

What is Hugo Chavez doing in Bolivia?

Capstone Essay

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Venezuelan President Hugo Chavez has become a force to be reckoned with in Latin America and beyond, cultivating relationships with leftist leaders in Latin America and the Caribbean as well as Russia and Iran in order to spread his populist style of leadership and expand his sphere of influence. Some may ask why he is taking this course of action; others have posited that Chavez wants power only for power's sake. The purpose of this paper is to determine the effects of what he has already done in Bolivia to influence politics, the military, and the economy for one of his closest allies, President Evo Morales.

Militarily, President Chavez is developing military and security strategy not just for Bolivia, but for many of his allied neighbors in South America. On his public television show, Chavez promoted a new joint defense initiative to integrate militaries and intelligence services, comprised of members of the Bolivarian Alternative for the Americas (ALBA), to which Bolivia, Venezuela, Cuba, and Nicaragua belong, specifically to counter the United States “empire.”ⁱ¹ While it is unlikely that a multi-country defense unit will arise, President Morales has, in return, sought greater bilateral military cooperation with Venezuela. In fact, the President's Chief of Staff, Juan Ramon Quintana, fully supports the idea of merging the Venezuelan and Bolivian armed forces. However, the benefits are mostly one-sided: Bolivia's current military is increasingly being used to quell domestic unrest into which Venezuelan forces could be pulled.ⁱⁱ This would not be the first instance where Venezuela's borders have disappeared in what should have remained a domestic conflict (think FARC in Colombia) and it would further destabilize the

¹ This episode of *Alo, Presidente!* aired in late 2007 or early 2008 but before February 19, 2008.

region and could spark the ire of stronger states (both militarily and economically) such as Chile and Brazil.

In addition, President Chavez's support has come in the form of money, equipment, and military personnel. In 2006, Venezuela authorized the loan of two military-grade helicopters for President Morales' use in Bolivia. Along with those helicopters, he sent 30 military personnel to train their Bolivian counterparts on maintenance and proper use of the helicopters. While the Venezuelan government accounted for the helicopters as a humanitarian aid, the Bolivian congress did not authorize the reception of the military personnel and opposition groups became outraged at the perceived violation of Bolivia's sovereignty.ⁱⁱⁱ This exemplifies the disregard for institutions that Chavez has, and that Morales at first only condoned but now emulates as he follows in the footsteps of Chavez. However, Bolivia's opposition is still strong enough that any further collaboration between the Bolivian and Venezuelan militaries would cause a significant increase in public outcry or even protests.

Since 2006, Chavez has also pledged \$22 billion for the building of 20 military bases in Bolivia.^{iv} In late 2006, the Bolivian Defense Ministry announced that Venezuela would help Bolivia build two bases on the southeastern border with Paraguay after both countries' defense ministers signed the "Complementary Accord to the Basic Technical Cooperation Agreement in Defence between the Republic of Bolivia and the Bolivarian Republic of Venezuela," raising tensions between the two states since Paraguay was training its military with assistance from the U.S. military at that time. Those bases had an estimated cost of \$22 million, with no clear division between Bolivia and Venezuela.^v In addition, two more bases were proposed along the border with Brazil in 2006, the cost of which totals \$47 million, to which Venezuela would also donate under the conditions of the "Complementary Accord to the Basic Technical Cooperation Agreement in

Defence between the Republic of Bolivia and the Bolivarian Republic of Venezuela.”^{vi} As most of the conditions of the agreement were unspecified at the time of signing, it is not clear whether construction has even begun on these bases.^{vii} While the location of the bases is troubling in its proximity to the center of opposition in the country and because of the potential for regional insecurities to flare up, these concerns must be balanced with the potential they have to hinder drug and human trafficking.^{viii}

While some scholars argue that the Bolivarian revolution is built around a cult of personality and thus can only be unique to Venezuela, the similarities between Morales’ and Chavez’ agendas are what make Chavez such a successful investor in Bolivia’s path of reform.^{ix} According to Anastasia Moloney of Share the World’s Resources, a liberal economic think tank, roughly 75 percent of South America’s citizens are ruled by leftist governments.^x And indeed, Hugo Chavez has courted many of those governments and made sizable donations or promised financing for large-scale projects in no less than eight South or Central American countries, excluding PetroCaribe members.^{xi2} However, the characteristics of the leftist leaders vary greatly, and former Mexican foreign minister Jorge Castenada characterizes Chavez and Morales, along with Rafael Correa of Ecuador as “born of the great tradition of Latin American populism,” and “nationalist, strident, and close-minded,” in contrast to leaders such as Michele Bachelet of Chile, and Lula da Silva of Brazil, which he describes as “modern, open-minded, reformist, and internationalist.”^{xii} Thus, while Chavez has promised more than \$3.5 billion in oil-related equipment and infrastructure to Brazil compared to just \$145 million in aid to Bolivia, he has seen far more success in gaining Morales as an ally than in Lula.^{xiii}

² These countries are: Cuba, Nicaragua, Argentina, Bolivia, Ecuador, Paraguay, Uruguay, and Brazil.

In fact, Morales has been named Chavez's "only unconditional ally," by Latin America expert Ray Walser, and the two leaders share an ideology in leadership not found elsewhere on the continent.^{xiv} According to Ray Walser of the Heritage Foundation, "Chavez views race and ethnic and class identity as critical tools in the struggle for continent-wide influence;" in practice, Morales championed the cause of indigenous rights in his initial platform and has carried out promises made in the realm of redistribution of wealth, power, and resources from rich to poor in Bolivia.^{xv} Morales and Chavez both ran on anti-neoliberalism platforms and rely on mass support of new social movements that arose during the 1990s.^{xvi} Both leaders have begun land reform programs, with Morales initiating his first transfer of land in March of 2009 after changing the constitution via popular referendum to allow such action. Mid-March saw the transfer of 94,000 acres seized from five ranches in the eastern lowlands, which happens to be the center of conservative political opposition in Bolivia.^{xvii} In addition, Chavez and Morales have nationalized their most profitable energy sectors: oil in Venezuela and gas and hydrocarbons in Bolivia, even using the same lawyers from the U.S. firm Curtis, Mallet-Prevost, Colt, and Mosle.^{xviii} With all the similarities, it is no wonder Chavez saw a sure bet in Morales, and may have even contributed as much as \$18 million into his presidential campaign.^{xix}

Despite the similarities in their agendas and leadership styles there are significant differences in the motivations for their actions. Even according to Anastasia Moloney, cited previously in the description of policy similarities, Chavez's populism and popularity depend on the social spending sprees he has initiated, backed by rising oil prices for which Bolivia's more modest energy sector does not allow.^{xx} Nor can Morales use Bolivia's natural resources as a geopolitical tool as can Venezuela with its oil production, which accounts for 93 percent of exports and 50 percent of Venezuelan state revenues.^{xxi} While Chavez also relies on a cult of personality, a rather superficial and seemingly unstable platform, Morales has instead taken a

cause and made it his own: the de-marginalization of indigenous peoples and the related cause of the right to coca production, which fuels his anti-American sentiments that Chavez feeds on. The continued support for Morales depends on sustainable progress and concrete results in these two fields, which so far he has managed to capture.

Indeed, Dan Keane of the Hispanic American Center for Economic Research posits that “most of the reforms championed by Morales . . . spring from Bolivia’s own turbulent history.” The revolution that Morales is leading in Bolivia stems from “a deep frustration with Bolivia’s failed privatization experiments of the 1990s,” which was exposed during the 2000 water riots in Cochabamba against the U.S.’s Bechtel Corporation, which won the World Bank-initiated contract to privatize the water system there. Bechtel was driven out after these riots erupted in response to the price increase associated with privatization.^{xxii} The land reform campaign is one that Morales revived from a failed attempt at a land reform policy in 1952. “Demands to nationalize Bolivia’s natural gas sector were the battle cry in street protests” that ousted two of Morales’ predecessors provide yet another example of Bolivia’s turbulent political history.^{xxiii} In addition, indigenous groups in Bolivia have been pushing for new constitutional reforms long before either Chavez or Morales came to power, indicating that Morales’ actions here were not so much influenced by Chavez as by his own constituents.^{xxiv} In this regard, he has produced concrete results necessary to maintain support of the indigenous groups that put him in office.

Besides motivational differences, another possible divide in the Chavez-Morales alliance lies in Chavez’s dependency on high oil prices for the expansion of his Bolivarian Revolution. Although Walser named Morales as Chavez’s only definite “unconditional ally,” the current economic crisis, coupled with a sharp decline in oil prices since the peak in the summer of 2008 will result in the cutting of handouts and difficulty in meeting previous commitments to allies

such as Bolivia, Ecuador, Nicaragua, and Cuba.^{xxv} Oil prices have declined by more than \$110 per barrel from the summer of 2008 to January 2009, and although they have improved somewhat since January, the current level of public spending in Venezuela can only be sustained by oil prices of at least \$70 per barrel.^{xxvi}

Adding to this potential trouble is that Venezuela exports much of its oil at reduced prices to members of PetroCaribe, a club of 19 Latin American and Caribbean countries that benefit from discounted oil from Venezuela. Typically, these countries must pay 40 to 50 percent of the bill in the first 90 days and then the balance is billed over the next twenty years at just one percent interest. Members of PetroCaribe consume approximately 300,000 barrels of oil per day, which amounts to roughly ten percent of Venezuela's daily output, according to Walser.^{xxvii} However, with the recent fall in oil prices, it remains to be seen how sustainable this charity is, considering that Venezuela already must import gasoline to meet demand without raising prices. President Chavez's opposition may be able to turn the charity against him if he cannot meet his obligations to PetroCaribe and to Venezuela itself simultaneously because of low oil prices.^{xxviii}

While Bolivia is not a member of PetroCaribe, it may also fall victim to the Venezuela's change of luck concerning the price of oil. With its recent expulsion from the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which provided duty-free access to U.S. markets for many Bolivian goods, the Bolivian government scrambled to make up for the losses in export earnings, calling on other trade partners such as the EU, Russia, and especially Venezuela to pick up the slack. The suspension of ATPDEA trade preferences was estimated to cost Bolivia 50,000 jobs and \$400 million in exports, excluding the cost of added duties that the government is now covering for firms affected by Bolivia's expulsion.^{xxix} However, Venezuela may not be able to import more Bolivian goods in response to Bolivia's suffering due to its own

fiscal mismanagement of oil revenues. Gustavo Coronel concludes that in light of Venezuela's unsustainable policies regarding oil sales and revenues, it will have to reduce the level of imports, which totaled \$50 billion dollars last year (from all trading partners, not just Bolivia).^{xxx} Bolivia, though, may be hurt the most by this reduction as its economy is already very isolated from most other markets compared to Venezuela's market.

It is unlikely that Bolivia will rejoin the ATPDEA in the near future as Morales refuses to comply with U.S. calls for greater intervention in coca production and is backed by Chavez in this. Bolivia is currently the world's third largest coca-producer,^{xxxi} and allows its production under a law that gives farmers the right to grow the coca plant on one third of an acre for teas and leaf-chewing purposes.^{xxxii} Coca production rose by five percent from 2006 to 2007, although cocaine seizures have also risen each year since Evo Morales took office; it is estimated that some 20 tons were seized in 2008.^{xxxiii} His motto is "Coca, yes; cocaine, no."^{xxxiv} Legalizing coca exportation would open up a huge export market for Bolivia and work to de-isolate it from the global economy, from which it is isolated in so many other ways. Hugo Chavez is supporting Morales in championing legal coca production, a cause Morales took on because of his past as a coca farmer and because it is a traditional occupation of indigenous peoples of Bolivia. He has called for Venezuelans to use coca flour in baked goods and to drink more coca tea. Chavez has also monetarily supported Bolivia's coca growers, donating \$1 million in 2007 to open coca processing plants to turn coca into flour and other usable substances. In contrast, the U.S. spent \$30 million in Bolivia in 2008 to eradicate the coca plant.^{xxxv} Although the fight seems unevenly matched, Morales is holding his ground on this issue more than ever and therefore it is unlikely Bolivia will be allowed to rejoin the ATPDEA in June of this year.^{xxxvi}

In conclusion, Chavez's monetary support to Morales and Bolivia's military, political scene, and economy may be limited in the future due to the slide in oil prices and his severe mismanagement of both oil sales and revenues, but it seems their ideological support for each other has not waned but only grown as various conflicts arise between each country and the United States. Morales is indeed Chavez's only definite "unconditional ally," and will remain so at the expense of Bolivia's sovereignty in military, political, and economic affairs. Although Chavez is adding to his list of aligned countries by feverously courting other leftist governments, these new relationships will not likely benefit Bolivia or bring it out of isolation. In short, the close relationship between Hugo Chavez and Evo Morales benefit only the leaders themselves, not the countries that they have sworn to serve.

ⁱ Nikolas Kozloff, "Hugo Chavez's Anti-Imperialist Army." *Venezuelanalysis.com*, 19 February 2008.

ⁱⁱ *Ibid.*

ⁱⁱⁱ Alex Sanchez, "Bolivia's Military: It's a Difficult Life, but Certainly There Is No Sign of a Pending Military Coup." *Council on Hemispheric Affairs*, 5 November 2008.

^{iv} Nikolas Kozloff, "Hugo Chavez's Anti-Imperialist Army." *Venezuelanalysis.com*, 19 February 2008.

^v "Bolivia: Military Bases in the Lowlands," *STRATFOR*, 22 September 2006.

^{vi} Alex Sanchez, "The Grounds for Bolivia's New Military Bases," *Council on Hemispheric Affairs*, 18 October 2006.

^{vii} *Ibid.*

^{viii} *Ibid.*

^{ix} Anastasia Moloney, "The Challenge of South America's Populist Left." *Share the World's Resources*, 13 January 2009.

^x *Ibid.*

^{xi} Gustavo Coronel, "The Future of Hugo Chavez's Petro-Diplomacy." Pp 5-8.

^{xii} Anastasia Moloney, "The Challenge of South America's Populist Left." *Share the World's Resources*, 13 January 2009.

^{xiii} Gustavo Coronel, "The Future of Hugo Chavez's Petro-Diplomacy." Pp 5-8.

^{xiv} *Ibid.*, P 3.

^{xv} Ray Walser, "What to do About Hugo Chavez: Venezuela's Challenge to Security in the Americas." *The Heritage Foundation*, 19 February 2009.

^{xvi} Anastasia Moloney, "The Challenge of South America's Populist Left." *Share the World's Resources*, 13 January 2009.

^{xvii} Carlos Alberto Quiroga and Pav Jordan, "Bolivia Passes Land from Rich to Poor." *Reuters*, 14 March 2009.

^{xviii} Dan Keane, "Morales: Following Chavez or Own Path?" *Hispanic American Center for Economic Research*, 2009.
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