

CHAPTER 8

Bolivia, Ecuador, and Peru

LEARNING OBJECTIVES

- Identify how the three levels of analysis interact in Bolivia, Ecuador, and Peru
- Use theoretical propositions to understand political and economic development in Bolivia, Ecuador, and Peru
- Explain how and why political and economic development in Bolivia, Ecuador, and Peru differs from other Latin American countries

TIMELINE

1821	Peru becomes independent
1822	Ecuador becomes independent
1825	Bolivia becomes independent
1952	MNR begins revolution
1964–1982	Military governments in Bolivia
1968–1980	Military governments in Peru
1972–1979	Military governments in Ecuador
1980	Shining Path forms
1990	Alberto Fujimori elected
1992	Self-coup in Peru
2000	Fujimori resigns and leaves the country
2000	Economy dollarized; Jamil Mahuad overthrown in Ecuador
2003	Gonzalo Sánchez de Lozada resigns
2006	Evo Morales takes office

(Continued)

2007	Rafael Correa takes office
2008	New constitution ratified in Ecuador
2009	New constitution ratified in Bolivia
2011	Ollanta Humala takes office

Bolivian President Evo Morales often faced a balancing act. He was of indigenous descent and was elected twice with the critical support of major indigenous groups in the country. But different indigenous leaders have different priorities, so governing at the national level means sometimes alienating local organizations, even ones he normally supported. In 2010, for example, major protests broke out to pressure the government to increase investment in certain regions, and also against changes in fuel subsidies. In 2011 he faced indigenous protestors who opposed his plan to build a highway through their land and argued that it damaged the environment. Both his defense and interior ministers resigned because of the government's harsh response to the protestors.

This put President Morales between the proverbial rock and a hard place, where local demands conflicted with national priorities. The government viewed the development as essential to both regional and national development, but had clearly not anticipated the ways in which those affected at the local level would respond. The overall result was that his approval rating began moving downward.

The Andean countries of Bolivia, Ecuador, and Peru share some essential features. In the colonial era, they were an important source of wealth for Spain. All have large indigenous populations that have historically been marginalized politically, economically, and culturally. Approximately 71 percent of Bolivia's population is of indigenous descent, the largest proportion in Latin America. Peru (47 percent) and Ecuador (43 percent) are third and fourth (second in the region is Guatemala with 66 percent). In all, political rule has been oligarchic and exclusionary. They all have troubled political histories, with few eras of democratic rule. Finally, since the 2000s, all three countries have been experiencing democracy after serious political conflicts, but also face obstacles in keeping those democracies intact. For these reasons, we can fruitfully consider them together analytically.

All three countries have also dealt in different ways—and varying degrees of success—with economies that are based almost entirely on commodities. Dependence on those commodities has not produced equal results. More so than the others, Bolivia has nationalized industries. Ecuador, meanwhile, fully dollarized its economy and produces oil, which has brought in much needed revenue. Peru relies heavily on mining and has welcomed foreign investment, a strategy that brought impressive gross domestic product (GDP) growth.



Map of Bolivia, Ecuador, and Peru

Historical Roots of Political and Economic Development

Spain created the Viceroyalty of Peru in 1542 to govern much of South America (including both Bolivia and Ecuador) and to administer the large-scale extraction of gold and silver. In 1717, Ecuador would be shifted to a new Viceroyalty of New Granada. When the wars of independence broke out, Peru was a bastion of royal resistance and became independent in 1821 (though, in fact, Spain did not recognize that fact until 1879). Ecuador became independent in 1822 as part of Gran Colombia (with Colombia and Venezuela) and then its own republic in 1830. Named for the liberator Simón Bolívar, Bolivia declared independence in 1809 and finally won it in 1825.

The economies of all three countries depended on primary products. In the Peruvian case, there was even an economic boom in the mid-1800s based on guano, which you might better recognize as bird droppings. Until a synthetic substitute was discovered later in the century, it was a popular product in

Europe as a fertilizer. Bolivia had tin and silver, while Ecuador had little mining but instead produced cacao, coffee, and seafood products. These were then exported largely to more developed countries.

Political instability was pervasive. In the first fifty years after independence in Peru, there were thirty-three different presidents, and twenty-seven of them were military officers.¹ In Ecuador, after 1925 there have been eleven governments taking power as a result of a coup. Bolivia has experienced 193 coups since 1825. Weak economies contributed, as did long-standing conflict between political and economic elites on the one hand, and large indigenous populations on the other. National and local conflicts simmered on a more or less constant basis.

BOLIVIA'S POLITICAL INSTITUTIONS

Last constitution: 2009

Unitary state with nine departments

Executive: President with five-year term; one reelection

Legislative: Bicameral with 130 member Chamber of Deputies (77 from single-member districts and 53 through party-list proportional representation) and 36-member Senate (elected by proportional representation)

Judicial: Supreme Court; Constitutional Tribunal judges constitutionality of legislation

Bolivia

In Bolivian political history, there is little that compares in importance to the **War of the Pacific** (1879–1884). In that war, the country lost its access to the ocean to Chile. There was disagreement about how long to continue fighting the war, which led to the formation of Liberal and Conservative parties. After the war until 1920, they devised a power-sharing agreement for control over the national government. The leadership was largely affluent and white, and only about 2 to 3 percent of the population could vote. It controlled natural resources, as during the colonial period the main exports were minerals, such as tin and silver.

The predominant indigenous group in Bolivia is the Aymara, a group that dates back hundreds of years to the pre-Inca period in the highlands (or “altiplano”). The indigenous population was effectively excluded from political participation until the revolution of 1952. In 1941, Víctor Paz Estenssoro cofounded the reformist **Revolutionary Nationalist Movement (MNR)** and in 1951 won as its presidential candidate. Deeming his government too radical, the military overthrew him. A popular uprising returned him to power in 1952, and he initiated a period of extensive reforms that enfranchised all Bolivians,

nationalized the major tin mines, and enacted redistribution of land. The MNR took on a corporatist model to bring together the military, workers, and peasants under its control. The model proved untenable, though, and in 1964 the army once again overthrew Paz Estenssoro, who had been reelected in 1960. The military then ruled for over twenty years. The international context of the Cold War also played a prominent role in Bolivia. It was during this period that Che Guevara traveled to Bolivia, hoping to create a guerrilla force that could defeat the government just as in Cuba. In 1967, however, he was captured and executed.

Imperfect National, Political, and Economic Reform

Between 1977 and 1980, there were failed efforts at democratization, which meant elections, military overthrow (some very bloody), and a succession of interim governments. The military was split internally, while worker and/or peasant protests periodically rocked the country. Bolivia underwent a pacted transition in 1982, and the military stepped down from power, but as is the case with such transitions retained considerable political power. However, the armed forces were so divided, and the short-lived dictatorships so unpopular, that the leadership ultimately decided that respecting elections was in its own best interests. Congressional elections were actually held in 1980, then presidential elections two years later. Hernán Siles Zuazo, a former president (1956–1960), was once again elected.

The MNR returned to power in 1985, but Paz Estenssoro proved unable to combat inflation, which ran at an average of 8,000 percent during his presidency. Ironically, he had been an architect of Bolivia's state capitalist model decades earlier, yet his presidency was characterized by the dismantling of that very system. Decree 21060 began a process of public sector layoffs and other cuts with the goal of finally taming runaway inflation. Also in 1985, Evo Morales became leader of a union of coca growers. This local organization gradually grew in national prominence.

The economic crisis of the 1980s highlighted the continued dependent nature of the economy, an international reality that creates conflict. The export of primary products such as silver, zinc, and tin has always been a hallmark of Bolivian exports, and changes in government did little to alter it. The United States is Bolivia's largest trading partner, which in practice means Bolivia exports primary products and imports finished goods. It has, however, also increased trade with regional partners through membership in the Andean Community (with Colombia, Ecuador, Peru, and Venezuela). In recent years, a newly prominent commodity is natural gas. Its development has in turn caused domestic conflict, centering on whether it should be in private or public hands, how the benefits of gas revenue should be distributed throughout the country, where it should be exported (such as Chile, its old enemy), and how much should be exported versus consumed domestically. These disputes were intense enough to lead to the ouster of a president in 2003 and nationalization in 2005.

Bolivia is an example of what has been called *hybrid presidentialism*, meaning that its version of presidential rule incorporates elements of parliamentary systems.² If no presidential candidate receives an absolute majority of votes (as has often been the case), then Congress has the responsibility of voting for the winner. That injects a dose of parliamentarism into the political system, although once elected the president does not have to retain the confidence of his supporting coalition to remain in office. The main difficulty, however, lies in the fact that there have been so many different political parties, at times as many as twenty-seven in the legislature. Especially when presidents won only a small plurality of the population, Congress asserted its dominance over the executive branch.

If hybrid presidentialism has been a challenge for Bolivian political development, it is nothing compared to the demands placed on the unitary system. As Bolivia has deep political divisions that run (though not perfectly) along geographical lines, there has been a constant struggle over political control. Until 1994, local governments had virtually no resources. At that time, the Popular Participation Law created 308 municipalities, allowed for mayoral elections, and provided them with extensive power to enact development policies (a total of 20 percent of the national budget). The law also recognized local grassroots organizations and provided a framework within which they could interact with the local government and ensure that their interests were taken into account. The impetus for decentralization was that the MNR had worked hard to increase its support at the local level, and to increase its rural presence. It therefore calculated that decentralization would actually give the party more influence in the long run.³ In fact, as political scientist Donna Lee Van Cott has argued, enhanced democracy at the local level in both Bolivia and Ecuador has meant that local actors (such as mayors) have the flexibility to create their own institutions, free of too much central control.⁴

Economic Source of Local Discontent

The decentralization process was accompanied by initial efforts to formally recognize the role and importance of indigenous groups. President **Gonzalo Sánchez de Lozada** took office in 1993, and during his administration, the constitution was amended to label Bolivia as a “multiethnic and plurinational” state. He had even chosen a vice president of Aymara descent as a way to demonstrate his commitment to indigenous rights. At the same time, though, Sánchez de Lozada deepened the market reforms that had been launched in the 1980s. His policies included large cuts in government expenditures, privatization of some of the large state-owned industries, and increased taxation. Inflation had reached levels upward of 60,000 percent, and foreign debt had soared. The measures helped macroeconomic stability, and the president took great pride in telling the world how Bolivia had beaten the odds and resolved its problems. What he didn’t note that was that it took a heavy toll on the poor, and a growing number of Bolivians felt excluded.

Simultaneously, the U.S. government had been exerting pressure on Bolivian governments to participate more actively in antinarcotics operations. In 1988, the Paz Estenssoro administration passed Law 1008, which asserted that a small amount of coca (12,000 hectares a year) could be cultivated for traditional use, but the rest would be eradicated. The goals were difficult to reach, however, which led the United States to decertify Bolivia several times. That meant Bolivia, as also occurred several times in Colombia, was deemed not to be living up to expectations of the U.S. government and therefore aid would be cut. By the end of the Sánchez de Lozada administration, coca represented roughly half of Bolivia's export earnings. In 1997 President Hugo Banzer (himself a former dictator) created Plan Dignidad ("Dignity Plan"), which was an aggressive eradication effort. Banzer subsequently declared victory in the war on drugs, as coca cultivation had dropped by 40,000 hectares. That success, however, had two important consequences. First, the "balloon effect" (whereby if you squeeze a balloon in one place, it expands in another direction) spread coca cultivation to Colombia. Second, eradication came at an increasing socioeconomic cost. Policy makers paid insufficient attention to providing alternate means of local economic development, and already were cutting government spending. Therefore, resentment toward the programs (and toward U.S. policies) spread and fostered more political instability.

During the late 1980s and early 1990s, disparate local groups began to organize in opposition, but remained largely isolated from each other. By the late 1990s, however, their leaders began to seek each other out to a much greater degree. In particular, there was a growing connection between rural and urban political activists.⁵ In fact, the coca growers had already been activated by the drug war, and so by virtue of their organization were in a good position to make connections with urban movements that had similar—if not identical—political goals.

In 2000, for example, the privatization of water and sewer—which entailed a sudden and large rise in rates—in the city of Cochabamba sparked violence. That was followed by a general strike and the spread of protests to other cities. The so-called Water Wars reflected the growing schism between the state and its citizens. It is within this context that **Evo Morales**—whom we met in the first chapter of the book—first ran for the presidency in 2002, and narrowly lost to Sánchez de Lozada (22.5 percent to 20.9 percent). According to the constitution, a failure to achieve a majority meant Congress had to vote between the two top vote getters, and in that vote Sánchez de Lozada won decisively (84–43 percent).

Sánchez de Lozada would not be in office long. By early 2003 protests grew, especially in response to economic reforms and to the continuation of anticoca policies. They grew when Sánchez de Lozada reportedly favored exporting natural gas through a Chilean port. That was enough to stoke nationalist fervor and intensify calls to nationalize hydrocarbons. The president ordered the use of force to break through roadblocks, which led to dozens of deaths. Sánchez de Lozada resigned and fled the country. His vice president, Carlos Mesa, became president until he too was forced to resign in 2005, and the subsequent interim

president called for new presidential elections. The dizzying pace of presidential turnover was like that of Argentina from 2001 to 2003. In that election, Evo Morales won 53.9 percent of the vote, a decisive victory that made a second round unnecessary, and the revolving presidential door stopped swinging. In his inauguration speech, he was highly critical of past governments as well as economic elites, comparing Bolivia to South Africa: “Threatened, condemned to extermination, we’re here, we’re here.”

ANALYZING DOCUMENTS

As the first Bolivian president of indigenous descent, Evo Morales’ inauguration was an historic event. He emphasized how the indigenous population had never been integrated into national policy except in terms of exclusion, and how he would work to correct the mistakes of past administrations. Avoiding local resistance to national policies, however, has been difficult.

Evo Morales’ Inauguration Speech (2006)

To remember our predecessors with permission from the President of the National Congress, I ask a moment of silence for . . . many of my fallen brothers, cocaleros of the tropical zone of Cochabamba, for the fallen brothers in defense of the dignity of the *alteño* people, of the miners, of millions of human beings that have fallen all across the Americas and them, Mr. President, I ask a moment of silence. Glory to the martyrs of liberation!

. . .

This morning, early, I saw with much happiness some brothers and sisters singing in the historic plaza of Murillo, the Plaza Murillo, also in the Plaza San Francisco, where forty or fifty years ago we did not have the right to enter the Plaza San Francisco or the Plaza Murillo. Forty or fifty years ago our predecessors did not have the right to walk on the sidewalks. This is our history, our experience.

Bolivia is like South Africa. Threatened, condemned to extermination, we’re here, we’re here. I want to tell you that these people who are enemies of the indigenous peoples still have bad habits. We want to live in equal conditions as them, so we’re here to change our history, this original indigenous movement is not a concession from anyone, nobody gave it to us, it is the conscience of my people, of our people.

I want to tell you, so that the international press knows, that the first Aymaras and Quechuas that learned to read and write had their eyes taken out, they cut their hands so they could never again learn to read and write. We have been repressed, and now we are searching for a way to resolve this problem, but not with vengeance because we are not malicious.

. . .

It is not possible for basic services to be privatized. I cannot understand how the ex-rulers privatized basic services, especially water. Water is a natural resource, and without water we cannot live. Therefore water cannot be a private business, because the moment it is a private business you have violated human rights. Water should be a public service.

The struggles for water, for coca, and for natural gas have brought brothers and sisters here. We have to recognize that these mistaken, erroneous, and self-interested policies, the auctioned natural resources, and privatized basic services obliged them to be the conscience of the Bolivian people. We are obligated to change these policies. Constitutionally, the latifundia is unconstitutional. Unfortunately because of powerful interest groups there are latifundia. How is this possible? How is it possible that when some people plant, they need 20, 30, 40, 50 hectares to raise a cow, that you need to be a cow to have 50 hectares? This is all part of the economic model.

Because of these classes of injustice was born the so-called political instrument for sovereignty, a political instrument of the people, a political instrument to search for equality and justice, a political instrument for the Movement Toward Socialism, that wants to live, with peace and social justice, this is called unity in diversity.

Discussion Questions

- What does Evo Morales suggest the proper way the national government should connect to the local population?
- How does he seem to view the role of international influence on the Bolivian indigenous population?

Source: Bolpress Web site: <http://www.bolpress.com/art.php?Cod=2006012301>

Conflict Between Different Levels Under Evo Morales

In 2009, voters approved a new constitution, which had been an important part of Morales' platform. He praised it as a proindigenous document, as it guaranteed indigenous seats in the legislature and sought to democratize landholding by placing limits on the size of any future land purchases. The new Bolivian constitution also allows for the popular election of judges, a practice that is unique in Latin America. It allowed Morales to run for reelection in 2014, but there is a two-term limit. It also continued the process of decentralization to departmental, regional, municipal, and indigenous levels. This is an especially delicate process in Bolivia because the Media Luna (referring to the wealthier eastern part of Bolivia) is rich in natural gas, and therefore decentralization often teeters perilously close to secession and national disintegration.

After Morales was reelected in 2009, the Media Luna consistently lobbied for greater freedom from central authority. In 2010, President Morales signed a new "Transition Law" that began a process of granting more autonomy to regions and departments. He announced the dawning of a new "era of autonomies." In 2010 and 2011 he ran into serious opposition—even from supporters—when he decreed the end of some fuel subsidies, which would have driven up prices. He argued that the subsidies had prompted rampant smuggling to neighboring countries with higher gas prices. The national and international contexts thus collided. Protests against what became known as the *gasolinazo* forced him to back down, and in the wake of the controversy his

approval ratings dropped sharply. These events serve to emphasize the tenuous nature of his support, and how social movements do not subside simply because there is a sympathetic figure in the presidency.

One of Morales' most successful reforms to date has been in institutionalizing water rights, addressing a serious point of contention within many local indigenous movements. One of Morales' first moves after taking office was to create a Water Ministry to oversee the registry of legal claims to water and ensure indigenous communities, peasants, and small farmers access to water in their ancestral territories. The 2009 constitution formalizes the state's policy, stating that, "Access to water and sewers constitutes human rights. They are not an object of either concession or privatization and they are subject to a system of licenses and registrations, in accordance to the law." The new law does represent a dramatic shift in Bolivian policy, but it is important to note that much of the success in its implementation has been because of the Commission for Integral Management of Water in Bolivia (CGIAB), a network of nongovernmental organizations, research organizations, and civil society groups that have been active since 2000, when privatization first became an issue.

Although the government has demonstrated pragmatism with regard to nationalization policies, internal polarization and unpredictable regulation have damaged the investment climate. Annual FDI averaged \$452 million between 1990 and 2000, but by 2007 was \$204 million. A slowdown in investments has generated doubts regarding Bolivia's ability to fulfill contracts with many of its major gas consumers, most notably Argentina, which has begun to secure gas supplies from other sources. In addition, the global economic crisis adversely affected Bolivia's economy through declines in remittances and commodity prices. By 2009, this caused a significant drop in real GDP growth rates. Trade with the United States also slowed after President George W. Bush suspended Bolivia's participation in the Andean Trade Promotion and Drug Eradication Act, which offered preferential treatment to imports from Andean countries who are fighting drug trafficking. The Bush administration argued that the Bolivian government was not combating drug trafficking sufficiently, thus ending Bolivia's special access to the U.S. markets.

The cultivation of coca has been the source of long-standing tensions with the United States. Coca is chewed as part of cultural practice by the Aymara, though a majority of coca grown in Bolivia is processed into cocaine for export. The Morales administration adopted a "zero cocaine but not zero coca" position, but has also taken steps such as the deportation of a U.S. Drug Enforcement Agency officer, and the U.S. response has been increased distrust and the public airing of doubts about Morales' commitment to combating drug trafficking. By 2010, however, the Bolivian government itself expressed concern that the cocaine trade was on the rise, and also accompanied by the types of violence evident in Colombia and Mexico. In 2012 Brazil announced a new antinarcotics plan with Bolivia, which included the use of drones.

Bolivia and Chile continue to have a shaky relationship, as Bolivia has been trying unsuccessfully to negotiate formal access to the ocean. In 1978 the military leaders of each country began talks that soon included Peru, but could not

find common ground. As a result, Bolivia broke relations and since then they have only consular rather than full diplomatic relations. With the election of Evo Morales the relationship warmed, but no solution has been reached. Verbal sparring periodically occurs, even including Peru, for example, in 2009 when he cracked that President Alan García's obesity affected his judgment when the latter argued that Bolivia had already given up its claim to the sea. With his administration, Bolivia's key regional ally has been Venezuela under Hugo Chávez, a relationship that has included establishing joint ventures, aid packages, and participation in the Bolivarian Alternative for the Americas (ALBA).

Despite the polarization evident in Bolivia, the Morales government has not been threatened by the military. Morales has made the armed forces part of his developmentalist project and has been very skillful in rooting out high-level officers who might oppose him, while also emphasizing nationalism rather than ideology when employing the military in activities such as seizing gas fields for the state. The armed forces have remained loyal to the central government in the face of regional demands for autonomy. This augurs well for democracy in a country that has suffered so many overthrows of democratically elected governments.

ECUADOR'S POLITICAL INSTITUTIONS

Last constitution: 2008

Unitary State with twenty-four provinces

Executive: President with four-year terms; limit of two terms

Legislative: Unicameral National Congress with 124 members, elected through party-list proportional representation

Judicial: National Court of Justice, also a Constitutional Tribunal if the president or Congress believes legislation is unconstitutional

Ecuador

Like Bolivia, Ecuador is split along geographic and racial lines. The highlands are populated primarily by indigenous, while the coasts are more mestizo and white (with a small Afro-Ecuadorian population as well). Ethnic conflict has been a mainstay of politics since the military left power in 1979. The fact that there have been 35 different administrations since 1925 provides a sense of the chronic instability.

The major political figure of the twentieth century was José María Velasco Ibarra. He was president five separate times from the 1930s until the 1970s and was ousted by the military in four of them. He initiated a period of import substitution industrialization and emphasized a state capitalist economic strategy

that sought to incorporate marginalized groups into Ecuador's economy. In his last term, his overthrow ushered in seven years of dictatorship. Similar to the Peruvian military government of the time, the army had a nationalist and reformist platform, and was less repressive than many of its South American counterparts. As oil is a major export and routinely funds about half of the national budget, relative harmony was facilitated in the 1970s by very favorable oil prices. Nonetheless, the army has been highly politicized and politically active even when not formally in power. The military junta (called the Supreme Council) held democratic elections in 1979, which began a wave of democratization across Latin America.

Although Ecuador was once again democratic, the party system was fragmented (by 2010, ten parties had some level of representation in the legislature). Parties are heavily regionalized, and tied closely to individuals, and therefore come and go with personalities rather than becoming institutionalized at either the local or national levels. As in Brazil and Guatemala, party switching is common, and elected officials see it as a way to make bargains and receive payoffs. In some cases, as with Sixto Durán Ballén in 1992, a presidential candidate successfully created a party expressly for the elections. A chaotic political system was unfortunately accompanied by budget problems. The economy stagnated throughout the 1980s, as the debt crisis was too overwhelming for any president to address. Per capita income in 1994 was less than in 1981 because annual GDP growth remained behind population growth.⁶ Although exports rose, low prices for commodities such as oil brought in less revenue than in the 1970s.

In the context of economic crisis, human rights abuses also became a problem. In 2010, the Ecuadorian Truth Commission issued a report that, especially between 1984 and 1988, the administration of León Febres Cordero routinely used extrajudicial killings, torture, and illegal arrests. Of the 456 people who suffered such abuses between 1988 and 2008, 78 percent took place during those four years. Certainly, these numbers are pale in comparison to the pervasive political violence in military dictatorships but are indicative of the ways in which economic collapse can go hand in hand with political repression, even in polyarchies.

The Political Consequences of National Economic Collapse

Economic collapse was also a catalyst for various simultaneous developments. This included the creation of women's organizations, which responded to the local vacuum left by the state to provide necessary services in poor areas. These first appeared in Quito and then spread throughout the country. At the same time, there are significant splits that pose an obstacle to a unified movement. Furthermore, there is a certain amount of tension between ethnic and gender identity. Ethnic movements like the **Confederation of Indigenous Nationalities of Ecuador (CONAIE)** rose to prominence in a way that women's organizations did not, and they did not pay much attention to gender. In fact, indigenous women suffer disproportionately more violence and have less access to educational

opportunities than other groups. The Confederation of Indigenous Women of Ecuador (CONMIE) was formed in 1996 but was opposed by CONAIE and remained weak. As in many Latin American countries, Ecuadorian women bore the brunt of economic deprivation but gained little political power.

Populism resurfaced in 1996, when Abdalá Bucaram won the presidency. Of Lebanese descent, he had married President Roldos' sister, and founded the Ecuadorian Roldista Party. His nickname "El Loco" (the crazy one) provides a glimpse into what became an erratic style of governing that initially appealed to the masses, but this style became problematic when corruption charges arose and when Bucaram embarked on market-oriented reforms after promising the opposite. He was faced first by massive protests from all sides of the political spectrum, and then by a congressional vote of "mental instability." Within a few months of his inauguration, he was forced to resign.

Bucaram's presidency also marks the rise of the left-wing Pachakutik Party, formed in 1995. It came out of CONAIE, created in 1986 to articulate the political demands of Ecuador's indigenous population. Given its high level of organization, CONAIE has routinely launched marches and protests that at times have virtually shut down parts of the country, including the capital of Quito, and have taken over local governments. In fact, until 1995 CONAIE rejected participating in electoral politics at all. Because CONAIE was being courted by national politicians, ultimately its leadership decided it could achieve its goals more effectively by participating formally.

Bucaram's overthrow ushered in a period of extended political disarray, with the armed forces taking on the role as political arbiter, a persistent problem across Latin America. After a dispute about who should become president, Fabián Alarcón assumed office, and in 1997 elections Jamil Mahuad won. In 1998, the country approved a new constitution, which provided more recognition of the indigenous population (e.g., labeling Ecuador as "multiethnic"). In the face of spiraling inflation and economic stagnation, Mahuad froze \$400 million in assets and abruptly announced that he was dollarizing the economy as a way to stabilize the economy. Dollarization means just that: adopting the U.S. dollar as the national currency. As noted in Chapter 4, it can bring about exchange rate stability, but at the same time it means losing seignorage as well as control over the money supply.

The response to dollarization was intense opposition, as the government was blamed for creating the crisis and there was precious little confidence it was capable of finding a solution. As Eduardo Silva has argued, disparate groups were able to agree on the need to decommodify labor and land and reinsert the state more forcefully into the economy.⁷ In 2000 CONAIE allied with junior officers in the army, led by Lucio Gutiérrez, to overthrow Mahuad and install a short-lived junta. The coup leaders handed power to Vice President Gustavo Noboa. In 2003, indigenous leaders threw their support behind Gutiérrez (he gave Pachakutik four cabinet seats in return), who was elected just three years after overthrowing the government. His penchant for market policies, however, soon made him unpopular. He responded to demonstrations in Quito by calling for a state of emergency and dissolving the Supreme Court, which in 2005

prompted Congress to vote for his removal and name Vice President Alfredo Palacio in his place. When the military made clear it supported that decision, and Pachakutik members had left his government, Gutiérrez resigned.

The Era of Rafael Correa

Into this political turmoil came an economist with a PhD from the United States. **Rafael Correa** briefly held the position of Minister of Economy and Finance under President Palacio, but resigned when the president did not support his proposed statist reforms. Aside from that experience, he was an outsider and became known for his populist, antiestablishment views. He won the 2006 presidential election against Alvaro Noboa, the wealthiest man in Ecuador, and the campaign highlighted the ideological split in the country, as Noboa labeled Correa as a communist and Correa referred to Noboa as a conceited elitist. Correa lost the first round of voting to Noboa (26 to 22 percent), but then he won a subsequent runoff. He thus became the seventh president in a decade.

In 2007, Correa called for a referendum to hold elections for a new constituent assembly and won with 82 percent of the vote after a sometimes violent dispute with Congress over the powers of that assembly (which included dissolving the legislature itself and thereby superseding it, which obviously angered the opposition). His coalition then proceeded to win 80 of the 130 seats in that body. He won reelection in 2009 with 52 percent of the vote. Former president Lucio Gutiérrez came in a distant second with 28 percent.

Correa developed what has been called a *plebiscitary presidency*.⁸ This means he routinely appeals to his supporters directly rather than working with the legislature or other political institutions. He noted that he was running a “permanent campaign” and the traditional political parties represented an obstacle to getting things done (see Box 8.1). Unlike his predecessors, Correa was at least initially successful in obtaining legislative support. Although the Ecuadorian president is quite powerful on paper, since 1979 that has not necessarily translated into achieving political goals easily. Further, because the legislature can censure cabinet members, there is often rapid turnover. For example, between 1979 and 1998, economic ministers lasted less than a year on average.

BOX 8.1

The Presidency of Rafael Correa

International: President Rafael Correa has defied easy ideological categories and exemplified the limitations of the broad term *leftist*. In a 2010 interview, he expressed admiration for the United States and even Anglo-Saxon culture, saying that Latin American

culture focused too much on lying. He participated in UNITAS exercises with the United States and governments like Colombia’s with much more conservative views. Domestically, he has also shown a willingness to side at times with business over indigenous

groups. But he also harshly criticizes U.S. foreign policy—particularly regarding trade and drugs—and joined the Bolivarian Alternative for the Americas (ALBA). Further, he is a self-proclaimed socialist.

National: Rafael Correa is an atypical Latin American president. His governing style has clear populist leanings, with considerable attention to indigenous rights, yet he has also shown himself willing to pursue sometimes unpopular policies during his presidency. He obtained a PhD in Economics in the United States, yet is critical both of U.S. foreign and economic policies.

He served briefly as economic minister, but his background is more technocratic than political. He emerged at a time of serious upheaval in Ecuador, as protests and coups ousted one president after another. His outsider status proved to be an asset, and he successfully ran for president in populist style, denouncing the traditional parties and politicians and winning on the basis of

his direct appeal to the voters. He has a difficult relationship with the media, to put it mildly.

Local: Although Correa's approval rating dipped below 50 percent by 2010, he has enjoyed far greater popularity and stability than any president in decades. Nonetheless, in 2010 he did face a police rebellion (based on Correa's policy regarding bonuses) that became serious enough that many, including Correa himself, argued that it constituted a coup attempt. Longer-term stability will depend on his ability to build a coherent organization at both the national and local levels that can carry on without him. Populist movements tend to crumble without the charismatic leader.

Discussion Questions

- What about Correa's background suggestion that international influence is not easy to predict?
- How might his views of international actors contribute to his national popularity?

The mere fact that President Correa has worked on behalf of the indigenous population does not mean that its support is unconditional. A key point of tension between the national government and local indigenous organizations stems from the fact that historically the latter have become politically active against neoliberal policies that allowed foreign companies to enter their territory without consent, causing social, cultural, and environmental degradation through unregulated and unsupervised extraction methods. Because of deep-rooted struggles such as this, indigenous movements and activists tend to view Correa's policy through the same lens. *Acción Ecológica*, an organization that has been active in Ecuador for decades, asserted that the Mining Law was written in a way that favored corporations over the legitimate concerns of the people affected by the law. Meanwhile, Correa faced large protests against a proposed law that would put political control over water in the executive branch rather than a collective entity. As in Bolivia, having a left-leaning president does not mean that civil society becomes passive or overly accommodating

to government. At the same time, Correa must deal with traditional tensions with the security forces, including a major confrontation in 2010 with police regarding pensions. Correa even claimed that it represented a coup attempt, though the army sided with him.

Economic Growth and International Factors

Economic growth has been solid, though not spectacular, and Ecuador managed the global economic crisis reasonably well, with GDP growth over 7 percent in 2008 and at least positive growth afterward. Especially given dollarization, inflation has remained low—generally under 6 percent—despite a spurt in 2009. Export earnings are still concentrated in primary products. Of course, petroleum products are central, but so are bananas and cut flowers, as well as seafood such as shrimp.

Oil remains a key source of export earnings, and Ecuador once again became a member of Organization of the Petroleum Exporting Countries (OPEC) in 2007 (it had pulled out in 1992 because it resisted paying the \$2 million membership fee and did not like what it believed was a low production ceiling). Roughly half of the national budget is funded by oil. In turn, foreign companies run about half of the production process, which has led to disputes about environmental degradation and spills. On behalf of local indigenous groups, the Ecuadorian government charged Texaco (which was later bought by Chevron) with dumping 18.5 billion gallons of oil, a case that remains pending. Further, in recent years the government has threatened expropriation if foreign oil companies did not increase the revenue amount allotted to the state.

To sustain the generous social spending necessary for continued political support, Correa declared he would break from reliance on traditional lenders and seek out external financing from political allies. In December 2008, the government defaulted on an interest payment of Ecuador's \$10 billion in international debt, accusing foreign officials and bankers of profiting irresponsibly from bond deals. Correa announced that "as president I couldn't allow us to keep paying a debt that was obviously immoral and illegitimate."⁹ By 2009, the government had softened its policy, agreeing to buy back 91 percent of its defaulted bonds, but under a more favorable agreement that would save the government approximately \$300 million a year in interest payments. To expand its budget on social spending, the government has sought out financial agreements with Iran and Venezuela, and in 2009 began negotiating \$1 billion in financing with China. By late that year, however, Correa ended the talks, stating that negotiating with China was worse than negotiating with the IMF and claiming that the agreement threatened Ecuador's sovereignty.

It is noteworthy that although dollarization encountered stiff resistance initially, not even Correa—a vocal critic of U.S. economic policy—has advocated dismantling it. The combination of macroeconomic stability (particularly with regard to keeping inflation in check) and international investor confidence has prompted governments since 2000 to accept its indefinite existence. Over time, dollarization has also slowly become more popular because of that stability

despite the ways in which it restricts the government's ability to make economic decisions such as devaluation.

Strong international influences for Ecuador go well beyond economic ties. Its border with Colombia has become a source of serious conflict because of the presence of the Revolutionary Armed Forces of Colombia (FARC). Historically, the FARC has moved back and forth across that border with frequency and impunity. Their activity has also created a constant flow of Colombian refugees into Ecuador, at a rate the government can barely handle. Over 135,000 Colombians have fled to Ecuador, and since 2000 approximately 40,000 of those have applied for asylum status. In 2009, the Colombian government bombed Ecuadorian territory to destroy an encampment, which killed an important guerrilla leader and yielded FARC laptops. What Colombia viewed as a military success, however, was considered to be an act of belligerence by the Ecuadorian government. Diplomatic ties were broken and have been strained since.

Along these lines, one important difference Ecuador enjoys from its neighbors (and from Colombia) is that it never faced a “drug war” or even any sort of armed insurgency. Interestingly, Ecuador has almost no coca cultivation. The colonial economy moved in other directions, and chewing coca was not as central to indigenous culture, as was the case in Bolivia. By 1990, moreover, the government developed a hard-line policy intended to make sure that the profits reaped by traffickers in neighboring countries did not become a temptation for native production. That fact has helped Correa in his efforts to bring political stability to a country that has not enjoyed it much.

PERU'S POLITICAL INSTITUTIONS

Last constitution: 1993

Unitary system with twenty-five regions

Executive: President with five-year term; no immediate reelection but former presidents can run again after leaving power at least one term

Legislative: Unicameral Congress with 120 members (elected through proportional representation)

Judicial: Supreme Court, with Constitutional Court to decide constitutionality of legislation

Peru

Political instability was the norm for Peru during most of the nineteenth century. Rapid successions of government, accompanied by rewriting of the political rules of the game, meant that solid political institutions could not form. In the

latter half of the century, Peru lost the War of the Pacific (and consequently some of its southern territory) and the guano boom ended. This led to political collapse and military rule. Not until the beginning of the twentieth century did a civilian government last for a sustained amount of time, when Nicolás de Piérola was president from 1895 to 1919 (with a brief removal through a coup in 1914) as part of the so-called Aristocratic Republic. The economy remained dependent on primary products, but within that there was more diversification, to goods like cotton and sugar. The populist Augusto Leguía ruled from 1919 to 1930, and during that time (in 1924) Raúl Haya de la Torre founded the **American Revolutionary Popular Alliance (APRA)**. That party would be at the center of Peruvian politics for much of the century.

Haya was categorically anti-Marxist but attracted support from the working class and the poor with a radical reformist platform. As a result, the party became a target for political elites, and between 1930 and 1968, APRA was only allowed to offer a presidential candidate twice. By the late 1960s, deep political schisms combined with slowing economic growth prompted gridlock and then a military coup in 1968, led by Juan Velasco Alvarado. The resulting authoritarian government, however, was reformist rather than conservative. Its rhetorical goal was a new participatory democracy, and its main achievement was extensive agrarian reform that included much of the peasantry that the state had essentially ignored or repressed since independence. Nonetheless, its lofty goals did not come to fruition, and instead there was internal dissent within the military as well as continued economic crisis. Women's groups began to organize in large numbers in the late 1970s as the dictatorship was drawing to a close. Women took an active role in protesting against the military government, though it was not as repressive as elsewhere. However, leaders of such organizations suffered at the hands of guerrillas, which accused them of collaborating with the government.

The Challenges of Democratic Transition

Velasco eventually was forced out, and his replacement (General Francisco Morales Bermúdez) called for a transition to democracy. Through this pacted transition, a Constituent Assembly was elected in 1978, and a new constitution went into effect in 1979. In 1980, a presidential election brought Fernando Belaúnde Terry to office, who had been overthrown twelve years prior. He proved unpopular, and the young Alan García was viewed within APRA as the symbol of generational change in the party, and that change was indeed important for Peruvian democracy, as there had been no democratic handover of power since Manuel Odría left office in 1956.

Peruvian democracy, however, faced a serious challenge. One of the most important differences in Peru compared to Bolivia and Ecuador was the genesis of brutal guerrilla forces that emerged alongside democracy. The Túpac Amaru Revolutionary Movement was active in the 1980s and 1990s, though remained relatively small. Much more dangerous, and infamous, was the **Shining Path** (*Sendero Luminoso* in Spanish). Shining Path was a local creation,

established in Ayacucho, the poorest of Peru's departments, by philosophy professor Abimael Guzmán. In 1980, there were scattered reported acts of violence, which finally reached Lima in the form of dead dogs hung from lamp posts. That would then expand to terrorizing both rural and urban Peru. The ideology was Marxist, specifically Maoist, viewing the country as similar to China in the 1930s, mostly feudal and ripe for revolution. In practice, it meant targeting large segments of the population as counterrevolutionary. As Guzmán once argued, "the mass have to be taught through overwhelming acts so that ideas can be pounded into them."¹⁰ He had no interest in allying with organized labor or local peasant organizations, and his actions (such as strikes) sometimes worked against their material interests. If they were part of the system at all, then they were the enemy.

The Peruvian government was slow to respond to Shining Path. In 1982, it called a state of emergency in Ayacucho, but the Belaúnde administration made no effort to address the socioeconomic problems that had given rise to the movement in the first place. Its ultimate response added to violence in the countryside. The army organized peasant militia ("civil defense committees") and adopted a hard-line counterinsurgency strategy that attacked anyone believed to be sympathetic to the guerrillas. This put many peasants in the impossible position of being killed by the army if they refused to fight the guerrillas, or being killed by the guerrillas if they did. The local population was therefore most affected by a guerrilla war waged on a national scale.

Peruvian political institutions, already no models of legitimacy, were further threatened by Shining Path, and the situation was exacerbated by economic mismanagement. The APRA presidency of Alan García (1985–1990) was very unpopular because of economic instability. Inflation soared over 7,000 percent, and the rate of poverty shot up as well. When he left office, 70 percent of the economically active population was unemployed or underemployed, while GDP had fallen 28 percent.¹¹

The Era of Alberto Fujimori

Public fears about guerrillas and economic uncertainty paved the way for the successful candidacy of **Alberto Fujimori**, a relatively unknown who ran against the famous (and later Nobel Prize-winning) novelist Mario Vargas Llosa. In very populist fashion, Fujimori portrayed himself as above politics, a technocrat who knew how to get things done and who rejected the orthodox economic policies that Vargas Llosa advocated. Fujimori won the 1990 presidential election in a landslide. When he took office, however, he enacted many of those same policies, even as he launched an assault on Shining Path. The latter involved sending the legislature a series of proposals that would strengthen the executive and increase the militarization of the fight against Shining Path. He did not enjoy the support of a majority in the legislature, which posed a major obstacle to his political goals. In 1992, Fujimori announced the dissolution of Congress, which became known as an *autogolpe*, or *self-coup* (though the name is not entirely apt because Fujimori certainly did not overthrow himself). A so-called

Government of National Emergency ruled the country, with Fujimori of course in charge.

Under international pressure, Fujimori called for a Constituent Assembly to write a new constitution. The traditional political parties, including APRA, refused to participate, which meant the new charter reflected Fujimori's own goals, emphasizing both neoliberal policies and a strong military. Abimael Guzmán was captured in several months after the self-coup, which greatly boosted Fujimori's popularity, as did his economic strategy of opening the country up to foreign investment while simultaneously increasing spending. He decisively won a second term in 1995 (64.4 percent of the vote versus 22.8 percent for former United Nations Secretary General Javier Pérez de Cuéllar).

The war against Shining Path took a terrible toll. The Peru Truth Commission issued a report in 2003, noting the deaths of 69,280 people from 1980 until 2000. More than 40 percent were from Ayacucho, where Shining Path started, and 75 percent spoke Quechua as a first language (compared to 16 percent of the population). The guerrillas were responsible for 54 percent of the victims, and the report indicated that this was a far greater percentage than for other rebel groups in Latin America, where the government was typically more violent. The war ravaged the Peruvian countryside, as 79 percent of the victims were engaged in agriculture. In short, local populations suffered horribly. Fujimori also bore much responsibility, as he had instituted broad antiterrorist measures after taking office that eroded civil liberties, including such dramatic examples as the institution of hooded military tribunals. He would later be convicted and imprisoned for abuses committed during his presidency.

ANALYZING DOCUMENTS

The sheer brutality of the Shining Path is unsurpassed by any other Marxist guerrillas in Latin America. The report of Peru's Truth Commission details the destruction at the local level, where Peru's poor were caught in the middle, slaughtered in particular by the Shining Path.

Peru Truth and Reconciliation Commission Final Report (General Conclusions) (2003)

As the result of its investigation into the process of violence of political origin that was experienced in Peru between the years 1980 and 2000, the Truth and Reconciliation Commission [TRC] has come to the following conclusions:

I. The Dimensions of the Conflict

1. The TRC has established that the internal armed conflict experienced by Peru between 1980 and 2000 constituted the most intense, extensive and prolonged episode of violence in the entire history of the Republic. It was also a conflict that revealed deep and painful divides and misunderstandings in Peruvian society.
2. The TRC estimates that the most probable figure for victims who died in the violence is 69,280 individuals. These figures are greater than the number

- of human losses suffered by Peru in all of the foreign and civil wars that have occurred in its 182 years of independence.
3. The TRC affirms that the conflict covered a larger share of the national territory than any other conflict, caused enormous economic losses through the destruction of infrastructure and deterioration of the population's productive capacity, and came to involve the society as a whole.
 4. The TRC has established that there was a significant relationship between poverty and social exclusion and the probability of becoming a victim of violence. More than 40 percent of the deaths and disappearances reported to the TRC are concentrated in the Andean department of Ayacucho. These victims taken together with those documented by the TRC in the departments of Junin, Huanuco, Huancavelica, Apurimac and San Martin, add up to 85 percent of the victims registered by the TRC.
 5. The TRC has established that the peasant (campesina) population was the principal victim of the violence. Of the total victims reported, 79 percent lived in rural areas and 56 percent were engaged in farming or livestock activities. These figures contrast with those of the 1993 census, according to which 29 percent of the population lived in rural areas and 28 percent of the economically active population worked in the farming/livestock sector.
 6. The TRC has been able to discern that the process of violence, combined with socioeconomic gaps, highlighted the seriousness of ethno-cultural inequalities that still prevail in the country. According to analysis of the testimonies received, 75 percent of the victims who died in the internal armed conflict spoke Quechua or other native languages as their mother tongue. This figure contrasts tellingly with the fact that, according to the 1993 census, on a national level only 16 percent of the Peruvian population shares that characteristic.
 7. The TRC has shown that, in relative terms, the dead and disappeared had educational levels far inferior to the national average. While the national census of 1993 indicates that only 40 percent of the national population had failed to attain secondary school education, the TRC has found that 68 percent of the victims were below this level.
 8. The TRC concludes that the violence fell unequally on different geographical areas and on different social strata in the country. If the ratio of victims to population reported to the TRC with respect to Ayacucho were similar countrywide, the violence would have caused 1,200,000 deaths and disappearances. Of that amount, 340,000 would have occurred in the city of Lima.
 9. The TRC has established that the tragedy suffered by the populations of rural Peru, the Andean and jungle regions, Quechua and Ashaninka Peru, the peasant, poor and poorly educated Peru, was neither felt nor taken on as its own by the rest of the country. This demonstrates, in the TRC's judgment, the veiled racism and scornful attitudes that persist in Peruvian society almost two centuries after its birth as a Republic.
 10. The TRC has found that the conflict demonstrated serious limitations of the State in its capacity to guarantee public order and security, as well as the fundamental rights of its citizens within a framework of democratic action.

(Continued)

11. The TRC has also found the constitutional order and the rule of law to be precarious, and breached in those moments of crisis.

II. Responsibilities for the Conflict

A. The Partido Comunista del Peru-Sendero Luminoso

[Communist Party of Peru-Shining Path, PCP-SL]

12. The TRC believes that the immediate and fundamental cause of the unleashing of the internal armed conflict was the PCP-SL's decision to start the armed struggle against the Peruvian State, in opposition to the will of the overwhelming majority of Peruvians, men and women, and at a time in which democracy was being restored through free elections.
13. In the TRC's view, based on the number of persons killed and disappeared, the PCP-SL was the principal perpetrator of crimes and violations of human rights. It was responsible for 54 percent of victim deaths reported to the TRC. This high degree of responsibility on the part of the PCP-SL is an exceptional case among subversive groups in Latin America, and one of the most notable unique features of the process that the TRC has had to analyze.

Discussion Questions

- What does the report tell us about the impact of the guerrilla war on the local population?
- What does the report suggest about how divided Peru is between urban and rural areas?

Source: Truth and Reconciliation Web site: <http://cverdad.org.pe/ingles/ifinal/conclusiones.php>

The Peruvian economy recovered as the Shining Path threat receded. Inflation dropped into the single digits and the economy grew. At the same time, however, those successes barely made a dent in poverty and unemployment. The bloom gradually came off the rose of the Fujimori administration also because of his authoritarian tendencies. The National Intelligence System (SIN) was run by his close ally, the shadowy Vladimir Montesinos, who spied on the opposition and supporters alike and used extortion and blackmail to achieve political ends. Under his direction, the legislature ruled that Fujimori could run for a third term. Although the constitution dictated a two-term limit, his supporters argued that because he had been in office at the time of its ratification, the first term did not count.

For the 2000 election, Alejandro Toledo ran as part of "Perú Posible" (Possible Peru). Fujimori won with just under 50 percent of the vote (49.8 percent), but Toledo refused to participate in a second round, citing evidence of voting fraud. Even so, Fujimori managed only 51.2 percent in the second round. The SIN scandal broke and his presidency very quickly unraveled. Later in 2000, he traveled to Japan and from there announced his resignation. After a brief interim presidency, a new election was held in which Toledo defeated García. In 2007 Fujimori traveled to Chile, and eventually was extradited to Peru, where he was

convicted of kidnappings and murders that he had ordered. His daughter Keiko Fujimori was elected to the legislature in 2006 and quickly became a presidential contender, a sign that the Fujimori brand still retained some popularity.

National Recovery From the Fujimori Era

The Fujimori era effectively fragmented the already fractious party system in Peru. APRA continues to function, and in 2006 Alan García won the presidency for the party. However, both he and the party's candidates in Congress only attained just over 20 percent of the vote. Electoral volatility in the legislature is 51.9 percent since 1978, one of the highest levels in the world.¹² In addition, Peruvian presidents and their governments have not been able to attain better than mediocre approval ratings. Ollanta Humala, a highly controversial army lieutenant colonel who led an unsuccessful coup attempt against Fujimori in 2000, launched a populist campaign for the presidency with the Union for Peru party. He won the first round with 30.1 percent in 2006 but lost to Alan García in the second round. The 2011 presidential election revealed again the severe party fragmentation, as parties tended to be only reflections of individuals. Humala ran again with the Gana Perú (Peru Wins) coalition. He garnered the highest percentage of votes (32 percent) but went to a runoff with Keiko Fujimori, who had created a party, Fuerza 2011 (Strength 2011), expressly for the election. Humala won that runoff with 51.5 percent. As in Venezuela, a former coup plotter became a democratically elected president with his own personalized party.

On the surface, the Peruvian economy is one of the strongest in Latin America, with GDP growth dipping in 2009 but then roaring back to life with commodity exports. Yet the long-standing conundrum still stands, because growth does not correlate to presidential popularity and seems to affect only a minority of the population. Peru is still highly dependent, as it exports primary products like fish products (which means its maritime disputes, especially with Chile, have very high stakes), copper, and gold, not too unlike its traditional colonial roots. It imports finished goods from abroad, particularly the United States. The Gini index is high, steady at about 0.50 and the indigenous population, which is largely rural, has yet to enjoy many of the fruits of macroeconomic success. As long as commodity prices are robust, Peruvian economic growth will still be the envy of the developed world, but beyond that there is fragility behind the success.

Humala pledged to address the plight of the poor and indigenous. Despite the political vacuum that opened in Peru, unlike Bolivia and Ecuador its large indigenous population has not organized and mobilized with success. Instead, crosscutting identities have become obstacles for a common identification, so that someone who self-identifies as “indigenous” also views him- or herself as some combination of peasant, Andean, mestizo, native, or other labels that come and go over time.¹³ As a result, there is no Peruvian equivalent to CONAIE. Some organizations of this type have periodically emerged, but have struggled to gain legitimacy. Another critical reason is that the presence of a guerrilla war prevented broad participation in protests. The state was extremely sensitive to anything that smacked of instability, and made much greater efforts to block them.

Like many other Latin American countries, Peru underwent a process of decentralization that began in 2003, granting more administrative and economic autonomy to local government, such as in Colombia, but that process was both corrupt and inefficient. Thus, the process of moving budgeting responsibilities to regional authorities has been difficult. Further, one unexpected consequence has been the rise of subnational nationalism, where regional leaders adopt critical attitudes toward transnational capital in a way that does not occur at the national level.¹⁴ A proposal to reduce the number of regions in the country and thereby ostensibly make governance more efficient was put to a national vote in 2005 but defeated.

At the national level, there is considerable party fragmentation. Humala's coalition won only 47 of 130 seats (36.1 percent) in the unicameral legislature. That still represented a plurality, because five other coalitions split up the remaining seats. The executive-legislative divide that contributed to Fujimori's autogolpe are therefore still in evidence, because a lack of a majority makes it much harder for the president to pass legislation. That is further complicated by the rise of the subnational nationalism mentioned earlier. Humala, already a controversial figure, faced immediate obstacles to effective governance.

Conclusion and Comparative Perspective

Despite all the very serious protests he has faced, the administration of President Evo Morales is still one of the most stable in recent Bolivian political history. The irony, though, is that he has found himself in a similar position as so many past presidents on the opposite side of the ideological spectrum. In other words, he has forged policies aimed at achieving national goals, but which alienate vocal local constituencies. He therefore either has to back down, or possibly face the same consequences as some of his predecessors, who left power early and involuntarily. President Rafael Correa is in a very similar position, walking the same narrow line. President Ollanta Humala began dealing with the same types of issues, balancing commitment to the large and historically underrepresented indigenous population with the need to boost economic growth in the context of a weak international economy.

There has been a crisis of representation in these three Andean countries for decades. In all three, this has led to the cracking of the traditional national party system and emergence of populist leaders who have generated considerable support (winning elections by margins not often seen in those countries) but also opposition, which is most intense in Bolivia. This echoes similar developments in Venezuela, and in fact both Ollanta Humala and Hugo Chávez are retired military officers who previously tried to overthrow the government. There has been a serious lack of connection between the national government and local populations, especially in rural areas. Peru is the only country that has emerged from populism (in its case more right wing), but the parties are still very weak. All three countries continue the struggle to generate not only economic growth but greater equality and less poverty, goals that have long been elusive.

At the extreme, inequality has led to civil war. That has been the most severe by far in Peru with Sendero Luminoso and the Fujimori government's

response, but both Bolivia and Ecuador have also experienced periods of authoritarian rule and/or civil unrest. In Bolivia and Peru this is exacerbated by the international influence of drug trafficking, which seeps down to the local level. These multiple and simultaneous challenges make political stability all the more elusive. Colombia has suffered from similar problems, but the consensual

TABLE 8.1 Bolivian Economic Indicators, 1991–2011

Year	GDP Growth	Inflation	Unemployment	Poverty Rate	Human Development Index
1991	5.4	14.5	5.8	—	0.588
1992	1.7	10.5	5.4	—	0.530
1993	4.2	9.3	5.8	—	0.584
1994	4.8	8.5	3.1	45.6 (urban)	0.589
1995	4.7	12.6	3.6	—	0.593
1996	4.4	7.9	4.2	—	—
1997	4.2	6.7	4.4	62.1	0.652
1998	5.0	4.4	6.1	—	0.643
1999	0.4	3.1	7.2	60.6	—
2000	2.5	3.4	7.5	—	—
2001	1.7	0.9	8.5	—	0.672
2002	2.5	2.4	8.7	62.4	0.681
2003	2.7	3.9	9.2	—	—
2004	4.2	4.9	6.2	63.9	—
2005	4.0	4.9	8.2	—	0.557
2006	4.6	4.9	8.0	—	—
2007	4.6	11.7	7.7	54.0	0.729
2008	6.1	11.8	6.7	—	—
2009	3.4	0.3	7.9	—	—
2010	3.8	5.6	6.5	—	0.668
2011	5.2	9.9	5.8	—	0.671

Sources: Unemployment: *GDP and Inflation: Preliminary Overview of the Economies of Latin America and the Caribbean*, 1994–2012.

Poverty rate: *Social Panorama of Latin America*. Economic Commission for Latin America, 1990–2012.

Human development index: United Nations, *Human Development Report*, 1990–2013.

party system that emerged after 1957 allowed for the development of stronger political institutions.

As in so many other Latin American countries, all three countries remain heavily dependent on primary products, which has meant highly uneven growth rates. That strong international factor has been a constant. Internationally

TABLE 8.2 Ecuadorian Economic Indicators, 1991–2011

Year	GDP Growth	Inflation	Unemployment	Poverty Rate	Human Development Index
1991	5.0	49.0	8.5	—	0.784
1992	3.0	60.2	8.9	—	0.718
1993	2.2	31.0	8.9	—	0.764
1994	4.4	25.4	7.8	52.3	0.775
1995	3.0	22.8	7.7	—	0.767
1996	2.3	25.6	10.4	—	—
1997	3.3	29.9	9.3	49.8	0.747
1998	2.1	43.4	11.5	—	0.772
1999	−6.3	60.7	14.4	58.0	—
2000	2.8	91.0	14.1	—	—
2001	5.3	22.4	10.4	—	0.731
2002	4.2	9.4	8.6	49.0	0.735
2003	3.6	6.1	9.8	—	—
2004	7.9	2.0	11.0	51.2	—
2005	4.7	3.1	10.7	48.3	0.772
2006	4.1	2.9	10.1	43.0	—
2007	2.0	3.3	7.6	42.6	0.806
2008	7.2	8.8	6.9	42.7	—
2009	0.4	4.3	8.5	42.2	—
2010	3.5	3.4	8.0	—	0.719
2011	8.0	4.5	6.0	—	0.722

Sources: Unemployment: *GDP and Inflation: Preliminary Overview of the Economies of Latin America and the Caribbean*, 1994–2012.

Poverty rate: *Social Panorama of Latin America*. Economic Commission for Latin America, 1990–2012.

Human development index: United Nations, *Human Development Report*, 1990–2013.

inspired market reforms have then prompted the development of populist leaders. Future economic and political development will hinge in large part on whether these new styles of governing in Bolivia and Ecuador foster lasting political institutions that can outlive their current leadership, and then alternate in power democratically with the opposition. For long-term stability, increasing

TABLE 8.3 Peruvian Economic Indicators, 1991–2011

Year	GDP Growth	Inflation	Unemployment	Poverty Rate	Human Development Index
1991	3.2	139.2	5.9	—	0.709
1992	0.2	56.7	9.4	—	0.642
1993	5.7	39.5	9.9	—	0.694
1994	14.7	15.4	8.8	—	0.717
1995	10.0	10.2	8.4	—	0.729
1996	2.3	11.8	7.9	—	—
1997	7.4	7.1	9.2	47.6	0.739
1998	−0.7	6.0	8.5	—	0.737
1999	0.9	3.7	9.2	48.6	—
2000	3.0	3.7	8.5	—	—
2001	0.2	−0.1	9.3	54.8	0.752
2002	5.2	1.5	9.4	—	0.752
2003	3.9	2.5	9.4	54.7	—
2004	5.2	4.1	9.4	48.6	—
2005	6.4	1.5	9.6	48.7	0.773
2006	8.0	1.1	8.5	44.5	—
2007	8.9	3.9	8.4	39.3	0.806
2008	9.8	6.7	8.4	36.2	—
2009	0.9	0.2	8.4	34.8	—
2010	8.6	2.2	8.0	—	0.733
2011	6.9	3.4	7.7	—	0.738

Sources: Unemployment: *GDP and Inflation: Preliminary Overview of the Economies of Latin America and the Caribbean*, 1994–2012.

Poverty rate: *Social Panorama of Latin America*. Economic Commission for Latin America, 1990–2012.

Human development index: United Nations, *Human Development Report*, 1990–2013.

social demands must be channeled through democratic institutions rather than individuals.

There are important points of comparison to Central America, which also has dealt with marginalized indigenous populations, inequality, a major disconnect between the national and local levels, as well as periods of violence marked by guerrilla warfare and counterinsurgency. Both subregions also have strong militaries that periodically intervene in politics as moderating powers (such as Ecuador in 2000 and Honduras in 2009). From an economic perspective, both Ecuador and El Salvador are dollarized, exemplifying the importance of the U.S. economy and how a foreign currency can contribute to national economic growth. Central America depends much more on the United States to buy exports, but Andean countries are also strongly tied to their northern neighbor.

Key Terms

- War of the Pacific
- Revolutionary Nationalist Movement (MNR)
- Gonzalo Sánchez de Lozada
- Evo Morales
- Confederation of Indigenous Nationalities of Ecuador (CONAIE)
- Rafael Correa
- American Revolutionary Popular Alliance (APRA)
- Shining Path
- Alberto Fujimori

Discussion Questions

- In what ways can a guerrilla movement like Shining Path pose a threat to democracy?
- Why would a government find it difficult to eliminate dollarization?
- How has the president tended to treat the legislature in these Andean countries?
- What are the similarities and differences between right-wing and left-wing populism?
- What kinds of political challenges do presidents like Evo Morales and Rafael Correa face from indigenous groups even when they are largely sympathetic to those groups?

Further Sources

Books

- Crandall, Russell, Guadalupe Paz, and Riordan Roett (eds.). *The Andes in Focus: Security, Democracy and Economic Reform* (Boulder: Lynne Rienner Publishers, 2005). Readable collection that analyzes the countries of the Andean region and the impact of U.S. policy. It focuses on the three different themes, with particular attention to economic reform.
- De la Torre, Carlos and Steve Striffler (eds.). *The Ecuador Reader: History, Culture, Politics* (Durham: Duke University Press, 2008). This is a very useful edited volume with different articles on historical development, nation-building, international influences, indigenous issues, and identity.

Dunkerley, James. *Bolivia: Revolution and the Power of History in the Present* (London: Institute for the Study of the Americas, 2007). James Dunkerley is a long-time observer of Bolivian politics, and this book is a collection of essays he has written over the years. They cover both political history and a lengthy discussion of the rise to power of Evo Morales.

Kenney, Charles D. *Fujimori's Coup and the Breakdown of Democracy in Latin America* (Notre Dame, IN: University of Notre Dame Press, 2004). The book examines Alberto Fujimori's *autogolpe* in detail, with extensive but accessible discussion of Peru's political institutions, parties, and personalities. It also provides a comparative context to democratic breakdown in other Latin American countries.

Van Cott, Donna Lee. *Radical Democracy in the Andes* (New York: Cambridge University Press, 2009). Van Cott studies municipal-level political institutions in Bolivia and Ecuador to understand the connection between political parties and indigenous organizations. She argues that democracy is enhanced when local governments are led by indigenous leaders.

Web Sites

Andean Information Network (<http://ain-bolivia.org/>). Focused in particular on the drug war and human rights in Bolivia, the AIN publishes analyses of current political events.

Andina (<http://www.andina.com.pe/ingles/Inicio.aspx>). This is the Web site of the Peruvian News Agency, which has English-language articles on current political events, but also on economics and culture. It includes links to the main English-language Peruvian government Web sites as well.

Bolivia Weekly (<http://www.boliviaweekly.com/bolivian-press/>). This Web site provides updated news on Bolivian politics, with links to Spanish-language stories in the Bolivian media. It also includes a list of all major online sources of Bolivian news Web sites, both English and Spanish.

Ecuador News (<http://www.ecuadornews.com/>). The Web site is a news aggregator, compiling links to English-language news sources on stories related to Ecuador, which also allows readers to submit story links and make comments.

Peruvian Times (<http://www.peruviantimes.com/>). This is a source of English-language news about Peru. These stories include extensive hyperlinks to other news sources as well, and can be followed on Twitter.

Endnotes

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13. Lucero, José Antonio and María Elena García. "In the Shadows of Success: Indigenous Politics in Peru and Ecuador." In A. Kim Clark and Marc Becker (eds.), *Highland Indians and the State in Modern Ecuador* (Pittsburgh: University of Pittsburgh Press, 2007), 234–247.
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