

Cambridge University Press

978-1-107-03028-2 - Market Justice: Political Economic Struggle in Bolivia

Brent Z. Kaup

Excerpt

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Introduction

On May 1, 2006, newly elected Bolivian President Evo Morales stood above one of the country's largest natural gas extraction sites, the San Alberto reserve. Since the late 1990s, the reserve had been controlled by a consortium of transnational energy firms that extracted and sold the majority of its natural gas in the Brazilian energy market. Bolivia's neoliberal turn over the previous two decades had made investment in the country's natural gas sector highly profitable by significantly decreasing operating costs. Aware of São Paulo's ever-increasing demand for energy, transnational oil and gas firms had seized upon what appeared to be the perfect market opportunity. But that day in May, in a move that seemingly defied the power of transnational firms and the free-market trends that had swept much of the world over the past thirty years, Morales nationalized the country's natural gas and boldly announced to the Bolivian people, "El gas es nuestro."¹

Images of Morales making the announcement soon dotted the international and business press. Although an occasional excerpt of Morales' speech could be found in the newsprint, the most prevalent statements to appear were those of representatives of transnational energy firms and the business community. The *Financial Times* reported that the "nationalization policy has sent a chilling message to international oil companies that will jeopardize future investments in the country" (Blas et al. 2006). Similarly, the *Washington Post* quoted a former assistant secretary of the Office of Inter-American Affairs as saying, "The signal it sends is that no foreign investment is safe here [in Bolivia]" (in Mufson 2006). These assertions were backed with comments made by the chief executive of Petrobras – one of the largest transnational investors in Bolivia – who claimed "it is very clear at this moment there is no economic viability of investing any additional money in Bolivia" (in Blount 2006).

¹ El gas es nuestro = The gas is ours.

Two years to the day after the nationalization, I made my way to the San Alberto reserve. As I traveled over the mountain road from Yacuiba to Carapari, the driver and I talked of Morales's election to the presidency, the nationalization, and the social movement struggles that helped give rise to both. With the largest protests surrounding Bolivia's natural gas having occurred far away in the streets of La Paz, the driver had not personally participated in the struggles. However, like many people who lived near Bolivia's natural gas reserves, he seemed to be supportive of the nationalization and claimed to have voted for Morales.

Eventually we reached the crest of the mountain pass and began winding down a narrow dirt road. The driver pointed toward a small flame that could be seen shooting up from the trees in the distance. It was the San Alberto natural gas reserve. We continued down the mountain until we nearly reached the valley floor and then turned in what seemed to be the direction of the flame. Driving along what might have been one of the most well-maintained stretches of dirt road in Bolivia, the driver explained that the transnational oil and natural gas companies had put a lot of money into the road and the surrounding communities. The closer we got to San Alberto, the more apparent this became. All the road signs had Petrobras's name on them. Even the basketball backboards above the soccer goals in the community playgrounds were tagged with Petrobras's orange and green logo.

As we approached the entrance to the San Alberto reserve, the media images of Morales from the day of the nationalization came to mind. He had been pictured donning a hardhat stamped with the insignia of Bolivia's state-owned and operated hydrocarbon company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), while standing victoriously in front of a sign that read "Nacionalizado: Propiedad de los Bolivianos."² But as I stood outside the natural gas reserve looking in, the only signs and insignias that dotted the grounds were those of three transnational energy firms: Petrobras, Andina Repsol YPF, and Total-FinaElf. Although the Bolivian state technically owned the natural gas coming from the site and all three of the transnational firms operating the San Alberto reserve had agreed to the terms of the nationalization, the presence of YPFB appeared to be non-existent. Amid the confrontational rhetoric of Morales and the CEOs of the transnational oil and natural gas firms operating in Bolivia, a new alliance had been forged.

The Paradox

At the crux of the struggles over Bolivia's natural resource wealth and the nationalization of the country's natural gas rests a fundamental paradox. Seeking to exit a neoliberal economic paradigm that exacerbated poverty and inequality in Bolivia, the Morales government utilized the very strategies and

² Nacionalizado: Propiedad de los Bolivianos = Nationalized: Property of the Bolivians

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alliances that generated such poverty and inequality. In other words, although an increased outward flow of minerals and hydrocarbons from Bolivia during its free-market embrace benefitted very few, the Morales government further increased the country's export of minerals and hydrocarbons as it claimed to shun the free-market policies of Bolivia's past. In addition, even though transnational extraction firms reaped the lion's share of the benefits from Bolivia's natural resource wealth during the country's free-market turn, the Morales government openly invited transnational extraction firms to invest in the country's mineral and hydrocarbon industries.

This apparent paradox raises a number of critical questions. Who has the power to forge new paths of social and economic development in an era dominated by free-market rule? What makes attempts to create a more just society possible? And how do we understand potential alternatives to neoliberal forms of societal organization?

The contemporary conflicts surrounding Bolivia's natural resources let us explore these questions through three interconnected stories that are crucial to understanding neoliberal processes, their potential contingencies, and who benefits from them. First is the story of transnational investors who encouraged the adoption of purported free-market policies in order to access Bolivia's rich natural resource reserves. Second is the story of competing national elites who forwarded different economic trajectories in Bolivia that allowed them to enhance their share of the benefits derived from the country's extractive economy. And third is the story of the Bolivian masses – the exploited and marginalized populations – who had been almost completely excluded from the riches of the country's extractive economy but nonetheless challenged Bolivia's neoliberal economic model and successfully claimed a greater share of its resource wealth. Together, these stories allow us to examine how and why neoliberal forms of societal organization were adopted in Bolivia and, more generally, throughout the world. Moreover, they allow us to understand how and why traditionally less powerful actors challenge neoliberal economic paradigms and the potential these actors have to realize alternatives.

Through these three stories we see that the contemporary struggles surrounding Bolivia's natural resources are neither over whether the country should participate in the global economy nor over the presence of transnational corporations in some of the country's most lucrative economic sectors. Rather, they are conflicts over *how* Bolivia's rich natural resource base is integrated into the global economy and *who benefits* from it. They are conflicts over neoliberal forms of global integration – and potential alternatives – that are embedded in long histories of struggle among transnational corporations, geopolitical allies and foes, local classes and local class factions. Within this context, Bolivia's leftist social movements are anti-capitalist in the sense that they are against capitalism as it historically exists – as a global system that they believe is unjust and has left the majority of Bolivians continually impoverished. However, they have not sought to exit the capitalist system. Quite to

the contrary, they have attempted to use the system to glean a greater share of its benefits for themselves.

The Historical Context

Since the Spanish stumbled across the mines of Potosi in 1545, Bolivia's rich natural resource base has been an object of international desire. For its silver, nitrates, rubber, tin, and now natural gas, Bolivia has continually been exploited by global hegemony, its neighbors, and even by some of its own people. Most Bolivians, however, have seen few benefits from the wealth that lies beneath their soil. Through centuries of plunder, conquest, uneven development, and unequal exchange, the benefits of Bolivia's natural resource wealth have usually been captured by outsiders and internal elites, have been forcefully taken, and have filled the pockets of the few. However, something happened over the past three decades. As Bolivia moved from being a neoliberal ideological testing ground to part of a new wave of Latin American socialism, the country's marginalized masses began to capture a greater share of the benefits from the rich natural resource base beneath their soils.

In 1985, free-market ideologues gained control of the Bolivian state shortly after its return to democratic rule and used the country's extreme hyperinflation crisis as a moment of opportunity to turn the country's rich natural resource base into a private investor's paradise. Leading this neoliberal charge was Bolivia's mining elite. Over the previous decade, the country's military dictators redirected funds from the mineral sector toward the agricultural sector and into the pockets of the landed elite. In an attempt to end this siphoning of funds and enhance their profit-making potential, the mining elite directed the state to loosen regulation on trade and financial flows, end subsidies and price controls, and diminish state intervention in the economy. In the process, the state dismantled the publicly owned and operated mining company – Corporación Minera de Bolivia (COMIBOL) – and opened up greater swaths of the mining sector to private investment. In the 1990s, the mining elite allied more closely with transnational capital, and the Bolivian state further liberalized its economy. Signing the country on to a number of bi- and multilateral trade agreements, Bolivia enhanced the rights of foreign investors and expanded the free flow of trade and finance. The state also privatized the rest of Bolivia's publicly owned and operated enterprises, including the country's highest grossing industry and economic sector: oil and natural gas.

Bolivia rapidly became a neoliberal icon depicting the wonders of the free market. After its neoliberal turn, the country's inflation rates remained relatively low and it began to consistently record positive rates of economic growth. Development economists and international lending agencies in the global north labeled Bolivia's neoliberal shift a success and lavished the country with praise. Under the auspices that free markets led to economic growth and in turn decreased levels of poverty, they spread the Bolivian neoliberal model throughout Latin America and the developing world.

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In Bolivia, the state did indeed successfully make the country's natural resource base into an investor's paradise. By the end of the country's second wave of neoliberal reforms, the state had attracted investments from some of the world's largest energy firms, including Enron, Halliburton, Shell, British Petroleum, Repsol-YPF, TotalFinaElf, and Brazil's state-owned Petrobras S.A. Taking advantage of Bolivia's neoliberal policy shift and privatized oil and natural gas markets, transnational energy firms signed twenty- to thirty-year contractual agreements to explore, extract, and/or transport the country's hydrocarbons. Their investments proved quite lucrative. In 2002, a CEO of Repsol-YPF noted in an investors meeting that, "the profits earned in the petroleum industry in Bolivia are incredibly high. For each dollar invested, a company earns ten" (in *La Prensa* 2002). In the words of another industry representative, "It was a dream."

In 2006, however, the election of Evo Morales seemed to signify an end to this neoliberal dream world. For most Bolivians, the country's free-market policies had only exacerbated their already impoverished condition. Morales thus rose to power on an anti-neoliberal platform backed by the country's campesino, indigenous, and union-based social movements. These social movements linked the impoverishment of the Bolivian masses to the country's neoliberal economic model and questioned the privatization of the country's natural resources. In what some dubbed a fight between David and Goliath – between poor people and transnational corporations – the social movements pushed to return Bolivia's natural resource wealth to public hands and forced the resignation of two presidents for failing to address their concerns. Morales was elected president to counter Bolivia's neoliberal development trajectory with a mandate to alter the distribution of benefits coming from Bolivia's natural resource wealth. In response to the social movements' demands, Morales declared that the people would retake "absolute control" of the country's natural resources and that "the looting by foreign companies had ended" (in Prada 2006).

The nationalization of Bolivia's oil and natural gas was Morales's first step toward removing Bolivia from its neoliberal economic trajectory. However, the nationalization resembled neither those that spread across the resource-rich regions in the postwar era nor those of the Bolivian past. Transnational oil and natural gas firms were not forced to leave the country and none of their assets were confiscated. Instead, the Morales administration increased royalty and taxation rates on the sale of Bolivia's hydrocarbons and required that all future extraction activities in the sector be performed solely by, or in a joint venture with, the state-owned and operated oil and natural gas company.

Ironically, investment, extraction, and export levels in Bolivia's hydrocarbon and mineral sectors subsequently rose to levels near or above the highest in the country's history. In addition, the Bolivian economy experienced exceptional rates of growth. In 2008, the country's economic growth rate exceeded 6 percent – its highest in more than thirty years. In 2009 and 2010, the global economic downturn tempered these numbers, but Bolivia's economy continued to grow at a rate close to 4 percent – one of the highest growth rates in the

world during this time (IMF 2010). The resilience of the Bolivian economy under Morales also resulted in an improvement in the country's international credit rating, and the climate for future investment in the country was deemed positive.

The simultaneous success of the Bolivian economy and the ability of the country's marginalized masses to capture a greater share of the benefits coming from the natural resources beneath their soil represented an unprecedented shift in Bolivian history. However, the means by which this was achieved seemed improbable. As Bolivia's leftist social movements brought Morales to power, they ousted the local mining elite and free-market ideologues that had controlled Bolivia for the previous two decades. Taking control of the state, Morales and his supporters were able to use the benefits from Bolivia's extractive activities in an attempt to alleviate the country's poverty and inequality. However, the transnational corporations that invested in Bolivia's natural resource sectors continued to participate in – and profit from – the country's extractive activities. Through their alliance, these two actors provided one another with something neither previously held. The Bolivian masses gained a seat at the table in negotiations with transnational corporations, and transnational corporations gained a level of legitimacy among the Bolivian masses.

Finding the Global Past and Understanding the Global Present in Bolivia

Bolivia's extraordinary history, geography, ethnic makeup, and polarized class structure have caused many scholars to see the country and what happens there as *sui generis*, as more of an exception than the norm. In the sixteenth century, the riches of Potosi made it one of the wealthiest and most populated places in the world. But over the past century, Bolivia has consistently had one of the highest rates of poverty in the world. It is a riches-to-rags story of sorts. Bolivia is a landlocked country that spans the Andes and the Amazon. It has not had access to the sea since the late 1800s. More than 50 percent of the country's population self-classifies as indigenous. And Bolivia has for centuries had high levels of income inequality.

Despite these observed unique characteristics, Bolivia is no exception. Indeed, Bolivia has always been what geographer Doreen Massey (1984) calls a nodal point of interconnection in socially produced space. Each of its perceived differences and historical shifts reflects and is connected to broader global trends. Potosi's rise was linked to the Spanish conquest and search for the socially constructed riches in precious metals such as silver and gold (Klein 1982). The country became landlocked after British and Chilean entrepreneurs started a war with Bolivia and seized the country's outlet to the sea in order to secure access to rich guano and nitrate reserves (Sater 2007; Farcau 2000). The percentage of people self-classifying as indigenous has fluctuated, as identity politics have become more or less powerful in Bolivia and throughout the world

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(Gray-Molina 2005; Rivera Cusicanqui 1987). In addition, the high levels of income inequality in Bolivia can be linked to its long history of incorporation into the global economy for its natural resource wealth and its continual subjection to processes of unequal ecological exchange (see Bunker 1984).

Within this context, the contemporary Bolivian struggles and conflicts surrounding processes of neoliberalization are not exceptions. Instead, they are magnified flashpoints of what has happened, is happening, and potentially will happen around the globe. This is not to say that differences recognized by others are incorrect or unimportant. Indeed, as many scholars have already shown, claims to indigenous identities and extreme levels of impoverishment and underdevelopment have influenced the shape of Bolivia's social movements and contemporary processes of socioeconomic change. But this book is not just a story about difference. It is a story about similarity. It is about how the world is interconnected and how these interconnections are embedded in struggle.

To tell this story, I utilize what Philip McMichael (1990) calls "incorporated comparison" as a method for developing historical theory and as a means to study global processes as they unfold in relation to and throughout the world. In other words, incorporated comparison is a means to examine "social phenomena as differentiated outcomes or moments of an historically integrated process" (McMichael 1990:392). Social phenomena seen in this way are comparable precisely because they are historically connected and mutually conditioning. What happens in one place and/or at one point in time is affected by what happens in another place and/or at another point in time. Utilizing this method, I analyze how neoliberal ideologies and practices originating in the global north intersect with the competing profit-making strategies of Bolivia's mining and agricultural elites as well as with the everyday realities of the country's people. I also analyze the changing composition of Bolivia's socioeconomic trajectory and the country's integration into the global economy across three distinct historical periods: during the era of the post-1952 Bolivian revolution, during the era of Bolivian and global neoliberalization from 1985 to the turn of the twenty-first century, and during the era of Bolivian and global postneoliberal possibilities from 2003 to present.

Although this book draws from the past, it is an attempt to better understand the contemporary historical conjuncture of global capitalism, the role of Bolivia within it, and the possibility for social change. I thus gathered the data for this book during key years in Bolivia's counter-neoliberal turn: shortly after the election of Evo Morales and during the initial years of the renationalization of Bolivia's hydrocarbon sector. Within this context, I collected both historical and contemporary accounts about shifts in the Bolivian economy, the role of natural resources in the economy, and the effects these things have had on relations of power and inter- and intra-class conflict. The data took three primary forms: documentary and archival sources, semi-structured interviews, and event observation.

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I gathered documentary and archival data from government documents and hundreds of articles from more than nine different Bolivian newspapers. I conducted interviews with ninety-three informants in Bolivia's primary commodity sectors. My interview subjects included past and present government officials involved in the mineral and hydrocarbon sectors, representatives of extraction firms, members of social movements engaged in the struggles over Bolivia's mineral and hydrocarbon wealth, and community members in sites of extraction. I also observed numerous rallies and protests in Bolivia and attended government meetings about mineral and hydrocarbon extraction in the country. Being able to attend both types of events, I saw how decisions were made by Bolivia's social movements, the country's elites, and their respective political representatives.

Through these different lenses and perspectives, I tell a history of neoliberalization and a history of post-neoliberal possibilities. It is a history not only of Bolivia, but also a history of a changing world.

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I

The Death of Neoliberalism?

The zombie is made to eat without salt: salt is dangerous, it could awaken him.

– Eduardo Galeano (1997 [1973]:308)

In 1996, a political cartoon by the artist Gallivan appeared in a Bolivian newspaper depicting the state of the country's political and economic affairs. On one side of the cartoon, military soldiers stood clad in riot gear with guns and shields in front of a row of men in suits and ties. On the other side of the cartoon, seemingly ordinary people – peasants, miners, teachers, and doctors – stood with their arms linked in front of the country's publicly owned railway, electricity company, and oil and natural gas reserves. The interests battling for control over the future of Bolivia were clearly illustrated. The men in suits and ties represented transnational investors and factions of the local elite looking to access potentially lucrative sites of investment that for years had been monopolized by the state. The ordinary people represented the masses that opposed pending privatization measures that would auction off these publicly owned enterprises to the highest bidder.

However, the irony in the political cartoon rested not in the caricatures of the two opposed groups. Instead, it rested with the individual positioned between them. Sitting atop a horse wearing nineteenth-century military attire, then Bolivian president Gonzalo Sánchez de Lozada was pictured holding a gun to his head saying, "Follow me soldiers or I'll blow my brains out." The words were not his own. They were spoken by Mariano Melgarejo, the country's eighteenth president. In 1865, Melgarejo's presidency was challenged when a populist and former president, Manuel Isidoro Belzu, staged a coup and took control of the city of La Paz. Well known for his attacks on the legitimacy of private property and his resistance to foreign takeovers of Bolivia's mineral riches, many welcomed Belzu and his coup with open

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arms. Thus, when Melgarejo called for his soldiers to follow his charge and retake the city of La Paz from Belzu, none heeded the order. Only after Melgarejo offered up his “inspiring” words did they follow (Chapman 1939).

Although separated by more than a century, Melgarejo and Sánchez de Lozada shared a number of common beliefs. Both presidents promoted free trade, both sought to turn commonly held property into private property, and both actively embraced foreign investment in Bolivia’s natural resource sectors. For Melgarejo, this entailed allowing goods to flow into the country tariff free, taking land from rural indigenous populations and selling it to whites and mestizos, and granting European and North American entrepreneurs rights to the country’s nitrate and guano fields. For Sánchez de Lozada, this meant signing numerous bilateral trade agreements, joining the World Trade Organization (WTO), taking state property held collectively by the Bolivian people and selling it to transnational and local private investors, and granting global entrepreneurs rights to the country’s hydrocarbon and mineral reserves.

Placing the words of Melgarejo in the mouth of Sánchez de Lozada was perhaps even more ironic than the artist Gallivan knew at the time he drew the cartoon. In 1871, uprisings by the Bolivian masses against Melgarejo’s free-market policies forced him into exile. In 2003, seven years after Gallivan’s political cartoon appeared in a Bolivian newspaper, uprisings by the Bolivian masses against Sánchez de Lozada’s free-market policies forced him into exile. However, the free-market policies forwarded by both Melgarejo and Sánchez de Lozada would plague Bolivia long after the two leaders fled the country. Whereas the guano and nitrate concessions Melgarejo granted to foreign investors eventually led to the cession of Bolivia’s last stretch of coastal territory to Chile after the War of the Pacific, the oil and natural gas concessions Sánchez de Lozada granted to foreign investors eventually led to the cession of millions of dollars in profits to transnational energy firms such as Petrobras, British Petroleum, and Enron. Indeed, although it could be said that both Melgarejo and Sánchez de Lozada’s embrace of free-market ideology was like putting a gun to their own heads, neither pulled the trigger and their policies continued to lumber zombielike through Bolivia for years to come.

The grave was perhaps dug from the day of its birth. As a crisis-ridden form of political and economic organization, neoliberalism in Bolivia – and elsewhere – was resisted from the very beginning. Indeed, spread across the earth for more than four decades by free-market ideologues, it was used to enrich a few at the expense of many. Although some benefitted from access to ever-cheaper supplies of natural resources and human labor, others were removed from their land and homes, lost their jobs, and brought to toil in new workplaces for little