

# PRESENT AND FUTURE OF THE UNITED STATES-BOLIVIA RELATIONS

A thesis presented to the Faculty of the U.S. Army  
Command and General Staff College in partial  
fulfillment of the requirements for the  
degree

MASTER OF MILITARY ART AND SCIENCE  
General Studies

by

JORGE MARCELO CADIMA PAZ, MAJ Bolivian Army  
M.M.A.S., Universidad de las Fuerzas Armadas, La Paz, Bolivia, 2007

Fort Leavenworth, Kansas  
2009-02

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<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved</i> <i>OMB No. 0704-0188</i>		
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<b>1. REPORT DATE (DD-MM-YYYY)</b> 11-12-2009		<b>2. REPORT TYPE</b> Master's Thesis		<b>3. DATES COVERED (From - To)</b> FEB 2009 – DEC 2009	
<b>4. TITLE AND SUBTITLE</b>  Present and Future of the United States-Bolivia Relations			<b>5a. CONTRACT NUMBER</b>		
			<b>5b. GRANT NUMBER</b>		
			<b>5c. PROGRAM ELEMENT NUMBER</b>		
<b>6. AUTHOR(S)</b>  MAJ Jorge Marcelo Cadima Paz, Bolivian Army			<b>5d. PROJECT NUMBER</b>		
			<b>5e. TASK NUMBER</b>		
			<b>5f. WORK UNIT NUMBER</b>		
<b>7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)</b> U.S. Army Command and General Staff College ATTN: ATZL-SWD-GD Fort Leavenworth, KS 66027-2301			<b>8. PERFORMING ORG REPORT NUMBER</b>		
<b>9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)</b>			<b>10. SPONSOR/MONITOR'S ACRONYM(S)</b>		
			<b>11. SPONSOR/MONITOR'S REPORT NUMBER(S)</b>		
<b>12. DISTRIBUTION / AVAILABILITY STATEMENT</b> Approved for Public Release; Distribution is Unlimited					
<b>13. SUPPLEMENTARY NOTES</b>					
<b>14. ABSTRACT</b> Bolivia is one of the poorest countries in Latin America. Nonetheless, it has great geopolitical importance in South America due to its geographical position at the center of the continent and its potential impact on the stability of the entire region. Bolivia has been for centuries one of the countries with the largest indigenous population in the area. Almost half of the population identifies with the native peoples--mainly the <i>Aymara</i> and <i>Quechua</i> --who consider the moderate use of coca leaf as a sacred element in their culture. However, the coca leaf is also used for the production of cocaine in Bolivia and other countries. For many years, political and diplomatic relations between Bolivia and the United States have been dominated by the problems posed by the cultivation and use of coca to the exclusion of other, arguably more important, concerns.  In 2005, Evo Morales, was democratically elected as president of Bolivia. President Morales comes from the Chapare province, an area characterized by the cultivation of coca. Moreover, President Morales rose to political prominence after several years of activity as the leader of the coca growers associations. After taking office, the historical and traditional relationship of cooperation between Bolivia and United States has suffered a series of setbacks. Tensions have arisen over his approach to the coca problem. The United States government sees all coca products are destined for drug trafficking; ignoring the traditional cultural and religious aspects of traditional Bolivian culture. In contrast, the Bolivian government argues that coca is mainly intended for traditional consumption (ignoring drug-related issues). Relations between the two countries have been stressed for some time; but while there are signs of rapprochement, they remain marked by perceptions and policies associated with the coca problem. This thesis offers recommendations that would guide the bilateral relationship in a more fruitful direction.					
<b>15. SUBJECT TERMS</b> Bolivia, United States, International Relations, coca, drug trafficking, Counter-narcotics, Andean Trade Promotion and Drug Eradication Act, Foreign Assistance, Movimiento al Socialismo, USAID					
<b>16. SECURITY CLASSIFICATION OF:</b>			<b>17. LIMITATION OF ABSTRACT</b>	<b>18. NUMBER OF PAGES</b>	<b>19a. NAME OF RESPONSIBLE PERSON</b>
<b>a. REPORT</b>	<b>b. ABSTRACT</b>	<b>c. THIS PAGE</b>			<b>19b. PHONE NUMBER (include area code)</b>
(U)	(U)	(U)	(U)	86	

Standard Form 298 (Rev. 8-98)  
Prescribed by ANSI Std. Z39.18

MASTER OF MILITARY ART AND SCIENCE

THESIS APPROVAL PAGE

Name of Candidate: MAJ Jorge Marcelo Cadima Paz

Thesis Title: Present and Future of the United States-Bolivia Relations

Approved by:

\_\_\_\_\_, Thesis Committee Chair  
LTC Prisco R. Hernandez, Ph.D.

\_\_\_\_\_, Member  
Richard D. Procell, M.A.

\_\_\_\_\_, Member  
Gary Hanson, M.B.A.

Accepted this 11th day of December 2009 by:

\_\_\_\_\_, Director, Graduate Degree Programs  
Robert F. Baumann, Ph.D.

The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)

## ABSTRACT

PRESENT AND FUTURE OF THE UNITED STATES-BOLIVIA RELATIONS, by MAJ Jorge Marcelo Cadima Paz, 86 pages.

Bolivia is one of the poorest countries in Latin America. Nonetheless, it has great geopolitical importance in South America due to its geographical position at the center of the continent and its potential impact on the stability of the entire region. Bolivia has been for centuries one of the countries with the largest indigenous population in the area. Almost half of the population identifies with the native peoples--mainly the *Aymara* and *Quechua*--who consider the moderate use of coca leaf as a sacred element in their culture. However, the coca leaf is also used for the production of cocaine in Bolivia and other countries. For many years, political and diplomatic relations between Bolivia and the United States have been dominated by the problems posed by the cultivation and use of coca to the exclusion of other, arguably more important, concerns.

In 2005, Evo Morales, was democratically elected as president of Bolivia. President Morales comes from the Chapare province, an area characterized by the cultivation of coca. Moreover, President Morales rose to political prominence after several years of activity as the leader of the coca growers associations. After taking office, the historical and traditional relationship of cooperation between Bolivia and United States has suffered a series of setbacks. Tensions have arisen over his approach to the coca problem. The United States government sees all coca products are destined for drug trafficking; ignoring the traditional cultural and religious aspects of traditional Bolivian culture. In contrast, the Bolivian government argues that coca is mainly intended for traditional consumption (ignoring drug-related issues). Relations between the two countries have been stressed for some time; but while there are signs of rapprochement, they remain marked by perceptions and policies associated with the coca problem. This thesis offers recommendations that would guide the bilateral relationship in a more fruitful direction.

## ACKNOWLEDGMENTS

This thesis is the result of the author's personal motivation and belief in the importance of the bilateral relationship between Bolivia and the United States of America. Both nations have a long tradition of cooperation and friendship that should last over time. The result of this research would not have been possible without the help and ongoing cooperation of the members of my committee, Dr. Prisco R. Hernández, Mr. Richard D. Procell, and Mr. Gary Hanson, who, with their dedication, patience, and support gave me the needed guidance to develop the concepts for this thesis. They all provided me the motivation and support needed to focus, develop, and complete my thesis. Nevertheless, the most important debt of gratitude goes to my wife, Paola, from whom I have stolen time in our year at the Command and General Staff College. Her love, support, and sacrifice made possible this new step in my military career. Finally, at the distance, my love to my mother and sisters, and the memory of my father, whose example is my life's guide.

## TABLE OF CONTENTS

	Page
MASTER OF MILITARY ART AND SCIENCE THESIS APPROVAL PAGE .....	iii
ABSTRACT.....	iv
ACKNOWLEDGMENTS .....	v
TABLE OF CONTENTS.....	vi
ACRONYMS.....	viii
CHAPTER 1 INTRODUCTION .....	1
Historical Development of the State.....	2
International Context .....	4
Bolivian Context.....	5
Recent Situation in Bolivia.....	10
Economic and Investment Outlook.....	13
The Bolivia-United States Bilateral Relationship.....	16
Counter-narcotics Efforts.....	17
Andean Trade Promotion and Drug Eradication Act.....	20
United States Foreign Assistance .....	21
Primary Research Question .....	22
Secondary Research Question .....	23
Significance .....	23
Assumptions.....	24
Limitations .....	24
Delimitations.....	25
CHAPTER 2 LITERATURE REVIEW .....	26
Development of the Conflict.....	29
CHAPTER 3 RESEARCH METHODOLOGY .....	40
CHAPTER 4 ANALYSIS.....	52
Nature of the Coca Leaf.....	57
Coca and Narcotics: Central Point in the Bilateral Relation .....	60
CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS.....	64

Conclusions.....	64
Final Conclusion.....	68
Recommendations.....	68
BIBLIOGRAPHY.....	70
INITIAL DISTRIBUTION LIST .....	77

## ACRONYMS

ALBA	Alternativa Bolivariana para las Americas (Spanish for Bolivarian Alternative for the Americas)
ALC	Acuerdo de Libre Comercio (Spanish for Free Trade Agreement)
ATPA	Andean Trade Preference Act
ATPDEA	Andean Trade Preference and Drug Enforcement Act
BID	Banco Interamericano de Desarrollo (Spanish for Inter-American Development Bank)
CAN	Comunidad Andina de Naciones (Spanish for Andean Community of Nations)
CDM	Cuenta del Milenio (Spanish for Millennium Challenge Account)
DEA	Drug Enforcement Agency
FELCN	Fuerza Especial de Lucha Contra el Narcotráfico (Spanish for Special Force to Combat Drug Trafficking)
GSP	Generalized System of Preferences
IMET	International Military Education and Training
MAS	Movimiento al Socialismo (Spanish for Movement Towards Socialism)
MCC	Millennium Challenge Corporation
MERCOSUR	Mercado Común del Sur (Spanish for Southern Common Market)
OEA	Organizacion de Estados Americanos (Spanish for Organization of American States)
PNUD	United Nations Program for Development)
TCP	Tratado de Comercio de los Pueblos (Spanish for Treaty of Commerce of the People)
UN	United Nations
UNASUR	Union de Naciones Sudamericanas (Spanish for Union of South American Nations)

UNODC United Nations Office on Drugs and Crime  
USAID United States Agency for International Development

## CHAPTER 1

### INTRODUCTION

Since the emergence of nation states, diplomatic relations between them have been a central element that enables their coexistence. These relations are a constant concern for all governments worldwide. International relations provide the tools and mechanisms that enable the development of nations and their peaceful coexistence.

The relationship between Bolivia and United States has traditionally been a close but complex one. Many factors have conditioned the nature and course of the bilateral relationship between these two nations. Among the most significant ones are the Bolivian Revolution of 1952, and the many efforts of Bolivia for national political and economic development. For a long time (since the 1970s), the United States has helped to promote respect for human rights and a peaceful transition from military rule to democracy in Bolivia. However, illegal narcotics became an increasingly large issue in the bilateral relations between both countries during that period. By the 1990s, Bolivia had evolved into a major producer of coca leaf and cocaine. While there have been sustained periods of close cooperation in Bolivia-United States relations, there have been also moments of bilateral tension. Examples of this are the expropriation of the Gulf Oil Corporation in 1969 by the Bolivian Government, the expulsion of the Peace Corps from Bolivia in 1971, the withdrawal of United States Ambassador and freezing of relations in the wake of the García Meza military coup in 1980 by the United States Government, and periodic discord over narcotics issues during the subsequent decades.

Despite these tensions, the maintenance of good relations between both countries remains in the common interest. Bolivia and the United States have a long tradition of

cooperation and mutual respect. Thus, it is important to study and understand the complex problem of the relations between both countries. It is with this perspective in mind that this research was undertaken. The future of the relationship between Bolivia and United States must be based on the understanding of its history, its complexity, and a desire to focus on commonalities while acknowledging the differences. This thesis is an exploratory study of the bilateral relationship between Bolivia and United States. It will explore, in depth, the Bolivian perspective, and perceptions of its relationship with the United States. This thesis does not attempt an in depth analysis of each one of the elements of the current relationship between both countries. It aims at a general description of the main elements that influence the conflict in order to identify and analyze several variables that have been important in shaping current relations for both countries. Much of the background material and analysis are based on the events of the last five years of Bolivian political and diplomatic activities. The final objective of this thesis is to provide a set of conclusions and recommendations that may assist future readers in developing a deeper understanding of the complexities of Bolivia-United States relations.

### Historical Development of the State

When dealing with international relations it is important to understand the basic principles of international law. Currently, states base their relations with other States on international agreements (treaties, covenants, letters of understanding and protocols) as well as by international custom, which in turn are based on practices that they recognize as compulsory, and on general principles of law. Within international relations is important to note that multilateral relations are based on agreements signed by the states.

These states agree to abide by the rules signed, agreeing to apply them above individual national standards.

Throughout history, even in the most critical situations, humans have sought to curb violence. They have sought to relate and reach understanding between the centers of power. For this purpose, they developed rules enforceable by the interested parties, and accepted and respected in the larger international community. Thus, the international community becomes a faithful neutral observer of the participants' relations with each other. In order to ensure the viability and stability of the international system, it is to everyone's advantage to abide by a body of mutually accepted international law.

In the past, the ground rules that applied to relations between states were informal and did not possess a legal character; they were based on the needs of the parties, and on religious ideas or philosophical and moral approaches. As regards the source of public international law, we affirm the existence of two positions:

1. Some argue that this concept has existed since ancient peoples maintained trade relations, forged alliances, put their problems to the decision of a third party, and agreed to respect the inviolability of their respective territories.

2. Other authors deny the existence of international law in ancient times and rather trace its origin to the time states appeared in a recognizable modern form--for example after the Treaty of Westphalia in 1648. In this system, a plurality of States are recognized as legally equal, are considered sovereign and are willing to regulate their relations by overarching international legal standards without undermining their sovereign character.

## International Context

The fall of the Berlin Wall and the end of the Cold War are the events that ended the bipolar world that emerged after World War II. This profound change, which we witnessed, transformed the international context in unexpected ways.

The rise of Globalization has created a scenario of deep interconnectedness and interdependence, in which policy makers worldwide are looking to advance the interests of their states in a new context. Although the nation state has been the main actor in international politics throughout the modern era, today we are witnessing its weakening at the hands of other forces such as cultural, ethnic, and economic factors.

In many parts of South America, including Bolivia, there has been a reorganization of traditional social and political forces and the emergence of new actors, who represent large groups of people, until now, ignored by the traditional political system. In Bolivia, Peru, and Ecuador, ethnic groups have managed to unbalance the traditional political systems and have imposed a new political reality for each of these countries. The concerns of indigenous ethnic groups have recently occupied a central place in political campaigns in these countries. Despite the importance of the claims of these social groups, often, their problems have served as an excuse to create instability and disorder.

The new correlation of political forces has led to the establishment of governments with strong roots and popular support that have set in motion a process of questioning the traditional direction of the internal and external relations of those states. In Bolivia, this phenomenon has caused problems in its relations with countries with which it had traditionally maintained good relations--such as in the case of the United

States of America. Many of these governments have stated that the era in which countries like the United States obtained large quantities of raw materials at low prices has passed and that more equitable relationships must be established.

The world has witnessed an increase in power and influence of countries like China, Russia, India, as well as groups of countries, such as the European Union. These actors are evidence of the increasing complexity that exists today in international relations.

The European Union constitutes a powerful supra-national entity. It consists of a wide range of nations, interests, and forces that have been brought together by a process that has been developing for decades. Today, the European Union is an economic and political power block that constitutes a paradigm for other regions. Indeed, South American states are attempting a similar process through the construction of the Union of South American Nations (UNASUR). States in that part of the world have identified various elements that may contribute to the consolidation of a block of states along the lines of the European Union.

### Bolivian Context

Since the inauguration of Evo Morales as President of Bolivia in January 2006, bilateral relations between Bolivia and United States have deteriorated seriously. President Morales came to power at the head of an alliance of local political groups, labor and rural unions, civic organizations and a core constituency of coca growers in the Chapare region. During the campaign for the December 2005 national election (which he won by 54 percent of the vote), President Morales promised voters a vision of total change for Bolivia that would wipe away neoliberal economic policies that had been in

place since the mid 1980s--along with the discredited traditional political parties that had promoted them.<sup>1</sup>

Appealing to his support base among the indigenous peoples of Bolivia's western departments, President Morales called for the restructuring of the state and society based on a new constitution that would greatly broaden indigenous rights and privileges, provide for the nationalization of hydrocarbon resources, and envisions a much larger role for the state in the economy. His campaign rhetoric was peppered with anti-United States references, vowing that if elected he would become a "nightmare" for the United States.<sup>2</sup>

President Morales' election presented the United States and Bolivia, with difficult foreign policy challenges. His majority support at the polls and the control of the lower house of Congress (*Camara de diputados*) by his political party "Movement Towards Socialism" (MAS) gave him the necessary legitimacy and power. In many areas, United States policies agreed with President Morales' expressed desire to improve the lives of Bolivia's large indigenous population. However, President Morales' admiration for the communist government of the Republic of Cuba and for Venezuelan President Hugo Chávez "Bolivarian State" and his clearly unfavorable view of the United States, led him to take some actions contrary to Bolivia's long-standing history of cooperation with United States.

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<sup>1</sup>René Antonio Mayorga, "La crisis del sistema de partidos políticos y el experimento del gobierno sin partidos en Bolivia," *Futuros Revista Trimestral Latinoamericana y Caribeña de Desarrollo Sustentable*, [http://www.revistafuturos.info/futuros\\_9/pp\\_bolivia4.htm](http://www.revistafuturos.info/futuros_9/pp_bolivia4.htm) (accessed May 2, 2009).

<sup>2</sup>Fiona Smith, "Cocalero Evo Morales promete ser 'pesadilla' para EEUU," *Katari.org*, <http://www.katari.org/archives/pesadilla-para-eeuu> (accessed May 2, 2009).

Lately, Bolivia's Government has sought to promote intercultural mediation in all areas of life for its citizens. However, the global economic crisis that developed in late 2008 has produced new difficulties, which the Bolivian government and society are seeking to minimize.

Regardless these challenges at the global level, Bolivia faces a new process in its political and social life. Bolivian society, after many decades of political, economic, and social inequality, is working on improving the lives of its citizens. Without a doubt, the integration into national life of indigenous groups is the greatest challenge facing Bolivians.

The integration process began late in 2005. It has not been easy, on the contrary, it is a process fraught with difficulties and social and political contradictions that may be a source for social polarization, as well as integration. This process involves various political and social sectors in Bolivia. On one side are traditional industries that do not want to lose the privileges granted by the old political regime and, on the other hand, are highly ideological social sectors seeking to build a new political and social order after the transformation of old state. Most of the Bolivian population remains at the center. It seeks a conciliatory process and the peaceful integration of all sectors of Bolivian society.

In the midst of this arrangement of social forces, lies the problem of the cultivation and use of the coca leaf. The coca leaf constitutes a traditional cultural, religious, economic, and political element in the life of the native peoples of Bolivia. Its use predates the current problems of cocaine manufacturing and drug trade and addiction. The traditional use of the coca leaf and its importance to Bolivian indigenous groups mean that provisions should be made to accommodate the cultural needs of indigenous

people under Bolivian Law. Significantly, this social group was the one that led to President Evo Morales' victory, since he began his public career as representative of a union of coca leaf producers.<sup>3</sup>

As a traditional producer of coca leaf, Bolivia wants to continue production of coca leaf for local consumption among its Amerindian ethnic groups. This has caused a clash of interests with some of its partners in the international community, especially with the United States of America. These nations view the cultivation of coca mainly as a source for potential illegal drug use and a source of raw material for the international drug trade. The most serious sign of confrontation between the new Bolivian Government and the United States was the mutual expulsion of the ambassadors of both countries.<sup>4</sup> From this point forward, bilateral relations between the two nations have remained significantly strained and no major efforts have been made to restore normal diplomatic relations between them.

A rapprochement between the two countries must start from the principle that all nation-states are inextricably interrelated and cannot dispense with mutual relations if they are to survive and thrive in today's globalized world.

According to this analysis, it is clear that Bolivia should recognize and actively address the need to control and properly supervise coca leaf production intended for traditional use and eradicate cultivation of excess coca leaves (which are destined for cocaine production). Conversely, the United States must recognize the cultural, religious,

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<sup>3</sup>BBC News, "Profile: Evo Morales," <http://news.bbc.co.uk/2/hi/americas/3203752.stm> (accessed May 2, 2009).

<sup>4</sup>Time.com, "Bolivia to Expel US Ambassador," *Time*, <http://www.time.com/time/world/article/0,8599,1840469,00.html> (accessed May 1, 2009).

economic, and social value of the coca leaf in Bolivia and its legitimate uses among Bolivian Amerindian groups.

As mentioned above, in 2005, Bolivia elected a new President, Evo Morales. President Morales comes from a very poor family that, had migrated from the western area (altiplano) to the central part of Bolivia to escape the adverse economic and living conditions. The tropical area of Bolivia is known as the Chapare Province. Chapare became a symbol of new opportunities for the Bolivians that had to leave their homelands in search of better living conditions. For many years, Chapare has been known for its coca plantations. During the 1980s, the people that cultivated coca organized themselves in unions. Evo Morales became a prominent member of these unions that forcefully rejected the initiatives of the United States to eradicate the cultivation of coca through its Drug Enforcement Administration (DEA) assistance programs. President Morales has based his political campaign on the defense of the coca leaves and his personal point of view on the actions of the DEA--which he considers a threat to Bolivia's sovereignty.

The DEA's presence in Bolivia began in 1972 when it established an office in La Paz--Bolivia's administrative capital. For more than 30 years, the DEA has provided assistance and cooperation to the Bolivian Government in the fight against drugs. The DEA actions were taken according to specific cooperation agreements with the Bolivian government and Police forces. The Agency's relationship with the government of Bolivia has gone through several phases, some of them quite difficult, because of their actions within the Bolivian territory. In some cases, the DEA has acted seemingly outside the control of the Bolivian Government. This phenomenon has generated strong resentment from the "cocaleros" in the Chapare region, who initiated a political and union movement

that rejects the DEA's actions and presence. This growing resentment concluded with its expulsion of the DEA from Bolivian territory in late 2008.

### Recent Situation in Bolivia

In recent years, Bolivia has faced so many challenges to its stability and constitutional order that many observers have wondered how it has avoided slipping into widespread violent conflict. Bolivia has a highly divided society where large sectors of the population have been historically excluded from the political arena; presently, it has very weak political parties. These parties have been unable to create national coalitions, and its political apparatus has been unable provide a mechanism for the resolution of conflict within the existing juridical structures. The combination of these factors has contributed to the erosion of the legitimacy of the state, further exacerbating intra-institutional conflict and stability.<sup>5</sup>

The 1990s saw the strengthening of social movements that acquired important political salience and that demanded a rethinking not only of how politics operated, but also of the content of public policy itself. Social movements took their demands to the streets, staging massive protests that frequently paralyzed the economy. These contentious tactics were met with fear and disdain by the political establishment, which failed to respond effectively to their demands.

It is with this backdrop of contesting political discourses and their consequent tensions that Evo Morales won the last Presidential elections. His triumph is part of what had been referred to as Latin America's turn to the "new populist left," after a wave of

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<sup>5</sup>H. C. F. Mancilla, "Economía informal e ilegalidad estatal en Bolivia," Nueva Sociedad, [http://www.nuso.org/upload/articulos/2107\\_1.pdf](http://www.nuso.org/upload/articulos/2107_1.pdf) (accessed May 2, 2009).

electoral contests clearly rejected the policies inspired by the Washington Consensus in favor of more direct government intervention on behalf of previously disenfranchised groups.

The Washington Consensus is a term coined by John Williamson, an economist who is a critic of capital liberalization and the bipolar exchange rate systems. The term was originally formulated not as a policy prescription for development, but as a list of policy preferences that were widely held in Washington in 1989 and that were deemed desirable for implementation by Latin American nations.<sup>6</sup>

The ten policy reforms of the Consensus are: (1) budget deficits should be small enough to be financed without recourse to an inflation tax; (2) public expenditures should be redirected to areas which have been previously neglected but would yield high economic returns and potentially improve income distribution such as health, education, and infrastructure; (3) tax reforms should be implemented to finance public expenditures and minimize distortions; (4) financial liberalization should have as its objective of the implementation of market-determined interest rates; (5) implement a unified exchange rate at a level sufficiently competitive to induce a rapid growth in nontraditional exports; (6) replace quantitative trade restrictions with tariffs which should be progressively reduced to a uniform low rate; (7) abolish barriers which impeded foreign direct investment; (8) privatize state-owned enterprises; (9) abolish regulations that impede the entry of new firms or restrict competition; and (10) ensure that the legal system provides

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<sup>6</sup>John Williamson, "Short History of the Washington Consensus," Institute for International Economics, <http://www.iie.com/publications/papers/williamson0904-2.pdf> (accessed May 2, 2009).

secure property rights without excessive costs, and makes these available to the informal sector.

Through the years, the Washington Consensus has had three different meanings. First, was the original list of ten specific policy reforms intended to define the proper role of government for developing economies. The second is an understanding that the Consensus is a set of economic policies advocated for developing countries in general by the US Government--including the US Treasury Department--as well as international organizations, such as the International Monetary Fund and the World Bank.. The third meaning is that espoused by critics of the International Monetary Fund and World Bank who suggests that these are policies imposed by the US and other rich countries on client countries, and are an attempt to minimize the role of the state in developing economies.

A reaction against the ideas proposed by the Washington Consensus,<sup>7</sup> which had prevailed in the 1990s, brought to power left-of-center candidates in Argentina, Bolivia, Brazil, Chile, Ecuador, Nicaragua, Paraguay, Uruguay and Venezuela.<sup>8</sup> A tactical alliance with Venezuela and Cuba has provided Bolivia the resources and political support to allow President Morales to move ahead with radical agendas without the need to compromise with the opposition.

A strong regionalism permeates social and political relations in Bolivia. The desire for a great degree of local autonomy has become a serious threat to national unity

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<sup>7</sup>Global Trade Negotiations, "Washington Consensus," Center for International Development at Harvard University, <http://www.cid.harvard.edu/cidtrade/issues/washington.html> (accessed May 5, 2009).

<sup>8</sup>Immanuel Wallerstein, "Latin America-How far left has Latin America moved?," *Alterinfos America Latina*, <http://www.alterinfos.org/spip.php?article2352> (accessed May 2, 2009).

in Bolivia. The divide between the center of political power (La Paz) and that of economic prosperity (Santa Cruz) has seriously disrupted centralized government in Bolivia. Some of the most critical divisions have followed ethnic lines; the indigenous population, who lives mostly in Western Bolivia, supports President Morales' quest to retain a strong central authority as a feature of the new constitution, while the white and *mestizo* (mixed race) population of the Eastern Bolivian states ("Media Luna") demand greater autonomy from the center. President Morales' agenda has been defined not only by the need to maintain his political positions against the opposition, but also by the more radical sector of his political party, which is quick to remind him of the promises he made before and during his Presidential campaign and wants to hold him accountable for them.<sup>9</sup>

#### Economic and Investment Outlook

In 2008, a record fiscal surplus and robust monetary reserves, resulting from increased taxation of hydrocarbon and mining companies and the global commodity boom, resulted in economic gains for Bolivia. However, 2009 and beyond will be much more challenging. In addition, Bolivia is now dealing with an 8.7 percent inflation rate, the fifth highest in Latin America according to figures released by the World Bank. The 5.5 percent average growth in GDP will likely not be maintained as the global financial crisis affects Bolivia, creating a wide-ranging economic slow-down. The Bolivian Minister of Finance has confirmed that Bolivian exports, including hydrocarbons,

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<sup>9</sup>Movimiento al Socialismo, "Programa de Gobierno-MAS-IPSP," Archivo Chile, [http://www.archivochile.com/Portada/bol\\_elecciones05/boleccion0009.pdf](http://www.archivochile.com/Portada/bol_elecciones05/boleccion0009.pdf) (accessed May 2, 2009).

minerals, and soya products have already suffered from an acute decline in demand. The Bolivian Central Bank estimates that remittances from Bolivians living abroad have drastically dropped as Bolivian emigrants are facing the effects of unemployment in their new places of residence.

Despite acting as the linchpin of gas supplies to the Southern Cone, Bolivia is struggling to secure long-term investment for its hydrocarbons sector despite questions over its reliability as a supplier and uncertainty over continuing demand from its export markets. The recent ratification of the new Constitution presents legitimate concerns to foreign investors as they decided whether Bolivia is likely to be a reliable and stable market, particularly as they study President Morales' execution of his state-led development policy through strategic nationalization of key private sector industries.

President Morales recently traveled to Russia and France to sign agreements with Gazprom<sup>10</sup> and insist that further investment from this and other firms is critical for the growth of the Bolivian economy. The fact that Bolivia has to go so far abroad highlights the partial harm it caused to its economy by nationalizing its energy industry in 2006, driving away technically able international companies with a proven ability to raise funds.<sup>11</sup> Thus, Bolivia, having undermined its strategic position, is now turning to countries such as Russia and Venezuela to fill the investment gap. President Morales wants to rely on state-to-state investments--which has worked in the case of Petrobras--

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<sup>10</sup>Petroleum Economist, "Bolivia: Cementing new friendships," <http://www.petroleum-economist.com/default.asp?Page=14&PUB=279&SID=717946&ISS=25330> (accessed May 7, 2009).

<sup>11</sup>Monte Reel and Steven Mufson, "Bolivian President Seizes Gas Industry," *The Washington Post*, <http://www.washingtonpost.com/wp-dyn/content/article/2006/05/01/AR2006050100583.html> (accessed May 5, 2009).

but is unlikely to succeed with Gazprom (Russia), PDVSA (Venezuela), and the National Iranian Oil Company. YPF--a Bolivian state-owned gas company--says it expects to boost oil and gas investment to the US by \$530 million this year. This after its exports to the US had fallen \$149 million in 2007 from a peak of \$581 million in 1999.

The 12 foreign companies that operate in the Bolivian hydrocarbons sector, already rattled by the nationalization of the country's gas and oil sector, are awaiting implementation of a hydrocarbons law required by the new constitution, and are wary of getting more involved.<sup>12</sup> The only United States Company operating in this sector in Bolivia is Occidental. Exxon-Mobil pulled out a few years ago.<sup>13</sup> The perception of many foreign direct investors is that the current government has no problem in not following contracts and that the legal system is not up to normal standards of ensuring stability and rule of law. It is important to note that President Morales recently called for some Bolivian Supreme Court justices to resign for political/administrative reasons. After lawsuits initiated by the executive branch and a wave of resignations, the Constitutional Tribunal was left with no quorum in order to function, effectively leaving Bolivia with no judicial oversight on constitutional questions.<sup>14</sup>

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<sup>12</sup>Nadia Martinez, "Bolivia's Nationalization. Understanding the Process and Gauging the Results," Washington Office on Latin America, <http://www.wola.org/bolivia/IPS%20Nationalization%2008.07.pdf> (accessed May 2, 2009).

<sup>13</sup>Parmy Olson, "Tillerson's Exxon Mobil Faces Eviction from Bolivia," *Forbes.com*, [http://www.forbes.com/2006/05/02/exxonmobil-tillerson-bolivia-cx\\_po\\_0502autofacescan02.html](http://www.forbes.com/2006/05/02/exxonmobil-tillerson-bolivia-cx_po_0502autofacescan02.html) (accessed May 5, 2009).

<sup>14</sup>Correo del Sur, "Bolivia se queda sin el Tribunal Constitucional," *Diariocrítico de Bolivia*, <http://www.diariocritico.com/bolivia/2009/Mayo/noticias/151996/renuncia-silvia-salame.html> (accessed May 12, 2009).

Despite these problems, Lithium has now become the future investment promise for Bolivia, which holds the world's largest deposits of this mineral. Several companies, including Bolloré (France), LG Group (South Korea), Mitsubishi (Japan), and Sumitomo (Japan), are courting the government for the rights to explore mineral deposits of lithium, which is a key element in batteries for hybrid automobiles.<sup>15</sup> Nevertheless, these investors face the same uncertainties we have seen in more traditional sectors of the Bolivian economy.

### The Bolivia-United States Bilateral Relationship

For the past two decades, United States engagement in Bolivia, and the rest of the Andes, has focused on security and counter-narcotics issues--favoring unilateral over multilateral intervention. In the final months of President George W. Bush's administration, the relations between the United States relations and Bolivia turned from bad to worse with the expulsion of United States Ambassador Philip Goldberg from Bolivia, and the United States' expulsion of Bolivian Ambassador Gustavo Guzman. In addition the Bolivian Government expelled American DEA personnel from the country.<sup>16</sup>

There are lessons to be learned from the current crisis, and there is hope that the Bolivia-United States relationship might improve if President Obama's administration adopts a new approach. Obviously, both countries share common interests and have a long history of cooperation.

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<sup>15</sup>Damian Kahya, "Bolivia holds key to electric car future," *BBC News*, <http://news.bbc.co.uk/2/hi/7707847.stm> (accessed May 12, 2009).

<sup>16</sup>La Razón, "EEUU expulsa al embajador Guzmán," [http://www.la-razon.com/versiones/20080912\\_006393/nota\\_249\\_669570.htm](http://www.la-razon.com/versiones/20080912_006393/nota_249_669570.htm) (accessed May 12, 2009).

Bolivian politicians have always followed the relations between Bolivia and United States with close attention. The opposite is true in Washington. Relations with Bolivia rank far down in the hierarchy of American foreign policy concerns. During the Cold War Bolivia had at least some limited leverage, based on the possibility that La Paz might “switch sides.” However, since the outbreak of the “war on terror,” Bolivia has had limited importance, and even in the “war on drugs,” it is a second tier player.

From a Bolivian perspective, even though President Morales’ administration has limited hope or desire of securing constructive relations with Washington may well gain domestic political capital from pursuing the opposite course, since his policies may cast rival political parties and future candidates in the role of disloyal instruments of an overbearing foreign power.

As the current United States administration attempts to reestablish its eroded international “soft power” and to repair its tarnished reputation as a benevolent regional power, it is essential to recognize that President Morales also possesses similar “assets” and a legitimate democratic mandate--which has been reaffirmed during the recent referendum processes.

#### Counter-narcotics Efforts

As already mentioned, counter-narcotics policy has been the driving force in the Bolivia-United States relations since late 1980s. This plays a critical role in determining where the Bolivian government stands today and how relations might improve in the future. President Morales owes his presidency to his defiance of the prevailing drug

policy in the 1980s in the Chapare (his home base) as well as his success in gaining power in local and later national elections.<sup>17</sup>

It is important to remember that the coca leaf is a traditional cultural symbol within Bolivia, and that coca growers expect their democratic politicians to protect their interests. Morales himself, even while serving as President of Bolivia, still presides over the country's coca growers federation, and has the formal responsibility to negotiate quotas and alternative development compensation agreements on behalf of coca farmers.

Two obvious facts suggest that United States drug policy in Bolivia is not working. First, the level of coca-leaf production has either remained the same or increased over the years--despite more than 15 years of coca-leaf eradication programs in the Chapare and Yungas regions.<sup>18</sup> Second, the prices for retail sales of cocaine have changed little over the past few years.<sup>19</sup> This suggests that drugs are plentiful on United States streets, meaning demand-side interdiction policies are not effective either.

Both the United Nations Office on Drugs and Crime (UNODC) and the European Union have strategically increased their presence in Bolivia.<sup>20</sup> It would be necessary for

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<sup>17</sup>John T. Fishel, "El Futuro de Bolivia: El Gobierno de Evo Morales," Centro de Estudios Hemisféricos de Defensa-Universidad Nacional de Defensa, [http://www.ndu.edu/chds/Journal/PDF/2006/Fishel\\_special%20report\\_sp-edited.pdf](http://www.ndu.edu/chds/Journal/PDF/2006/Fishel_special%20report_sp-edited.pdf) (accessed May 14, 2009).

<sup>18</sup>Just the Facts, "UNODC 2008 coca data for the Andean Region," <http://justf.org/blog/2009/06/23/unodc-2008-coca-data-andean-region> (accessed May 12, 2009).

<sup>19</sup>United Nations Office on Drugs and Crime, "Coca/cocaine market," [http://www.unodc.org/documents/wdr/WDR\\_2009/WDR2009\\_Coca\\_Cocain\\_Market.pdf](http://www.unodc.org/documents/wdr/WDR_2009/WDR2009_Coca_Cocain_Market.pdf) (accessed May 12, 2009).

<sup>20</sup>United Nations Office on Drugs and Crime, "Annual Report 2008," [http://www.unodc.org/documents/about-unodc/AR08\\_WEB.pdf](http://www.unodc.org/documents/about-unodc/AR08_WEB.pdf) (accessed May 2, 2009).

these initiatives to be scaled up if they are to fill the void left by United States alternative development and interdiction programs. This also shows evidence of an international attempt to develop approaches that are multilateral and that could therefore most definitely enlist stronger Bolivian cooperation.

On a recent trip to Bolivia, European Union Ambassadors expressed deep concern about the vacuum that United States interdiction efforts have left since Bolivian cocaine is being smuggled, via Brazil, to Western Europe.<sup>21</sup> Brazilian Ambassador in La Paz, Federico Cezar de Araujo, also stressed Brazil's concern with this issue and recommended increased combined action, with Bolivian police officials, to reverse this trend.<sup>22</sup>

It is obvious that any new agreement on coordinated drug policy between Bolivia and a multilateral coalition would still need the support of Washington. Surely, the Bolivian government would welcome a shift in policy whereby United States anti-narcotics agencies contribute to rather than lead the design and implementation of policies.<sup>23</sup>

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<sup>21</sup>United Nations Office on Drugs and Crime, "Cocaine traffickers develop new routes from Brazil," <http://www.unodc.org/pdf/brazil/Cocaine%20traffickers%20develop%20new%20routes%20from%20Brazil.pdf> (accessed May 13, 2009).

<sup>22</sup>Ernesto Justiniano, "En 2009, Bolivia y Brasil harán acciones antidroga conjuntas," ErnestoJustiniano.org, <http://www.ernestojustiniano.org/2008/11/en-2009-bolivia-y-brasil-harn-acciones-antidroga-conjuntas/> (accessed May 12, 2009).

<sup>23</sup>Coletta Youngers, "Beyond the Drug War," *Foreign Policy in Focus*, <http://www.fpif.org/fpiftxt/5698> (accessed May 13, 2009).

### Andean Trade Promotion and Drug Eradication Act

At present, the granting of United States trade preferences in the Andean region are tied to drug reduction commitments by the nations involved through the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>24</sup> The impact of trade preferences on the Bolivian export economy has been evident, increasing trade volume and product diversity. As cited by George Gray Molina in *The United States and Bolivia: Test case for change*, “between 25,000 and 50,000 jobs in El Alto, a city near La Paz, depend on access to the United States market, and these jobs in turn have a significant impact on the rest of the national economy.”<sup>25</sup>

Suspension of trade preferences has been extremely challenging to workers and manufacturers. Every job created through ATPDEA has contributed to workers remaining in Bolivia and to the growth of the nation’s economy.<sup>26</sup> As nations like India, Russia, and Iran play an increasing role in Bolivia,<sup>27</sup> the United States needs to take advantage of every opportunity to stay engaged in positive and meaningful ways and continue to reach out to the Bolivian population through beneficial aid and trade

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<sup>24</sup>The White House, “Andean Trade Promotion and Drug Eradication Act,” <http://georgewbush-whitehouse.archives.gov/news/releases/2002/10/20021031-9.html> (accessed May 11, 2009).

<sup>25</sup>Abraham F. Lowenthal, Theodore J. Piccone, and Laurence Whitehead, *The Obama Administration and the Americas: Agenda for Change* (Washington, DC: Brookings Institution Press, 2009), 179.

<sup>26</sup>Oliver Cadot, Ethel M. Fonseca, and Seynabou Yaye Sakho, “ATPDEA’s end: Effects on Bolivian Real Incomes,” University of Lausanne, <http://www.hec.unil.ch/crea/publications/autrespub/atp.pdf> (accessed May 20, 2009).

<sup>27</sup>La Razón, “Rusia ata lazos con Venezuela, Cuba, Nicaragua y Bolivia,” [http://www.la-razon.com/versiones/20080919\\_006400/nota\\_251\\_673820.htm](http://www.la-razon.com/versiones/20080919_006400/nota_251_673820.htm) (accessed May 12, 2009).

programs. Unfortunately, this suspension of trade privileges will continue to invigorate the champions of anti-Americanism, and continues to make the United States less relevant in Bolivia--on all levels. Jobs that have already left Bolivia--particularly in the textile and some other manufacturing areas--will quickly move to China and other Asian markets.<sup>28</sup> Once these jobs are gone, there will be no incentive to bring them back.

Presently, Bolivia is an unusual case in South America because economic growth has not generally translated into less poverty. In fact, poverty has statistically increased over the past few years. The exceptions to this pattern are in the export sector linked to United States trade preferences--sectors such as textiles, gold jewelry, leather, and organic agricultural products that have higher labor and environmental standards than other sectors of the economy.

#### United States Foreign Assistance

As President Barack Obama indicated during his campaign, current United States foreign assistance and support for poverty reduction in developing countries is much too small. Through the Millennium Challenge Corporation, USAID, International Financial Institutions, and the United Nations system, the United States should provide much more funding for poverty reduction and development activities.

Bolivia was one of three original countries in the Western Hemisphere selected for eligibility for the Millennium Challenge Account in 2004.<sup>29</sup> Bolivia qualified again in

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<sup>28</sup>La Razón, "Otra empresa se cierra con el fin del ATPDEA," [http://www.la-razon.com/versiones/20081128\\_006470/nota\\_248\\_720001.htm](http://www.la-razon.com/versiones/20081128_006470/nota_248_720001.htm) (accessed May 12, 2009).

<sup>29</sup>Millennium Challenge Corporation, "Report of the Selection of MCA Eligible Countries," [http://www.mcc.gov/mcc/bm.doc/report\\_selection\\_fy04.pdf](http://www.mcc.gov/mcc/bm.doc/report_selection_fy04.pdf) (accessed May 21, 2009).

2005 and 2006, and presented a proposal to the Millennium Challenge Corporation (MCC) in December 2005 during the Presidency of Eduardo Rodríguez, which was superseded by a new proposal submitted September 2007 by the Government of President Morales. An MCC assessment scheduled for December 2007 was postponed due to unrest surrounding the Constitutional Assembly process in Bolivia.<sup>30</sup> On December 2007, the MCC Board of Directors decided not to reselect Bolivia as eligible for compact assistance.<sup>31</sup>

If a rapprochement with the new United States administration is to happen, probably one of the first things that the Bolivian Government will put back on the negotiating table is the need for economic aid. The United States has proposed a \$657 million assistance package for infrastructural development in Northern Bolivia (Departments of La Paz, Beni, and Pando), as well as aid in helping diversify the Bolivian economy from its reliance on natural gas and mineral resources to other sustainable sectors.

#### Primary Research Question

What is the most likely trend for the future of Bolivia-United States bilateral relationship and what can be done to improve it?

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<sup>30</sup>Travel Document Systems, “Economy,” <http://www.traveldocs.com/bo/economy.htm> (accessed May 20, 2009).

<sup>31</sup>Millennium Challenge Corporation, “Report of the Selection of MCA Eligible Countries for Fiscal Year 2008,” <http://www.mcc.gov/mcc/bm.doc/cn-121307-eligiblecountries.pdf> (accessed May 21, 2009).

### Secondary Research Question

1. Should Bolivia-United States relations be limited by the fight against drug trafficking and excess coca crops?
2. Which are the most significant current events that could influence the relationship between the United States and Bolivia?
3. Will Bolivia's internal political and social events affect the Andean Region?
4. What links does Bolivia have to other countries, and what impact do they have in its political, social and foreign affairs?
5. What is the significance of the Bolivia-United States bilateral relationship to the Andean Region and to South America as a whole?

### Significance

The growing importance of international issues and problems in our time has made the study of international relations acquire a critical dimension for the survival of humanity. Bolivia is one of the most significant countries in South America, not because of its size or economic importance, but because its position in the central part of the continent and its complex political and social structure. Geopolitically, Bolivia has the potential to become a key player in the region because it could serve as a link between the two most significant attempts to unify South America, Mercosur and the Andean Nations Community.

The first-round victory of Evo Morales in the Presidential elections of December 2005 profoundly altered the policy in Bolivia and the manner in which the poorest nation in South America is perceived abroad. His leftist party, the Movement Toward Socialism (MAS) beat traditional parties with a crushing victory that reflected the expectations and

wishes of the majority of Bolivians for comprehensive socio-economic change, institutional reform, and full inclusion of the mostly rural and indigenous poor in the country's political process. However, to be successful, and President Morales must succeed if Bolivia is to avoid falling into a serious instability and violence, the international community must show understanding and offer support as he grapples with explosive nationalization issues, constitutional reform, autonomy, drugs policies, and economic development policies.

### Assumptions

It is assumed that for the near future, i.e., the next three to four years, South America's political trend will continue its move to the left of the political spectrum. This does not mean that nations in the area will adopt the old Marxist-Leninist approaches, or that they will necessarily imitate the Cuban model; it means that most governments will favor economic policies that restrict the role of markets and attempt to use the power of the state to set social policies and redress perceived inequalities among traditionally disenfranchised groups. This research also assumes that Bolivia's internal politics will influence its international relations with United States; that America's new administration will make different efforts to improve its relation with Bolivia., and that the cultivation of coca will remain the most contentious issue in the United States-Bolivia bilateral relationship.

### Limitations

This research is limited in that some of the current working policies adopted by the Bolivian Government have not they have not been established in writing or published

as publicly available references. Thus, the information presented will be based on what may be learned from unclassified documents, conferences, scholarly articles, press releases, and personal experience, analysis, and interpretation.

### Delimitations

This research focuses primarily on the Bolivian perspective on its relations with United States. Even though relations between both countries include a wide variety of issues, the coca-cocaine aspect is most controversial and is the one issue subject to greatly differing points of view on policy. Thus, it is the object of this thesis to the exclusion of all other concerns. The research will thus focus on the role of the coca in the Bolivia-United States relations from 2005 until the first semester of 2009.

## CHAPTER 2

### LITERATURE REVIEW

The literature review and analysis is based on the examination of current events and documents issued by official and non-official States Agencies, news reports, and statements from government officials in both, Bolivia and the United States. This chapter presents facts and events in a chronological way. It will examine some written documents such as policies, books, press releases and articles about the diplomatic conflict between the Bolivian and United States government and other actors that appear in various magazines, newspapers, and internet web sites. For the historical perspective, the thesis will be based on the review of three of the most important History books of Bolivia. First, *Historia de Bolivia* by Carlos Mesa Gisbert. Second, *Historia de Bolivia* by Herbert S. Klein. Third, *Historia General de Bolivia* by Alcides Arguedas.

Latin America has long been regarded as a peaceful zone in which the United States exercises a decisive stabilizing geopolitical influence. During the Cold War, the main strategic interest of the United States was to prevail in the confrontation with communism and thwart the Soviet Union's attempts to break the United States' hegemony in the region.

After the fall of the Berlin Wall and the dissolution of the Soviet Union, Latin American nations have identified 'new' elements that can threaten their safety and stability. Thus, the fight against communism has shifted to other scenarios and new threats: terrorism, drug trafficking, the problems associated with human migration, ethnic and cultural conflicts, terrorism, and especially poverty.

In Central and South America's poverty and underdevelopment are the main factors influencing inequality, insecurity, and violence. Both elements are considered as factors that may cause greater political instability. In addition, it is undeniable that the problem of drug trafficking is an evil that strikes at all levels and areas of the structure of society. The drug problem is present in all countries of the hemisphere and world. This problem is understandably a cause for great concern from governments and societies. Combating the drug problem requires the commitment of resources and concerted action from all sectors of society; nonetheless, it is an imperative that cannot be avoided if countries and regions are to flourish.

Bolivia extends from the Amazon basin in the east to the Andean highlands in the west. It is surrounded by five neighbors: Brazil, Paraguay, Argentina, Chile, and Peru. Home to 8 million people and twice the size of France, it has 36 culturally distinct groups and nearly 40 different mother tongues. Its natural resources--energy, minerals, wood, and a wide variety of agricultural products--are as diverse as its territory and peoples. From this description, you can imagine the tremendous potential for economic development and prosperity as well as the potential for conflict along lines of cultural, economic, and political differences.

Since independence from Spain in 1825, Bolivia has endured more than 200 coups and counter-state movements. Despite the introduction of a system of comparatively democratic and civilian government in 1982 through the so-called "pacted democracy," Bolivian leaders today face many of the same difficult problems that they did 20 years ago: deep-seated poverty, social exclusion of the indigenous majority and *mestizo* population, and the production of illicit drugs.

The rise to power of President Morales reflects the slow and tight integration of indigenous peoples, particularly the Aymara, Quechua, and Guarani into the Bolivian political system. The agrarian revolution of 1952, led by the National Revolutionary Movement (MNR), a cohesive coalition of miners, peasants, and middle class *mestizos*, sparked profound social and political changes, such as nationalization of the mining industry, an extensive land reform, and the adoption of universal suffrage. However, even if these reforms incorporated the indigenous peasant sectors into the nation's political system, the political parties subordinated their interests to those of the middle class and the leadership of the MNR.

The subsequent period of 18 years of intermittent military authoritarian rule (1964-1982), especially the de facto government of General Hugo Banzer Suarez, who lasted seven years, saw the emergence of indigenous political parties and unions, including the *Movimiento Revolucionario de Liberación Tupac Katari* and the *Confederación Sindical Única de Trabajadores Campesinos de Bolivia*. These groups, historically controlled by the MNR and the military, served as precursors to the indigenous mobilizations that are today the center of the militancy of the MAS.

The MAS has direct roots in the coca-growers movement. With the closing of the Bolivian mines in 1985, layoffs forced the miners to join indigenous peoples who practiced coca cultivation for their livelihood. In 1995, a Coca Growers Congress agreed to develop a political instrument to express their interests. This entity became the Movement Towards Socialism, which--in contrast to the policies that had prevailed since the 1950s, gave priority to the interests of indigenous groups in the middle class.

Bolivia's history has been marked by political instability and social tensions. Wide disparities in the distribution of resources and political power of the poorest country in South America have helped create a culture of aggressive protest. Throughout the history of Bolivia, indigenous peoples have been dominated by a minority that has been predominantly "white," a situation that has resulted in clashes over the ownership of land, natural resources, and the profits generated by them.<sup>32</sup> Two additional factors have contributed to the destabilization of society: the loss of access to the sea after the Pacific War (1879-1883) with Chile and the cultivation of the coca leaf, one of the few products capable of generating a profitable income for the rural indigenous population. Unfortunately, coca leaf is also the main raw material for cocaine production.

In the past 20 years, there have been several national and international initiatives to combat and destroy the drug trade. These initiatives have set in motion different actions, involving the various elements of national power: diplomatic, informational, military, and economic.<sup>33</sup>

### Development of the Conflict

As President Morales maneuvered to bring Bolivia's key national gas industry under closer state control and to win approval for a new Constitution, domestic politics became increasingly polarized. This aspect is most evident in the antagonism that exists between the government and its supporters in western highland Departments (equivalent

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<sup>32</sup>Stephen Zunes, "The United States, Bolivia, and Dependency," *Americas Program*, <http://americas.irc-online.org/am/4701> (accessed May 27, 2009).

<sup>33</sup>International Crisis Group, "Coca Drugs and Social Protest in Bolivia and Peru," <http://www.crisisgroup.org/home/index.cfm?l=1&id=4775> (accessed May 27, 2009).

to United States states) and the opposition based in the four lowland departments in eastern Bolivia--the so-called “half moon” region. With increasing frequency, President Morales has played the anti-United States card to rally support in times of increased political tension, accusing the United States Embassy and the Ambassador of plots to undermine his government.<sup>34</sup>

This year marks the 157th year of continuous bilateral relations between Bolivia and the United States. Throughout all this time the “hegemony” exercised by the United States, as the more powerful nation in the hemisphere has been undeniable. To this day, the power asymmetry between the two countries is immense; however, since 2008 the bilateral relationship between the United States-Bolivia has been far more complex than in previous years

The origin of the present strain in relations began in the first half of last year. By then, the Bolivian departments of Santa Cruz, Tarija, Beni, and Pando, conducted a referendum to approve or reject a statute of autonomy for each of the four departments in question. The first referendum began on May 4, 2008, in the Department of Santa Cruz. The remaining departments conducted theirs in June. Faced with a devastating answer of “yes” in favor of autonomy with figures above 80 percent in some departments. President Evo Morales denounced the referendum as illegal; and, through the enactment of a law

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<sup>34</sup>Perú 21, “Morales acusa a la CIA de complot para derrocarlo,” <http://peru21.pe/impres/noticia/morales-acusa-cia-complot-derrocarlo/2008-11-30/231605> (accessed May 21, 2009).

passed by both houses of Legislature a recall referendum called for a mandate (of President, Vice President, and eight out of nine departmental prefects).<sup>35</sup>

By mid-2008, the pace of deterioration in the bilateral relation quickened. On the heels of the bitterly disputed autonomy referendum carried out in the eastern departments, a large crowd of government supporters staged a protest in front of the United States Embassy in La Paz in June 2008. Bolivian police used tear gas to prevent them from breaking through police lines and assaulting the embassy. In response, the United States recalled Ambassador Philip Goldberg for consultations.<sup>36</sup>

The recall referendum was held on August 10, 2008, and all prefects were confirmed except those of the opposition in La Paz and Cochabamba. Nine days thereafter, the prefects of the departments of the “Media Luna” and Chuquisaca called for a “civic strike” that indefinitely blocked access routes to the country, and threatened to disrupt gas supplies to Argentina and Brazil. President Morales accused them of wanting to lead a “civil coup.” This created a very tense situation in Bolivia, and in several places, there were clashes between demonstrators and security forces.<sup>37</sup>

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<sup>35</sup>Gaceta Oficial de Bolivia, “Ley No, 3850 del 12 de Mayo de 2008,” Derechoteca.com, <http://www.derechoteca.com/gacetabolivia/ley-3850-del-12-mayo-2008.htm/print4/> (accessed May 12, 2009).

<sup>36</sup>David Gollust, “United States Recalls Bolivia Envoy in Security Dispute,” State Department, <http://www.voanews.com/english/archive/2008-06/2008-06-16-voa68.cfm?CFID=331143308&CFTOKEN=48687957&jsessionid=66306d70292794cb7150407e5197f3859715> (accessed June 12, 2009).

<sup>37</sup>La Razón, “Manifestantes toman aeropuertos en Pando y Riberalta,” [http://www.la-razon.com/versiones/20080807\\_006357/nota\\_247\\_647544.htm](http://www.la-razon.com/versiones/20080807_006357/nota_247_647544.htm) (accessed May 20, 2009).

On August 26, in this environment of intense conflict, word that United States Ambassador Philip Goldberg had met secretly with the Prefect of Santa Cruz and one of the organizers of the strike, Ruben Costas led to a formal protest from the Bolivian government demanding that President George W. Bush stay out in the conflict. Faced with this letter, Ambassador Goldberg said the meeting had not been secret, that it had nothing to do with Bolivia's internal affairs, and that the United States had intended only to discuss cooperation with the Special Olympics and to the Expoteleinfo--an information technology trade fair.

Later that month, President Morales voiced support for the call by his coca leaf grower support base in the Chapare to expel the United States Agency for International Development (USAID) alternative development workers from the region. Within months, both USAID and the Drug Enforcement Administration (DEA) personnel were forced to leave the Chapare because of local pressure.<sup>38</sup>

President Morales and the Bolivian national government continued accusing the United States Embassy in Bolivia of providing support violent opposition groups. On September 11, 2008, President Evo Morales declared Ambassador Goldberg "*persona non grata*" accusing him of inciting violence in Bolivia and ordering him to leave the country.<sup>39</sup> The next day, the representative of United States State Department, Sean McCormack, described the expulsion as "a grave error that has seriously damaged the

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<sup>38</sup>United States Department of State, Bureau of International Narcotics and Law Enforcement Affairs, "2009 International Narcotics Control Strategy Report," <http://www.state.gov/p/inl/rls/nrcrpt/2009/vol1/116520.htm> (accessed May 22, 2009).

<sup>39</sup>La Razón, "Evo expulsa al embajador de EEUU por supuesta conspiración," [http://www.la-razon.com/versiones/20080911\\_006392/nota\\_244\\_668834.htm](http://www.la-razon.com/versiones/20080911_006392/nota_244_668834.htm) (accessed May 21, 2009).

bilateral relationship.” He also denied that Ambassador Goldberg was inciting violence in the Latin American country, considered the accusation “baseless.” At the same time, he reported that Gustavo Guzman, Bolivia’s Ambassador in Washington had also been declared “persona non grata” in retaliation and had been ordered to leave the country.<sup>40</sup>

After this unfortunate diplomatic incident, events unfolded as follows:

1. During the month of September 2008.

a. Bolivia lost the support of two United States Congressmen on the issue of extension of United States tariff preferences provided under the Andean Trade Promotion and Drug Eradication.<sup>41</sup>

b. Speaking to the press, Ambassador Goldberg personally denied seeking to undermine the authority of the Bolivian President or attempting to divide the country and inciting violence.<sup>42</sup>

c. On September 22, 2008, the United States Embassy encouraged the departure of United States citizens in Bolivia and suggested avoiding travel in the territory and areas of conflict in which disturbances could occur.<sup>43</sup>

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<sup>40</sup>BBC News, “Washington expels Bolivian Envoy,” <http://news.bbc.co.uk/2/hi/americas/7610915.stm> (accessed May 20, 2009).

<sup>41</sup>The Library of Congress, “110th Congress Report-Andean Trade Preference Extension Act of 2008,” <http://thomas.loc.gov/cgi-bin/cpquery/T?&report=hr529&dbname=110&> (accessed May 21, 2009).

<sup>42</sup>Genevieve Long, “Ejected Ambassador to Bolivia says Ousting was a Foil,” *The Epoch Times*, [http://www.theepochtimes.com/n2/index.php?option=com\\_content&task=view&id=4607](http://www.theepochtimes.com/n2/index.php?option=com_content&task=view&id=4607) (accessed May 20, 2009).

<sup>43</sup>Diplopundit, “U.S. Embassy La Paz on Authorized Departure Now,” <http://diplopundit.blogspot.com/2008/09/us-embassy-la-paz-on-authorized.html> (accessed May 23, 2009).

d. Because of the conflictive nature of bilateral relations, the United States reduced by more than \$26 million its contribution to the fight against drugs. The Bolivian government responded that the shortfall would be corrected with the expenditure of internal resources and the cooperation of Russia<sup>44</sup>

e. By the end of September 2008, Washington filed a complaint to Bolivia. According to the United States, in the previous twelve months, the South American country had not cooperated in the fight against drug trafficking. For this reason, it had been relegated to a blacklist,<sup>45</sup> together with Venezuela and Burma, as major developing countries, which served as and transit points for the drug trade.<sup>46</sup>

f. In New York at United Nations headquarters, President Evo Morales denounced the United States for meddling in the internal affairs of Bolivia. In turn, he

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<sup>44</sup>La Razón, “Evo apunta a reemplazar la ayuda de EEUU,” [http://www.la-razon.com/versiones/20080918\\_006399/nota\\_256\\_673106.htm](http://www.la-razon.com/versiones/20080918_006399/nota_256_673106.htm) (accessed May 17, 2009).

<sup>45</sup>Under the Foreign Relations Authorization Act (FAA), the 2009 International Narcotics Control Strategy Report (INCSR) has determined that “three countries, Bolivia, Burma, and Venezuela, ‘failed demonstrably’ during the last 12 months to adhere to international counternarcotic agreements and take counternarcotic measures set forth in U.S. law. In the cases of Bolivia and Venezuela, the President has issued a national interest waiver so that the United States may continue to support specific programs to benefit the Bolivian and Venezuelan people. In Venezuela, funds will continue to support civil society programs and small community development programs. In Bolivia, the waiver will permit continued support for agricultural development, exchange programs, small enterprise development, and police training programs among others.”

<sup>46</sup>La Razón, “EEUU pone por primera vez al país en la lista negra de la droga,” [http://www.la-razon.com/versiones/20080917\\_006398/nota\\_256\\_672303.htm](http://www.la-razon.com/versiones/20080917_006398/nota_256_672303.htm) (accessed May 12, 2009).

reiterated that the former Ambassador Philip Goldberg was conspiring against his country.<sup>47</sup>

g. After the episode in New York, President George Bush made the decision to suspend the Andean Trade Promotion and Drug Eradication Act and the Andean Trade Preference Act (ATPA) for Bolivia.<sup>48</sup> La Paz immediately called on the United States “rectify” this decision; but President Evo Morales pledged to find new markets for Bolivian products. For its part, the Organization of American States (OAS) Secretary General Jose Miguel Insulza, expressed regret that President Bush proposed to suspend tariff preferences for Bolivia, believing that this measure “would severely damage” small entrepreneurs in the Andean country. However, while Insulza made the announcement, President Morales again reiterated that his country was prepared to face such action.<sup>49</sup>

2. During the month of October 2008.

a. Bolivia together with Venezuela and Ecuador, criticized the United States for being responsible for the international financial crisis. Earlier this month, Bolivian entrepreneurs became alarmed because Bolivia could lose not only the Andean Trade Preferences Act and Drug Eradication Act, but also its status under the Generalized

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<sup>47</sup>United Nations 64th Session, “President Evo Morales’ Statement to the United Nations General Assembly,” <http://www.un.org/ga/63/generaldebate/bolivia.shtml> (accessed May 12, 2009).

<sup>48</sup>La Razón, “Bush decide dejar a Bolivia sin preferencias arancelarias,” [http://www.la-razon.com/versiones/20080927\\_006408/nota\\_249\\_679179.htm](http://www.la-razon.com/versiones/20080927_006408/nota_249_679179.htm) (accessed May 29, 2009).

<sup>49</sup>La Razón, “OEA aboga por el ATPDEA y Evo no cambia su actitud hacia EEUU,” [http://www.la-razon.com/versiones/20080929\\_006710/nota\\_248\\_679859.htm](http://www.la-razon.com/versiones/20080929_006710/nota_248_679859.htm) (accessed May 29, 2009).

System of Preferences (GSP). Paradoxically, a few days later, the United States Senate extended ATPDEA funding for Bolivia for six months, but without the approval of the House of Representatives.<sup>50</sup>

b. After the United States “gesture,” Bolivia announced through his Chancellor David Choquehuanca, that it would seek to revise its relations with the United States, and that this review would include the negotiation of a trade agreement.<sup>51</sup>

c. With the approach of Presidential elections in the United States, the Bolivian government announced that it would re-define its diplomatic relations and cooperation with the United States once the new administration would take office.<sup>52</sup>

d. Venezuelan President Hugo Chávez offered to replace or exceed ATPDEA revenues to prevent unemployment in Bolivia. Soon thereafter, President Bush signed the ATPDEA for the other Andean countries (Colombia, Ecuador, and Peru), but left Bolivia on hold. This has resulted in the suspension of Bolivian tariff-free exports to the United States.<sup>53</sup>

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<sup>50</sup>La Razón, “El Gobierno aún confía en beneficiarse del ATPDEA,” [http://www.la-razon.com/versiones/20081027\\_006438/nota\\_256\\_698201.htm](http://www.la-razon.com/versiones/20081027_006438/nota_256_698201.htm) (accessed May 29, 2009).

<sup>51</sup>Soitu, “Bolivia quiere revisar sus relaciones con EE.UU. para hacerlas más justas,” [http://www.soitu.es/soitu/2008/10/07/info/1223343851\\_024485.html](http://www.soitu.es/soitu/2008/10/07/info/1223343851_024485.html) (accessed May 30, 2009).

<sup>52</sup>La Razón, “Relación con EEUU se verá con el nuevo Gobierno,” [http://www.la-razon.com/versiones/20081014\\_006425/nota\\_247\\_689497.htm](http://www.la-razon.com/versiones/20081014_006425/nota_247_689497.htm) (accessed May 31, 2009).

<sup>53</sup>La Razón, “Venezuela dice que comprará a Bolivia todo del ATPDEA,” [http://www.la-razon.com/versiones/20081030\\_006441/nota\\_248\\_700495.htm](http://www.la-razon.com/versiones/20081030_006441/nota_248_700495.htm) (accessed May 30, 2009).

e. In response to the episode mentioned above, Bolivia and Venezuela created an agreement that established that Venezuelan state-owned industries would buy the entire production of Bolivian goods intended for the United States under the ATPDEA.<sup>54</sup>

f. By the end of the month, the Bolivian government announced that it would maintain a harmonious relation with the United States despite the diplomatic wrangling.

3. During the month of November 2008.

a. President Evo Morales suspended the operations of the Drug Enforcement Administration in Bolivia; but still claims he wants to improve relations with the United States.<sup>55</sup>

b. On Thanksgiving Day, President Bush specifically signed and dated the suspension of tariff preferences for Bolivia.<sup>56</sup>

c. Even after the victory of Democratic candidate Barack Obama in the United States' presidential election, President Morales claimed that the United States' Drug Enforcement Agency covered up drug trafficking in Bolivia. Washington has responded through the State Department, which described as "absurd" the allegations

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<sup>54</sup>La Razón, "Evo dice que Venezuela sustituirá al ATPDEA," [http://www.la-razon.com/versiones/20081016\\_006427/nota\\_248\\_691117.htm](http://www.la-razon.com/versiones/20081016_006427/nota_248_691117.htm) (accessed May 30, 2009).

<sup>55</sup>The Associated Press, "Bolivia Suspends U.S.-Backed Antidrug Efforts," *The New York Times*, <http://www.nytimes.com/2008/11/02/world/americas/02bolivia.html> (accessed May 31, 2009).

<sup>56</sup>Angeles Villarreal, "ATPA Renewal: Background and Issues," *Congressional Research Service*, [http://assets.opencrs.com/rpts/RS22548\\_20090807.pdf](http://assets.opencrs.com/rpts/RS22548_20090807.pdf) (accessed May 17, 2009).

made by the Bolivian President that the Bolivian government decided to cut their working relations with the United States in relation to narcotics, which only affect the Bolivian people.<sup>57</sup>

d. On a trip to Spain, the Bolivian Foreign Minister referred to the relations between his country and the United States, and announced his desire to develop a better relationship with the new administration that is headed by President Barack Obama.<sup>58</sup>

e. A few days later, President Morales “attacked” the United States accusing him of encouraging the formation of a bloc of right-wing political organizations in order to influence Bolivia’s 2009 elections.

Fortunately, after many “misunderstandings,” negotiations between the United States and Bolivia are resuming. Indeed, on April 8, 2009, the United States confirmed it would continue supporting the fight against drugs in Bolivia with a contribution of \$26 million to the effort.<sup>59</sup> This is the first result of renewed diplomatic negotiations that began in the first semester of 2009 with the goal of “rebuilding” relations between Bolivia and the United States.

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<sup>57</sup>Jean Friedman-Rudovsky, “Why Bolivia Quit the U.S. War on Drugs,” *Time*, <http://www.time.com/time/world/article/0,8599,1856153,00.html> (accessed May 30, 2009).

<sup>58</sup>Erin Rosa, “Bolivia: ‘We are waiting for an improvement to our relations with the United States’,” *Narconews.com*, <http://www.narconews.com/Issue55/article3346.html> (accessed May 31, 2009).

<sup>59</sup>La Razón, “EEUU reduce más la cooperación antidroga,” [http://www.la-razon.com/versiones/20090408\\_006691/nota\\_256\\_791711.htm](http://www.la-razon.com/versiones/20090408_006691/nota_256_791711.htm) (accessed May 31, 2009).

One of the last events in this troubled relationship occurred at the V Summit of the Americas, where President Morales invited President Obama to speak out against terrorism in Bolivia (specifically to address a bombing that occurred in Santa Cruz on April 16, 2009) because he claimed to have evidence of a conspiracy against him supported by United States diplomats.

When visiting Bolivia in May 3, 2009, former United States President Jimmy Carter said that the White House could appoint a new Ambassador to Bolivia in the near future.

## CHAPTER 3

### RESEARCH METHODOLOGY

The first and second chapters of this thesis presented different aspects of the reality of the relationship between the United States of America and Bolivia. So far, the reader can appreciate that this relationship includes a number of aspects and elements that are of interest to both countries.

Bolivia is experiencing a highly polarized political situation due to a clash of visions between diverse sectors of Bolivian politics. Political parties have suffered discredit and lack of confidence from the Bolivian people. Most Bolivians today do not identify with their proposals and projects. Perhaps, this is the main reason why Evo Morales was elected President--because he presented a new option in the political spectrum of Bolivia.

To the political problem must be added the struggling economy and the specific difficulties experienced by the different economic sectors in Bolivia. Although the economic stability of Bolivia is due, largely, to exports of natural gas to major markets in South America (Argentina and Brazil), it is also true that economic prosperity for the country at large does not translate into prosperity for all citizens. Today there are obvious difficulties that are preventing the Bolivian population from achieving an adequate standard of living and satisfaction of the basic needs of life.

Another element that complicates the situation in Bolivia is the ethnic problem. Bolivia, along with Peru and Ecuador, is a country where problems due to divisions along ethnic lines have not reached a final settlement. Different ethnic groups in Bolivia have attitudes that are contrary to traditional state-sponsored solutions. In addition, these

ethnic groups have not been adequately integrated into national political and economic life.

Despite the internal complexities of Bolivian society and politics, only some aspects are relevant to the United States-Bolivia bilateral relationship. For United States of America, Latin America has occupied a limited space in its overall priorities. Today US security concerns are dominated by the complex problems of Iraq, Afghanistan, the Middle East, and Korea. Since the end of the Cold War, only a single issue involving Latin America has been consistently viewed as possessing strategic importance to Washington: drug trafficking. Moreover, the United States of America considers the issue of drug trafficking of lesser overall importance in the global scheme of things..

The September 2001 attacks have strengthened the tendency to elevate the issues of terrorism and drug cultivation and trafficking as the two main security interests for the United States of America in the region. The perception of the drug problem as a strategic threat not only refers to a potential link to terrorism and organized crime, it is also related to the arms trade and money laundering associated with drug trafficking. Indeed, the fight against terrorism is now the United States primary global concern. In fact, the National Security Strategy launched in March 2006, refers to the links between terrorist groups' activities and the drug trafficking that help fund these groups. Thus, the "war against drugs" has become the major security issue in the hemispheric vision of the United States of America.

Undoubtedly, for both, the United States of America and Bolivia, their relationship extends over a number of areas. Similarly, both nations use all the

instruments of power available to them (diplomacy, information, military, and economy) to obtain the greatest benefit and advance for their interests.

Nobody can deny that the United States of America is of crucial importance to any Latin American country, particularly for those who remain trapped in underdevelopment. These nations would benefit greatly from an improvement in the level of bilateral and multilateral cooperation. Countries as Bolivia would do well to maintain normal diplomatic relations with the United States and other countries.

In recent years, Bolivia has ruined its ties with United States of America for reasons that are not justifiable in any way. These include a marked susceptibility to any criticism, verging on paranoia, and allegations of interventionist actions by the United States in Bolivian affairs. Indeed, Bolivia expelled the United States Ambassador after a series of allegations of attempts to destabilize the government of President Evo Morales that never have been proven. To this, it must be added the expulsion of members of the United States Drug Enforcement Administration. This action resulted in the loss of economic and technical cooperation in the fight against drug trafficking. Finally, and most damaging yet: Bolivia ended up without the Treaty of Trade Preferences, without which certain Bolivian exports to the United States of America market would lose much needed competitiveness.

The negative consequences of the events described are the reason why the Bolivian government should strive to restore their relations with Washington. Issues, such as unemployment in El Alto -where many large, medium, and small companies have closed or minimized their production- are examples of the negative economic impact of

strained bilateral relationships with the United States and should convince the Bolivian government to return to normal diplomatic relations with United States of America.

Although this mentions some of the elements that affect the relations between Bolivia and the United States of America, the main focus for the analysis is on the problems of drugs and drug trafficking, taking as a guide both countries' perception about coca and cocaine.

The cultivation and use of the coca leaf and the drug problem will become the focus for the analysis, since they are the central elements that distort and hinder the bilateral relationship between Bolivia and the United States of America. We intend to demonstrate that if Bolivia recognizes that not all coca production is destined for traditional, cultural, religious, and medicinal use; and if the United States of America recognizes that not all coca production is intended for the production of cocaine; the fate and future of bilateral relations not only will likely mend, but it will also strengthen and expand the elements of greatest importance and value to both countries such as regional stability, economic growth, and international trade.

Since the late 1970s, the growing international demand for cocaine, has contributed significantly to the cultivation of coca in Bolivia. Bolivia expanded the production of coca leaf from the so-called "traditional" area (Yungas), to "new" zones (Chapare). It is clear to see that criminal groups outside the law welcome the expansions of coca crops which they would like to use for cocaine production. The unparalleled performance of this product, regardless of the inefficient system of agricultural credit and the official marketing mechanisms, have allowed the Chapare region to experience a

sudden economic boom; accelerated immigration, urban sprawl, and the emergence of a group of local leaders based on the region's new economic strength.

In Chapare, there is a culture of ambiguity because the deeply rooted tradition of coca leaf cultivation and use by the indigenous population coexists with the presence of organized criminal groups who have taken control of many aspects of the coca industry. This is exacerbated by the lack of integration of this same population into national social and political structures and a weak government presence. The international debate about illegal substances initially focused on the determination of responsibilities between the so-called producer countries (Bolivia) and those who offered drug markets (United States). For the first ones, the source of the problem was the demand that drug traffickers seek to satisfy while the others focused on the eradication of the cultivation and production of narcotics.

Many countries have sought to establish international agreements and treaties to control drug production. It was easily assumed that the best way to combat drug use was to control production in the cultivation and processing locations, establishing bilateral agreements to that effect where the producing countries agree to reduce production of drugs. This has been the assumption behind the bilateral agreements between Bolivia and the United States. The power of the world's cocaine industry depends essentially on two sources: (1) its social base in the field of production and initial processing, and (2) its financial base from the marketing channels and distribution markets of consumption. These aspects are part of the cycle, and although always present, have different weights in different countries participating in it.

Coca-producing countries such as Bolivia have significantly reduced their volume of coca leaf production by a combined effort on the part of Bolivian society, government, and international cooperation, where the United States is the main actor.

The reduction of cultivated areas in Bolivia during the 1990s was based on interdiction actions undertaken by the different administrations in the Bolivian government. However, these policies have now experienced significant changes. It is possible to observe the social erosion caused by the actions of the Bolivian government and the DEA which resulted from those policies. Some of these may be regarded as negative such as allegations of violations of human rights, and lack of respect for traditions and cultural values of people in the area. Others are perhaps more positive such as the creation of alternative markets for products introduced in the Chapare.<sup>60</sup>

Observation of the social context in which drug-related activities develops shows that the number of people who engage in these activities has increased significantly including both, those engaged in high-volume traffic, and small traders. Additionally, there is greater participation in the drug distribution economy by lower income populations, especially women and children, who transport the drug to other countries such as Brazil, Argentina, Chile, Paraguay, and Spain--and sell it in small quantities as a means of subsistence.<sup>61</sup>

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<sup>60</sup>Mercosur Noticias, "Acusan a la DEA de encubrir hechos de narcotráfico y violar derechos humanos en Bolivia," [http://www.mercosurnoticias.com/index2.php?option=com\\_content&do\\_pdf=1&id=16482](http://www.mercosurnoticias.com/index2.php?option=com_content&do_pdf=1&id=16482) (accessed November 12, 2009).

<sup>61</sup>International Narcotics Control Board, "Report of the International Narcotics Control Board for 2008," [http://www.incb.org/pdf/annual-report/2008/en/AR2008\\_Chapter\\_III\\_Americas.pdf](http://www.incb.org/pdf/annual-report/2008/en/AR2008_Chapter_III_Americas.pdf) (accessed November 16, 2009).

This involvement in the underworld of drugs by all sectors of society accounts for the prevalence of certain practices and values associated with illegality and the marginality of the activity. It creates a violent and insecure environment, in which it is easy to accept crime as a way to maintain the balance of power between different actors and as an acceptable aspect of life. Similarly, people adapt to a philosophy where money is the most significant value and is used to purchase and maintain impunity through extensive networks of corruption. In this regard, it is necessary to consider that the use of the term “illegal drug” is often misleading as it has a connotation that is essentially criminal--leaving aside the social, economic, political, and even moral aspects of the production and marketing of drugs. Thus, it is certainly inappropriate to restrict the actions of counter-narcotics to a purely criminal matter without addressing the enormous social problems associated with it.

In Bolivia’s financial base, the influence of drug traffickers have never reached the same severity as in Colombia. Perhaps this is because the country’s involvement in the cocaine industry has been essentially in an agricultural dimension and only recently has it begun to produce hydrochloride of cocaine. Narco groups in Bolivia are rather local and stay away from the management of distribution channels and marketing in international markets without engaging the international cartels. Much of the small domestic producers generally intended the drug for local markets without generating too large marketing networks.

With respect to the Bolivian state, its historical role has been inconsistent, oscillating between a certain resignation in the face of a phenomenon that has alleviated some of the problems caused by the economic crisis and a wild lunge toward eradication

that has rarely achieved lasting results. Although the administration of President Evo Morales has made explicit statements of their willingness to fight drug trafficking and his iron determination to distinguish and differentiate what is coca from what is cocaine, coca is still the principal element of discord, both domestically and internationally.

Today, actions against production and trafficking of drugs are performed with limited human and material resources, taking into account the great economic power enjoyed by drug traffickers. The actions of President Morales' administration have attempted to disrupt the bands involved in drug trafficking; trying to break their contacts with international networks involved in the country. The intelligence activities of the past have occasionally succeeded in this aspect, but in reality, much remains to be done.

The government of the United States, in recent years had used various instruments for influencing the actions of other governments, one of which is the "certification." Annually the United States of America issues a certification to countries linked to drug production, reflecting American perceptions of that country's efforts to end the problem. Such certification has become a prerequisite for proceeding with the signing of agreements and treaties on narcotics cooperation and other areas with the United States government. Some governments or civil voices inside the country, causing have questioned United States' country certification program many times; both on its rather arbitrary standards and because in their eyes it is an affront to national sovereignty.

Recently President Obama's administration submitted to Congress the annual report, which decertifies Bolivia.<sup>62</sup>

Decertification effectively blacklists Bolivia and affects the award of trade preferences (the ATPDEA trade preferences agreement required cooperation in tackling drug trafficking). The United States of America has placed for many years its drug policy at the centre of its bilateral relations with Bolivia. Once again, because of the drug/coca issue, these relations have become increasingly more fractured. For example, last year President Evo Morales expelled the United States Drug Enforcement Agency on grounds that it conspired, along with the United States Embassy and International Development Programs like United States Agency for International Development, against the legitimate Bolivian government.

President Morales rejected the judgment passed by the United States government, saying that the United States of America does not have the authority to 'label' Bolivia. He highlighted that the Bolivian authorities have seized 19 tons of cocaine in 2009,<sup>63</sup> or the equivalent of 5,000 hectares of coca plants. He also noted that the government has made a concerted effort to strengthen and support the Special National Anti-Narcotic Forces (FELCN).

In addition to President Morales' rejection of the United States' decertification, the Bolivian government has also asked United States Agency for International

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<sup>62</sup>United States Department of State, "2009 International Narcotics Control Strategy Report," <http://www.state.gov/p/inl/rls/nrcrpt/2009/vol1/index.htm> (accessed November 17, 2009).

<sup>63</sup>La Prensa, "El Presidente afirma que EEUU no tiene moral para 'certificar'," [http://www.laprensa.com.bo/noticias/17-09-09/noticias.php?nota=17\\_09\\_09\\_seg1.php&do=del&id=20090917114129&page=1](http://www.laprensa.com.bo/noticias/17-09-09/noticias.php?nota=17_09_09_seg1.php&do=del&id=20090917114129&page=1) (accessed May 15, 2009).

Development (USAID) to shut down some of its programs in Bolivia, especially those that are seen to have political links to the opposition parties. The projects in question fall under the umbrellas of ‘Integrated Judiciary Centers’ and the ‘Strengthening of Democratic Institutions’ programs. The Minister for Justice, Celima Torrico, reiterated that the closing of these programs would not have a negative social impact, the work of strengthening the judiciary and democratic institutions is now being carried out by the government itself.

As it has been shown, although the international relations between Bolivia and the United States of North America involve political, economic, and social aspects, the problem of the coca/cocaine distorts or distracts the relationship to such degree that it has almost become the only object of attention. This is arguably more so from the point of view of the United States. Bolivia has recognized the negative impact of the United States obsession with the “drug problem” and has proposed four areas of bilateral understanding that would improve relations with the United States. These pillars are.<sup>64</sup>

1. Political Dialogue. Dialogue would be based on the following core principles: (1) unlimited respect for national sovereignty; (2) respect for the territorial integrity and inviolability of nation-states; (3) non-interference in the internal affairs of states; (4) respect for the rule of law and the legal system of each country; (5) respect for diversity in the areas of policy, economic, social, and cultural approaches to problems;

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<sup>64</sup>Ministerio de Relaciones Exteriores de Bolivia, “Discurso del Canciller David Choquehuanca Céspedes en la inauguración de la reunión Bolivia-Estados Unidos,” [http://www.rree.gov.bo/webmre/notasprensa/2009/2009\\_mayo/np8.htm](http://www.rree.gov.bo/webmre/notasprensa/2009/2009_mayo/np8.htm) (accessed November 9, 2009).

(6) promotion of peace and nonviolent solutions; and (7) social justice for equitable development and harmony with nature for sustainable development.

2. Cooperation between States.<sup>65</sup> Bilateral cooperation that is aligned with state plans and adequately channeled, controlled and coordinated by the state itself and not by agencies of the State.

3. Combating drug trafficking. The fight against illegal drug trafficking must be based on the principle of shared responsibility in a comprehensive, balanced, and multilateral framework in order to work together to prevent, combat, and reduce production and consumption of illicit drugs.

4. Trade. Strengthening trade, particularly in those goods that foster sustainable development in Bolivia through agreements that take into account existing asymmetries between both countries.

The four areas of understanding proposed by Bolivia are the “master agreement,” outlined in Washington between representatives of the White House and envoys of President Morales’ administration. These points can become the initial stage towards the full restoration of diplomatic relations between both countries. That is, between fully accredited Ambassadors and not between *Chargés d’Affaires* dedicated solely to business procedures and routine matters.

The framework agreement, of course, should be understood in the context of the universal rules that govern relations between members of the international community; but to the specific goals of the agreement would apply exclusively to the Bolivia-United

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<sup>65</sup>Stephen Zunes, “The United States and Bolivia,” *Foreign Policy in Focus*, <http://www.fpif.org/fpiftxt/5539> (accessed November 13, 2009).

States bilateral relationship. Only in the context of a fully restored and mutually respectful relationship may the coca/cocaine problem be constructively discussed. We will now turn to a detailed analysis of the multiple subordinate problems associated with coca/cocaine as it affects both Bolivia and the United States.

## CHAPTER 4

### ANALYSIS

Chapter 4 will analyze the information in the previous chapters. In order to facilitate an understanding of the changes in the United States-Bolivia bilateral relationship, the analysis is organized chronologically. As mentioned before, although the relations between United States and Bolivia are based on various elements that correspond to the diplomacy, information, military, and economy fields; the bilateral relationship is disproportionately dominated by the coca problem. A review of the existing literature and data shows that it is difficult to isolate the impact of the controversies associated with coca on the relationship between Bolivia and the United States. Therefore, this analysis focuses on the problem of coca and their impact in the relation between both countries.

In December 2005, Bolivians elected President Evo Morales and his Movement Towards Socialism. Morales, the leader of a coca growers' union and the first Aymara Indian to occupy the presidency, has promised to address the country's long-standing problems by restoring the authority of the state in economic decision making, challenging the traditional political class, and empowering the lower classes of the nation. The election of President Morales, a close ally of Venezuelan President Hugo Chávez and an outspoken critic of commercial initiatives led by the United States, provided further evidence that the credibility and leadership of Washington in Latin America was in decline at the time of his election. The models of representative democracy and market-oriented policies implicit in the resolutions approved at the Summit of the Americas are now being challenged by President Morales's calls for democratic forms of direct,

participatory democracy “without intermediaries,” all of which have the potential to threaten the reality of liberal democracy itself.<sup>66</sup>

Although Bolivia, along with other Andean countries (Peru, Ecuador, Colombia), has a long history of political turmoil, in the last two decades, widespread social unrest and extreme institutional instability in Bolivia have been linked closely with coca cultivation, drug trafficking, and the implementation of restrictive drug policies.

For over 20 years, Andean governments have waged a war against drugs, led by the United States, giving priority to the eradication of illicit crops. Since 2002, there has been a decrease in the total number of hectares of coca crops cultivated in Bolivia, Peru and Colombia,<sup>67</sup> but this has not reduced the supply of street cocaine in the United States and Europe.<sup>68</sup> The coca farmers of Bolivia, who bear the burden of anti-narcotics policies in the region, have reacted to coca eradication efforts by increasing political protest against the United States-led drug policies that emphasize eradication without providing suitable alternatives. This growing protest, which includes social protest and political violence, particularly in Bolivia but also in Peru, has already destabilized the entire Andean region and has further strained relations with the United States of America.

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<sup>66</sup>Tom Salman, “Reinventando la Democracia en Bolivia,” *Scientific Electronic Library On Line*, <http://www.scielo.org.bo/pdf/umbr/v1n17/n17a014.pdf> (accessed October 13, 2009).

<sup>67</sup>United Nations Office on Drugs and Crime, *Bolivia Coca Cultivation Survey*, (New York: United Nations Office on Drugs and Crime, 2004), 7.

<sup>68</sup>International Crisis Group, *Informe sobre América Latina*, (Bogotá, Crisis Group, 2005), 12.

In 2001, President Bush's Administration launched the Andean Initiative on Drugs.<sup>69</sup> This initiative was designed as a complement to Plan Colombia and was aimed at preventing the spillover effects from Colombia's civil war. It was based on the same logic of targeting illicit crop eradication, complemented by interdiction operations, drug policy enforcement measures, and the encouragement of alternative economic options in all countries producing coca in the Andes. From the Bolivian perspective, program funding has focused excessively on eradication, and has had very limited success in promoting and implementing alternative development programs and institution building in the coca-growing regions.

Unlike Colombia, Bolivia has a traditional culture of coca cultivation, and in some regions (Yungas) coca production is legal for traditional purposes. Very often, Bolivian officials and United States diplomats failed to distinguish between requests for dialogue from traditional growers with their governments, and farmers who enter the market in areas that are clearly linked to the international drug business--as the Chapare region in Bolivia. This error, along with some counterproductive rhetoric that brands all growers as criminals and "narco-campesinos" very likely has contributed to the formation of organized movements of coca growers with a high potential for massive anti-government mobilization. This situation is exacerbated by the relationships that exist between some sectors of the "cocaleros"<sup>70</sup> with drug trafficking, which brings into

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<sup>69</sup>Congressional Budget Office, "The Andean Initiative: Objectives and Support," Congressional Budget Office, <http://www.cbo.gov/doc.cfm?index=4885&type=0> (accessed October 14, 2009).

<sup>70</sup>"Cocalero" means coca grower and is the term commonly used to refer to farmers who engage in this activity. The term "cocalero movement" describes the union (or grouping) of coca for those defending the right to grow coca is a political issue. The

question the legitimacy of coca production beyond their local environments while promoting and at times confirming international suspicions.

After a marked reduction in cultivation in the 1990s due to the policy of eradication, coca production in Bolivia has increased again, and it appears that Bolivia is becoming a pillar for cocaine production in the Andes, which now supplies growing markets like Brazil, Argentina, and Chile.

The illegal drug industry in Bolivia and Peru is much more rudimentary than in Colombia. In Bolivia, after the collapse of international tin market in 1985, the system of coca production for export initially attracted many unemployed miners to the Chapare region, with the promise of fast money and land. This coca bonanza lasted well into the 1990s, when anti-narcotics policies acquired high priority in the bilateral relationship between the United States and Bolivia.<sup>71</sup>

The recent resurgence in coca production in Bolivia does not yet make up for the reduction in Colombian production--but is moving in that direction. Consequently, efforts to combat illegal drug trafficking should be strengthened further. It is imperative that growers' movements, especially the one headed by President Evo Morales in Bolivia, distance themselves clearly from the illicit use of the coca leaf and ensure they are not involved in criminal networks.

There are favorable factors for the cultivation of coca in Bolivia and Peru, as well as in neighboring countries like Ecuador, where safeguards against transnational crime

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first significant political movement of this kind emerged in Bolivia with the Movement Toward Socialism (MAS) of Evo Morales.

<sup>71</sup>These United States policies called for a "certification" of the country's compliance with anti-drug programs to avoid cuts in certain categories of foreign aid.

and in particular money laundering are weak. The emergence of regional markets for cocaine use, such as Argentina, Brazil, Chile, and Peru, porous regional borders, the drug-related corruption and weak legislation against money laundering are all factors which suggest that there is a danger that the small-scale coca production in Peru and Bolivia may once again become large-scale criminal operations.

Alternative development and rural development programs, and programs to combat transnational crime, should have priority over the dominant drug eradication paradigm. Many Bolivian regions have never had an alternative crop that can compete with coca. . International Financial Institutions such as the World Bank, the International Monetary Fund, the United Nations Development Bank, and other donors have distanced themselves from direct involvement in the financing of alternative crops. The concept is in dire need of a major investment of money and talent. This is especially true of alternative livelihoods programs that include both agricultural as well as other types of basic training that would provide a viable livelihood, and provide social and economic infrastructure to rural communities. In addition it is necessary to acknowledge the legality of the traditional cultivation, use of coca leaf, and foster the incorporation of coca growers into the democratic political structure of the nation.

It is very difficult for the International Community to understand completely the difference between the groups involved in the traditional coca cultivation and those involved in international criminal networks. This lack of understanding is counterproductive, not only about counternarcotics objectives but also in terms of political stability. It is imperative for further strengthen democratic institutions, helping police forces, combating corruption, and promoting intergovernmental cooperation in the

dismantling of major drug trafficking networks. However, to label all social movements and their leaders of “drug offenders” and “narco-terrorists” is inaccurate and very unwise.

### Nature of the Coca Leaf

The production of coca has a long and complex history in Bolivia. Originally, coca has been grown in the highlands for traditional consumption by farmers and their communities. However, from the 1960s and 1970s, the production of the coca-cocaine became a central economic activity, particularly in the Yungas and Chapare regions.

In 2000, the Bolivian government announced its strategy to eradicate coca crops; supported by the United States.<sup>72</sup> During the early years of the 2000s, the Program achieved a dramatic reduction in illicit crops resulting in the eradication of approximately 14,000 hectares of coca plants, which brought down production to the level of the early 1980s.<sup>73</sup> However, in recent years the country has experienced a renewal and a steady rise in coca cultivation. Currently there are over 28,500 hectares of coca planted in Bolivia.<sup>74</sup>

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<sup>72</sup>In August 1997, President Banzer launched “Dignity Plan,” with the support of President Clinton’s administration. According to this, the Bolivian government agreed to eliminate all illicit coca production in a period of five years through eradication, alternative development, precursor chemical control, and interdiction.

<sup>73</sup>Eduardo E. Gamarra, “Has Bolivia Won the War? Lessons from Plan Dignidad” (Research Project, Latin American and Caribbean Center, Department of Political Science, Florida International University), [http://lacc.fiu.edu/research\\_publications/working\\_papers/WPS\\_003.pdf](http://lacc.fiu.edu/research_publications/working_papers/WPS_003.pdf) (accessed October 19, 2009).

<sup>74</sup>National Council for Combating Illicit Drug Trafficking (CONALTID), “Integrated strategy Bolivian anti-drug smuggling, 2004-2008,” La Paz, September 2004. Note: For 2004, United States Department of State’s Strategy Report International Narcotics Control (International Narcotics Control and Strategy Report - INCSR), cites a little over 31,000 hectares of coca cultivation in Bolivia, an increase of about 3,000 hectares.

The coca problem is compounded by the fact that, in Bolivia, coca cultivation is an ancient agricultural activity, and for centuries, indigenous people have used the coca leaf for medicinal and ritual purposes. The law permits the cultivation of coca up to certain specified levels. For example in the Yungas region legal cultivation of coca may reach 12,000 hectares of land. However, the line between “legal” and “illegal” is very thin; it is not clear how much coca is used for traditional purposes and how much is sold for cocaine processing. There is evidence that a substantial part of the coca crop is destined for as raw material for a rudimentary cocaine-production national industry. At the same time, the demand for traditional consumption of coca seems to be diminishing.<sup>75</sup>

The tradition of cultivation and use of coca leaf and its authorized sales in certain markets coexists with the illicit drug market. However, the arguments for the economic viability of coca cultivation as a “legal crop” should not be understood as an apology defending farmers who sell cocaine paste to drug traffickers. Counternarcotics policies were designed to eradicate illicit coca crops, and should continue doing this when there is no doubt that plantations are illegal. However, overly rigid implementation of counternarcotics policies tends to dismiss the legitimate right to have the traditional coca farmers legally grow and sell a certain amount of coca.

Harsh anti-drug policies are complicated by the fact that Bolivia’s traditional coca growers make it difficult to distinguish between traditional and legal or illegal activity. Moreover, the general rural discontent has enlarged the ranks of those who defend

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<sup>75</sup>United Nations Office on Drugs and Crime, “Steep decline in coca bush cultivation in Colombia as Peru and Bolivia see increase,” <http://www.unodc.org/unodc/en/frontpage/2009/June/coca-survey-report-for-colombia-peru-and-bolivia.html> (accessed October 17, 2009).

traditional coca as a legitimate crop. In protesting against the traditional government policies coca farmers joined other indigenous poor who were angry with the government for its persistent neglect in addressing rural poverty, and ignoring pressing concerns about the need for education and adequate health services, and basic infrastructure like roads, electricity and systems drinking water. A World Bank study revealed that rural communities in Bolivia face poverty levels exceeding 70 percent, and those government policies have given them access to public services, private markets, and infrastructure. It also found that investment in rural development had a disproportionately positive impact on reducing poverty and increasing national growth.<sup>76</sup> The defense of coca has become a reason to protest the harsh anti-drug policies that do not distinguish between growers “legal” and “illegal” and in general against the state’s inaction against rural poverty. The harsh anti-drug policies that emphasize forced eradication of coca crops--which mainly affects the rural poor, have exacerbated anti-government tensions and derailed the relationship between Bolivia and United States. In Bolivia, the coca issue has been the epicenter of ongoing violent confrontations between coca growers and the government since the late 1990s. The coca growers’ movement--led by President Evo Morales and his Movement Toward Socialism (MAS), emerged as a major political force in the 2002 Presidential election.<sup>77</sup>

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<sup>76</sup>Guillermo Perry and Daniel Lederman, “Beyond the City,” World Bank, <http://Inweb18.worldbank.org/LAC/LAC.nsf/ECADocByUnits/937A45EE3F62F2D085256FA5007286C?> (accessed October 13, 2009).

<sup>77</sup>International Crisis Group, “Bolivia's Divisions: Too Deep to Heal?,” <http://www.crisisgroup.org/home/index.cfm?id=4774&l=1> (accessed October 13, 2009).

### Coca and Narcotics: Central Point in the Bilateral Relation

In essence, United States policy in Bolivia has been focused almost exclusively on the eradication of “illegal” coca crops. This policy clearly has not worked. Already, under President Carlos Mesa’s administration (2003-2005), the trend toward increasing coca cultivation was evident. As part of the Bolivia-United States drug policy crisis, there were protests and riots in Chapare because the growers, who were forced to work on alternative “legal” crops, warned that not only would they not get the same profits, but that nobody would buy their new products

With an “anti-imperialist” rhetoric and leading a “left-leaning” populist government, President Morales’ drug policy has changed significantly. This policy could be summarized in the phrase “zero cocaine; but not zero coca.”<sup>78</sup> This policy, according to the United States, favors the industrialization of cocaine and promotes policies that aspire to increase legal coca cultivation.<sup>79</sup>

In addition, the United States has stated in the International Narcotics Control Strategy Report March 2008,<sup>80</sup> that the MAS government has based the eradication of coca in calls for “voluntary” eradication and social policies, and not, in forced eradication. As noted, the policy to eradicate coca and replace it with other economically

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<sup>78</sup>Department of State, “2009 INCSR: Policy and Program Developments,” <http://www.state.gov/p/inl/rls/nrcrpt/2009/vol1/116516.htm> (accessed October 13, 2009).

<sup>79</sup>United Nations Office on Drugs and Crime, “Convention against illicit traffic in Narcotic Drugs and Psychotropic Substances,” [http://www.unodc.org/pdf/convention\\_1988\\_en.pdf](http://www.unodc.org/pdf/convention_1988_en.pdf) (accessed October 4, 2009).

<sup>80</sup>United States Department of State, “2008 International Narcotics Control Strategy Report (INCSR),” <http://www.state.gov/p/inl/rls/nrcrpt/2008/> (accessed October 13, 2009).

viable crops remains the approach favored by the United States. To this end, the United States continues to fund various aid programs.

Probably the most important of these is the Integrated Alternative Development (IAD), implemented by the United States Agency for International Development (USAID). The IAD program supports the voluntary eradication program being implemented by the Government of Bolivia; but its primary purpose is to help diversify regional economies dependent on coca through the cultivation of agricultural products and building infrastructure to allow these products access to markets. In essence, then, the IAD seeks to strengthen the traditional American policy to eradicate and replace; a policy that comes into tension with the current strategy of President Morales which advocates a voluntary reduction of coca production over a much longer timetable.

This tension between these approaches became evident on February 28, 2009. A few hours after the publication of the annual report on drugs issued by the Department of State of the United States, the Bolivian Foreign Ministry David Choquehuanca said that according to the document's "stubborn shortsightedness we still keep the anti-drug bureaucracy from the administration of Mr. George W. Bush." He also characterized the document as "arbitrary."<sup>81</sup> In that report the United States recommended that Bolivia reverse its policy of expansion of legal crops for coca, while suggesting that it should do more to end the illegal market for coca and that it forge closer ties with neighboring countries. Similarly, the language of the report denounced the government of President

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<sup>81</sup>La Razón, "El Gobierno exige a EEUU un convenio que respete la coca," [http://www.la-razon.com/Versiones/20090301\\_006653/nota\\_249\\_770491.htm](http://www.la-razon.com/Versiones/20090301_006653/nota_249_770491.htm) (accessed October 2, 2009).

Morales for its continued policy of promoting “zero cocaine; but not zero coca” and its support of the industrialization of coca.<sup>82</sup>

President Morales reacted to these comments when in on Thursday November 6, 2008, when he accused the DEA of failing to respect the Bolivian Police and Armed Forces and, in doing so , to effectively promote drug trafficking instead of fighting it.<sup>83</sup>

As noted, the United States charges in 2008 did not differ substantially from the accusations of 2009; reason suggests that the State Department report took on special relevance in the context of the escalating political and diplomatic conflict between the United States and Bolivia which had originated in September 2008.

Recently, on May 25, 2009, La Paz (through the Bolivian Minister of Government, Alfredo Rada) and Washington (through a high-ranking government delegation led by Thomas Shannon) agreed to address the fight against drug trafficking as a shared responsibility. Also in this meeting, Rada ratified the sovereign determination to nationalize Bolivian anti-drug operations and announced it would not allow entry of DEA agents into Bolivia.<sup>84</sup>

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<sup>82</sup>The report states, “President Evo Morales continued to promote his policy of “zero cocaine but not zero coca” and pushed for industrialization of coca. His administration continues to pursue policies that will increase legal coca cultivation from 12,000 to 20,000 hectares--a change that would violate current Bolivian law and the 1988 United Nations Drug Convention, to which Bolivia is a party.”

<sup>83</sup>Mery Vaca, “Morales suspende las operaciones de la DEA en Bolivia,” *La Razón*, [http://www.la-razon.com/Versiones/20081102\\_006444/nota\\_249\\_702316.htm](http://www.la-razon.com/Versiones/20081102_006444/nota_249_702316.htm) (accessed October 13, 2009).

<sup>84</sup>Los Tiempos, “Rada dice que sin la DEA hay más logros,” [http://www.lostiempos.com/diario/actualidad/nacional/20090707/rada-dice-que-sin-la-dea-hay-mas-logros\\_23461\\_36831.html](http://www.lostiempos.com/diario/actualidad/nacional/20090707/rada-dice-que-sin-la-dea-hay-mas-logros_23461_36831.html) (accessed October 10, 2009).

How to address Bolivia's fight against drugs is a crucial issue for the future of the region and the world, considering that much of what is produced in Bolivia is destined for the United States and Europe. It is for this reason that on May 21, 2009, the British Ambassador and the European Union representative to Bolivia, Nigel Baker, expressed their concern at reports presented to the United Nations and the United States State Department.<sup>85</sup>

For the time being, the international community awaits the results of a study ordered by the Bolivian Government which includes a survey of consumers of coca nationwide. With these results in hand--which are expected to be available the first half of next year--President Morales' administration will assess whether the 12,000 hectares of agricultural land devoted to coca plantations authorized by Act 1008 of 1988,<sup>86</sup> are sufficient to satisfy what the Bolivian Government sees as the legitimate demand of traditional coca leaf consumption or; if, on the contrary, it is deemed necessary to raise the coca-producing area to 20,000 hectares.

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<sup>85</sup>Ernesto Justiniano, "Unión Europea preocupada por el narcotráfico en Bolivia," ErnestoJustiniano.org, <http://www.ernestojustiniano.org/2009/05/unin-europea-preocupada-por-el-narcotrffico-en-bolivia/> (accessed October 16, 2009).

<sup>86</sup>Gaceta Oficial de Bolivia, "Ley del Régimen de la Coca y Sustancias Controladas. Ley 1008 del 19 Julio 1988," Derechoteca.com, <http://www.derechoteca.com/gacetabolivia/ley-1008-del-19-julio-1988.htm> (accessed May 22, 2009).

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

Chapter 4 analyzed the status of the bilateral relationship between Bolivia and the United States of America focusing on the central disagreements over the issues surrounding the cultivation of coca plants. This chapter provides conclusions based upon the author's personal understanding of the conflict and his direct perceptions gathered from his experiences as an international officer attending the US Army Command and General Staff College during this year. Other individuals may draw slightly different conclusions based on their own perspectives and political perceptions. The significance of this analysis is that it clearly answers the primary research question: What is the most likely trend for the future of Bolivia-United States relations and what can be done to improve it? The answer is that the relation between both countries will still be focused on the various aspects surrounding the coca issue and that is necessary that both countries solve the mutual misunderstandings between them regarding this problem in order to move forward into a more productive and beneficial bilateral relationship. The conclusions drawn in this chapter will provide supporting material for this position.

#### Conclusions

Since the inauguration of President Evo Morales in 2006, relations between Bolivia and the United States have taken an unprecedented, although sometime episodic, turn for the worse. Issue after issue with which the countries are engaged has ended up as abrasive, including trade, economic development, and the regulation of coca. Most of the public disagreements have begun on Bolivia's side with criticisms of Washington's

policies--which La Paz is convinced are aimed at trying to undermine the President Morales' government and to impugn the sovereignty of the Bolivian state. Washington has routinely dismissed these charges as being unfounded, leaving diplomatic progress to lie stagnant, if not worsen.

President Bush's Administration's attitude of backbiting and patronizing which characterized its Latin American policy was often deemed offensive and at times threatening by many of the hemisphere's leaders. However, President Obama has vowed to set a new path founded on mutual respect for his Latin American diplomacy and already has begun to change course. Nevertheless, in order to gain ground in its relations with Bolivia, Washington's policy will have to focus on transparency in all aspects of its endeavors in order to ensure that President Morales' government is not disrespected nor its sovereignty perceived as threatened.

The Relations between the United States and Bolivia began to deteriorate almost immediately after President Morales' inauguration. The newly elected Bolivian President repeatedly accused the United States of attempting to undermine his authority through plotting a *coup d'état* or hatching assassination attempts. Specifically, on May 28, 2007, President Morales made both of these accusations against the United States Embassy and warned the United States Ambassador, Phillip Goldberg, to stay out of Bolivian affairs.

Some allegations of misconduct by United States officials continued on August 29, 2007 when the Minister to the Presidency, Ramón Quintana, complained that the United States Agency for International Development (USAID) was using its funds to support opposition groups in an attempt to destabilize President Morales' government. Bolivian officials also directed another round of criticism at Ambassador Goldberg in

November of 2007, after a photo of the Ambassador standing next to John Jairo Banegas, a Colombian businessperson who had been arrested in Santa Cruz for robbery, and Gabriel Dabdoub, President of the Santa Cruz Chamber of Industry and Commerce, was made public. The photo was taken at ExpoCruz, a large trade fair in Santa Cruz, a gas-rich province in southeast Bolivia, which has been the heart of anti-Morales sentiment and has called for Departmental autonomy from the central government. United States Embassy officials confirmed that Goldberg attended the event, but dismissed any notions that this photo was different from the scores of others in which the Ambassador had appeared throughout the night.

While Bolivia and Washington had not been on good terms for some time, hostilities reached a climax in late 2008, when President Morales' administration accused the United States Embassy of trying to overthrow his government on eight different occasions over a two years period. On September 11, 2008, President Morales finally expelled Ambassador Goldberg from Bolivia, saying "Here we do not want people who conspire against democracy." The United States Ambassador was accused, yet again, of trying to undermine President Morales' administration by allegedly supporting dissident groups in the gas-rich Tarija Department. Earlier that week, anti-government protestors had been accused of damaging a gas pipeline there, causing millions of dollars in losses. Wild protests against President Morales also broke out throughout Santa Cruz that week, with demonstrators storming numerous state-owned businesses such as the television station, the phone-company, and the tax agency. In a predictable response to President Morales' actions, Washington expelled the Bolivian Ambassador to Washington, Gustavo Guzman.

On September 16, 2008, Washington took a hostile step by placing Bolivia on a counternarcotics blacklist for failing to do enough to prevent drug production and trafficking.<sup>87</sup> Then in October 2008, President Bush announced Bolivia's suspension from trade preferences stipulated under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) for failing "to cooperate with the United States on important efforts to fight drug trafficking." Under the act, Bolivia had tariff-free access to import roughly \$150 million worth of goods into the United States, making the United States Bolivia's second largest trading partner behind European Union. Launched in 2002, the ATPDEA was designed to increase trade between the United States and the Andean nations of Bolivia, Colombia, Ecuador, and Peru, in the hopes that increased economic prosperity would help ease these countries' financial reliance on drug production.

Bolivian officials denounced Washington's decision to exclude Bolivia from the trade agreement as an uncalled for political move made in response to the expulsion of the United States Ambassador. Such claims have been bolstered by comparisons of increases in Bolivian coca production and steps taken to combat it, to that of other Andean nations such as Peru and Colombia, which continue to benefit from the ATPDEA. According to the United Nations Office on Drugs and Crime, the amount of Andean land used for coca production jumped 16 percent between 2006 and 2007. The study shows a 27 percent increase in production in Colombia compared to only a 5 percent increase in Bolivia. Even this 5 percent increase in 2007 was an improvement over the 8 percent increase in coca cultivation that had occurred in Bolivia in 2006.

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<sup>87</sup>See 2009 International Narcotics Control Strategy Report (INCSR).

Despite this progress, Bolivia was still singled out as the only Andean nation to lose its trade preferences under the ATPDEA.

### Final Conclusion

The final conclusion of this thesis is the answer to the primary research question depicted in chapter one: What is the most likely trend for the future of Bolivia-United States relations and what can be done to improve it? The answer is that the relationship between both countries is still focused almost exclusively on the coca problem. However, because of the importance and relevance of the effects of coca cultivation and drug trafficking, it will remain as one of the most significant elements in the relation between Bolivia and the United States of America. United States policy toward Bolivia has been dominated by the drug issue and has been handled in a rigid bilateral manner, without giving enough consideration to other dimensions of mutual policy interest, including economic growth, poverty reduction, energy, trade, and aid.

### Recommendations

Four actions could contribute to a new and positive approach to Bolivia-United States relations in the near future.

1. The reestablishment of normal diplomatic relations, with an exchange of Ambassadors, and the resumption of other programs currently suspended. Clearly, political isolation pushes Bolivia deeper into internal and regional polarization and internal conflict
2. Considering special treatment for Bolivia on trade and aid that is geared toward growth and poverty reduction rather than on non-development objectives such as drug

eradication and interdiction. This new mechanism should substitute for the APTDEA initiative until a new trade framework is in place

3. Re-examining the United States counter-narcotics policy towards Bolivia and a move toward multilateralism as a framework for discussion and problem-solving over the immediate future

4. Naming a State Department Special Representative or Special Envoy for Bolivia and Venezuela, as has been done for Afghanistan and Pakistan, North Korea, the Middle East, the Persian Gulf, and Southwest Asia, as well as a Special Envoy for the Americas.

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