders of government would have equal constitutional powers: national, regional and municipal. In all federal countries, the municipality is important but in only some federal countries is it recognized in the constitution. If Bolivia were to adopt such a model, it could even surpass Colombia, which has been the best example of Latin American decentralization in the past few decades.

Unfortunately, Morales has not as yet succeeded in negotiating a moderate arrangement for a diverse nation. He has less than two years to go before his first presidential term is up to square the circle and appease the four autonomous Eastern regions as well as to transfer greater wealth and opportunity to his indigenous constituency. 



Bolivia's President Evo Morales holds a hammer and chisel at a ceremony in which he donated trucks and heavy machinery to miners in the Cochabamba region in May 2008.