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Bolivia under Morales

A Work in Progress

by
Benjamin Kohl

Evo Morales assumed office in January 2006 with a resounding mandate from marginalized indigenous peoples to reinvent Bolivia. Five hundred years of colonial and republican rule, combined with 20 years of neoliberal economic policy in this poorly consolidated democracy, constrained his ability to reshape the country during his first term in office. Morales still faces the fundamental challenges of (1) national oligarchies, (2) limited administrative capacity, (3) rent seeking and institutionalized corruption, (4) social movements, and (5) transnational actors. Rather than being distinct, these challenges are overdetermined: the economic challenges of transforming an extractive economy are intertwined with the lack of government capacity that is the legacy of exclusionary social and political processes since the Spanish conquest. Armed with the firm political will embodied in the new constitution, he has consolidated his support, and this has allowed his government to begin its second administration in a better position than almost all its predecessors as it attempts to create a more equitable society.

Keywords: Bolivia, Evo Morales, Development, Social movements, Indigenous politics, Transition

In January 2006, Evo Morales assumed office in what has become a well-known story: the first indigenous president of Bolivia, accepting the *bastón de mando* from Aymara priests at the pre-Columbian site of Tiwanaku the day before being sworn into office at the presidential palace. This ascension to the presidency reflected the end of a particular Andean form of apartheid that had marginalized the majority indigenous population since the Spanish conquest. Symbolically, the election's impact is immense. Just as with Nelson Mandela in South Africa, it reflects the end of dominance by a minority white elite and the accelerated integration of Bolivia's majority indigenous population into government. In the poorest and most remote areas of the country indigenous people are inspired by Morales's rise from humble beginnings on the highland plateau, the altiplano.

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Consequently, the expectations for the *Movimiento al Socialismo* (Movement Toward Socialism—MAS) political project have been huge. Fernando Calderón (2007) suggests that to be considered successful the Morales government must achieve nothing less than a cultural recognition of excluded indigenous sectors, equitable economic development, and the creation of a new institutional order. Other intellectuals identify an even more ambitious agenda: a societal decolonization that questions fundamental assumptions of modernity and Western democracy in the pursuit of a completely new relationship between the individual, society, and government (Farthing, 2007; Monasterios, 2007).

To achieve these goals, the Morales government has faced the fundamental economic challenge that every Bolivian government has confronted: how to shift the country from its long-standing extractive economy, which benefits national oligarchies and northern elites, to sustainable and equitable development. Bolivia's chances are slim: of the world's 96 resource-based economies, only 5 have succeeded in diversifying (Gray Molina, 2007).

While I concur with the conclusions that Gray Molina (2007) reaches—that Bolivia's profoundly extractive and dependent economic structure obstructs governments of both the left and the right from extricating the country from poverty—I reject a monocausal explanation. After all, the extractive economy neither exists nor was created in a vacuum. Rather, I contend that we must consider a range of social and political processes in pursuing the causes of these limitations.

These processes can be divided into five intertwined issues: (1) pressures from national oligarchies, (2) inadequate state capacity, (3) deeply embedded corruption, (4) the constant of popular resistance to marginalization and exploitation, and (5) the influence of transnational actors. During every historical period, one or more of these challenges predominate, but they all persist in making the country not only a difficult place to govern but also a difficult place in which to institute equitable development.

Conditions for the Morales administration, however, have been more favorable than for most of his predecessors. Beginning in 2005, revenues from natural gas rose steadily because of a surge in global demand, although this dropped in 2008 with the world economic crisis (Kaup, this issue). These revenue increases, complemented by debt relief from the International Monetary Fund (IMF) and the World Bank (Business Wire, 2007) resulted in a balanced public-sector budget. In fact, by 2006 Bolivia was running a current-account surplus of 4.6 percent of the gross domestic product (GDP) (Weisbrot and Sandoval, 2007; IMF, 2009), and by September 2009 foreign reserves registered close to 50 percent of GDP, with government savings surpassing 10 percent of GDP (Business News Americas, 2009).

This macroeconomic stability has given the Morales administration breathing room to counter a chronically weak and fragmented state and push its agenda forward. In his first term, Morales won electoral approval of a new (if contested) constitution, largely recovered hydrocarbon resource rents, and increased the representation of historically marginalized groups in government.

Despite these accomplishments, two of the five chronic limitations have slowed Morales's agenda: not only has a powerful domestic opposition blocked the government at every turn but the administration has faced internal limitations

due to governing capacity. This article shows how, in the face of these two challenges, the Morales government has moved much of its agenda ahead and discusses the enduring threat of the other three challenges.

TRADITIONAL ELITES

Over the past 20 years, the regional oligarchy headquartered in the eastern city of Santa Cruz has emerged as the country's most powerful, usurping the position of the La Paz oligarchy that had dominated the country since the rise of the tin barons at the end of the nineteenth century. They and not the transnational actors that have so often held Bolivia in a stranglehold—particularly when interest in the country's natural resources was at its zenith—have emerged as the principal threat to the Morales government's agenda (Gustafson, 2008).

Long isolated, Santa Cruz elites not only managed to evade the 1953 agrarian reform that broke up haciendas in highland Bolivia but also benefited from the military dictatorships between 1964 and 1982 that granted land and loans to lowland supporters. The resulting social structure is the most unequal in the country, with semifeudal relationships common in rural areas (Soruco Sologuren, Plata, and Medeiros, 2008).

The massive influx of international capital in the form of petrodollars in the 1970s jump-started the region's 1980s drug boom as well as agricultural expansion in soy, cotton, and sugar exports. Eastern Bolivia is also home to the bulk of Bolivia's hydrocarbon production, primarily natural gas. As a consequence, local elites maintain close ties to international agro-industrial, industrial, drug-trafficking, and hydrocarbon interests (Soruco Sologuren, Plata, and Medeiros, 2008).

Santa Cruz thrived under neoliberalism's privileging of private capital, quickly becoming the fastest-growing part of one of South America's poorest countries. Deep-seated conflicts with a centralist state that stretch back to the nineteenth century have resurfaced in the form of elite demands for greater regional autonomy. In reality, Santa Cruz's economic boom has attracted vast numbers of impoverished highland migrants, who provide the bulk of the labor that fuels the region's success. Despite vociferous complaints about the centralized state's historic abandonment of the region, Santa Cruz and eastern Bolivia have benefited disproportionately from government investment over the past 40 years (Plata Quispe, 2008).

Morales's strong pro-indigenous rhetoric has clearly alienated many urban Bolivians who lack a strong ethnic identification (regardless of phenotype), especially those in the east (Do Alto and Poupeau, 2008). Elites have effectively convinced a significant number of people in lowland regions that their problems predominantly stem from the central government in La Paz rather than from the high degree of economic inequality where they live. At the same time, with its Andean-centric perspective, the government initially failed to understand the complexity and validity of many of the regional demands, fueling the right's early success¹ (Bebbington and Bebbington, n.d).

Current autonomy demands deploy an explicitly racist discourse: highland and valley indigenous peoples are identified as backward and the source of

Bolivia's poverty, while the "whiter" eastern lowlands are symbols of modernity, economic dynamism, and promises of a brighter future (Antelo Gutiérrez, 2003). Mobilizing racism against the rural, indigenous population has always been a central axis of Bolivia's history and has again proven an effective tool in stalling the government's privileging of the indigenous majority in Morales's first term.

Morales's problems with national elites were compounded by the decision forced by political pressures on his predecessor Carlos Mesa in 2005 to permit the first direct election of prefects (governors) in the country's history. This shifted political power—at least discursively—from the central state to the regions and fed conflict because the new position's competencies, powers, and procedures have not been clearly defined. When right-wing prefects won five of the country's nine departments, partly because the MAS failed to put forward strong candidates, they wasted no time in agitating for the collapse of what they perceived as a hostile, even communist, government. In response, the central government has on occasion accused them of sedition (*La Razón*, September 12, 2008).

The prefects and their backers successfully pressured the Morales government to hold a referendum on regional autonomy in July 2006 that predictably resulted in a positive vote for greater autonomy in the east while the western departments came out almost as strongly against it. Electoral jockeying continued in 2008 as the Departments of Santa Cruz, Beni, Pando, and Tarija approved their own autonomy laws in elections that were not sanctioned by the National Electoral Court and were boycotted by many of the region's rural supporters of the MAS.

The right's mobilization of the country's print, radio, and television media to disseminate misinformation and provoke racist fears (Howard, this issue) has been compounded by apparent MAS mismanagement of the crisis. A tragic example was the January 2007 confrontation that erupted in Cochabamba after the opposition prefect, Manfred Reyes, lost the regional autonomy vote. Seizing this opportunity to attempt to unseat an archenemy, the Morales government convoked the core of its base—the Chapare coca growers—to occupy central Cochabamba demanding Reyes's resignation. The situation spiraled out of control, and pitched street battles ensued between Cochabamba's middle-class and elite youth wielding baseball bats and golf clubs, on one side, and coca growers armed with sticks and machetes, on the other. Three were killed and dozens injured.

This type of racist violence became increasingly common through September 2008 in Santa Cruz Nación Camba (Camba Nation) youth groups such as the Union Juvenil Cruceñista (Santa Cruz Youth Union) have repeatedly attacked indigenous people and dynamited MAS and local nongovernmental organization (NGO) offices. In May 2007, indigenous people gathered in Sucre to hear Evo Morales speak were stripped and publicly humiliated by a university student mob. The government largely failed to penalize these actions, according to Vice President Garcia Linera to allow the right wing to "hang itself with its own rope" (Farthing, n.d.). A more critical reading of this decision is offered by Gustafson (2010), who contends that the Morales government sacrificed Indian bodies to achieve its goals.

The tide did turn, however, after the August 2008 recall referendum demanded by the opposition in the congress, which turned out to be a strategic

error for the right. The referendum ballot listed not only Morales and García Linera but also each of the departmental prefects. Despite a contradictory outcome typical of Bolivian politics—most opposition prefects won increased approval—national support for Morales and García Linera rose to 67 percent, providing them the mandate that allowed them to bring the contested new constitution to a January 2009 public vote (Oviedo, this issue).

The right briefly escalated the violence, which culminated in the slaughter of at least 18 unarmed campesino protesters in the northern Amazon basin Department of Pando, which was reputedly carried out under the orders of the sitting prefect, Leopoldo Fernández (who ran for vice president in 2009 from the jail cell where he awaited trial). The brutal attack shocked the country, persuading many of those who had succumbed to the climate of confrontation instigated by the right wing to reject the violence that some observers feared could bring about civil war (*El Clarín*, January 15, 2007).

Throughout this struggle with the right, its historical supporter, the military, has maintained loyalty to Morales, even after he appointed a new generation of generals and admitted indigenous people to the armed forces officer-training college for the first time. Military support for Morales can be explained by significant salary increases and grants of military hardware, as well as the military's sharing of an agenda that foregrounds deep nationalist objections to foreigners' primarily benefiting from Bolivia's resource wealth. The military vehemently opposes both separatist movements and departmental financial autonomy, not only because its budget relies on central government coffers (Ledebur, 2007) but also because it is an immanently nationalistic institution. This panorama has effectively cut the traditional links between the military and the elites (Eaton, 2007).

Many of the right wing's autonomy demands masked a concerted effort to block one of the Morales government's most important goals: to extend the 1953 agrarian reform to the eastern departments. But rather than capitalizing on the generalized euphoria and widespread support surrounding his inauguration to redistribute a promised 23 million hectares by decree, Morales delayed the announcement of land reform until May 1, 2006. It took almost another seven months, reinforced by large peasant marches and rumored pay-offs to opposition senators, to obtain congressional approval (AIN, 2006). The lapse provided the eastern landowning elites the opportunity to regroup and mount an effective (if only temporarily) counteroffensive. With the failure of the recall referendum in August 2008 and the passage of the constitution in January 2009, the stage was set for land reform to move ahead. In Alto Parapetí in April 2009, Evo Morales turned over 36,000 hectares of land to the Guaraní. And overall, in comparison with the previous decade, in which 9.2 million hectares of land were titled, the Morales government has processed 28.4 million hectares of land in less than four years and plans to finalize titles of an additional 40 million hectares in 2010 (Veiga, 2009).

STATE CAPACITY

Overnight, the Morales government took Bolivia's leadership and almost all high-level government positions out of the hands of a minority of wealthy,

university-educated politicians of European origin (Tapia, 2007: 59). Bolivia's new leaders speak openly of decolonizing a government modeled on Western liberal culture into an inclusionary Andean polity (Johnson, this issue). But this ambitious agenda runs headlong into the fundamental weak or absent institutional capacity that has cursed administrations since independence in 1825. The long-standing inefficiency, disorganization, and rent seeking are compounded both because Morales assumed the presidency only 10 years after the MAS formed and because of its grassroots rather than professional constituency.

But even facing these obstacles, the MAS does have a vision for the restructured state. García Linera (2007) describes it as a government of social movements, and, indeed, not only have social-movement leaders been incorporated into the government but also the movements play a substantive role in defining and implementing policy. Once they agree with a policy direction, they are asked by the government to provide the muscle in the street to pressure to push the policy through. The passage of a new agrarian reform in late 2006 illustrates the effectiveness of this approach.

Reducing executive, judicial, and legislative salaries by 50 percent was another government initiative that sent a clear message that employees should serve rather than profit from the nation. This led to resignations, most importantly among the judiciary, allowing the government the possibility of appointing judges more sympathetic to the MAS agenda.

The great symbolic value of granting social-movement leaders the role of ministers has in practice been fraught with problems. Many (e.g., Walter Villagra, a mining-cooperative leader appointed minister of mining, and Abel Mamani, a leader of the Federación de Juntas Vecinales [Federation of Neighborhood Organizations—FEJUVE] from El Alto, who briefly served as water minister) have pressed for their own sector's interests rather than assuming a more global policy view. In a country where indigenous people have limited educational opportunities, some appointees lacked the necessary formal preparation (Tapia, 2007: 55). Casimira Rodríguez commented in a 2008 interview with Linda Farthing that her situation was the more complicated in that she received inadequate support from advisers who resented working for her because of her limited formal training and lower social status.

Because of the MAS's roots in a rural social movement with a limited number of university-educated militants with administrative experience, many government managers are drawn not from the MAS itself but from the ranks of sympathetic advisers and NGOs, which means that they have little support from the MAS and social-movement base. In numerous conversations left-wing intellectuals and middle-class NGO workers said that they felt excluded despite their desire to engage with the party, a sign of the inability (or perhaps unwillingness) of the MAS to integrate intellectuals as party militants (Do Alto, 2007: 98).

After the election, the core of the MAS leadership shifted from the congress to government ministries and policy positions. As a result, the MAS parliamentary delegation was weakened. The newly elected representatives were also stymied by the long tradition in unions and community organizations of privileging personal over institutional relationships. These paternalistic

relationships, which carry patronage expectations, permeate all levels of society and all political orientations (Stefanoni, 2007). They make running an honest and efficient government close to impossible.

The inexperienced MAS congressional delegation has been further hamstrung by the opposition's control of the Senate, which blocked much of the MAS government's agenda. In June 2008, for example, almost 100 bills, addressing issues at every level, had been effectively killed in the Senate. As a result, Morales has resorted to rule by presidential decree rather than legislative action, a common tactic of Bolivian presidents—perhaps the best-known such decree being No. 21060 of 1985, which imposed the neoliberal structural adjustment program (Kohl and Farthing, 2006).

In addition, whether on the left or the right, the traditional caudillo style of governance persists, as is evidenced by Morales's power struggles with Alejo Veliz early in the MAS's history and later with the Aymara leader Felipe Quispe (Laserna, 2007). Morales serves as the country's president, the head of the MAS party and of the Chapare coca growers, which not only ties him to an exhausting schedule but also shows his need to mobilize his charisma to cover up structural holes in the social-movement coalition. Do Alto (2007) contends that the concentration of decision making in the executive branch reflects the government's general lack of organization and coordination. The caudillo political style also leaves a great vacuum at the intermediate levels of political leadership, although grassroots-level participation is high and decision making at this level generally horizontal (Zuazo, 2009).

García Linera dismisses comments about caudillismo, arguing that the concentration of power is not problematic. He calls the new form of governing from below "an elevated concentration of power in the president but with broad participation of social movements" (Stefanoni, 2007: 29). But the MAS has not only failed to consolidate itself—in contrast, for example, to the *Partido dos Trabalhadores* (Workers' Party) in Brazil, also born of social movements—but also inherited a weak state. Together these compound its internal difficulties in establishing decentralized decision making and make it difficult to institutionalize change by creating lasting government structures.

Government ministry performance is uneven, and formal mechanisms for mediating responsibilities between ministries often appear nonexistent. For example, the Ministries of Agriculture, Government, and Foreign Affairs have all asserted command over the coca issue, creating a jumble of contradictory government pronouncements. Efforts to confront Bolivia's substantial environmental problems, the legacy of 500 years of extraction, were scattered across three ministries until 2009, and turf wars erupted when efforts were made to address the problem (Farthing, 2009).

Inexperience contributes to the persistence of the usual chaotic style of governance. In the first three years, more than half the ministers were replaced (three in the case of hydrocarbons), along with five presidents of the state hydrocarbons company. The administration often vacillates. One supporter observed that "from the president on down, government representatives sometimes only open their mouths to change feet." Working-class and indigenous supporters blame not Morales but those who surround him.

Morales's radical discourse is often effective with his social-movement base, which not only makes foreign governments and investors nervous but also frightens the moderate middle classes who were crucial to his majority win in 2006. With the right-wing-controlled media feeding their fears through deliberate misinformation (Howard, this issue), many remain convinced that the government intends to take away their homes, nationalize even small businesses, and close private and religious schools.

Limited state capacity is also evident on examination of contracts negotiated with sophisticated international companies that may not prove as beneficial to Bolivia as the Morales administration asserts. The 2006 renegotiation of gas contracts was repeatedly postponed, and when the documents were finally presented for congressional approval they were replete with errors, undermining Bolivia's international credibility and negotiating position.

The July 2007 contract to develop one of the world's richest iron-ore deposits with the Indian steel giant Jindal is another case in point. The planned iron-ore mine and integrated steel plant at El Mutún, east of Santa Cruz, was the largest foreign investment during Morales's first term. While signaling a positive diversification of investment capital away from North America and Europe, Bolivia has agreed to subsidize half the plant's natural gas, one of the principal inputs for iron production, at an estimated US\$100 million (*La Razón*, January 23, 2007). While the project proposes to break the strictly extractive model of economic development, 90 percent of the value-added output will be low-value pellet and sponge iron, with only 10 percent steel or steel products (Jindal Steel Bolivia, 2007). While the 40-year shared-risk contract guarantees that 95 percent of the personnel will be Bolivian, the process of establishing the plant has been delayed, fraught with confusion and accusations of corruption by Bolivian officials on the one hand and complaints from Jindal that the government has failed to provide the necessary land titles on the other (*La Razón*, October 6, 2009).

RENT SEEKING AND CORRUPTION: PUBLIC OFFICIALS AND PRIVATE INTERESTS

Unlike that of past governments, in which the deep-seated corruption common among extractive economies truncated policy initiatives, the MAS government's corruption ranking, as measured by Transparency International (2008), has steadily improved in recent years on global and regional scales. Seven other Latin American countries ranked as more corrupt in 2008. The Morales government is generally perceived as less corrupt than its predecessors, although a very high percentage of Bolivians reports paying bribes for public services (Caero Gisela, 2009).

The Morales government has prioritized fighting corruption and passed a law to bolster transparency and investigations (Van Cott, 2007). Under a highly respected lawyer, the newly established Vice Ministry for Institutional Transparency and the Fight against Corruption has introduced examinations for public auditors within ministries and investigated, prosecuted, and fired high-ranking civil servants, including several MAS appointees involved with

selling jobs (Business Anti-corruption Portal, 2009). However, even though the public perceives the MAS as less corrupt than previous governments, Kathryn Ledebur of the watchdog group Andean Information Network contends that party officials have generally avoided prosecuting their own.

Arguably the most entrenched corruption in the country is found in the weak judiciary. While Morales was able to replace many of the judges who resigned when their salaries were cut, judges' loyalty typically remains tied to local elites. Both prosecutors and judges operate more effectively within a fee-for-service system linked to judicial performance than in one governed by the abstract rule of law.

Despite its overall success in limiting corruption, the Morales administration was profoundly rocked by a scandal in 2008 involving one of its most trusted militants. Santos Ramírez, head of the state energy company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and of the Senate in 2006–2007, was charged with corruption in natural-gas contracts. Given that the MAS has built on its solid commitment to ethical politics to distinguish itself from traditional Bolivian parties, the case was a severe blow to the party's credibility (Do Alto, 2009). But the Morales government's swift disassociation from Ramírez and its determination to prosecute him demonstrates that corruption, while it continues, is unlikely to hamstring this government's agenda.

MAINTAINING LEGITIMACY WITH GRASSROOTS SUPPORTERS

Bolivia's famously contentious social movements may have grumbled and demonstrated regularly during Morales's first term of government, but compared with the upheaval they caused between 2000 and 2005, when they brought down two sitting governments, this did not prove a decisive obstacle. The government sees itself not only as representative of these progressive social movements but also as their instrument. "Those who drive this change are the social movements. The instrument is the state," García Linera declared (2007: 165). Since the 1952 revolution, when Bolivia's labor movement, the Central Obrera Boliviana (Bolivian Workers' Central—COB), cogoverned the country, Bolivian popular movements have interpreted democracy not merely as voting rights but as a direct participatory process (Tapia, 2007: 62; Regalsky, this issue). This perception is facilitated by the MAS's lack of well-established party structures, which strengthens the position that it is both a political party and a social movement (Mayorga, 2007).

García Linera (2007) identifies four mechanisms the government has established to ensure social-movement control. First, the movements' demands are reflected in government strategic planning such as the decision to push the agrarian reform. Second, the MAS's internal structure encompasses a coalition of social movements. Third, achieving substantial changes depends on social-movement backing and pressure, which has led to criticisms that the social movements are being manipulated to do the government's bidding. Finally, the selection of key government personnel requires movement scrutiny and approval, although the long-standing indigenous practice of rotating positions has been detrimental to the accumulation of experience. As a consequence, the

Morales administration has gradually shifted to the inclusion of more professional administrators. Even so, the absorption of many social-movement leaders into the government has clearly weakened grassroots organizations. In addition, after decades of pressing sectoral demands, social-movement leaders are rarely positioned to project beyond their own narrow interests, and this has limited government ability to curb sectoral demands in the interest of a greater common good. The government, as in other places, has traded support for concessions.

Particularly in El Alto and the altiplano, many movements position themselves considerably farther to the left than the MAS, demanding, for example, the outright seizure of the entire hydrocarbons industry (Arbona, 2007; Webber, 2006). In a 2008 interview peppered with strong criticisms of Morales's advisers, Felix Muruchi said that frustration among El Alto groups was running high because of continuing unemployment and poverty and the failure to pursue extradition of former President Gonzalo Sánchez de Lozada and two of his ministers from the United States.

In the rural altiplano, Aymara militancy remains strong, sometimes supportive but also critical of Morales (Bolpress, 2008a; 2008b; 2008c). While the government's strongest support still resides with the Chapare coca growers, this almost unconditional loyalty has not been replicated in the Yungas east of La Paz. Coca growers there forced the government in 2006 to establish another legal coca market by threatening to block roads (Farthing and Kohl, n.d.). Social-movement loyalty to the Morales government wavers depending on the issue. For its part, the Morales government tries to merge the predictable protest with governmental strategy, encouraging its backers to take to the streets in times of crisis and to the formal political arena in times of relative calm (Do Alto, 2007: 102–108).

Despite the conflicts, the principal threats to the Morales government's viability have not stemmed in any significant way from the popular and indigenous social movements. While observers such as Gutiérrez (2008) characterize the Morales government as a disappointment for the left—leaving movements co-opted, disempowered, demoralized, and relegated to the role of spectators—most social-movement leaders are convinced that the right poses a far greater threat to their collective agendas than compromises and errors made by Morales's administration during his first term.

TRANSNATIONAL ACTORS

For hundreds of years, transnational attention has focused on Bolivia in direct correlation with foreign interest in its abundant natural resources (silver, tin, rubber, coca, and, most recently, natural gas). The recent short-term boom in commodity prices has shielded the Morales government from having these pressures play a determinant role in deciding its options. Foremost among Bolivia's current international economic relationships are those tied to gas, as its natural-gas reserves are the second-largest in Latin America, behind Venezuela's. Petrobras, the Brazilian public-private partnership that has steadily become more private, and the Spanish firm Repsol, the largest foreign player

in South American hydrocarbons, dominate the market. Up to 50 percent of Brazil's current gas originates in Bolivia.

The May 1, 2006, "nationalization" of hydrocarbons generated broad-based support from most Bolivians, but despite noisy complaints from multinational corporations and Northern governments the government did not expropriate any assets. Instead it forced companies to negotiate contracts that required them to turn majority control over to the Bolivian state and pay increased taxes and royalties (Kaup, this issue). Once the initial furor had died down, both Petrobras and Repsol had agreed to pay more for Bolivian gas. A total of about 25 foreign firms were affected, including BP and BG from the United Kingdom, ExxonMobil from the United States, and Total from France. All of them negotiated new contracts, and in September 2009 Repsol announced a US\$1.5 billion investment in exploration and production. But these successes do not wipe out Bolivia's vulnerability: Petrobras began an aggressive search for other energy sources and temporarily reduced its consumption of Bolivian gas by two-thirds in late 2008 (Harten, 2009).²

The Morales government has actively sought to minimize the country's dependence on private hydrocarbons companies. YPFB has established partnerships with other state-run companies such as the Venezuelan PDVSDA, the Russian Gazprom, and China's Shengli (Webber, Schipan, and Belton, 2007; Kaup, this issue). Bolivia participates in Venezuela's PetroAmerica initiative, which seeks oil and gas independence for South America, and has joined Argentina, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Perú, Surinam, Uruguay, and Venezuela to form the Banco del Sur, another Venezuelan initiative to reduce IMF influence and retain banking profits in the region. Finally, Bolivia has instituted a People's Trade Treaty that commits it to public control over foreign investment and public services, protection for national industry, food security, environmental protection, and cooperation as opposed to competition (Boliviasoberana, 2006).

Beyond its extractive industries, Bolivia's relationship with the world has been fundamentally shaped in the past 20 years by its status as the world's third-largest producer of coca leaf for cocaine, which has placed it firmly in the midst of the myopic U.S. "war on drugs" (Farthing and Kohl, 2010). Morales's decision to tour countries as disparate as Spain, South Africa, and China before assuming the presidency in January 2006 helped him build relationships outside of the U.S. orbit. He has steadily expanded these efforts, strengthening ties not just with Cuba and Venezuela but with China, India, and Russia as well.

Relations with the United States, in contrast, have been far from easy. Days before entering office, Morales adopted a confrontational stance with the United States, gleefully calling himself the Bush administration's "worst nightmare." With its attention on Iraq and Afghanistan, immediately after the election of a man it had labeled a terrorist just a couple of years before, the United States proceeded with uncharacteristic caution. Nonetheless, two years later, relations between the United States and Bolivia reached a breaking point when Morales expelled U.S. Ambassador Phillip Goldberg for allegedly conspiring against his government in September 2008. In a tit-for-tat move the Bush administration, suspicious of Morales's close ties to Venezuelan President

Hugo Chávez, expelled the Bolivian ambassador and then cancelled Bolivia's preferential trade agreement. Hopes that the Obama administration would create a more favorable climate were dashed in September 2009 when the U.S. government continued the Bush administration's refusal to "certify" Bolivia as having done enough (by U.S. standards) to combat drugs. However, by October bilateral talks had begun in an effort to reestablish diplomatic ties.

European Union interest in Bolivia has increased in recent years because the bulk of Bolivia's illegal coca production is now supplying a cocaine boom in Europe. However, in contrast to the policies implemented by the U.S. war on drugs, the Europeans, even as they increase interdiction efforts, direct most resources to poverty alleviation, understanding that drug production is linked to poverty.

International financial institutions make up the third international group with the power to shape Bolivia (Kohl and Farthing, 2009). They had enormous influence during the neoliberal period between 1985 and 2005, but their impact today is the least it has ever been thanks to the gas-charged budget surplus. Early in his term Morales abandoned a standby agreement with the IMF. Foreign debt is down because of the 2006 relief of 36 percent of Bolivia's public debt through the World Bank's Multilateral Debt Relief Initiative. Later that same year, the Inter-American Development Bank slashed foreign debt to a relatively low 19 percent of GDP (Weisbrot and Sandoval, 2007).

Regional alliances also serve to minimize the influence of the international financial institutions. In April 2006 Bolivia joined Venezuela and Cuba in the *Alternativo Bolivariano para las Américas* (Bolivarian Alternative for the Americas—ALBA), an initiative likely to benefit Bolivia substantially that seeks to thwart U.S. plans for the Free Trade Area of the Americas. The pact commits signatories to eradicating illiteracy and expanding employment and provides preferential rates on Venezuelan oil for Bolivia. By May 2008 the Morales government reported that ALBA had invested 120 million bolivianos (US\$16.6 million) in promoting production through 63 projects that directly or indirectly created 33,000 jobs (Agencia Boliviana de Información, 2008).

In early 2007, Bolivia terminated its participation in the World Bank's International Center for the Settlement of Investment Disputes because of its perceived bias toward transnational corporations (Sanchez, 2007). Bolivia has reduced its dependence on bilateral donations and aid (Weisbrot and Sandoval, 2006: 15), although assistance from Venezuela has increased significantly and now approaches that of the United States (Romero, 2007).

This general loosening of transnational control has granted the Morales administration more breathing room than any administration in recent history. The government has also benefited from considerable luck in timing, thanks to high commodities prices through the middle of 2008 and U.S. pre-occupations in other parts of the world.

CONCLUSIONS

While Bolivia's perennial challenges have limited the achievements of his first term, Morales has used high commodity prices to satisfy some of the

demands of the social movements that brought him to office. The fundamental problems of a powerful opposition that controls the media, on one hand, and limited government capacity, on the other, have limited his government's ability to implement an ambitious reformist, although perhaps not revolutionary, agenda, and it has yet to transform Bolivia's fundamental economic and power structures (Webber, this issue).

Until the recall referendum in August 2008, Bolivia looked as if it would provide yet another example of an elite's ability to constrain and undermine a democratically elected moderate left wing in ways reminiscent of the response to Arbenz in Guatemala in 1954, Goulart in Brazil in 1964, and Allende in Chile in 1973. However, while the tide could turn, it appears as if Morales will be able to build on the consolidation of power—in itself a major project of his first term—to continue the project of transforming Bolivia. Clearly, the country will never be the same. The question remains, however, how different it will be after Morales's second administration.

NOTES

1. Observers often lump the lowland departments of Santa Cruz, Tarija, Beni, and Pando, which make up what is commonly called the Media Luna (Half Moon), a simplistic interpretation that, on the one hand, ignores the conservative Andean elite that controls much of the national media and, on the other, the significant MAS presence in eastern Bolivia, largely among recent highland migrants and lowland indigenous groups (Gustafson, 2008).

2. In January 2009 Petrobras announced a five-year US\$174 billion investment plan—the largest investment the world has witnessed in a decade—to develop its own recent hydrocarbon discoveries. The goal is to guarantee the country's energy autonomy, which will inevitably limit one of the markets for Bolivian gas (Downie, 2009).

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