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COMMENTARY

Poor vs. Profit in Bolivian Revolt

By Keith Slack

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When the government of Bolivia collapsed Friday, the development highlighted a series of fundamental questions that are bedeviling much of South America, where globalization has led to a dramatic increase in foreign investment — but where the benefits have largely failed to trickle down to the poor. President Gonzalo Sanchez de Lozada resigned after impoverished indigenous groups, which make up the majority of the population, took to the streets to protest the government's plan to export natural gas to the U.S. and Mexico. The protests were met with violent repression by Bolivian security forces; scores of people died during the last week of rioting.

But the issues raised by Bolivia's "gas war" will not go away; they will only become more important throughout the region as plans to further liberalize trade and investment move inexorably forward. Bolivia is a stark illustration of the damage caused by unchecked economic liberalization in Latin America.

In the mid-1980s, at the behest of the International Money Fund, Bolivia slashed its public payroll and opened up its natural resource sectors, the traditional basis of the country's economy, to foreign investment. Inflation, which had once run as high as 24,000%, plummeted and economic growth surged as state-owned enterprises were privatized. But Bolivia's poor, indigenous peoples were left behind. Profits from oil, gas and mining sectors either exited the country or ended up in the pockets of its minority white elites.

Bolivia's experience mirrors that of Peru, Ecuador and Colombia.

According to the World Bank, Latin America has the highest level of inequality in the world today. This entrenched inequality has contributed to a crisis level of conflict between indigenous populations and transnational oil, gas and mining concerns and the governments that court them. Examples abound. In Colombia, the U'wa strenuously oppose the presence of Los Angeles-based Occidental Petroleum on their land, going so far as to threaten collective suicide. In Ecuador, Shuar and Achuar communities have taken legal action to prevent Houston-based oil company Burlington Resources from dividing their communities. In Peru, communities across the Andes have united to press Canadian, Australian and American mining companies to better respect their rights.

As bad as this situation is, it may get worse. Next month in Miami, the U.S. will be pushing nations to join the Free Trade Area of the Americas agreement — referred to derisively by some critics as "NAFTA on steroids." If it goes into effect, the FTAA will greatly reduce the ability of governments in the region to regulate the effect foreign mining, natural gas and petroleum concerns have on local communities and the environment. A Canadian mining company is threatening to use a provision in NAFTA to sue the U.S. government over environmental regulations imposed on its operation in California. Such actions would only become more pervasive with the enactment of the FTAA.

In order to reverse the dangerous trend toward civil strife and state instability in the region, a number of urgent changes must be made in how South America manages its natural resources. International agencies must not force countries like Bolivia to open their resource sectors to foreign investment in exchange for aid. They should instead help governments better manage the social and environmental effects these investments have on poor, native populations.

The United States and other developed nations must help South American governments strengthen their accountability and responsiveness to the needs of all their citizens. Companies benefiting from liberalized investment regulations must become more transparent in declaring how much money they are taking out of the country and how much they are paying to their host country governments. These companies must also respect the basic rights of indigenous peoples and protect the environment.

Bolivia and its neighbors should be allowed to protect certain sectors, especially agriculture, that can provide more direct benefits to the poor than resource extraction can.

Rich countries like the U.S. must end the blatant hypocrisy of providing subsidies to their own farmers while not allowing poor countries to subsidize theirs. They must also open their markets to imports from poor countries.

The tragedy unfolding in Bolivia is clear evidence that the global economic rules made in places like Washington and Geneva have real and often very painful effects in poor countries. It is squarely within the interest of the U.S. and other highly industrialized nations to finally put the basic economic, social and cultural rights of the Southern Hemisphere's poorest above sheer profit alone.

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