I n a rundown, dirt-stained building in El Alto, Bolivia, five young men sit behind a rickety linoleum-topped table on an auditorium stage. A rainbow banner—known locally as the Wiphala, a flag representing half a millennium of indigenous resistance—hangs on the wall behind them. En Constante Vigor is painted crudely above it.

It's nearly 9:00 P.M. on a chilly night in early December. The neighborhood meeting hall has filled with mostly men, small and dark, hunched over in dusty plastic garden chairs, the collars on their thin jackets pulled up around their necks to protect against the cold. Like most buildings in this fast-growing city high in the Andes, the hastily constructed brick and adobe structure has no modern plumbing or insulation. After a long day of manual labor at an altitude of thirteen thousand feet, the men are tired. Some doze in their chairs; others stay awake by chewing bitter green coca leaves.

Abraham Delgado Mancilla, a wiry twenty-eight-year-old in black jeans and glasses, stands onstage. He's called this meeting to present a new book he's written with his compañeros, as he calls them. The cover of the bright red paperback features two menacing-looking men in ski masks holding rifles. "De las elecciones a la insurrección... Carajo!" ("From elections to insurrection—We Swear!") is printed in black letters above them. Although the text is mostly a summary of the policy positions of the eight candidates running for president in Bolivia's December elections, Mancilla is explaining why he believes that even the leading leftist candidate, Evo Morales, an Aymara Indian like himself, will not solve Bolivia's problems.

"MAS [Morales's party, the Movement Toward Socialism] isn't really going to change anything," he tells the audience, which grows as more and more men, and a few women, trickle in. "They want to work within the system. But this capitalist system, run by the transnacionales, has done nothing for us. What we need is a new system of our own," he continues, as murmurs of approval ripple around the room. "We need to pursue our own ideas"—and the reaction grows louder—"What we need is a revolution!" The audience bursts into applause.

A wizened old man stands up to concur. "Evo is part of the same capitalist system," he says, looking around the room like a father providing guidance to his sons. "But what kind of a revolution do we want? We learned in the streets that we can defeat the transnationalist companies and the Latifundios. Evo Morales wants to respect the laws, but we need to take back this country from the transnationalists. Today, democracy is in serious danger. The only way to save democracy is to create our own ideological direction. They talk in this election about progress, but what about liberty? We will continue to be slaves under this system. We need to create something new," he says, and younger men in the audience stand to echo his views.

This is my first visit to El Alto, and my head is spinning. Aside from the disorienting altitude, I'm trying to keep up with the mixture of Spanish and Aymara and to follow the succession of men who stand to cheer on the coming insurrection. The statements in this dingy auditorium reflect a growing sentiment across South America, where anger at the unfulfilled promises of the "Washington Consensus"—the neoliberal economic model imposed on much of the continent in the late 1980s and 1990s—has led to a succession of left-leaning governments, from Hugo Chávez in Venezuela to Luiz Ignácio Lula da Silva ("Lula") in Brazil, Néstor Kirchner in Argentina, and, most recently, Evo Morales in Bolivia. But for all the fanfare over Morales's election and an apparent shift to the radical left, the growing popular desire for radical change in Latin America may well be crushed before it gets off the ground. For a country like Bolivia—the poster child for privatization schemes fostered by the International Monetary Fund and the World Bank in the 1980s and 1990s—is now so entangled in the international economic system, whose rules protect private corporate investments, that the democratically expressed will of the nation may well be irrelevant. Not only is foreign aid from the United States contingent on maintaining that neoliberal economic system, but now private investors can essentially dictate Bolivian domestic law as well. Foreign corporations that invested in Bolivia under former regimes can use international law to preserve the status quo. In the process, they're stifling local ideas about how the country's natural resources could support more sustainable and politically palatable development. This investment-protective regime may actually undermine the interests of those same investors it aims to protect, for as it denies a democratic society the power to determine its own fate, it risks fueling the most radical elements of an already restive population. That
could lead this notoriously unstable nation—already the record-holder for coups d’état—toward an even more volatile future.

In the verdant highlands of Cochabamba, campesinos eke out a living growing bananas, beans, and potatoes that they sell for pennies at the local market. Morales campaigned there last fall, promising something better. “You, the people who grow our food, deserve more respect,” he told the Quechua men and women who crowded into the town square. Standing in a brightly decorated gazebo, wreaths of flowers and produce around his neck, Morales promised to help them: “We will nationalize Bolivia’s natural resources. We will recuperate what is ours. We cannot give away what was given to us by Pachamama [Mother Earth].”

One of Pachamama’s greatest gifts to Bolivia has turned out to be a huge reserve of natural gas. In recent years, due to exploration by private companies beginning in the mid-1990s, the estimated size of Bolivia’s natural gas reserves has grown from five trillion to fifty-four trillion cubic feet, and this energy source has become the great hope for the country’s future. Who will control it—the government or the widely reviled foreign corporations—became the overarching question in the December presidential election. In one pueblo after another, Morales promised to “re-take” Bolivia from the transnacionalistas and “recuperate” the country’s riches. Every other candidate, from left to right, made similar appeals to Bolivians across the political spectrum, all of whom feel they’ve been cheated out of the benefits of the country’s natural resources.

Words like “nationalization” and “recuperation” echoed in the international media last winter, alarming the U.S. government and foreign investors. But as many Bolivians already know, President Morales will have a tough time following up the campaign rhetoric with decisive action. Bolivia is now so entrenched in a global economic system that there’s no turning back. Its rulers were convinced years ago by the IMF, World Bank, and American-educated economists to let foreign companies invest on extremely favorable terms. Even former government officials who helped craft the deals admitted, when I met with them, that these terms have not been fair to Bolivia. But the international legal system makes it extremely difficult for a new leader to change them.

Under a series of bilateral investment treaties signed by former Bolivian leaders, foreign companies can sue the country’s central government if it changes its laws in a way that they claim undermines the value of their investments. Specifically, they’re entitled to sue the national government if it passes a law that a company believes is discriminatory or amounts to an expropriation—direct or indirect—of their investments. And those suits would not be brought in an international court or other public, transparent forum. Instead, they would be adjudicated behind closed doors by panels of three private, international arbitrators chosen by the parties involved—often, corporate lawyers who in another situation might be representing one of the foreign corporations. Despite the public consequences of these cases, affected citizens have no right to participate, view the evidence, or attend the hearings. And the suits can seek compensation not just for the money corporations have already invested, but for projected profits that they might have earned, had the tide of public opinion turned against them.

For Bolivia, this is no idle threat. When the Bolivian government under former president Carlos Mesa raised taxes on natural gas production, almost all the major foreign oil companies—ExxonMobil, Spain’s Repsol, the French company Total, BG, and Oklahoma-based Vintage Petroleum—formally notified Bolivia of their plans to sue. (The treaties require companies to notify the government six months before filing a claim.) Eventually, they agreed to wait and see what the new government does. But if Morales “nationalizes” the industry, in whatever form, they’ll certainly make good on those threats, through costly litigation or by using their legal claims as a bargaining chip in negotiating new contracts.

The weight of those chips is undeniable, given the approximately $3.5 billion that private companies have already invested in the natural gas industry and their expected profits, which could total tens of billions of dollars. For Bolivia, whose annual revenues are only a little more than $2 billion a year, that’s a small risk. And it comes on top of the various ways that the IMF, World Bank, and Inter-American Development Bank, under the influence of the United States, which holds virtual veto power in each institution—can wielding their power, denying Bolivia loans and effectively destroying its reputation in the international financial community.

These rules were designed to foster confidence among international investors and economic stability in developing countries. But in a place like Bolivia, where the public has just demonstrated overwhelming support for dramatic change (Morales was the first president to win more than 50 percent of the vote in Bolivia’s 180-year history), the anti-democratic impact of these treaties could backfire. Since 2003, Bolivia has forced out two presidents due to growing frustration with the government’s failure to improve conditions for ordinary Bolivians.

In October 2003, activists learned that President Gonzalo Sánchez de Lozada, a wealthy mining entrepreneur who had played a key role in privatizing the gas industry, was considering yet another deal with foreign companies to export Bolivia’s natural gas—this time via a pipeline through Chile, Bolivia’s age-old enemy. Convinced they wouldn’t see the benefit, they determined to stop the deal. At the urging of local leaders like Mancilla, tens of thousands of Bolivians went on strike and blocked the main arteries of El Alto and La Paz, cutting Bolivia’s largest city off from critical supplies of food and gas. President de Lozada ordered the military to break the road blockades, and soldiers soon killed more than sixty protesters. Thousands more then thronged the streets in protest until, finally, de Lozada was forced to flee.

Expectations were high that his successor, Carlos Mesa, could mediate the conflict. But in the end, Mesa couldn’t stem the mounting anger at an economic system seen as fundamentally indifferent to the needs of Bolivians. To his credit, he tried: he passed a law that raised taxes on gas production in Bolivia’s larger fields. But the law was too convoluted and
too compromising to please anyone. On the left, many were angry that it allowed foreign corporations continued ownership and control of Bolivian natural gas, which by then was yielding record profits. So in May, Bolivians once again took to the streets. After weeks of blocked roads, burning tires, rubber bullets, and tear gas, President Mesa resigned.

To an outsider, Bolivians' reaction to the inequities of globalization may sound extreme. But to many Bolivians, mass actions seem the only means of holding their leaders accountable. And after five hundred years of foreign and elite exploitation of Bolivian resources, most Bolivians feel their government has much to account for.

In many ways, the anger that brought down the last two presidents dates back to the arrival of the Spanish conquistadors, when Bolivia was part of the Inca Empire. By the mid-1500s the Spanish had become enamored of the region's riches, particularly Cerro Rico, Bolivia's "rich mountain" of silver. Over the next four centuries, that one mountain turned silver mine, high in the Andean city of Potosí, would provide the Spanish close to seventy thousand tons of silver—enough, it is said, to build a bridge to Madrid. But the cost was steep; countless slaves died in its caverns.

Harsh working conditions continued until independence in 1825 and beyond. Bolivia's workers repeatedly rebelled, leading to a stunning succession of insurrections—averaging one per year until military rule finally gave way to democracy in 1982. But by then, the generals' looting had left the country in economic turmoil: in 1985, inflation reached 25,000 percent. Desperate, the elected leadership, following the advice of American economist Jeffrey Sachs, adopted a mix of radical reforms later called "shock therapy," which included devaluing the currency, eliminating tariffs, slashing state spending, and selling off state-owned industries. That soon stabilized the currency, but it also left tens of thousands who had been on the government payroll unemployed, particularly in the newly privatized tin mining industry. Many of those miners migrated to the countryside to grow coca—one of the few lucrative crops—or to the city slums as laborers.

Bolivians might have been content to wait for incremental improvements had the country not discovered, in the mid-1990s, that it was sitting on a large supply of natural gas, an increasingly important energy source. But like the rest of Bolivia's industries, the state-owned hydrocarbons business was being sold off, instead of owning, extracting, and selling this increasingly lucrative resource, the government was contracting with a slew of foreign companies to do it. Convinced—in no small part by the World Bank and the IMF—that attracting foreign investment was key to developing the industry, Bolivia passed a law in 1996 that made those companies the owners of the gas, which they could now book as reserves on their balance sheets, and gave them virtually complete control over its production and sale. What's more, the companies had to pay only 18 percent royalties on gas produced and no taxes at all on production. Finally, the law required Bolivian gas to be sold at international market prices—even as the companies were cutting deals with Bolivia's neighbors, like Argentina, to sell gas there for far less. As is typical in the industry, the companies locked in those favorable terms through contracts that last thirty and forty years.

The architects of Bolivia's privatization insist that the new policy succeeded: it attracted private companies and billions of dollars in foreign investment. And over the next decade, Bolivia's estimated natural gas reserves multiplied more than tenfold. But as the price of oil and gas skyrocketed in the international market, and energy prices at home climbed accordingly, Bolivians have recognized the value of what their government so easily gave away. And they've become increasingly angry that the vast majority of Bolivians still aren't receiving the benefits. Despite widespread privatization and two decades of fealty to IMF and World Bank dictates, Bolivia remains the poorest country in South America. Average Bolivians are now poorer than their grandparents were fifty years ago.

Hence the rise of their new leftist president. An Aymara Indian and former leader of the coca growers' union, Morales also appeals to the many campesinos who've lost their livelihood in recent years from coca farming, as the United States imposed and funded a radical coca eradication campaign. Although known in the United States as the base for cocaine, coca leaves in Bolivia are widely used for tea and herbal medicines, or chewed to stave off hunger or stay awake, especially by workers in the high altitudes. Coca growers, or cocaleros, are an important part of Morales's political base—a fact that gravely worries the United States.

Morales has not only claimed that coca should be a legitimate product, but he's expanded that appeal to encompass the growing view among Bolivia's indigenous population, that all "natural resources"—whether coca, water, gas, or precious metals—are not mere commodities but part of the earth's sacred bounty. That view is based on longstanding traditional Quechua and Aymara beliefs about the sanctity of the earth. And it's placed a growing number of Bolivians at odds with the perspective of Northern investment institutions such as the World Bank or the IMF and with the many multinational corporations already entrenched in the country.

"We don't think we are the owners of these resources," Oscar Olivera, a leading activist in Cochabamba, told me when I met him last November. A diminutive, pensive man, Olivera came to international attention in 2000, when he led a series of protests in Bolivia's third-largest city against a subsidiary of Bechtel, Inc., that had purchased the local water system and dramatically raised water rates. Beginning in February, the protests grew violent as police fired rubber bullets and tear gas and protesters responded with Molotov cocktails. By April, thousands of Cochabambinos, from poor farmers to middle-class professionals, had barricaded the roads, shut down the city, and taken over the town square. The government soon declared martial law. By the time the "water war" was won, six protesters had been killed and dozens injured. But the Bolivian government agreed to cancel its contract with the private water company.

That battle has inspired similar protests in other developing countries against privatization of local water systems. And it stemmed, in large part, from the same cultural perspective.
GLOBAL STUDIES

on natural resources that fueled the more recent uprisings over natural gas in El Alto and La Paz.

"We are the beneficiaries of these resources," says Olivera, who is Quechua. "This term 'natural resources' is a capitalist term. The indigenous people don't use that term. What we get from Pachamama must exist in harmony with all living beings. It has to be about the people here live, with their customs. We want more social control, more participation of the people, where everything is clear and government is accountable."

Olivera and others are now helping communities develop cooperative water and other service delivery systems based on this view. He and his fellow activists also recently won a striking post-water war victory. After Bechtel withdrew from Cochabamba, it sued the government of Bolivia under a U.S.-Bolivia bilateral investment treaty. Although the company had only operated in Bolivia for four months, it claimed $25 million in damages. Enraged, Cochabamba activists launched a worldwide campaign to embarrass Bechtel into backing down. In January, Bechtel's subsidiary agreed to withdraw its claim—only the second time a company has agreed to drop a case filed under a bilateral investment treaty following local pressure.

Activists may have a harder time getting the oil companies invested in Bolivia to do the same. The usual justification for the current laws is that foreign investment is critical to a country's growth, and without legal protection, multinational corporations won't invest. But the law has gone so far to protect those companies that, in effect, they now have more control over domestic policy than do elected governments. And there's little evidence that these Bilateral Investment Treaties (or BITs) are actually needed. The Canada-based Institute for International Sustainable Development in a recent report noted that "the agreements may be negatively correlated to investment flows." According to its study, "countries like Brazil and Nigeria have seen large investments despite shying away from such treaties, while many Central African or Central American nations have seen little investment despite having entered into rafts of BITs." Countries such as China and Cuba, meanwhile, have attracted significant investment from countries with which they don't have these treaties. Even the World Bank, in a 2003 report, concluded that "the relatively strong protections in BITs do not seem to have increased flows of investment to signatory developing countries." Still, under pressure from corporate investors and their lawyers, the number of BITs—only 385 at the end of the 1980s, and more than 2,200 today—continues to grow.

These laws pose the greatest challenge for developing countries like Bolivia that are struggling to establish democratic legitimacy and prove to their people that their elected leaders do indeed represent them. U.S. president George W. Bush likes to boast of "the great democratic movement" that in recent decades has spurred "the swiftest advance of freedom in the 2,500 year story of democracy," crediting the United States with providing the shining example. Yet, as the United States pushes these investor-protective treaties on some of the world's weakest nations, we make it impossible for emerging democratic leaders to keep good on their promises.

I was struck by the force of these clashing worldviews. I walked out of a two-hour meeting at the World Bank headquarters in downtown La Paz in December. The bank's experts just explained to me why Bolivia ought to retain its current contracts with the foreign oil companies and create a tax scheme, citing taxes and royalties to international market conditions.

To me, a New Yorker educated in neoclassical economics, their proposals sounded fairly reasonable, if a bit complex. But if the suggestions seemed well grounded as an economic matter, they underscored just how wide is the gulf between the bank technocrats and the Bolivian people. For weeks I'd heard candidates, activists, farmers, and neighborhood leaders assert the importance of Bolivians' reclaiming ownership and control of their natural resources. Apparently none of those pleas, which dominated the presidential campaign, had penetrated the well-guarded walls of the World Bank.

The bankers shake their heads at local ignorance. But Bolivians know that their leaders followed World Bank and IMF advice for decades, and 65 percent of the population is still poor—40 percent extremely so, according to the bank's own standards. It's not surprising that Bolivians put more faith in cultural and communal traditions than in the economic orthodoxy of Northern financial institutions.

"The identity of people and of communities has become a very important issue in the country," says Pablo Mamani, a sociologist who specializes in indigenous social movements. "Before, to be called indigenous or Aymara was considered an insult. Now, it's a sign of strength and pride. From this have come political projects, local leadership, strategic actions, and concrete demands for people's lives—for things like water and electricity."

Abraham Mancilla, the fiery speaker at the local meeting and a law student at El Alto's public university, is one of the leaders Mamani is speaking of. To him, the fact that political mobilization draws on ancient communal practices is critical. "Within our organizations, we're still governing ourselves the way our ancestors did," he told me, as we made our way through the crowded streets of El Alto on a December afternoon. "That's why we're so united. Everyone feels obligated to participate in the blockades and the marches, because it's their community responsibility. It's an obligation that comes from inside. These are the same norms and values brought from the provinces and still practiced here in the city."

Their "revolution," Mancilla tells me, would bring those values into government. "We want to see the majority construct their own type of power," he says. "We don't want a capitalist system or a neoliberal system. We want a communitarian system, a system from our own ancestors." Veterans of the water war say the same about the cooperative water systems they're putting in place. A natural gas industry, Mancilla says, could be run cooperatively, like many of those water systems are now. As for how they'd get the necessary
money, Mancilla assures me that the Chinese government has already sent representatives to talk to community leaders about investing.

A communally-run oil and gas industry might have its pitfalls and likely won't happen in Bolivia anytime soon. But an industry controlled by an accountable, democratic, and transparent government, which contracts on fair terms with private companies, is a goal the vast majority of Bolivians would support. If, as the international financial system would have it, foreign corporations are able to steer the domestic government, then Bolivians will be denied even that sort of responsible management of their country's most prized natural resource. And it's that sort of constraint on democracy that may bring far more radical responses in Bolivia—and far sooner than those foreign investors might think.

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