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As Bolivia's Tensions Build, Risks Rise For Its Neighbors

By Michael Casey

BUENOS AIRES (Dow Jones)--This weekend is looming as a critical juncture in a constitutional crisis that's bringing Bolivia to the edge of civil war, and which poses a serious threat to economic and political security in South America.

With the states of Tarija, Beni and Pando expected Saturday to follow Santa Cruz's defiant step toward autonomy taken Thursday, and with the most hardline separatists itching for a conflict, the government has put its armed forces on "red alert."

President Evo Morales, who accuses the four rebel states in the country's resource-rich southeast of acting illegally, has already sent 400 police to Santa Cruz to prevent "radical" and "racist" elements from seizing control of government buildings.

Meanwhile, all eyes are on Brazilian President Luiz Inacio Lula da Silva and his Chilean counterpart, Michelle Bachelet, who will meet Morales Sunday. Ostensibly, they will address energy and transportation initiatives, but foreign investors with stakes in Bolivian gas, mining and other industries also hope they can act as peacemakers.

"All Bolivia watchers are looking to this upcoming meeting of Lula, Morales and Bachelet," said Iván Rebolledo, president of the New York-based Bolivian-American Chamber of Commerce. He argued that Lula, a leftist whose Workers Party attained power through a long process of institution-building, could be a valuable moderating influence on Morales' Movement Toward Socialism alliance, or MAS.

But there's little indication the Brazilian leader wants to insert himself into a racially charged conflict whose roots lie deep in the colonial and postcolonial history of this geographically and economically divided Andean country.

In briefing the press in Brasilia on Lula's visit Friday, his spokesman merely said "the situation is being followed" and that the government saw no need for "special security precautions or the cancelation of the trip."

Indeed, neighboring governments have been virtually silent on the issue, despite the importance of Bolivia's gas reserves to their countries' overstretched energy demands and its role as a lightning rod for ideological clashes across the continent.

"Given the seriousness of the situation in Bolivia, the hemispheric indifference to the potential for violence is striking," said Michael Shifter, vice president of the Inter-American Dialogue think tank in Argentina.

One reason for this is that regional governments are occupied with their own internal and external disputes.

The Argentine government, for one, which is depending on a planned pipeline from Bolivia to overcome mounting gas and power shortages, this week added the U.S. to a list of sparring partners that already included Uruguay, Chile and the U.K. Three days into her administration, new President Cristina Fernandez on Thursday accused Washington of "garbage politics" after U.S. prosecutors alleged that Venezuelan intelligence officers had conspired in Miami to cover up an intention to smuggle \$800,000 to her electoral campaign.

As one audience member at a presentation by Argentine political consultancy Poliarquia put it, "it worries me that we focus on suitcases of cash and yet have no plan for dealing with a flood of Bolivian refugees across our northern border."

Meanwhile, Colombia's U.S.-allied President Alvaro Uribe is locked in a dispute with Nicaragua's socialist leader, Daniel Ortega, over their countries' competing sovereignty claims on a Caribbean archipelago. This comes amid a tussle with Venezuelan President and Ortega ally Hugo Chavez over the latter's botched intervention in Colombia's long-running hostage crisis.

Indeed, many see Chavez, a vehement critic of the U.S. who openly taps his country's deep pool of petrodollars in the name of extending his "Bolivarian" socialist revolution across the region, as a disruptive factor in the Bolivian problem.

Regardless of how much real power he wields in Bolivia, a surge in Venezuela's presence in support of Morales has helped rally the Bolivian opposition. With hundreds of millions of dollars in Venezuelan aid going to everything from literacy programs to military aircraft, hardline separatists in Santa Cruz find it easy to depict their president as a Chavez lackey.

Yet the essence of Bolivia's conflict lies in a decades-old dispute over control of its natural resources. The autonomy declaration by Santa Cruz and the other states comes after a MAS-dominated Constituent assembly voted in favor of a sweeping new constitution that would grant priority rights over land and natural resources to indigenous groups.

Many among the European-descended elite who control the agricultural wealth of the low-lying southeastern region see this as a direct threat from the Amerindian majority that occupies the far poorer high-altitude region of La Paz and its surroundings. Ethnic slurs and competing accusations of racism have thus added a volatile element to the conflict.

And the Assembly vote, which the opposition says was unconstitutional, has taken to a new level a conflict that began in 2005, when Morales came to power as Bolivia's first indigenous leader and vowed to take on the Santa Cruz "oligarchs." It is further complicated by the fact that the population voted in a 2006 referendum on autonomy to devolve certain political and tax-raising powers to the states.

Now, the leaders of the four states are taking matters into their own hands, unilaterally convening regional assemblies to create de facto autonomous states. At this stage, however, with physical control of the institutions that collect taxes and royalty distributions still in the hands of the national

government in La Paz, it's not clear how these actions will go beyond a symbolic gesture.

Mario Galindo, an architect of the original autonomy proposal and a critic of a centralized political system that he says has subjected Bolivia to "cronyism, clientilism, nepotism and corruption," sees two scenarios to resolve the power struggle. Neither of them is easy.

"One would be a very rapid descent into violence within the coming weeks; the other would be to appeal and recognize the great plurality of Bolivia and from there, to negotiate," he said.

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(Gerald Jeffris in Brasilia contributed to this article)