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## **Bolivian forests get green appeal**



Half of Bolivia's certified forests are within the Amazon region

### **By the BBC's Andrew Enever from Bolivia**

Over the last five years Bolivia has responded to the growing demand for ecologically sustainable wood products by becoming the world leader in certified management of natural tropical forests.

The development has opened new markets for Bolivian tropical woods in Europe and the US and has turned one company, The Roda Group, into a leading supplier of garden furniture to the UK's largest home improvement chain B&Q.

But concerns exist that the lack of price premiums on certified woods may prove the weak link in a business that perhaps more than any other could protect the bio-diversity of the world's tropical forests.

### **Bipartisan backing**

The key to the push towards sustainability in countries such as Bolivia has been the Forestry Stewardship Council (FSC).

It was founded eight years ago with the support of both conservation NGO's and retail outlets including B&Q to establish global standards for forestry management.

Its backers acknowledged that the best way to protect the world's forests was to promote their sustainable use.

Since its foundation, FSC approved agencies have certified more than 19m hectares of plantation and natural forests in over 30 countries.

This includes over 1.75m hectares in Latin America, of which more than one million are in Bolivia.

### **From zero to hero**

The certification of such a large area of tropical forest in Bolivia has been a remarkable turnaround for a country that only five years ago had almost no functioning forestry management regulations.

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**The international market demands a certified product without recognising the effort involved in offering that product,**

**Freddy Peca, Bolivian co-ordinator at certification agency Smartwood**

Companies operating in that time exploited huge areas of forest, targeting valuable woods such as mahogany to the point where they were nearly wiped out.

But in 1996 a new forestry law was introduced which transformed the national industry.

"The new law is the reason that certification has prospered in Bolivia," said William Cordero, representative of the USAID funded NGO Bolfor.

"It includes many requirements that are part of certification so the step between legal operation and certification of a forestry concession is a small one."

### **Laying down the law**

The new law reduced the area held under forestry contract by introducing a annual concession fee of \$1 per hectare. It also imposed a minimum 20-year cycle on the extraction of wood from a given area and conservatively defined diameter limits for exploitable trees.



Defined diameter limits for exploitable trees

Many of Bolivia's forestry companies failed to adapt to the new legal demands but others have taken full advantage of the opportunities certification offers.

The Roda Group benefited from the assistance of NGO's including the World-wide Fund for Nature (WWF) and USAID to become the first FSC certified Bolivian company.

They then entered into negotiations with B&Q who, according to Cristobal Roda, director of the company, "offered us decisive support to improve our operations sending experts to our factories and forestry areas."

The deal with B&Q to supply garden furniture made from tropical woods has been a great success with exports rising from \$400,000 in 1998 to a current yearly figure of \$6mn. It has established Roda as a model of how certification can be a used to a company's advantage.

### **Mismatch**

But for all the benefits certification has also brought new problems for the industry.

The increased costs involved in producing certified woods have not generally been reflected in the final price. In addition many companies have been ill equipped for the tough task of marketing lesser-known tropical wood varieties.

"The international market demands a certified product without recognising the effort involved in offering that product," said Freddy Peca, Bolivian co-ordinator at certification agency Smartwood.

"They should acknowledge this product is different from those that are not certified. Unless this changes the benefits for the producers will remain minimal."

Estimates are that the area of certified forest in Bolivia could grow to as much as 5m hectares.

Placing such a huge area under the protection that certification offers would be a great boost in the battle to protect Bolivia's forests from the ravages of slash and burn agriculture, the largest cause of deforestation.

But the economic benefits of certification will need to be clearer if such targets are to be reached.

"It is important that developed countries recognise the only way to protect forests in the long term is through a profitable economic activity that works in harmony with the environment," said Cristobal Roda.

"And that activity is forestry."

BBC News, <http://news.bbc.co.uk/1/hi/business/1708115.stm>, last accessed on March 5, 2005

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## Bolivia's Forestry Resources

Bolivia has a total surface area of 1,098,581 sq. km. (424,164 square miles), 13.5% of which is devoted to protected national parks. The country has a major network of over 50 protected forested areas, encompassing over 100 million hectares (247 million acres). The forested surface is 53 million hectares (131 million acres), approximately 50% of the total surface area of the country and 6% of South America's total forest area. To date, only 5.7 million hectares (14 million acres) are under concession schemes for forestry development, which leaves a huge potential untapped. According to the FAO, 30% of Bolivia's forested areas could yield an average of 60 cubic meters per hectare (847.6 cubic feet per acre).

Bolivia's geographical location in the center of South America makes it specially valuable as a forestry hub, covering three regions each with its own climate: tropical; sub-tropical and high valleys. While most of Bolivia's forests are of the tropical latifoliate type, the country's climate-and therefore the type of forests-varies greatly with altitude. The tight rainy forests at lower altitudes occupy a vast area in the northeastern region of the country. These forests are part of the Amazon River basin and include species such as mahogany (*Swietenia macrophylla*); cinchona spp.; terminalia spp., and calophyllum spp. The lower lands also include areas of dry tropical forests and plains. Bolivian forests include more than 220 high commercial value species. Commercial forestry plantations comprise around 40,000 hectares (98,842 acres).

According to the World Resources Institute, Bolivia's forests are the eighth in the world in size and contain 1,730 tree species-one of the most diverse in the world. There is a high availability of both traditional woods, such as mara (mahogany), cedar (oak), quince tree (almendrillo), and alternative woods (See Table 1).

**Table 1. Bolivians forestry species**

Common Name	Scientific Name
Ochoo	Hura crepitans
Cedro	Cedrela sp.
Oak	Amburana cearensis
Cambará	Erismia uncinatum
Yesquero	Cariniana sp.
Serebó	Schizolobium sp.
Mahogany	Swietenia macrophylla
Tajibo	Tabebuia sp.
Almendrillo	Dipteryx sp.
Yesquero Blanco	Cariniana sp.
Mara Macho	Cedrelinga catenaeformis

Bibosi	Ficus sp.
Verdolago	Terminalia sp.
Palo María	Calophyllum brasillense
Mapajo	Ceiba pentandra
Curupaú	Anadenanthera sp.
Tarara	Platimiscium sp.
Eucalipto	Eucalyptus sp.
Jorori	Swartzia jorori
Paquió	Paquió Hymenaea courbarill

In view of such variety, potential usefulness is also high (See Table 2): 9 species of wood for construction purposes; 13 species for posts, piles and railroad sleepers; 14 for railroad sleepers; 31 for carpentry; 29 for general furniture applications and fine furniture, including walnut, cedar and the valuable mara; 34 species for flooring applications; 22 for decorative plywood; 7 for indoor applications; 11 for general plywood use; 30 for pallets and packaging; 17 for tool handles and sporting items; 9 for manufacturing toothpicks, spoons, tongue depressors, and related applications, and, lastly, 17 varieties for boat building.

Species	Use	Drying	Color
Coquinió	Laminated parquet, floors, building	Pre-drying	Reddish light brown
Palo María	Interior carpentry	Quick	Beige
Román	Plywood	Oven	Pale beige
Sujo	Grooved wood frames	Outdoors	Brown medium texture
Almendrillo	Interior coating	Oven	Reddish light brown
Gabún	Interior carpentry	Outdoors	Brown medium texture
Bibosi	Chips, doors, wooden moldings, furniture	Outdoors	Pale yellow
Ochoó	Furniture, floors handles, frames	Oven	Ligh brown-yellow
Verdolago		Oven	

Additionally, according to many industry players, the quality of Bolivian wood is superior to that of US or European wood. This is a major advantage for this country for manufacturing wood products, particularly home furniture.

### **Local Supply**

### **Production**

Barely over 10% of the country's forests is under commercial use, i.e. 5.4% of the total 53 million hectares (131 million acres), allocated among 86 forestry concessions.

Wood extraction in 2001 reached 559,159 cubic meters (19,746,513 cu. Ft), for the first growth year after 2000, following a two-year slump. Of the total volume extracted that year, 21.1% was ochoó; 6% oak; 6% cedar; 4.2% tajibo; 3.8% quince tree (almendrillo); 3.7% touchwood (yesquero), with other species accounting for the remaining percentage. Over the last four years the percentage breakdown by species has changed, with traditional species such as oak and cedar losing ground to alternative woods.

Research indicates that the country could provide a scientific, rational and sustainable development of 28.8 million cu. m/year (1,017 million cu. Ft/year), with an average output of 1 cu. m/hectare (14.12 cu. Ft/acre) per year. While this is a low yield, under current regulations businesses are only allowed to develop 5% of their concession surface area each year, so as to guarantee sustainability. These figures represent about 18% of the global (log) wood output.

Saw wood is the single most important product in the wood local industry. The industrial forestry establishment is basically comprised by sawmills, producers of laminate and plywood, and reconstituted particle board producers. There is also an industrial segment for higher value-added products, particularly furniture and building materials and fixtures, such as windows and doors.

**Table 3. Volume of forestry products. Low value-added (Thousand of m3) 1992-2000**

Product	1992	1993	1994	1995	1996	1997	1998	1999	2000
Sawn logs	2,557	2,730	2,878	2,872	2,938	2,958	2,342	2,618	2,610
Industrial sawn logs	598	751	879	850	892	890	251	502	468
Timber fuel	1,959	1,979	1,999	2,021	2,045	2,068	2,091	2,116	2,142
Wood waste	73	70	61	61	61	61	289	247	229
Sawed timber	230	268	185	162	181	180	515	259	254
Wood boards	41	27	11	12	17	13	23	11	11
Other fibers pulp	-	-	-	-	-	-	-	-	-
Paper and cardboard (in thousand of meters)	-	-	-	2	2	2	2	-	-

**Table 4. Main products made by the forest industry**

Groups	Main products
Sawn	Squared timber, board, timber sheet, strip, beam, prop, beading and others
Timber sheet	Timber sheet debobinada and timber sheet faqueada
Plywood	Structural plywood and decorative
Reconstituted boards	Raw chipboard, coated with timber sheet chipboard, chipboard with melaminic cover, chipboard coated with hard plywood, raw hard chipboard, painted hard chipboard, hard chipboard covered with timber sheet
Higher value-added products	Doors, Windows, moldings, floors ( <i>parquet</i> ), <i>finger joint</i> products ( <i>edge glue panel</i> , molding and others), grooved wood products, funerary urns, craftsmanship, stairs, parts and pieces for wooden furniture, furniture (tables, chairs, sofas, benches), carved chairs, among others

The industry employs 90,000 direct workers and 150,000 indirect workers, with a collective debt of around US\$185 million in 2000. The processing of forestry raw materials comprise about 5% of the total gross value of Bolivia's industrial output, according to the Statistics National Institute data for 1998.

The largest Bolivian sawmills are small by international standards, and most of them have made a rather low investment in technology.

The wood processing industry is focused mostly in the Santa Cruz, Cochabamba and La Paz states. Cities such as Cochabamba have the climactic conditions (humidity) required by end markets, which give them an advantage in terms of production costs over other countries.

It is estimated in general that the second-tier industry processing furniture and other home products has a fairly decent technology level. Local companies such as UNITED, UTD and Mabet, among others, are noteworthy in this regard as having made new investments in machinery and technology. The industry at large has been making strides in industrialization, but there is still ample space for increasing the value added locally.

The domestic market consumes 70-90% of the local output except for higher value-added products, which account for 50% of output.

## **Exports**

While exports of tropical wood products from Bolivia are still far from significant within the international trade context (comprising less than 1% of the world total), they have shown good growth and progress over the last few decades. Forestry products are Bolivia's third most important non-traditional export, following soybeans and oily seeds. Their value hovers around US\$100 million, equivalent to 10% of the country's total exports.

Over the last two decades, the industry has shown an increasing exporting capability. For instance, during 1985-1999 exports grew at an average annual rate of 21%, going from US\$8 million in 1985 to approximately US\$109 million in 1999.

Twenty years ago, forestry exports were made up of basic wood logs. Nowadays, exported value breaks down as follows: 41% furniture, doors and windows; 36% saw wood and 23% other semi-manufactured products. Exports of non-wood products is comparably important, including chestnut, palmetto and cocoa grease.

During the 90s there were substantial changes in the role of forestry products exported by Bolivia, mostly as a result of value being added to basic products. Within the wood products sector there was a significant decrease in exports of saw wood and railroad sleepers. On the other hand, strong growth was observed in higher value-added products such as doors, furniture parts and components, and furniture and moldings.

Certified wood products are an excellent business opportunity for Bolivia abroad, in view of the growing demand for them. Bolivia's exports of certified forestry products are still not significant, but showing a growing trend. To date, only a few exporters have been granted the "green seal" by international private organizations such as Smart Wood (with offices in Santa Cruz). Having this certificate is a comparative advantage, as it marks wood products sourced from sustainable wood operations.

In 1998, Bolivian exports of certified forestry products totaled US\$181,000, increasing to US\$2.8 million in 1999. The estimated figure for 2001 was US\$8 million.

The top products in terms of value added sold abroad are furniture and furniture components, followed by higher value-added products for the construction industry (doors, windows, moldings and related). Despite the recent strong growth in Bolivia's exports of higher value-added products, the country's market share is a mere 0.3% at the international level.

In the case of higher value-added products such as home furniture, chairs and doors, as well as parquet, the country's major export markets are the US and Germany. Some Bolivian companies are successfully exporting to the US market, taking advantage of the high quality of their wood. Examples of this include solid wood doors sold through 120 Home Depot outlets; the parquet used in major hotel chains in the US, including the Ritz-Carlton Downtown Hotel in New York and the San Francisco Four Seasons Hotel, and home furniture sold through Rubb & Stucky, a leading US merchant.

*InvestBolivia, <http://www.investbolivia.org/profiles/forestryresources.html>, last accessed on March, 200*

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## The Last Days of Bolivia?

By [Mark Falcoff](#)

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Last October Bolivia experienced a social and political upheaval that forced the resignation of President Gonzalo Sanchez de Lozada and shook the capital, La Paz, to its very foundations.[1] The headquarters of all the political parties supporting the government were burned to the ground; toll booths and other symbols of government authority were destroyed or disabled; even the Ministry of Sustainable Development--a magnificent Art Deco building that once housed the business offices of the Patico tin empire--was gutted. Although a measure of normality has been restored since then, there is no certainty that stability is here to stay. As recently as late April, the lobby and lower floors of the congressional office building were demolished by a suicide bomber, and the successor regime--led by Sónchez de Lozada's former vice president Carlos

Mesa--is attempting to buttress its shaky legitimacy through a series of tawdry gimmicks. These include attempts to govern without parties; denying natural gas to Chile, Bolivia's hated neighbor; threatening to overturn long-standing contracts with international energy companies; and brandishing a plebiscite which may well take the country--or at least an important part of it--outside the world economy. Republics do not normally commit suicide, but Bolivia may be an exception. If current trends continue, we may witness the first major alteration of the South American political map in more than a hundred years.

### A Political System in Crisis

Although Bolivia recently celebrated more than two decades of constitutional democracy--the longest such continuous period in its entire history--its political system today appears to be in a state of terminal disintegration. Elections have reflected--but not resolved--deep, perhaps irreconcilable, divisions within the country. With one exception, no political party since 1982 has won a clear mandate to govern, and almost every president has assumed office with only slightly more than 20 percent of the popular vote. Indeed, the major political event in Bolivia every five years has been not elections themselves but the horse-trading afterwards among three or four leading contenders in the subsequent congressional runoff. The outcome has therefore been determined not by the particular position of candidates on the real problems of the country--education, communications, health services, job creation, and the like--but by the candidates' skill at manipulating other members of the political class after the ballots have been counted. The process itself is evidently an open invitation to corruption and has encouraged a radical disconnect--perhaps the most yawning in South America--between the political class and the electorate.

Bolivia has long been South America's poorest country. But a combination of corruption, mismanagement, and the threat of impending political chaos has made things even worse. The deficit of the public sector has almost doubled since 2000, foreign direct investment has fallen from \$647 million in 2002 to a mere \$160 million in 2003, and unemployment is steadily rising (5.7 percent in 2000, 6.8 percent in 2001, 7.0 percent in 2002). While the rates of economic growth and population increase have operated pretty much in tandem over the past fifty years, this is no longer the case; every year the country now produces a deficit of 70,000 jobs.

A case in point is El Alto, an Indian slum in the high Andean plateau immediately above La Paz; there a population of 800,000 lives from moment to moment.

The subject of El Alto immediately calls to mind a fundamental fact about Bolivia, namely, that it is a society divided along two major fault lines--race and geography. The republic has two distinct regions: the high Andean plateau (departments of Potosí, La Paz, Cochabamba, and Oruro) and a crescent of departments lying at lower, tropical, or semi-tropical elevations (Pando, Beni, Santa Cruz, Chuquisaca, and Tarija).

The inhabitants of the highlands are largely Indian--Quechua and Aymara--while lowland Bolivia is principally mestizo, culturally if not always racially. The latter, referred to colloquially as the "half-moon" (*media luna*) has an impressively diverse economy, including not only oil and gas but also forest products and commercial agriculture. From the point of view of economic and cultural geography, one might regard the lowland departments, particularly Santa Cruz, eastern Chuquisaca, and Tarija, as extensions of the Argentine north, and in fact their living standard is slightly above the South American average. They have every reason to regard normal trade with the outside world as the key to prosperity.

A very different picture exists on the high Andean plateau. There the basic industry has been mining, first silver in the colonial period and then tin and other industrial metals in more recent centuries. Those Indians who did not work the mines labored on the great haciendas. The revolution of 1952 nationalized the mines, expropriated the great estates, and divided the land into family-sized parcels. These reforms, quite radical for their day, have run their course. A lack of capital to develop exhausted veins forced successive governments to conclude service contracts with foreign companies and put them into perpetual conflict with the miners' unions. Meanwhile, the limits of agriculture on handkerchief-sized plots has forced many off the land and into the cities or encouraged them to engage in the cultivation of the coca leaf, the basis for, among other things, cocaine. Quite apart from the fact that coca has an international demand that brings in a price many times that of conventional crops, it has the additional charm of being something that can be produced on a relatively small land surface. Moreover, unlike potatoes, wheat, or corn, the farmer can hope to produce four full harvests in a single year, and with a minimum of agricultural labor.



The decision of the Bolivian government to suppress or limit the production of this crop (together with the support of the U.S. government in its war on drugs) has produced an enormous backlash in the Indian communities of the highlands. Moreover, it has brought forth a major political personality, Evo Morales, leader of the Movement toward

Socialism (MAS). He and other indigenous leaders have discovered a volatile mixture of identity politics and economic self-interest, and their followers provided the shock troops for the riots that brought down President Sónchez de Lozada last October, egged on and to some extent financed by Scandinavian NGOs, local Trotskyites, and agents of Venezuelan president Hugo Chávez.

The most radical of these groups favor renationalizing all of the state companies that have been turned into joint ventures in recent years and turning Bolivia (according to Morales) into “another Cuba” (whatever that may mean). More important still, are the links to what might be called Inca nationalism, a movement to repeal four hundred years of Bolivian history. In the new dispensation, Indian languages are to be given official status; the curriculum of schools is to be altered to provide indigenous content (to the point that the medical schools are to include native healing arts); even the name of the country is to be changed to Kollasuyo. While the Indians can rightly claim that they have received far less than their fair share of the nation’s wealth and services over many centuries, they are hardly likely to improve their lot by turning their backs on modernity altogether.

The characteristic forms of political expression of these communities are the riot (or the demonstration that turns into one--there were more than a thousand of these in La Paz alone in 2002) and setting up roadblocks to cripple the nation’s transportation network. Paradoxically these roadblocks hurt the poor Bolivians the Indian radicals purport to benefit. Thanks to them, market women cannot get to town to sell their wares; farmers’ produce rots in trucks or in the fields; and Bolivian agricultural suppliers--for both raw and processed foods--lose orders overseas because delivery contracts are not fulfilled on schedule.

Far from taking such matters into consideration, the radicals called a general strike of indefinite length in mid-May whose announced purpose is to pressure the government to nationalize its oil and gas reserves. They are working in conjunction with Felipe Quispe, leader of the Aymaras and one of four indigenous members of Congress, who has promised to gradually cut the land links of the Andean plateau to Chile and Peru. In good time, he predicts, “not even a fly will be able to move down the road” (*El Nuevo Herald* [Miami], May 18). One might say that the dominant spirit of Bolivian democracy nowadays is not John Locke but Robespierre.

### **Blaming the Foreign Energy Firms**

Paradoxically, in the midst of all this Bolivia’s new president, Carlos Mesa, is extremely popular, more indeed than any of his country’s chief executives since democracy was restored in 1982. But the sources of this popularity in and of themselves do not inspire much confidence. Mesa is liked not so much because he represents any particular point of view or program but because he is *not* Sónchez de Lozada. He apparently benefits as well from the fact that he is a man above parties and indeed without them. (He cannot count on the support of a single member of either chamber of the legislative branch.) In addition, a demagogic decision to forbid the re-export of Bolivian gas from Argentina to Chile has won him praise from all sectors of the political spectrum, which are all apparently oblivious to the fact that the country’s *oil* pipeline, operative since 1966, continues to transport between 3,000 and 5,000 barrels to the Chilean port of Arica on a daily basis.[2]

Besides exploiting anti-Chilean sentiment, Mesa has also sought to buy political peace by scapegoating the foreign energy sector. Specifically, he promises a new hydrocarbons law, a referendum on whether Bolivia should export natural gas at all, and a new constituent assembly. If one or all of these initiatives moves in the wrong direction, the consequences for the republic could be catastrophic.

Here a bit of background is in order. During the first administration of President Sónchez de Lozada (1992–1997), massive private capital and expertise were attracted to the hydrocarbons sector through a new arrangement known as capitalization. In exchange for a thirty-year operating contract, foreign investors doubled the capital of state energy companies. This legislation encouraged, among other things, the Houston-based Enron Corporation to participate in the construction of a Bolivian gas pipeline to Brazil.

New joint ventures of this type provided the Bolivian state with taxes and royalties (50 percent for old, previously developed fields, 18 percent for newly developed fields), perhaps its largest single source of income. Moreover, under the existing contracts, Bolivia’s pension funds are half-owners of the capitalized enterprises. Unless one believes--as many Bolivian “anti-imperialists,” politicians, and journalists presently act as if they do believe--that oil and gas

spring from the ground on their own recognizance and in the blissful absence of engineering and geological skills, financing, and complex market arrangements, it is difficult to see what was wrong with this arrangement. If the taxes and royalties paid by the foreign companies--\$560 million last year alone--are not in evidence in Bolivia's social infrastructure, citizens of that country might well ask themselves what people have been governing them these past few years and with whom they best might be replaced, rather than to blame those who generated the revenue in the first place.

Even if the Mesa government survives the threat of withdrawing entirely from the international gas market--a threat, be it noted, largely of its own creation--attempts to extort unjustified and unearned additional resources out of foreign investors by overturning the existing royalty arrangements and demanding a 50 percent tax on *all* fields regardless of the date of their origination will undoubtedly lead to arbitration and a massive investment strike by the multinationals. Even President Mesa himself, in a rare moment of candor, recently conceded that an act of expropriation would eventually saddle the country with \$4.5 billion in certified claims, "putting Bolivia in a very difficult international situation that might even lead to a suspension . . . of international cooperation" (*La Razyn* [La Paz], May 17).

What makes this whole episode fraught with tragedy is the fact that natural gas is one of the few products for which Bolivia enjoys a vast comparative advantage. Argentina has only enough reserves to last it another fourteen years, while Brazil's size and dynamism virtually assure that it will have to be a net energy importer for decades to come. Bolivia's reserves are probably good for centuries to come. Moreover, although prices for silver, tin, and other industrial metals have lately experienced an upturn, demand for these minerals is cyclical, as opposed to the virtually inexhaustible demand for natural gas. Thus, by threatening to turn against foreign participation in its energy sector, Bolivia may be cutting its own lifeline and missing a chance to be a major player in one of the world's most important commodity markets.

### **Losing the Lowlands**

Because of the weight of demographics and the fact that the political capital is located in La Paz, outsiders tend to confuse highland Bolivia with the rest of the country. Lowland Bolivia--the aforementioned "half-moon"--has its own identity and nourishes a strong sense of regional resentment. In Santa Cruz, for example, many people remark that if there is to be a new constituent assembly to redraft the Bolivian constitution, then the new charter must redress the need for decentralization of authority and resources. That department produces 51 percent of the gross income of the entire nation but receives a far smaller percentage of the royalties from natural gas and oil. If the plebiscite on the export of natural gas produces a negative result, neither Santa Cruz nor Tarija would likely have any particular interest in remaining within the republic, and they would probably threaten to form a country of their own. In this they might well be joined by Pando, Beni, and the hybrid department of Chuquisaca, leaving La Paz and the highlands to drugs and politics, the two things--perhaps the only two things--they know how to do really well. In his effort to placate the people in the immediate vicinity of the seat of government in La Paz, Carlos Mesa may end up being Bolivia's last president, at least in its current geographical configuration.

There is a way out, but it will require an entirely new approach to politics. Concretely, it will require a genuine attempt at a federal solution, with a regional redistribution of resources and a rational energy policy, not to mention a curtailment of corruption and a more transparent way of managing the national exchequer. These are tall orders, but only Bolivians can deliver them. While other countries--notably Argentina, Brazil, and at some remove, the United States--have an interest in the country's progress, if Bolivians themselves make the wrong decisions nobody can rescue them from the consequences.

### **Notes**

1. See December 2003 *Latin American Outlook*, "[Bolivia: A Revolt That Leads Nowhere.](#)"
2. After the War of the Pacific in 1879, Bolivia lost its outlet to the sea. It has never reconciled itself to this event, and all political forces there heartily subscribe to the slogan "Bolivia will have its outlet to the sea." Unfortunately, the most proximate Pacific port to Bolivian territory is Arica in northern Chile, which belonged not to Bolivia but Peru. Thus to satisfy Bolivian territorial aspirations, Chile must essentially agree to the creation of a Bolivian corridor through its territory--unless, of course, it is willing to return the province seized from Peru as well and accept the

truncation of its own boundaries. It should be noted that Chile has long offered Bolivia a series of special customs and storage regimes at the port of Arica, which would give it effective access to the Pacific; what it will not do is to cede sovereignty, which in any case would presumably be disputed by Peru.

*American Enterprise Institute for Public Policy Research,  
[http://www.aei.org/publications/pubID.20580/pub\\_detail.asp](http://www.aei.org/publications/pubID.20580/pub_detail.asp), last accessed on March 5, 2005*

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## **Bolivia's Strife Intensifies**

By Patrick Quirk, COHA 10/2/05  
Feb 12, 2005, 10:14

Cry for Regional Autonomy Tied to Cultural Divide?

Bolivia is in grave danger of setting the stage where it could later split into two parts if an immediate diplomatic offensive is not quickly launched by the OAS and the international community. To counter this, outside observers fear that the natural gas and agriculture-rich departments of Santa Cruz and Tarija could be marching down an irreversible course that may culminate in their seceding from the Bolivian republic.

In the lowland department of Santa Cruz, business entrepreneurs, oil tycoons and soy farmers comprise a prosperous and privileged clan. On January 28, led by pro-business Santa Cruz Civic Committee leader Rubiñ Costas, this group took the first step toward declaring regional self-rule. They established a provisional committee, one move shy of electing a de facto governor. Approximately 300,000 demonstrators rallied throughout the departmental capital Santa Cruz in support of Costas' demand for increased financial and political control over the region. The department's export-oriented economy, which together with the nearby department of Tarija's resource-laden deposits, makes up 40 percent of Bolivia's underperforming tax-base due to their rich caches of natural gas and agricultural enterprises and attracts most of the incoming foreign investment. Santa Cruz autonomy boosters contend that the La Paz-based central government has squandered revenues collected from their residents to pay for costly, but poorly administered, public services in the country's purportedly more backward western highland region.

Santa Cruz has all but written off the now poor highlands, which once almost alone financially supported the land-locked country. For more than 500 years it was altiplano labor which facilitated the extraction of silver deposits from the fabulous mountain of Potosi. Now, say the nationalists, the time has come for the wealthy cruceco elite—whose department already has received the lion's share of funds for the country's infrastructural development as well as gained the bulk of new investment coming into the country over the past 40 years—to reciprocate.

President Carlos Mesa, attempting to placate the militant protests against him last month, and in order to appease the demands of pro-autonomy demonstrators, issued a decree setting gubernatorial elections for June 12. Mesa's decision, which amounted to a capitulating to the cruceco position, represents, some critics say, a violation of the nation's constitution, which holds that prefects, or governors of Bolivia's nine departments, have to be appointed by the president. After three pro and con protests against him in less than

two weeks, the increasingly beleaguered Mesa also scaled back an IMF-pressured December 30 fuel price increase from an originally mandated 23 percent hike to one of 15 percent. In order to save his presidency, he also was persuaded to push for the cancellation of a private foreign water contract in the community of El Alto, in metro La Paz.

**Wealthy Region Seeks Greater Self-Rule** Important regional political figures and wealthy residents of Santa Cruz protested, from a pro-autonomy perspective, for two weeks leading up to Santa Cruz's January 28 actions. They were joined in the demonstration by like-minded protesters from the natural gas-laden southern department of Tarija. The oil-rich and agro-business-driven department of Santa Cruz, combined with gas producing Tarija, account for a majority of the country's GDP. According to Marco Gandarillas, economics expert at the Cochabamba-based Bolivian Center for Documentation and Information (CEDIB), it is clear that calls from well-heeled residents of Santa Cruz and Tarija, while veiled by the clamor for greater self-rule, were likely hiding an ulterior, economic motive. "The demands of the cruceco fascist and racist oligarchy propose a departmental autonomy which would serve very well their interests for control of the land and gas reserves," said Gandarillas in an interview with COHA. The recent upsurge of demands for self-rule could be nothing more, according to him, than a selfish power-grab by a select few crucecos who bemoan the lamentable divide that separates Santa Cruz from the rest of Bolivia, but who would also enormously benefit from institutionalizing such a cleavage.

Santa Cruz's most valuable gas caches are to be found in the Chaco region south of the bustling metropolis, where the citizenry is predominantly of Guaraní indigenous descent. The Guaranis, who live in Santa Cruz, Tarija and Chuquisaca (Sucre) departments are calling for the creation of a tenth national department under their control. For their part, the white elite of Santa Cruz want increased political authority, but not necessarily secession at this stage, in order to manage the allocation of, and control over these national resources. Only 25 landowners own approximately 22 million hectares of land in Santa Cruz, according to the government's Institute of Agrarian Reform (INRA). To give some perspective, the last figure represents nearly 60 percent of the department's entire territory.

The pro-business Santa Cruz Civic Committee, which is spearheading pro-autonomy efforts, already has taken action by seizing control of the department's land reform agency in an effort to curb the resettlement of peasants onto presently un-worked huge tracts of arable – and extremely valuable – federal territory. "Mostly poor Quechua and Aymara-speaking peasants have migrated to Santa Cruz over the last 50 years to colonize what was once state land and try to make a go of small-scale agriculture production," said anthropologist Lesley Gill, a professor at American University in Washington, D.C., in an interview with COHA.

Power grabs by Costas' committee will unquestionably yield dire consequences for subsistence farmers who are attempting to eke out an existence from small plots of land and are already stressed out by neoliberal policies. Such moves would be rendered far easier under an autonomous regional government unaffected by federal oversight from La Paz, 338 miles to the west.

### **Cries for Autonomy Far From Representative**

While the white-elite of Santa Cruz contends that its actions are in the best interests of the country's population, including even poor crucecos, neither the region nor the nation is united over Costas' pro-autonomy bent. The Coordinator of Ethnic Towns of Santa Cruz (CPESC)—an anti-autonomy movement comprised mainly of peasant farmers, teachers and human rights activists—staged a counter protest on January 27 that drew 5,000 opposition demonstrators to a rally in protest of the game plan of the department's oligarchy. Furthermore, nine out of ten recently elected mayors representing Bolivia's major cities have thrown their collective support behind Mesa and the central government, acting as a counterweight against Costas and his pro-business and land owners' constituency. While perhaps wary about Mesa's ever-changing politics, the mayors prefer the embattled president as at least a "democratic" alternative to Santa Cruz's current offering. Infuriated Bolivians across the country contend that the prosperous and predominantly white southeastern region's desire for self-rule is rooted—economic motivations aside—largely in racist beliefs.

## **Secession to Maintain Ethnic Divide**

Santa Cruz's European-descended business elite has long desired a separatist rupture with the largely indigenous populations of the western highlands, comprised mainly of Quechua and Aymara-speaking peoples. Accounting for 55 percent of the country's 8 million citizens, the Andean nation's indigenous rely predominantly on subsistence farming and coca production as a means of survival, contributing little to the nation's industrial economy. Predominantly white and mestizo Santa Cruz, home to 2.4 million, is reputed to be the country's economic engine and historically has been chauvinistically proud of its European roots, which date back to the Spanish conquest. "The wealthy, 'white' agro-industrialists [...] view themselves as racially superior to the poor peasants of the highlands. They view the [poor peasants] as contributing little or nothing to the national wealth," commented Gill. While recent protests by the elite demonstrate frustration on the part of the prosperous lowland's over the historical split in Bolivia's economy between poor and rich, they also highlight deep racial tensions.

Santa Cruz plays host to two fiercely right-wing groups—the Crucecista Youth, whose para-fascist ideals and actions have been broadly juxtaposed by some to the Nazi Hitler Youth movement, and the Movement for the Liberation of the Camba Nation (Naciyn Camba). Both groups are known for carrying out violent attacks against members of the Landless Movement, as well as subsistence peasant farmers. The larger and more vocal Naciyn Camba, which boasts 40,000 predominantly white and mestizo backers from both Santa Cruz and Tarija, advocates the creation of a "new Bolivia" by means of regional separation. Despite claims on the Naciyn Camba website that the group "rejects any form of racism," the movement's Youth Group branch was responsible for the October 2003 stoning of a large group of indigenous people attempting to enter the city of Santa Cruz in protest of former president Sanchez de Lyzada's decision to export natural gas reserves.

Conveniently, direct support for Naciyn Camba, which claims 5,000 militants who are prepared to take up arms in support of their cause, comes from the Santa Cruz Chamber of Commerce (CAINCO), a body charged with representing the interests of 1,500 foreign and domestic companies holding investments in the department. Its long list of business members includes international gas companies holding gas contracts in the region, such as Repsol-YPF, Brazilian state-owned Petrobras and the notorious U.S. energy company, Enron. Each of these sectors, coincidentally, has representation on CAINCO's board of directors.

## **Constitutional Assembly, Enemy of the Secessionist State**

Other departments, politicians and analysts agree on the need for decentralization, yet insist on holding off on making any structural changes until the National Constitutional Assembly (Asamblea Constituyente) convenes, which is slated to begin in August.

However, there are now serious concerns that the autonomy referendum set for June will indefinitely postpone the constitutional assembly, which was promised by Mesa when he ascended to office after Sanchez de Lozada fled the country. The assembly is intended to rewrite the nation's constitution while carefully considering representative input from each of the country's departments. Staging of the nationwide assembly, which would allow a broader debate regarding the manner in which Bolivia's government will be structured and how political power, if at all, should be partitioned, fills cruceco and Tarija elites with great apprehension. The more the representative assembly allows an increasingly politically powerful and left-of-center indigenous movement to gain influence, the more the rich and middle class will have to fear. At the top of the list of those who breed concern are Evo Morales of the Movement Toward Socialism (MAS) party, as well as Jamie Solares and Felipe Quispe, the heads of the Bolivian Trade Union Federation (COB) and the Confederation of Peasants' Unions (CSUTCB), respectively. These groups can be expected to lobby for a more equitable distribution of political power. Costas' group, however, wants no part in the process and would prefer to create their own almost separate political entities.

It is important to note that a majority of departments support elected rather than executive-appointed governors. However, their leaders feel that the required constitutional change should be made via the anticipated constitutional assembly and not through another costly referendum that subverts the process as a whole and will be used by pro-autonomy forces to undermine Bolivian sovereignty.

## **Protests Decrying Mesa's Performance**

Oppositional forces on both the right and left could provide a major challenge to the man who assumed power from his post as vice president after former President Gonzalo Sónchez de Lozada had stepped down in response to a popular outcry against his pro-business and neoliberal policies in October 2003. This was after he had called out the troops, resulting in the deaths of 59 demonstrators. Recent popular protests have highlighted issues which the general public demands be addressed, such as constitutional reform and, most recently, increased petrol and diesel prices. The severe mishandling of one of Latin America's most under-performing economies, in which 58 percent of the country survives on daily incomes below \$2 per day, is another core reason for much of the agitation.

Bolivians rallied in the tens of thousands across the country in January, displaying their anger over Mesa's decision to raise diesel and petrol prices by 23 and 10 percent, respectively, a move spurred by IMF pressure. Mesa claimed that these mandated price increases were aimed at offsetting an increasing budget deficit and to curb the illegal smuggling of fuel to neighboring Chile and Argentina, where its price of those fuels had grown increasingly more expensive due to low supplies. These and recent protests in El Alto, which brought about the cancellation of the state's privatized water and sewage contract with Aguas de Illimani, represent mounting popular dissatisfaction regarding the manner in which the multicultural nation's finances and affairs were being handled—as well as sheer revulsion over the neoliberal policies which Mesa continues to employ.

## **Mesa Teetering on Rocky Ground, Hollow Promises?**

After winning a narrow victory in the July 2004 referendum which ambiguously called for an increase in state control over natural gas and paved the way for the development and export of reserves valued at more than \$70 billion, Mesa began to act as if he had consolidated his position as the Andean nation's anointed leader.

However, since Bolivians narrowly and somewhat confusedly approved the gas export measure, the president has had to face a strong and adverse public tide as well as congressional opposition over a wide-range of issues. While Bolivians voted narrowly in the July 2004 referendum to nationalize their natural gas resources, the manner in which their La Paz government will do so is still being formulated and heatedly debated. At present, seven different proposals for a new hydrocarbon law, each dictating varying levels of state control over the natural resource, are up for congressional debate.

Despite a poll published on January 25 by the public opinion firm Mitofsky International which showed Mesa commanding 55 percent of popular support, the president's continual flip-flopping on issues such as land reform, his near nuptial relations with multinational corporations and a failure thus far to make promised inroads into re-examining the grossly unpopular neoliberal policies of his predecessor, leave him increasingly exposed to political attacks. Maria Lohman, communication director of CEDIB, stated in an interview with COHA that diminishing support for Mesa is to some extent a result of his failure to depart, as pledged, from the odious policies of his heartily disliked predecessor: "Mesa's orientation is to maintain, by whatever means possible, the fundamental politics of privatization to assure transnational companies their profits, earned in an ocean of corruption and illegality [...] his neoliberal government is a continuation of Goni [nickname for former president Sanchez de Lozada]."

Despite promises to re-nationalize gas reserves, according to CEDIB, the amount of the natural resource exported via contracts with 76 private transnational companies, such as REPSOL of Spain and state-owned Petrobras of Brazil, has increased since October 2003. Furthermore, according to Lohman, during annual New Year's festivities, Mesa announced three controversial Supreme governmental decrees, one of which, numbered 27957, permits private companies occupying state-owned land to freely extract natural resources found in those tracts.

Mesa's once firm and reliable base of indigenous support—which some of his critics believe was deceived by the staging of his July 2004 gas referendum—has recently rescinded its backing for the beleaguered president, a development upon which traditional political parties waiting in the wings hope to capitalize.

Across the board, each ethnic and class structure argues that Mesa's performance has been deteriorating. "Today, Mesa is viewed by some people from both the middle and popular classes as an abandoner of democracy," said Lohman. She contends that he has lost support via decisions made against the public's interest, such as raising fuel prices by 23 percent, which she states was, repetitive of his spineless neo-liberal bent and "a show of good faith to the transnational corporations and IMF."

### **Cancellation of Water Contract: Concession to Buy Time?**

Citizens of El Alto (altecos) protested with good reason against the government's contract with French conglomerate Suez Lyonnaise de Eaux. The world's second largest water corporation, the Suez group-operated Aguas de Illimani began providing water and sewage systems to El Alto and La Paz in 1997, since the beginning of this contract. Citizens of El Alto have seen the price of water increase up to 35 percent once the company took over. At \$445 USD, the Suez Group's charge for each household water system installation was, when compared to the average Bolivian laborer's minimum earnings, in excess of a half year's income. Furthermore, the connection fee was tied to the U.S. dollar-Boliviano exchange rate, which on average yields a minimum annual increase of 5-7 percent. Despite the government's offer to de-dollarize charges and lower the connection fee, protests mounted and on January 13, Bolivians won a cancellation of the water contract. Without increased subsidies from abroad and sounder IMF-imposed mandates, many Bolivians in El Alto are likely to find themselves without a most fundamental resource—water.

### **Morales Plays Political Cards**

Mesa also faces recently renewed pressure from Evo Morales, MAS party leader and head of the Chaparí coca growers (cocaleros) Federation. Morales is best known abroad for his staunch anti-neoliberal views and anti-American policies which, combined with friendships with Venezuela's Hugo Chavez and Cuban President Fidel Castro, have won for the fiery Aymara Indian and current leader of the coca grower's union, enemy status with the Bush administration. Washington had seen Morales and his resolute support for the right of the nation's subsistence farmers to cultivate coca (the precursor to cocaine), as a target of the U.S.'s anti-drug war and as a threat to U.S. interests in the Andean region.

### **Jockeying for the Presidency**

After remaining on the sidelines for more than two weeks as protesters successfully pushed for the cancellation of the water contract in El Alto and had filled the streets of Santa Cruz in opposition to fuel price hikes—Morales, prior to his January 16 national broadcast regarding the protests, called for Mesa to step down, albeit in guarded language. This adroit maneuver was interpreted as helping to reactivate his fading leftist image as well as seen as being an attempt to reclaim the support of his cocalero political base. It was also considered to be an effort to attract other alienated Bolivians—from whom he had largely ostracized himself due to his increasingly pro-Mesa bent in recent months. Morales is also seeking to re- cement his party's foot-hold within the nation's political structure following MAS' unexpectedly poor showing in recent municipal elections. Although Morales' MAS failed to secure seats in any of the country's ten major cities, it continues to maintain its status as congress' most cohesive party.

After rallying his cocalero supporters via a scorching condemnation of Mesa's ill-advised fuel price increase, Morales nonetheless threw his support behind Mesa on January 24, when he criticized the cruceco 'oligarchy' for its declaration of autonomy, therein reinforcing his intention to vie for the presidency in 2007, or perhaps earlier. As of now, it seems that Morales' strategy is to hedge his political future and that of MAS as well on Mesa's ability to stagger through his current term and uneventfully step aside in 2007.

While Morales is now considered an early favorite in the 2007 elections—as he finished a close second to Sónchez de Lozada in 2002 with 21 percent of the popular vote—other political players are likely to emerge. Former president Jorge Quiroga is alleged to be contemplating a run in 2007, as is La Paz mayor Juan del Granado, who was recently re-elected, despite a strong MAS presence in the capital, on his strong performance last term.

### **Will Morales and MAS Be Outmaneuvered?**

Hormando Vaca Diez, a Senator from Santa Cruz as well as serving as the president of congress, has taken to tactical maneuvers of his own. Following Sónchez de Lozada's ouster, he took on the vice-presidential responsibilities and now stands in line to succeed Mesa if the increasingly besieged president is prematurely pushed out of office. Vaca Diez—a member of the conservative Movement of the Revolutionary Left (MIR) party, who may be seen as directly aligned with Sanchez de Lozada—has played a central role in stalling legislation that would have reformed the hydrocarbon industry and returned it to being more of a state-controlled entity. Contrary to heeding the will of his people, Vaca Diez has sided with international gas-export conglomerates and disregarded the average Bolivian. He also was greatly assisted in stalling the gas reforms by his fellow elite crucecos, who in the main see themselves as being better off if the flashy southeasterner was in office rather than Mesa.

### **U.S. and International Media Continue to Misconstrue Protests**

While the opposition toward Mesa's governing strategy remains steady, it is important to note that many U.S. and other foreign journalists continue to misrepresent the protest by grassroots sectors as being "violent" or "bloody," while the most recent ones have remained peaceful and non-violent. Sónchez de Lozada's ouster was hardly nonviolent, but the violence came from the government and its uniformed armed forces, not the public.

Commenting on the instability of Latin America in the January 17, 2005 Washington Post, columnist Jackson Diehl contended that "the Chavez-funded Movement Toward Socialism has already driven one democratically-elected president from office through violent protests." In reality, the greater majority of those 59 individuals who perished in the October 2003 demonstrations against the proposed export of Bolivian gas via Chile, were in fact civilians slain by the country's military and police. The sending in of troops and the authorizing of them to use force was mandated by the soon-to-be ousted Sanchez de Lozada. Whereas Diehl's typically inaccurate and simplistic statements portray Bolivian protesters as a violent mob, in reality the neoliberal advocate and friend of the Bush administration, Sónchez de Lozada, was ousted by a peaceful movement amid a nationwide call - including that of then Vice President Mesa (who split from the government) - in urging him to step down.

OCNUS, <http://www.ocnus.net/cgi-bin/exec/view.cgi?archive=63&num=16474>, last accessed on March 5, 2005

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## **Price-hike protests bring Bolivian cities to a halt**

AP , LA PAZ  
Thursday, Jan 13, 2005,Page 6

Faced with a strike that has idled two of the country's largest cities, the government on Tuesday canceled a contract with a French-run water company. President Carlos Mesa has warned he will resign if the spreading cost-of-living protests turn violent.

Protests launched Tuesday in Santa Cruz, a city of over one million people, drew hundreds of thousands of people outraged by a government-ordered hike in the price of gasoline. The strike in Santa Cruz, Bolivia's largest city, which is about 570km southeast of the capital, La Paz, is an expansion of demonstrations launched Monday in the neighboring city of El Alto.

Strike organizers in El Alto, led by neighborhood organizer



Bolivians shout slogans during a protest in the city of El Alto during the second day of their strike on Tuesday. The strike was originally triggered by an increase in the price of gasoline ordered by the government, but organizers also demand cancellation of the contract with the French-controlled company which operates the city's water system.

PHOTO: AP

Abel Mamani, have demanded the government drop a 10 to 23 percent increase in the price of gasoline, and have vowed to continue the protests until the government agrees to their demands, among which was canceling the contract with the water utility controlled by Lyonnaise des Eaux of France.

Protesters claim the utility charges residents excessive rates and has failed to extend service to poor neighborhoods since it began operating in Bolivia in 1997.

On Tuesday, the government agreed to that demand.

In a letter to the leaders of the strike made public by the government, Public Works Minister Jorge Urquidi said the decision to rescind the contract "through the legal available means" was made after the company refused to review it.

Protest leaders said a decision will be made in the next few hours on whether to end the strike.

But the government remained adamant on maintaining the price hike, arguing that inexpensive gasoline in Bolivia is encouraging smuggling to neighboring countries and threatens to produce a supply crunch at home. In Chile, for example, a liter of gasoline is about double the US\$0.42 per liter charged in Bolivia before the increase.

In Santa Cruz, shops and offices were closed and the main access routes to the city were blocked by protesters. The strike in El Alto halted traffic between the city and La Paz, the capital.

Sporadic street protests have been reported in other Bolivian cities, including La Paz, but so far strikes have only taken place in Santa Cruz and El Alto, a city of 750,000.

So far, the protests have been peaceful.

But Mesa threatened to resign should the protests turn into a repeat of the violent, October 2003 demonstration that left dozens dead and prompted then President Gonzalo Sanchez de Lozada to resign.

Protest leader Mamani said the movement is not seeking to oust Mesa.

*"Taipei Times" newspaper, <http://www.taipetimes.com/News/world/archives/2005/01/13/2003219204>, last accessed on March 5, 2005*

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## Bolivians in fuel price protests

**Protests have brought two of Bolivia's largest cities to a standstill amid continuing tension over a government decision to cut fuel subsidies.**

Workers in Santa Cruz, the country's economic capital, set up road blocks to halt public and private transport.

Demonstrators in El Alto continued an indefinite strike over the subsidies and in protest at the way the city's water system is being run.

The government has accused protesters of trying to destabilise Bolivia.

President Carlos Mesa has threatened to resign if the demonstrations result in loss of life.

### Bus strike

Hundreds of thousands of people in Santa Cruz - which has more than one million inhabitants - joined the protest on Tuesday, blocking routes out of the city and closing factories, shops and offices.

Residents are angry that the government's move will lead to price rises of between 10% and 23% for petrol and diesel.

The latest protest follows a 24-hour strike by bus owners and drivers last week, which stopped transport services in two of the other main cities, La Paz and Cochabamba.

Strike organisers in El Alto, where action began on Monday, have called for plans to cut subsidies to be dropped and have vowed to continue their protest until the government agrees to their demands.

Residents also want the cancellation of a government contract with the French-owned company which operates the city's water system.

Routes from the city to the capital, La Paz, and elsewhere were blocked by protesters.

The government has agreed to negotiate with the strike leaders and has said the water contract may be "reviewed" if the service is not extended to poor neighbourhoods of El Alto, the Associated Press news agency reports.

But officials say they will not backtrack on the move to cut fuel subsidies, arguing that they are financially unsustainable.

The subsidies also allow Bolivians to resell fuel abroad illegally, the government says, encouraging smuggling and threatening domestic supply.



The government says the fuel subsidies encourage smuggling



Last Updated: Monday, 21 February, 2005, 22:31 GMT

## **Bolivia ex-leader on death charge**

**Bolivia's ex-President Gonzalo Sanchez de Lozada and his ousted cabinet have been formally charged with genocide.**

The indictment by the Attorney General's office comes four months after the Bolivian Congress voted to put the former president on trial.

The charge relates to the deaths of at least 60 people in protests at government plans to export natural gas.

Mr Sanchez de Lozada, 74, denies allowing his security forces to use violence against the demonstrators.

Fifteen of his former ministers are also accused of involvement.

### **Extermination**

Mr Sanchez de Lozada fled to the US after the protests brought down his government in October 2003.

The Bolivian Congress insisted he should be accused of genocide - a term usually reserved for the systematic and planned extermination of an entire national, racial or ethnic group.

The Attorney General's office now has six months to prepare its case against the former president before submitting it to the Supreme Court for consideration.

If the Supreme Court agrees to hear the case, Mr Sanchez de Lozada will become Bolivia's second former head of state to face trial since the country's return to democracy in 1982.

If found guilty, he faces up to 30 years in prison.



Gonzalo Sanchez de Lozada was forced to step down in 2003

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*BBC News, <http://news.bbc.co.uk/1/hi/world/americas/4285803.stm>, last accessed on March 5, 2005*

## Cracking the Brazil nut market

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Bolivian company boosts income and jobs

**By David Mangurian**

One promising approach to preserving tropical forests is to market their naturally occurring products to provide income and jobs for local residents, in this way reducing the incentive to cut down trees. But all too often, good ideas run headlong into harsh economic realities.

Not so in the Bolivian Amazon near the town of Cobija. There, a company called Tahuamanu S.R.L. has parlayed an invention for automating the separation of Brazil nuts from their bone-hard shells into a thriving, sustainable business and a major source of employment.

Tahuamanu began production four years ago. Since then, with the help of a loan and equity investment from the IDB's Inter-American Investment Corporation (IIC), it has captured 10 percent of the world's Brazil nut market. The company now employs nearly 300 people year round at its processing plant and provides seasonal employment for about 800 others who gather the nuts when they ripen and fall from the tall jungle trees during the rainy season.

Tahuamanu's Brazil nuts bring top dollar on the world market because they are top quality. Instead of cracking the shells by hand, which often results in damage, the company uses a combination of high-pressure steam, a mechanical cracker and vibration. Its quality control lab certifies that the nuts are free of contamination, and the company has earned the "organic" label from the United States Organic Crop Improvement Association.

As the demand for Brazil nuts grows, intermediaries are paying the nut gatherers four times more than they used to get, according to Enrique Nelkenbaum, Tahuamanu's general manager. Nut collectors now average \$1,200 per season, he says.

The booming business is also bringing important secondary benefits to the local people. Before, truckers hauling merchandise to Cobija charged retailers double the transportation costs because they had to return empty to La Paz. But now, according to Rolando Apanza, Tahuamanu's administrative and financial manager, truckers know they'll have Brazil nuts to take back--13 to 14 loads a month--so they charge normal rates. So Cobija's consumers now find a greater selection of goods in local shops at lower prices. "We're getting products that we never had before, like fresh vegetables," says Apanza.

Although Cobija is only about 615 km north of Bolivia's capital, La Paz, by air, it still takes nearly four days to make the 1,300-km trip by land in the dry season and up to two months during the rainy season, when rivers swell. Several years ago, a truck ended up in a river soon after leaving Cobija for La Paz and lost its entire load of Brazil nuts. "The driver returned to Cobija in tears," remembers Apanza. "He had no insurance and nobody to help him, and it was the first time he had come here. We helped him get his truck out of the river. After we washed the truck's motor it worked, and he left with another load of nuts."

Even with automated shelling, collecting and processing Brazil nuts is a labor intensive operation. Gatherers spend more than half of their time carrying heavy loads of nuts by foot--one 30-kilo sack at a time--through the jungle to collection points, says Tahuamanu's Nelkenbaum. In the process, they can lose a third of their nuts to rot.

Drop-off points for collectors can be up to 170 km from Cobija, and the trip to the processing plant can take several days. Trucks carry chain saws to cut apart the huge trunks that often block their way. Only an estimated 10 percent of Brazil nuts produced in the forests actually reach markets. Due to these difficulties, world sales of Brazil nuts have been stagnant since 1992. Moreover, burning in the Amazon forest has reduced the number of Brazil nut trees. "Deforestation has really cut into the Brazil nut tree population," says Scott Mori of The New York Botanical Gardens. He adds that

there is evidence that the smoke is reducing the population of pollinating bees.

But increased demand from United States and European candy and nut companies has driven export prices up from a low of about \$0.95 cents a pound for shelled medium Brazil nut kernels in 1992 to more than \$1.70 in 1997, according to the trade publication Edible Nut Market Report.

Brazil nuts are not grown in plantations because they need the natural forest's pollinating insects to produce a large number of nuts. The trees, which number from three to six per hectare, are found in the rain forests of Bolivia, Brazil and Per<sup>TM</sup>.

*IDB America, <http://www.iadb.org/idbamerica/Archive/stories/1998/eng/e598g1.htm>, last accessed on March 5, 2005*

#### **THE IIC SUPPORTS BOLIVIA'S AGRIBUSINESS EXPORT SECTOR**

WASHINGTON, D.C. - On April 28, 2004, the Board of Directors of the Inter-American Investment Corporation (IIC) approved a loan of up to US\$1.8 million for Tahuamanu S.A. The loan will enable Tahuamanu to increase its production of Brazil nuts and make the investments required to complete the food certification process for its products.

Brazil nuts grow naturally in the area; Tahuamanu processes this raw material for the export markets. The funding from the IIC will enable Tahuamanu to increase production from 135,000 crates per year to 180,000 crates. Bolivia's Brazil nut industry is growing and accounted for 41% of the country's agricultural exports during the first nine months of 2003. The project will create thirty direct jobs, which is a 10% increase over Tahuamanu's current payroll. There will also be work for 600 more Brazil nut gatherers in addition to the group of about 1,300 that already gather Brazil nuts for the company.

The Inter-American Investment Corporation is a multilateral financial institution that is part of the Inter-American Development Bank Group. It provides financing (in the form of equity investments, loans, guarantees, and other instruments) and advisory services to private enterprises in Latin America and the Caribbean. The IIC's mission is to promote the economic development of its regional borrowing member countries by stimulating the establishment, expansion, and modernization of private enterprises, particularly those that are small and medium in size.

*Inter-American Investment Corporation, <http://www.iic.int/newsrelease/view.asp?id=302&printview=1>, last accessed on March 5, 2005*