

Interview with

**PRESIDENT JORGE QUIROGA**, Bolivia

**The News Hour with Jim Lehrer\***

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RAY SUAREZ: Now, a conversation with the new president of the South American nation of Bolivia. I taped the interview last month, before a political and economic crisis engulfed Bolivia's neighbor, Argentina.

RAY SUAREZ: Bolivia is landlocked, about the size of Texas and California, and home to some eight million people. Annual income per person is a little under \$1,000, making it the poorest country in South America. Through much of its history, Bolivia has been marked by lost wars, political corruption, economic mismanagement, and until recently, a booming coca trade.

For decades, an entire region of the country was sustained by growing coca for cocaine. Since the early '80s, the country has evolved into a functioning democracy, and conquered its chronic hyperinflation with market-oriented economic reforms. And in the last four years, the coca crop has been virtually eradicated by the U.S. supported military, but at a huge economic cost for thousands of farmers.

Appeasing ex-coca farmers and developing an alternative economy in the middle of a world economic slowdown is potentially the most explosive issue facing the new president, Jorge Quiroga, a 41-year-old, American-educated engineer, succeeded President Hugo Banzer last August when the

75-year-old former general resigned because of cancer. President

Quiroga, on his first visit to the United States as president, knows this country well from his college years at Texas A&M, and his early career with IBM. He sat for an interview with us between meetings with President Bush, Congressional leaders, and representatives of the World Bank and Organization of American States.

RAY SUAREZ: Why did you come back to Bolivia? You were embarked on a career. You had finished your education in the United States, gotten married, working for a multi-national corporation. You could have very easily just decided, as many people do, this is it, my life is here now.

PRESIDENT JORGE QUIROGA, Bolivia: I always wanted to do public service. When you do the accounting of your life and you've had the chance to... My family has never been wealthy, but I had a chance to get a good education, work somewhere else in the world, understand how the world works.

We are ahead in life's accounting. And I think we owe it to a country like mine that has almost 70% of our people living in poverty with very weak institutions, to come back and give something to the country because we're ahead in life's accounting and we owe... I owe my country. And I think the magnitude of the changes can only be appreciated when you look at generational changes.

When I was living in Texas A&M, working... Going to Texas A&M or living there, I would be asked, "Who's the president of Bolivia this week?" I had eight presidents in my three-and-a-half years of college. Or, "What's the inflation rate this week?" For a point in time we reached 25,000 percent per year. Or, "If you're from Bolivia, you must have cocaine."

Those were the stereotypes that were applied. It was very frustrating. And I know we have

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to work on doing that. At least I know when my oldest daughter goes to school - hopefully Texas A&M, we have to persuade her - she won't be asked those things, because democracy is solid, our economy is open and solid.

We are going through tough times but stability is guaranteed. The financial sector is sound. Foreign and direct investment is still flowing: 8 to 12 percent of GDP per year, hopefully; and the drugs will be out of the drugs.

She'll be asked, how is Bolivia - the vital heart of South America, the energy hub of South America with a by-pass that goes to California and Mexico - how is that going? How are the poverty reduction strategies being applied? We do participatory work with women being involved from civil society. How are the institutions that are being built working? And I think those are the types of... By the questions that one generation gets asked later, I think you can figure out the changes that have taken place.

RAY SUAREZ: I was very interested in your ideas about making a shareholder society out of a very poor country. The idea that having a little pension plan or a... Or accounts that you own is not something that need be just for rich people. Talk a little bit about that.

PRESIDENT JORGE QUIROGA: You know, market economics sometimes hasn't reached everybody. Because if you have a piece of land that you have no title to, how can you be for market economics when you can't get more goods, when you can't use it as collateral and things like land titling, access to housing which is the basic building block of market economy, you can't quite relate to it. So the idea that we're trying to work on a lot is particularly through housing and housing titling and having access to loans, collaterals.

We're setting up systems where you can go with local currency... with inflation-adjusted

interest rates where you can do something in America that you take for granted but in Bolivia has never happened. 20-year loans with under 10% interest rate to buy a house, if you have the land duly titled. It sounds like such a simple thing to do, but it's never really worked in Latin American countries.

We've got to build the systems in place, the legal system, the judicial systems, in place so we can have the functioning. We're working on that beyond all the things that I mentioned. It is not something you do overnight, but certainly it is a critical element. If we hope for market economics to work, people have to understand them. They only understand them if they participate.

RAY SUAREZ: Let's go to drug production for a moment. How do you make the case to your own people, the tens of thousands of families who either lived directly tied to coca production or in ancillary businesses, that it's a better thing for them to struggle for a few years, be deprived for a few years but come out at the other end in better shape? Isn't that a tough thing to do, especially after a long time of living tied to cocaine?

PRESIDENT JORGE QUIROGA: It is a tough case to make, but we made it in the following way. I think for two decades we were always the Hertz or Avis of drug production, always number one or two in cocaine production. September 11 very clearly illustrates the dangers of terrorism and drug production, which to me are twins and they work together. If you don't address one, what could happen later on? Drug production needed to be taken out because more than eight million Bolivians had the problems of corruption that run rampant based on drug money, consumption that affected our own young people, our own people inside the borders, international stereotypes and stigmas that were applied to us anywhere we went and the constant threat of decertification.

So those were things that hurt the entire country. We made great strides. We've taken out around 90% of the excess coca production in a region, which used to be made into almost 250 metric tons of cocaine per year. Is there a short-term economic cost? There is. We can't have a 21<sup>st</sup>-century healthy economy based partially on drug production which brings about all these problems.

The fundamental lessons we learned is that you have to have the political will, you have to make your political case inside the country. And you have to make sure that you're doing it to fix your own problem. If you just do it to fix somebody else's problem, European Consumption, U.S. consumption, it never works. If you just do enough to please somebody else, it never, never, never did work. When you do your own planning, with your own political will, with your own political support, then we are proving that it begins to work.

Now the key question is how do we consolidate the advances we have made? There's two parts to this. One is continued funding for alternative development programs. We have for those thousands of peasants that you mentioned, we have 150,000 hectares of coca, almost 250,000, 280,000 acres --of non-coca products --hearts of palm, black pepper, bananas. We have other products that they have shifted over to. And it's working fairly well.

Second is access to markets. Because if you're trying to replace the economic opportunities for these tens of thousands of peasants or people that need the jobs where can they go to? Labor-intensive manufacturing, agricultural sectors. Cocaine is a bad product, pernicious, poisonous and it hurt my country a lot but in a funny way for all practical standpoints it had its own free trade agreement. It faced no duties or subsidies when it came out --seizures here and there. But if you're trying to replace economic opportunities for peasants they move over to agricultural products or textile

products and they face barriers to trade that is self-defeating, and it is very critical to understand that that is a second component of making Bolivia's success sustainable -not to fix the world's drug problem -we're trying to fix Bolivia's drug problem.

The worldwide effort against drug production needs to see that there is a success story in terms of a small country that was always the number one or number two producer in the world of cocaine with the political weight, with the plan, with the help, with access to markets, can finish the job and sustainably show that this can be done. And I think that will be a contribution in this worldwide struggle against narco-trafficking.

RAY SUAREZ: Briefly, what do you want from Americans, rank-and-file citizens when they think about Bolivia and what would you like to see from the leadership?

PRESIDENT JORGE QUIROGA: I think it's very critical to understand that this first year of the 21st century, countries that have made good strides in terms of the things that we have done need to get the proper signals at the right time.

It's very critical. The number one issue for development to me today is trade reform: Trade reform that has open markets, free trade but tried free trade -triple free --free of agricultural subsidies that run to a tune of \$320 billion worldwide, six times the level of aid and it is very hard to compete against that, the removal of tariffs that are high tariffs selectively applied to some labor-intensive manufacturing.

The latest study by the World Bank shows that poor people under \$2 a day pay 14% tariff. People over \$2 a day pay 6%. Imagine if you had a tax regime where poor people paid 2.5 times what the rich people do, but in essence that is how trade works. To me the number one issue in development is that if we are to move on the consolidation on the advances that my country has made, those

issues need to be put on the table and discussed openly.

We cannot let --the tragic events of September 11 can only strengthen our resolve to fight terrorism, to strengthen democracies and strengthen free, open opportunities in trade regimes to make sure that the world goes the path it should be going in the 21st century and does not retrench back in protectionism or in questioning democracies or questioning the advances we have made.

RAY SUAREZ: The constitution prevents you from running for re-election. Do you have to just cross your fingers and hope that some of these ideas that you've tried to bring to government will prevail until you can get back international politics again?

PRESIDENT JORGE QUIROGA: I think what's important to understand about Bolivia that a lot of these things are not the work of one particular person. I think we have been practicing this evolution by construction since '82 when we regained democracy, since '85 when we stabilized our economy and opened our economy. What is true of Bolivia is a lot of these things have evolved over several governments.

For example, selling gas to Brazil was the work of several governments. Bolivia is a small country: \$9 billion GDP per year. Now we have 10, 12, 15 times that underground in gas reserves. We are going to be a big gas player in terms of energy integration. We have so much gas that Brazil, which was our large market, as large as it is, is now small for the amount of gas that we have. So we have to have other markets. We're talking to consortiums in California and Mexico to take some of our gas to the seacoast, liquefy it, liquefy natural gas, and bring it up to Mexico and California and have gas supplies for the large North American markets.

Educational reform is one government after the other one and I hope that these gas

projects to California --the fight against drugs, the institutional build up they were done with broad consensus in the political system in Bolivia. So I'm very optimistic that this will continue for the sake of the country because again we practiced that evolution by construction where you don't have Supermans or Batmans but you keep the same course. I'm very confident that Bolivia has kept that long, steady course beyond changes of government and the main lines will continue to flow through if we have the proper responses from the international community in terms of supporting what we have done in the institutional build up on the fight against drugs and the trade opening that we need to make sure that these things get consolidated.

RAY SUAREZ: Mr. President, thanks for making the time for us. PRESIDENT JORGE QUIROGA: Thank you, Ray.

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