

Free Trade Proposal Splits Bolivian City

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A worker at América Textil, a big manufacturer in La Paz and El Alto, Bolivia, wearing a protective mask while cleaning up cotton.

EL ALTO, Bolivia-- This city, a poverty-stricken expanse of adobe houses considered the capital of Bolivia's indigenous people, was the flashpoint of relentless protests against globalization that toppled a government more than a year ago and had threatened another president, Carlos Mesa, who offered his resignation on Monday in the face of mounting demonstrations.

On Tuesday night, though, the Bolivian Congress rejected the resignation, giving Mr. Mesa a fresh start despite street protests that paralyzed parts of the nation. No one, though, predicts that El Alto will remain calm. As Bolivia inches toward free trade talks with the United States, which is vilified by a powerful leftist movement in this country, the protesters have said they are not finished.

But even as this clash of views is being played out, El Alto is quietly benefiting from trade preferences provided by Washington, spawning hundreds of small businesses and thousands of jobs. That has created a little-noticed fissure between those who maintain that Bolivia needs to enter what the Bush administration envisions as a hemisphere-wide free trade zone, and others who say that such an agreement will leave the country, South America's poorest, even more destitute.

That fierce division of opinion, most apparent in Bolivia, the most protectionist nation in the region, is echoed across Latin America -- and it is driven by persistent poverty. The market-oriented changes that Washington long ago prescribed for Latin America have brought little or no prosperity to the average person, with some lands poorer than before. Growth has been no better than halting in a region that needs galloping momentum to

pull many of its people out of poverty, despite improved economic indicators seen in 2004. The United Nations estimated the number of people living in poverty in Latin America at 221 million in 2002, up from 200 million in 1990. "When you see that there's only been two years of growth in the last 10 years, and other years it was so-so or there was no growth at all, then the political impact is very big," said Cesar Gaviria, a former secretary general of the Organization of American States.

"So some of these countries have many problems and there is no support for these reforms, or confidence in them, because the expectations for what would happen with growth were not met," said Mr. Gaviria, now chairman of Hemispheric Partners, a New York firm providing risk analysis to investors. "Some of those people who say that nothing has changed are, in fact, right."

But those promoting free trade point to the Andean Trade Promotion and Drug Eradication Act, a preferential trade deal that lowers United States tariffs on a range of goods, essentially rewarding governments in the region's drug-producing countries for their cooperation. Bolivian exporters to the United States -- a diverse group including furniture manufacturers, jewelry makers and textile producers -- have benefited, growing notably in this city of 750,000 outside La Paz, the capital. El Alto, with its small, humming manufacturing base juxtaposed against the most virulent anti-globalization movement in Latin America, embodies those tensions.

"El Alto is the principal beneficiary of this law," said Marcos Iberkleid, president of America Textil, a 40-year-old garment maker that ships to retailers like Ralph Lauren. "The workers know that and see a tangible difference."

Others, like Pablo Solon, who heads a policy group, the Fundacion Solon, that opposes the American-led talks, says that free trade aims to chip away at Bolivia's control of its natural gas and minerals, dropping Bolivian tariffs on United States imports and opening vast sectors of the economy to investors. The American plan, he argues, would badly hurt a country ill prepared to compete. "We do not want to turn Bolivia into an island," Mr. Solon said, "but what we want are negotiations that take note of the realities of our country. Much of what is being offered will simply lead to more instability in our country."

The growing debate in this hermetic land of nine million comes as the Bush administration, which aspires to an Alaska-to-Argentina trade bloc, has moved aggressively to sign two-party agreements and to press reluctant partners, like Brazil, into accepting its view on trade. So far, deals have been signed with Central American countries, the Dominican Republic and Chile.

Now, Washington is seeking an accord with three of Bolivia's Andean neighbors, Colombia, Ecuador and Peru. Bolivia is currently an observer -- a concession to the country's left-leaning leaders -- but increasingly, government officials and business leaders have declared the need for this country to jump in.

Under the Andean pact, negotiated for Bolivia by former President Jorge Quiroga in 2002, dozens of Bolivian products enter the United States duty-free. That pact expires at the end of 2006.

The problem for Bolivia's government, ever wary of the next round of unrest by globalization opponents, is that the United States now wants it to agree to a quite different kind of deal, one that would open nontraditional exporters to American investment. It would also fly in the face of efforts by the Bolivian left to enact a law that would expand state control over the oil and gas industry.

As Eduardo Gamarra, the Bolivian-born director of the Latin America and Caribbean Center at Florida International University, sees it: "The Americans are saying, 'Look, this was a temporary arrangement, and now you have to pay. You have to do certain things and you have to open your economies to us.'"

But the voices advocating Bolivia's entry into a trade accord have been gathering force, the most prominent in El Alto being that of Mayor Jose Luis Paredes, who was re-elected in December on a free trade plank. With a small staff, working in a church because city hall was burned by protesters in 2003, he is trying to present a different image of El Alto. "We cannot just close ourselves off," Mr. Paredes said of his city. "If society thought free trade was of no use, I would not be mayor."

Though figures on job creation are sketchy, Mr. Paredes said that the Andean pact had already helped double the number of workers employed in factories and by small contractors to more than 20,000. A few big factories have arrived, he said, and the number of microbusinesses -- shops with just a few workers, often under contract to manufacturers has risen to 5,300 from 2,500.

That is still a relatively small share of the local economy -- 162,000 people work in the informal sector in El Alto, barely making ends meet selling trinkets or food on the street.

But exports to the United States under the Andean pact were up 20 percent in the first 10 months of 2004 from the period a year earlier, and Mr. Paredes said that had given Bolivia a tantalizing look at what the future might hold if an accord on a larger scale was signed.

Among the big beneficiaries is Eduardo Bracamonte, general manager of Exportadores Bolivianos. A maker of jewelry for Macy's, Bloomingdale's and Wal-Mart, its exports of necklaces, rings, pendants and similar items rose to \$39 million last year, up 34 percent from 2003.

The company employs 750 workers in two plants in La Paz and depends on 1,600 more contract laborers in 17 small factories in El Alto, a work force poised to grow under a new pact.

"This is mass production," he said during a tour, as rows of employees in gray work clothes soldered or strung gold chains in his main plant. "What the United States wants fits in perfectly with what we can offer."

Textile exports have also shot up, mostly benefiting companies like Mr. Iberkleid's America Textil, which had \$32 million worth of exports in 2004, up 20 percent from 2003.

On vast and well-lighted floors in Mr. Iberkleid's factories, workers stitch clothes, examine garments and pack boxes. Others at computer terminals receive orders from the United States, making last-minute alterations before firing off instructions to people on the assembly line. Here, the pay and benefits can be more than triple the minimum wage of \$55 a month, workers are unionized and some receive company-paid university training -- treatment that is unusual in a country like Bolivia. With orders for clothes pouring in, Mr. Iberkleid has 3,000 workers, up from 1,300 before the trade preferences took effect. "When I talk to the workers to discuss free trade," he said, "the support is massive."

But the rosy outlook hides an undercurrent of dissatisfaction among workers here, the kind of pent-up anger that prompted the nationwide protests last week that are endangering Mr. Mesa. Many of them are contract employees for small outfits that barely pay minimum wages.

At one, a jewelry maker, rows of workers repeated the tedious task of stringing together chains from specks of gold. It is difficult work and the pay -- just above the minimum wage -- is a pittance, workers said.

One of them, Moises Pintado, 33, said that sometimes employees are not paid on time. He pines for the days when state-owned companies, like the tin and silver mines that once dotted Bolivia, provided many of the jobs. "Since these new companies are private, they pay us less," he said. "We protest for that reason."

Those most poised to protest, the consensus in Bolivia goes, are in El Alto, many driven here by the grinding poverty in their hometowns.

In October 2003, spiraling protests began here against President Gonzalo Sanchez de Lozada's plans to pipe natural gas out of the country, and led to his resignation. Then earlier this year, protesters shut down the city, prompting Mr. Mesa to cancel a contract with the French-owned waterworks, which had been accused of charging too much for connecting households to the water network.