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Upside Down World

Bolivia Advocates Alternative Vision for Trade and Integration

Written by Jason Tockman

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Tens of thousands of Bolivians gathered on June 30th in La Paz’s sprawling Plaza San Francisco in a boisterous show of support for President Evo Morales and his political party, Movement Toward Socialism (MAS).

Fireworks and chants of "Evo! Evo!" reverberated through the historic central plaza as fire-propelled cloth balloons with the MAS colors-blue, white and black-rose from the crowd into the night sky. After several hours of Andean folk music and anticipation, Morales and Vice President Alvaro Garcia Linera were escorted by police through the waiting masses and assumed the stage. Their principle message: Bolivia is in the process of constructing a new political economic framework.

To a raucous applause, Garcia Linera declared, "Today, there is no longer neoliberalism in Bolivia. Instead, there is an economy of solidarity."

A cornerstone of Bolivia’s new economy is the People’s Trade Agreement (PTA, or TCP in Spanish), a progressive international trade and integration strategy. Based upon traditional indigenous principles of cooperation, complementarity and solidarity, the PTA is a form of collaboration between nations or communities that reasserts public control over the economy and attempts to recast the role of the corporation from that of "master" to "partner" in a process of sustainable development.

Bolivia’s PTA is ideologically different from the economic accords promoted by the rich countries of the world, such as the U.S.’s proposal for a Free Trade Area of the Americas (FTAA). The PTA is also unlike the "open," liberalized trade rules that Bolivia had been following. Under such policies, domestic protections were eliminated, even in the case of goods that are strategic to the nation’s economic future. The goal of the PTA is not to liberalize trade or reduce tariffs, but to lower poverty rates and spur sustainable development-two of the pillars of the United Nations’ Millennium Development Goals.

Though the PTA has been articulated by the Morales administration, its origins can be traced to the resistance and proposals of Bolivia’s social movements, which for many years have demanded a break from Washington’s market-based economic plans. While social movements continue to reflect upon and press the government on the content of the PTA, it remains to be seen how these trade and integration principles will be incorporated into the thinking and planning of various government ministries. The PTA is, therefore, still a work in progress. However, it is an innovative alternative that deserves the full attention of progressives and trade justice activists. In the PTA is the potential germination of a vehicle to directly confront the market fundamentalism-known as "neoliberalism" in Latin America -that currently shapes the world.

The Failure of Free Trade and Privatization in Bolivia
In the 20 years leading up to the Morales’ December 2005 presidential victory (by an unprecedented 54 percent), Bolivia had faithfully followed the Washington Consensus doctrine of trade liberalization, privatization and fiscal austerity. John Williamson—credited with having coined the phrase Washington Consensus—has described Bolivia as the “Big Bang” of Latin American experiments with privatization. [1] Between 1988 and 1999, Bolivia had the region’s highest rate of privatization. [2] Thus, if one sought to evaluate the potential of neoliberal strategy to deliver a country from poverty, they should have to look no further than Bolivia.

But today, Bolivians are poorer than they were in 1978. The country’s per capita income has grown less in the last 25 years (2%) than it grew between 1960 and 1980 (60%). [3] As noted by U.S. economist Paul Krugman, neoliberalism promised a rose garden, but all that most Bolivians received were the thorns. The Morales Presidency is largely a response by Bolivians to an economic ideology—pushed by the United States and international financial institutions—that fundamentally did not work. Confirming this widely held Bolivian sentiment, the International Monetary Fund (IMF) recently pondered why “a country perceived as having one of the best structural reform records in Latin America experienced sluggish per capita growth, and made virtually no progress in reducing income-based poverty measures.” [4]

Bolivia’s Big Bang began in the mid-1980s, as the IMF and World Bank provided the country with a series of loans, along with the standard “structural adjustment” commitments. These fiscal and economic reforms would come to constitute what Jim Shultz of the Cochabamba-based Democracy Center describes as Bolivia’s “economic blueprint.” In fact, Shultz has argued that—even more than the state itself—the IMF and World Bank would become the “primary architects of Bolivia’s economic policies.”

Capitalization—Bolivia’s unique type of privatization—was implemented with the country’s five largest public enterprises, including the oil and gas company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Despite 60 years of state control, efficient management that significantly contributed to the regional and national budgets, [5] and near-consensus that the oil and gas sector—“hydrocarbons”—was the industry most likely to stimulate Bolivian development, YPFB was split into three companies and sold to Enron (U.S.), Repsol (Spain), YPF (Argentina) and Shell (Holland).

According to a 1996 IMF press release, Bolivia promised the financial institution that it would privatize the oil and gas industry. Bolivia assured the IMF that it would “further consolidate the structural reform effort by extending the capitalization process to the hydrocarbon sector... For this purpose, the monopoly position of the national oil company will be eliminated.”

Bolivia did not disappoint its economic planners; in a 2000 letter to the IMF, the government confirmed: “Implementation of structural reforms has significantly altered the role of the main economic agents. The private sector has acquired a predominant position in economic activity, while the public sector is now focusing on its normative, supportive, and regulatory functions...”

But Bolivia’s new regulatory role would not be realized. As is common among low-income nations, Bolivia "had neither the institutional maturity nor the adequate regulatory capacity to fulfill this new role," explain researchers Linda Farthing and Ben Kohl. [6]

As expected, privatization triggered a spike in foreign investment in the hydrocarbon sector. However, this failed to reduce poverty and social exclusion, which, to the contrary, were accentuated during this period. The national population living below the poverty line grew from 62 to 65 percent between 1999 and 2002, while the rural poor (mostly indigenous) expanded from 80 to 82 percent. [7] Meanwhile, the government’s income from hydrocarbons dropped from an average of $339 million/year to only $40 million. [8] As a result, the country’s budget borrowing expanded from 3.3 percent of the GDP in 1997 to 8.7 percent in 2002, [9] while funding was slashed for education and health care. Employment in the hydrocarbon sector plummeted from 9,150 jobs to only 600. [10]

A New Model for Trade and Integration

Bolivia’s approach to international trade and integration is a radical departure from Washington’s market fundamentalism. Under the People’s Trade Agreement, trade and investment are not ends in themselves, but means for achieving development. Openly rejecting the ideology of free enterprise, the PTA defends and promotes active state intervention in a dramatically unequal global
playing field. In fact, the PTA proposes a primary role for the state in the economy, the right to shape public companies in the public interest, and resolution of disputes between the state and foreign firms in domestic courts, rather than secretive external tribunals. Under the PTA, the state retains its ability to actively promote industrialization and ensure internal markets that are necessary to protect vulnerable sectors of society-taking advantage of the same mechanisms that have been historically employed by the now developed countries of the world.

Sovereignty and domestic need are paramount within the PTA framework, especially in the areas of agriculture and services. Agriculture is not treated merely as an economic activity, but as the foundation of human interaction with nature and the way of life for millions of campesinos. One of the principles of the PTA states that, "People have the right to determine their agricultural and food policies and to protect national agricultural production from being inundated with food from abroad." Similarly, the PTA safeguards essential services such as health, water and education under public control. In Bolivia’s experience, privatization of services has led to dangerously higher costs and inaccessible services. The PTA establishes basic services as a human right not subject to profit seeking: "Vital services must depend exclusively on public providers...most basic services are public goods that cannot be privatized."

What is in the PTA is as significant as what has been left out. Absent are many of the provisions typically decried by critics of corporate globalization-intellectual property rights, liberalization of services, and the investor protections of the North American Free Trade Agreement (NAFTA) that allow private corporations to sue governments for lost profits.

Moreover, the PTA rejects the discourse that trade can serve as a form of regional integration. Rather, it follows a logic that integration is typically impeded by trade agreements when they are designed principally in the interests of transnational companies, as in the case of the NAFTA or the proposed FTAA. To Bolivian trade policy expert Miguel Lora, these free trade agreements "create subordinated states that are integrated into the global productive chain as specialists in the exportation of primary products... [They] are not mechanisms of integration, nor do they grant autonomy to the state, because they look for precisely the opposite: total autonomy of the market and a subsidiary role for the state." [11] Instead, the PTA text asserts that integration "must transcend economic considerations, taking into account just and sustainable development based upon community principles and national differences."

In essence, the PTA advances a new framework for the relationships between nations. It is a model based upon mutual support and public need, rather than competition and the accumulation of wealth. Pablo Solón, one of President Morales' trade negotiators, recently explained: "The signatory countries to a bilateral PTA... propose to elaborate a strategic plan for productive complementarity, considering the needs of both. That is to say they plan trade thinking about each other's markets, in state purchasing and the capacity of credit" (emphasis added). [12] Moreover, the PTA recognizes the existing asymmetry between nations, conferring greater privileges to the country with the smallest economy.

Along with this new framework for human relations, the PTA advances a different approach to humanity's interaction with the natural world, proposing "co-existence with nature instead of irrational exploitation of our environment." The PTA envisions a "de-materialization" of the economy, where quality of life is not linked to levels of consumption. As Lora explains, this necessarily means "modifying the conditions of material ownership," assigning a true social cost to consumption, and possibly setting limits on opulent resource use. Of course, as with all elements of the PTA, it remains to be seen how thoroughly these principles are incorporated into Bolivian policy and practice.

**Advancing the PTA in Latin America and Beyond**

This past April, Bolivia, Venezuela and Cuba signed a People's Trade Agreement, creating for the first time a multilateral trade accord genuinely aimed at improving people's lives rather than investors' returns. The signatories view the PTA as a first step in a long-range vision to create a "Bolivarian Alternative for the Americas" (ALBA in Spanish), a socially just trade and integration proposal to combat poverty throughout Latin America and the Caribbean.

In the agreement, Venezuela and Cuba have committed to providing greater benefits to Bolivia, acknowledging centuries of exploitation and plundering by foreign interests. For example,
Venezuela has agreed to eliminate tariffs and open its state purchasing to Bolivian suppliers, while not demanding the same from Bolivia. In addition to opening markets to Bolivian goods, the PTA makes a commitment to buy those products. The agreement also has a significant social component, with Cuba and Venezuela pledging assistance in the form of medical and technical specialists, mobile hospitals and educational scholarships for Bolivians.

The PTA, however, faces a significant challenge in the context of current trade discussions between the Andean Community (the CAN, consisting of Bolivia, Colombia, Peru and Ecuador) and the European Union. Though Bolivia has presented baseline positions for integration, based upon the PTA principles, these are not necessarily supported by other CAN members, and face an uphill battle during the ongoing negotiations. Pressure from European social movements and non-governmental organizations will be needed to ensure that Bolivia’s alternate vision for trade and integration is not steamrolled by the EU’s free trade orientation.

The PTA is still in an embryonic stage, and it is too early to say how effectively it will combat poverty and promote sustainable development. In the current global climate of trade liberalization, the cards are stacked against such an initiative.

There are many alternative proposals to corporate globalization being forwarded by civil society that deserve our attention. The PTA is unique in that it has both a strong resonance with those alternate visions and is backed by the weight of state authority. In solidarity with those gathered in Plaza San Francisco recently, we should cheer Bolivia’s PTA alternative. It is an integration proposal compatible with the belief and the demand that “another world is possible.”

Jason Tockman is a graduate student in Latin American Studies at Simon Fraser University; he can be reached at tockman@riseup.net. For more information, visit the Bolivia Solidarity Network’s website: www.boliviasolidarity.org or contact bolivia_solidarity@yahoo.com.


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