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# Latin America's Left Turn and the New Strategic Landscape: the case of Bolivia

JAMES ROCHLIN

**ABSTRACT** *Latin America's leftward tide means a fresh landscape with regard to strategic affairs. Nowhere is this clearer than in the Bolivian case, where the election of Evo Morales and the rise of indigenismo signal a sweeping change in key matters of security, including those related to resource extraction, potential secession, and regional strategic realignment. The first half of this article is devoted to the context of political economy, which frames the appearance of new security themes. The second half of the piece analyses strategic changes that have accompanied a new economic model that features nationalisation and a radical redistribution of wealth.*

Latin America's shift to the Left has ushered in a fresh landscape with regard to strategic affairs. Nowhere is this clearer than in the case of Bolivia, where the election of Evo Morales and the rise of *indigenismo*<sup>1</sup> signal sweeping changes in key matters of security. This is especially the case with regard to strategic themes associated with the implementation of a new model of development that relies on statism and wealth redistribution, and which fits within a wider regional strategic realignment that features the strong voice of Venezuela's Hugo Chávez. After a half millennium of conquest and exploitation, the majority population of Bolivia have mobilised through democratic channels to redefine essential matters of political economy and strategic affairs.<sup>2</sup> But their struggle faces serious challenges in the form of resistance by transnational corporations, internal feuds linked to race and class, and centrifugal political tendencies associated with an historic lack of hegemony. The first half of this article presents a brief historical overview as well as a discussion of the pitfalls of the neoliberal era and Bolivia's resultant left turn. That context frames the second half of the piece, which focuses squarely on matters of strategy and security.

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### **The 20th century: instability and ideological swaggering**

Morales' decision to 'nationalise' the mining and natural gas sectors is not without precedent in the country. A wave of strict state control over the extractive sector occurred in 1937 in the wake of the global depression, a period when the world order generally welcomed greater state intervention in the economy. After a slow but steady drift to the right, a revolution in 1952, led by the Nationalist Revolutionary Movement (MNR), overthrew a rightist military regime and nationalised the country's largest tin mines, initiated sweeping land reform, and provided suffrage to women and Indians previously excluded from voting. The global context featured a proliferation of leftist governments at the time, marked by the rise of the USSR to superpower status and the communist revolution in China. Bolivia's revolutionary government was ousted 12 years later, after which the country fell victim to the falling dominoes of successive military governments and flimsy civilian regimes.

The 1980s represented a decisive turning point. The debt crisis that gripped the Third World facilitated the neoliberalisation of Latin American countries through IMF restructuring policies. With the subsequent fall of the USSR, there seemed to be no feasible alternative at the time to the rightist political tide. Also during this epoch, the tin industry in Bolivia collapsed because of a global oversupply fed principally by China and Brazil. Within such a context the narcotrafficking industry began to prosper. It was fuelled principally by northern consumption and spurred by a sense of entrepreneurialism second to none in Colombia, the Latin American epicentre of the illicit drugs trade. Increasingly porous international borders spawned by globalisation, and a local context of debt and economic calamity, created an inviting atmosphere for the wealth associated with the burgeoning narcotrafficking industry. As a provider of coca leaf and paste to upstream processors and distributors in Colombia, Bolivia witnessed significant job creation in the coca sector, a development that helped absorb idle tin miners and others who lacked employment. Among these was Evo Morales, an organiser and leader of *cocaleros* (coca growers) whose family had originally worked in tin mines before their closure.

On the heels of a highly celebrated neoliberal 'shock therapy' in Bolivia that was designed by Jeffrey Sachs, who has since renounced that approach, President Gonzalo Sánchez de Lozada was elected to his first term from 1993 to 1997. As a former planning minister to the 1980s 'shock', the president, known locally as 'Goni', presided over a sweeping wave of privatisation during the 1990s. This allowed foreigners to own half of what were formerly public or state corporations in strategic sectors such as petroleum, airlines, telecommunications, railways, electric companies, and so on. From the start 'Goni's restructuring was noisily resisted through popular protests.

### **Resources revisited: the unravelling of neoliberalism 2000–05**

An important contextual element for the demise of neoliberalism was the revived indigenous solidarity formed through events surrounding the 1992

commemoration of the Spanish Conquest some 500 years earlier. The indigenous *movimiento* was created during this time, and sparked mounting political activism among the country's majority population. The country's first indigenous person to reach a top political office, Víctor Hugo Cárdenas Conde, was elected in 1993 as Sánchez de Lozada's vice-president. But the neoliberal policies of the 1990s failed to translate into material benefits trickling down to the country's impoverished masses.

A clear watershed, as it were, occurred in 1999–2000 when plans were implemented to privatise water in the Cochabamba Valley through a subsidiary of the Bechtel Corporation, Aguas de Tunari. Within a few short months prices of water rose precipitously and triggered increasingly fierce protests, including a massive demonstration in which one protestor was killed and many others were injured by the military. This 'Water War', as it was known, led to the cancellation of the water privatisation agreement. It also empowered anti-neoliberal movements that proceeded to grow in number and intensity.

Another nail in the coffin of neoliberalism in Bolivia appeared in 2003 amid growing social protests regarding a proposed natural gas pipeline to Chile. Proven reserves of natural gas had risen 700% between 1996 and 2002, and the government was eager to capitalise on this. Given the failure of the water privatisation project, and a general leftward trend in South America beginning with the election of Hugo Chávez in 1998, Bolivia's majority population launched escalating public protests over the Chilean pipeline. They feared the population at large would not benefit from the exportation of gas to Chile, and that this was just another scheme that extracted Bolivia's precious natural resources to benefit transnational corporations and foreigners. Social protests over the pipeline were compounded by other mounting public demonstrations regarding plans to bow to the Bush administration's pressure to eradicate militarily the country's vast coca crops, on which the livelihood of tens of thousands depended. President Sánchez de Lozada, now in the second year of his second term, failed to heed the growing public outcries regarding both the pipeline and the coca eradication project. The result was a major confrontation known as Black October, in which the president ordered the military to use force to wipe out road blocks in La Paz and the shanty town of El Alto which had been constructed to protest against the president's unpopular policies. Given that there is only one major road by which to enter La Paz, roadblocks have proven to be a particularly effective means of protest as a result of their crippling effects on the city. As a result of the confrontation, at least 100 people were gunned down by the military and many others were injured. 'Goni' resigned and sought exile in the USA, while his vice president, Carlos Mesa Gisbert, assumed shaky control over the government until its collapse two years later.

All of that signalled a dangerous and growing disconnection between the country's top leaders and the wishes of the vast majority of Bolivians. More of the same occurred in 2004. In that year about 80% of voters in a decisive referendum favoured the nationalisation of the country's energy resources. Astonishingly the government chose to ignore this clear public mandate.

Within this climate of profound polarisation and instability, and despite rising foreign investment in other South American countries endowed with vast resources, foreign investment in Bolivia declined from US\$567 million in 2003 to just under \$200 million in 2005.

The neoliberal house of cards fell during 2004–05, amid paralysing nationwide protests against the government's failure to heed the referendum's call for the nationalisation of the country's natural resources. The tactic of choice remained roadblocks. By early June 2004 roadblocks choked travel at 55 strategic points throughout the country's highway system. President Mesa was forced to step aside, paving the way for the election of Evo Morales. Inaugurated in January 2006, he received 54% of the national vote during the presidential election of 2005.

### **Morales and a newfangled nationalisation**

On May Day 2006 President Evo Morales announced that he would 'nationalise' the country's energy resources, especially the mining and natural gas sectors. He gave notice that he would accomplish this goal within six months. During that interval there was considerable consternation on the part of mining and natural gas companies. Most worrisome, from their perspective, was the uncertainty surrounding the meaning of nationalisation and what they would tell their investors to encourage them to maintain their commitment to Bolivian ventures. Adding to the uncertainty were proposals floated by the government which, in the case of mining, suggested that two taxes could be played off against one another, the Complementary Tax and the Profit Tax.<sup>3</sup> That is, it was suggested that these would be based on floating scales, and one could be used to offset the other. With regard to natural gas a proposed flat tax of 82% was viewed as 'preposterous' and unworkable by the Brazilian company Petrobras, which controlled 47% of the Bolivian natural gas market.<sup>4</sup> Corporate executives seemed to agree that the preliminary formulas and numbers provided by the government meant very little, and what was really at issue was the bottom line, or what insiders call 'the government take'—the actual percentage of corporate revenue that would be taken by the Bolivian government once the 'nationalisation' came into effect.

The Morales government had to perform a careful balancing act. On the one hand, the government could not afford to alienate private corporations in the natural gas and mining sectors on whom Bolivia was seriously dependent for foreign investment. The Bolivian government did not have the capital itself to operate extractive industries if TNCs pulled out. On the other hand, prices for energy resources and commodities were historically high, so the government could rely on the probability that private ventures would remain in Bolivia as long as they continued to enjoy a profit—even if the range of those profits was narrower than those reaped during the previous bonanza years. The external sale of Bolivian minerals rose 15.3% in 2005 over the previous year, with hydrocarbon sales rising 54% during the same period.<sup>5</sup>

What is especially noteworthy is that this process of 'nationalisation' has been highly variegated. Making good on Morales' initial promise to 'nationalise' the hydrocarbon industry within six months, by the end of October the Bolivian government had announced it had reached an agreement with all foreign companies in the country on the manner in which they would be nationalised. In a celebratory speech, Morales observed that 'We will assert our rights to our natural resources *without expelling anybody or expropriating any property*'.<sup>6</sup> But that did not turn out to be accurate, as we shall see. Indeed, many shades of grey have emerged, along with pronounced distinctions between policies associated with the petroleum, natural gas and mining industries.

With regard to petroleum, a notable component of the 1 May 2006 nationalisation programme entailed the 'recuperation' of two major Petrobras refineries, one in Cochabamba and the other in Santa Cruz. This fits the traditional nationalisation model, whereby the state takes over a private industry, in this case after protracted and sometimes acerbic negotiations regarding the price. Petrobras's bitterness regarding the loss of these key refineries was expressed publicly on a number of occasions, including an announcement in May 2007 that, if the government could not make good on its promised initial payment in June 2007 of 50% of the total price of \$112 million, the deal was off.<sup>7</sup> The Bolivian government required loans to make the purchase. In contrast to oil-rich Venezuela, where President Chávez has lavished vast amounts of petrodollars on various public projects, Bolivia lacks capital and is thus more vulnerable to TNCs and to finance capital.

What is also interesting in this case is that the transnational bogeyman was not American, but Brazilian. It demonstrates an ideological divide among the left in South America. As a major global player, Brazil is more engaged in transnational capitalism than Bolivia. Rather than casting itself as the victim of transnational capital, the country has bred major TNCs such as Petrobras. While Brazil, Chile and Peru are led by administrations that are leftist to the extent that they support greater welfare and wealth redistribution policies than does the discarded neoliberal model, they are clearly committed to mainstream global capitalism. This stands in contrast to the more hardcore left in South America that aims to defy transnational capital in some important respects, and which also endeavours to empower the state as a major agent of economic affairs in a manner that reflects the interests of the disenfranchised. This group includes Venezuela, Argentina, Bolivia and Ecuador.

In contrast to the cases of mining and petroleum, the natural gas sector has not been subject to nationalisation in the traditional sense. Instead, the process has involved a substantial increase in Bolivia's 'government take' that was expected to increase state revenues from the industry from about \$1 billion in 2006 to about \$4 billion under the new arrangement. The agreement meant that natural gas companies would give the government rents of between 50% and 82%, depending on the state's complex negotiations with individual companies. In return these corporations were granted access to natural gas for a period of between 23 and 30 years.

The mining industry has involved a mix of approaches, and Morales has dealt with such companies on an individual basis. His first target involving nationalisation in the traditional sense was a tin smelter owned by the Swiss mining company Gencore, which the Bolivian government expropriated in February 2007. Citing previous 'irregularities' at that particular mine, which appeared to cheat the government of promised revenues, Morales told the smelter's employees that 'Our natural resources have been looted again and again'.<sup>8</sup> Morales left the implication that the government had no general plan to take over other mines, and preferred simply to raise the 'government take', as long as each particular mine was perceived by the government to be operating fairly.

That sense of social justice implies not only paying a sizeable tax to the government, it also entails a redefined corporate responsibility at the community level.<sup>9</sup> A senior official at the government's Ministry of Mining and Metalurgy, who has a background in private sector mining, indicated that mining companies are expected to provide constant and significant training to Bolivian employees in the mines so that Bolivians will eventually occupy more upper-echelon positions in the industry and also receive better pay. Further, mines are expected to provide clear social welfare and infrastructural projects to the communities in which they operate.<sup>10</sup> Some mining executives expressed sympathy for these objectives, both because they would probably yield greater political stability and also because they wanted to be viewed as part of the social solution rather than as a political problem.<sup>11</sup> Others remain sceptical and view the government as promoting inefficiency and of being out of touch with competitive business realities.<sup>12</sup>

The natural gas industry also has its doubters. Among the most powerful are those who operate Petrobras, upon which the Bolivian government is dependent for foreign investment in order to extract gas. A key company representative in La Paz suggested that the Morales government was operating on an 'ideological myth' and that it underestimated the power wielded by corporations which provide needed foreign investment.<sup>13</sup> On a more general plane there has been some evidence to suggest that Bolivia has faced some negative consequences from TNCs as a result of its policies. For example, there appeared to be a significant slowdown in exploratory drilling in the petroleum sector—from a high of 16 such sites in 1998–99 to a low of just three during 2006 (Morales' first year in office).<sup>14</sup> Similarly, the Fraser Institute, a right-wing Canadian think-tank, conducted a survey that indicated that Bolivia under Morales ranked third from the bottom of a list of 65 countries in terms of attractiveness for foreign investment in the mining industry (Venezuela and Zimbabwe were the only two falling behind it). More specifically it ranked 57 out of 65 for security matters in relation to investment.<sup>15</sup>

Beyond the hydrocarbon and mining industries the Morales government has initiated a bold policy of land reform. Between January and August 2006 the president redistributed 7.6 million hectares of land. But that involved the gift of state-owned land to peasants. He won a major legislative victory in November 2006 with a sweeping land reform bill that involved the

redistribution of 20 million hectares of land by the end of his term in 2011, with much of this involving the redistribution of private land. In 2006 about 50 000 families were estimated to own about 90% of the country's productive land.<sup>16</sup> Much of this property is located in the eastern lowland departments, where much of the population already opposes the Morales government because of its commitment to nationalise the hydrocarbon industry—a point to which we shall return. Supporters of the project emphasise that it will provide subsistence for starving peasants, and that landless women are targeted to receive land. Some experts who support land reform point to a powerful nexus of enemies of land reform, including an alliance between big landowners, narcotics cultivators, bankers and the rich.<sup>17</sup> Powerful critics of land reform suggest that such policies have failed in the past in Bolivia, especially as a result of the 1952 Revolution, and that production will turn to an emphasis on subsistence rather than efficient national production that creates more food.<sup>18</sup>

### **Indigenismo, radicalism and a new security regime: The National Plan of Development**

In 2006 the Bolivian government released its National Plan of Development, which included a lengthy and thoughtful section on national defence. This rethinking of strategic affairs has conformed to the radicalisation and *indigenismo* apparent in the Morales government. It emphasised that the 'dismantling of neoliberalism' meant a revised view of national security, and implied that this shift also spelled a new roster of enemies.<sup>19</sup> Part of this entailed the 'protection and vigilance of strategic resources' such as natural gas and minerals.<sup>20</sup> Some foreign observers were stunned at the abrupt manifestation of this policy when Bolivian military troops were deployed to natural gas sites on the date Morales announced the 'nationalisation' of hydrocarbons in May 2006. An official from the Ministry of Defence noted that this move was largely 'symbolic and realistic, since a natural part of the military's job is to protect natural resources'.<sup>21</sup> But 'protect' from whom? And in whose interest? The radicalisation process has attempted to redefine security from the perspective of the majority population of the poor and the indigenous, with potential threats perceived to emanate in part from the local rich, from transnational capital and from the USA.

Another key policy in this revision of security is a programme of 'socioeconomic inclusion' in the armed forces.<sup>22</sup> Regarding this, an official with the National Ministry of Defence indicated that previously military schools in the country accepted professional students—that is, those destined to be officers—almost exclusively from among the upper class and the families of existing officers.<sup>23</sup> This meant a preponderance of white, upper-class officers presiding over a largely poor and indigenous army. To this extent a restructuring of the military involves grappling with both racial and class conflict. Programmes have already been put into place that emphasise racial and socioeconomic inclusion, with some assistance provided by the Royal Canadian Military College.



The Ministry of Defence official also indicated that the single biggest threat to the armed forces emanates from corruption in its various guises: the rich bribing the military to serve its interests, and the lively contraband market that historically has decimated the integrity of the armed forces, especially in countries such as Bolivia, where narcotrafficking thrives.<sup>24</sup> Another key site of corruption concerns the country's largely unpatrolled frontiers, especially with Brazil and Paraguay. Illicit drugs and arms, illegally harvested wood, and the shipment of otherwise legal goods to avoid international taxes all invite the corruption of underpaid security officers.<sup>25</sup> We shall return to this point below when we discuss the regional implications of Bolivia's fresh strategic landscape.

Also crucial for the country is the necessity of redressing obvious deficits in military materiel and infrastructure. The country's new national defence plan emphasises that key military equipment has deteriorated sharply over the past 20 years, indicating that over 80% of its tactical vehicles are in poor shape, that 70% of its communication system is inoperable, in addition to a long list of other similar woes.<sup>26</sup> Beyond equipment, the country's roads are in notoriously poor shape, and are frequently impassable. Better infrastructure is required to achieve another strategic goal, the formation of rapid action forces that could travel throughout the country's extreme terrain. The new plan calls for the construction of 3000 kilometres of additional roads.

### *Autonomy and succession*

There is a number of elements that explain a push toward substantial autonomy and perhaps even full-blown succession among four of Bolivia's 'departments' or states. Among these are issues such as race, class, culture, and geographic detachment. In a referendum that occurred along with congressional elections on 2 July 2006, 42.21% of the national population voted for 'autonomy'. Four of nine departments voted overwhelmingly for autonomy: Santa Cruz (71.13%); Beni (73.83%), Tarija (60.8%) and Pando (57.69%). Perhaps the loudest and most organised manifestation of the pro-autonomy movement emanates from the department of Santa Cruz, where a lowland city of the same name is the largest and most modern in the country.

Santa Cruz accounts for some 40% of the country's export earnings and tax revenues. It is the capital of Bolivia's energy sector, a major agricultural producer, and an important site for narcotrafficking and other contraband. At the helm of the active campaign for autonomy is the Comité pro Santa Cruz (CPSC), an efficient and dynamic organisation that has been able to mobilise upwards of 350 000 people during various protests since 2004. The interests it reflects are dominated by both class and race. In the context of the great wealth apparent in the department, those who represent the interests of local capital have felt threatened by the socialist and redistributionist policies of the Evo Morales government. Daniel Castro, chief of communication for CPSC, indicated that his group is pushing for economic autonomy 'so that the

department can use taxes and state funds the way it wants to'.<sup>27</sup> He argued that the state had initiated a 'confrontational' approach towards free enterprise in the country, and in Santa Cruz particularly, and that the CPSC longs for a government that understands the importance of 'efficiency, clear rules and the forces of globalisation'.<sup>28</sup>

Dr Lorgio Balcazar Arroyo, the General Manager for the CPSC, was especially critical of the government's celebrated plan for the redistribution of more than 20 million hectares of land in Santa Cruz. Big land owners claim 91% of the cultivable land in the department, with 20 million hectares owned by some 3500 people.<sup>29</sup> Dr Balcazar suggests that a similar land reform process failed in the 1950s, and that a focus by the government on subsistence farming for peasants will mean a sharp reduction of agricultural production and therefore create national shortages of produce.<sup>30</sup> More broadly, Balcazar indicated that, with only 16% of the population indigenous in Santa Cruz, compared with the highlands where they dominate, the culture in Santa Cruz is far different than in the highlands whence Morales draws his largest support and where the capital city of La Paz is located. Thus, cultural and racial factors combined with class conflict serve as a context for the agenda of the CPSC. Leaders of the CPSC claim that they have been the victims of government repression and harassment, including what they call 'psychological warfare' such as the placement of military forces near the group's events, and so on. They also expressed deep resentment for what they perceived as the unduly strong influence in Bolivia of Venezuela's Hugo Chávez. Finally, Dr Balcazar suggested that the CPSC was interested in peacefully achieving 'autonomy', but would consider resorting to secession if attempts at autonomy failed.<sup>31</sup>

Critics of the Comité pro Santa Cruz emphasise that the department developed in the 1950s and 1960s thanks to state funds flowing from the highlands, especially from the mining sector, and that it is unfair for groups such as the CPSC to attempt to hoard within Santa Cruz the vast energy sector wealth that has appeared in the new millennium. The director of a left-leaning think-tank in Santa Cruz indicated that politics there is 'simply a case of class conflict, the rich here want the authoritarian days of the past when the democratic interests of the majority did not count'.<sup>32</sup> He suggested that the rich in Santa Cruz control the media and have been able to manipulate the majority to vote for autonomy. Mr Salence Salinas also indicated that there exists a nexus between narcotraffickers and big landowners, bankers and the rich, and that this alliance bitterly opposes Morales' attempts at land reform.<sup>33</sup>

Against this backdrop of feverish polarisation—on the one hand, pitting the leftist Morales government against a majority of the population that support autonomy and its vanguards such as the CPSC, and on the other, pitting landless peasants against big landowners and their powerful allies—there has been an increasing deployment of the armed forces as well as the appearance of irregular armed groups. For example, Morales has deployed the army in the four pro-autonomy departments (Santa Cruz, Beni, Pando and Tarija) in December 2006 when they were in the midst of forming

pro-autonomy ‘councils’ to advance their cause. Regarding irregular forces, the country’s National Farming Confederation said it planned to create ‘self-defence units’ to protect against the government’s planned land reform process.<sup>34</sup> On the other side of the fence, pro-autonomy forces in Santa Cruz complain of armed groups such as ‘*ponchos rojos*’, which act in concert with the army.<sup>35</sup> Hence profound polarisation, more frequent demonstrations of force by the military and the proliferation of both leftist and rightist armed groups have set the stage for escalating armed conflict and perhaps for civil war.

Beyond loud dissent in would-be ‘autonomous’ provinces, Morales has faced serious divisions within his own party, the Movimiento a Socialismo (Movement toward Socialism—MAS), regarding the political economy of resources. For example, in May 2007 the indigenous component of the party’s Pacto de Unidad (Pact of Unity) argued that ‘the ownership of the land and its resources correspond to the indigenous’, while the government responded that land and resource ownership ‘must be for Bolivians, and administration [of them] corresponds to the state’.<sup>36</sup> This division is a serious one, since Morales has counted on the indigenous for his political projects. The ‘Pact’ noted above is composed of four groups, including *cocaleros*, landless peasants, peasant women, and indigenous organisations from various regions. Beyond his political divisions with various indigenous groups over resources, Morales at times has had difficulty with *cocaleros* (whom he once represented) on various matters concerning global perceptions of their role in narcotrafficking, a point developed below. A central point here is that identity politics flourish in Bolivia, that there is no monolith of the poor and the indigenous, and that politics are highly nuanced in the country. While Morales initially achieved unity through his election, he is challenged by the legacy of a failed state and by potential political fault-lines throughout the country.

### **Internal conflicts: regional dimensions**

While the internal divisions within Bolivia are important enough in their own right, they play into a wider regional dimension of struggle between the USA, on the one hand, and a cluster of states led by Venezuela’s Hugo Chávez, on the other. Given that the leftist and statist model of the Bolivian government clashes with the interests of the US government and with transnational corporations, and given Morales’ close relation to Hugo Chávez, a member of Bolivia’s Ministry of Defence indicated that she expected the USA ‘to exploit divisions within the country’.<sup>37</sup> Chávez indicated in October 2006 that there were ‘weighty’ reasons to believe the USA had initiated a destabilisation plan in Bolivia that worked in conjunction with the interests of the country’s ‘oligarchs’.<sup>38</sup> Beyond the provision of all sorts of generous assistance to Bolivia, such as \$10 million in aid to assist with the aftermath of torrential rains and subsequent flooding in March 2007, Venezuela has established military agreements with Bolivia. Chávez has said, for example, that if the USA were to intervene

directly and disrespect Bolivia's sovereignty, Venezuela would initiate 'whatever mechanisms' were necessary to assist Bolivia<sup>39</sup> and he has pledged to provide Venezuelan soldiers 'in times of crisis'.<sup>40</sup> Beyond the establishment of a pact of military co-operation, Venezuela indicated in October 2006 that it would monetarily assist Bolivia with the establishment of at least 10 military 'modules' to be stationed by about 15 soldiers each to bolster Bolivia's security along its frontiers with Peru, Brazil, Paraguay, Argentina and Chile.<sup>41</sup> It will be recalled that these frontiers were identified by the national defence doctrine noted above as being vulnerable to security breaches—especially the trafficking of various contraband including illegal arms. Shortly after the announcement of the 'modules', Chile indicated that it was uncomfortable with the military pact signed on 26 May 2006 between Venezuela and Bolivia, and that it was concerned by the establishment of the 'modules' along its borders.<sup>42</sup>

Venezuela's interest in Bolivia is complex. Bolivia is not only a loyal ideological and strategic ally for Chávez, but Venezuela also plays the role of 'big brother' or benefactor to ultra-poor and politically divided Bolivia. In that sense Bolivia is a protégé of the Venezuelan socialist experiment. It is in the interests of Chávez to help Bolivia develop economically and to achieve political stability so that Venezuela can showcase regionally and globally such positive developments in the country. Here both Morales and Chávez must be careful to demonstrate that it is Morales who runs the show in Bolivia, and that Chávez plays a supportive and not a directive role. Clearly the groups supporting 'autonomy' such as the CPSC deeply resent the influence of Chávez in Bolivia, as do other right-wing Bolivians and some TNCs.

The USA has a clear interest in seeing Morales fail in Bolivia. Washington does not wish to see the country's socialist model succeed, and is deeply suspicious of the country's alignment with Venezuela. While continuing to propagate the highly unpopular neoliberal model, Washington does not have an alternative model of political economy acceptable to the majority of Bolivians who have embraced Morales' vision for the country. While the USA was still the single largest provider of assistance to Bolivia in 2006, Washington has complained that this aid has gone unappreciated by many, since the Bolivian government creates fanfare for aid from Venezuela and Cuba, but is subdued regarding any praise for US assistance.<sup>43</sup> Further, Washington has harshly criticised the Morales government for not working with US interests in the 'drug war', and has claimed that coca crops witnessed an annual increase of about one-third to 15 million hectares in the autumn of 2006. President Bush noted in September 2006 that 'we are worried about the lack of anti-narcotics cooperation' from Morales, and went on to praise what most experts view as deeply dubious progress in Colombia.<sup>44</sup> By December 2006 Washington had reduced anti-narcotics assistance to Bolivia by 25%.<sup>45</sup> The drug war has been a mechanism for Washington to shape the military and police forces in target countries to suit US strategic objectives, as the quintessential case of Colombia demonstrates.

### Conclusions

There have been three broad changes that have underpinned the new security landscape in Bolivia, which remains the poorest country in South America. First, the discovery of vast natural gas reserves coupled with soaring prices of energy-related resources and other commodities have raised fresh strategic issues in Bolivia. Second, the rise of popular democracy throughout many parts of Latin America has found ample expression in Bolivia. The majority population, who are poor, and who are either *mestizo* or indigenous, catapulted one of their own into the president's seat—a phenomenon which has helped to redefine the country's security themes. Finally, significant regional changes, such as the pronounced left turn in Latin America, as well as shifts at the level of the world order, including mounting challenges to US hegemony and the rise of global stars such as China, have set a new context for Bolivian strategic affairs. Let us proceed to develop those points.

The energy boom during the first decade of the new millennium has endowed Bolivia with considerable wealth. The rise of indigenous consciousness, especially since the 500th anniversary of colonial subjugation in 1992, has been associated with stirred memories of the horrific exploitation entailed in the extraction of vast resources during the Conquest, an epoch which transformed the natives into impoverished slaves. Given the rather sudden resource boom over the past decade, and the huge socio-political burnout in the wake of the failed neoliberal era, the political assertion of Bolivia's impoverished and indigenous majority means that considerably more wealth is planned to accrue to them, rather than to the outside interests of TNCs. The nationalisation of the natural resource sector set out to accomplish that objective.

To maintain crucial political support in a highly fragmented and contested environment, it has been mandatory for the Morales government to ensure that the fruits of his bold nationalisation policies actually trickle down to the majority poor. The nationalisation of hydrocarbons increased state revenues by 40% in 2006 over 2005 levels, to \$1.65 billion, and a projected \$2 billion in 2007. While the government plans to reinvest over \$3 billion in the industry through 2012, considerable wealth from the nationalisation has funded social welfare programmes. For example, in April 2007 the government enacted a \$90 million programme for housing. Its centerpieces are low interest loans of 1%–3% (in contrast to normal bank rates of 18%–24%) and a plan to build homes for the ultra-poor. The government expects the programme will result in over 70 000 construction jobs in the medium term. Beyond the construction sector the government announced its plan to create 230 000 jobs by the end of 2007, with 160 000 of these being temporary. Morales raised the monthly minimum wage from \$63 to \$67, making it retroactive to 1 January 2006. In addition to those programmes and policies, and to the substantial land reform programme mentioned earlier, Cuba has provided 1700 doctors and paramedics to Bolivia. While those programmes are substantial, it is not yet clear whether or not they are sufficient to meet the rising expectations of the country's frustrated and ravaged population.

While support of the majority population is key to the Morales' socialist experiment, the government desperately needs to construct a strong and loyal relationship with the military. In 2007 the Morales government earmarked some of the funds it received from hydrocarbon nationalisation to fortify the armed forces. For example, in that year the military received 100 new vehicles, four helicopters, three planes and other equipment. The essential role of the armed forces in Bolivia's refashioned political economy has been obvious from the start. It is remarkable that the military formally appeared at resource industry sites to mark the country's nationalisation, suggesting bluntly that the government is prepared to use force to protect its agenda of public ownership and wealth redistribution. Since the nationalisation announcement, the military has intervened in attempts to bring stability to industrial sites plagued by political turmoil. The military has also made a show of force in at least four departments that have protested in a bid to achieve vast political and economic autonomy—especially in the hub of Santa Cruz that is linked to the interests of TNCs and perhaps to the strategic objectives of Washington.

While the military so far has demonstrated unwavering support for the Morales government, the president cannot take the support of the armed forces for granted. Policies aimed at transforming the class and racial representation in the armed forces' upper ranks must have created tension, although this has not yet found obvious public expression. Further, the national police initiated a hunger strike in July 2007 to protest at a plan devised by the military to restructure the police force and to reduce their ranks. While this demonstrates Morales' confidence in the military over the police, at least temporarily this move has meant a weak link in the chain of the nation's security apparatus. Overall Morales has enjoyed the support of the military so far, but it will take constant work and vigilance to maintain its integral support and to prevent elements of the armed forces from drifting towards interests that would like to see an end to the socialist experiment in the country.

We noted that the new security agenda in Bolivia is largely a product of newly emerging democratic forces. But it has been emphasised that Morales does not enjoy a monolith of support, and must attempt to unite a disparate array of social forces within his country. While the indigenous generally support him, some Indian groups have clashed with the government and want local resource wealth to be accrued directly to the population living on the land from which it is extracted. Further, indigenous members of the country's Asamblea Constituyente (Constituent Assembly) threatened to resign unless a draft of the government's *Visión de País* (Vision of the Country) document is rewritten to enshrine indigenous land rights, among other amendments. Racial politics in Bolivia are nuanced. Morales' project of land redistribution has been largely aimed at *mestizo* peasants who reside in the autonomy-seeking departments of the lowlands. The *mestizos* have issued loud reminders that they are the largest racial sector of the country, not the indigenous. Morales has sought their political support as a counterweight to rightist autonomy seekers and their foreign supporters.

Beyond racial fissures a crippling strike among some miners, who also set up road blocks and staged a defiant march to the nation's capital in July 2007 to protest against access to work policies linked to the nationalisation of mines, indicates that TNCs are not the only ones upset about aspects of the country's nationalisation policies. Against the backdrop of severe national strikes, road blocks, racial divisions, quests for autonomy among certain departments, and so on, the Catholic Church in July 2007 sternly warned the country against the 'great dangers' of disintegrating in the face of mounting political fragmentation.<sup>46</sup> Overall what remains to be seen is whether the initial unity entailed in the historic construction of a popular majority will remain intact under the Morales government. We have seen that initial supporters of the new president later fought him in attempts to ensure sectoral benefits. This may weaken Morales in his battle with those who were privileged under past administrations and who wish to oust him.

Political shifts and nuances at the local and national levels in Bolivia have acted in concert with the changing political constellation at the level of the world order.<sup>47</sup> The rejection of neoliberalism, the rebuke of the USA and the political assertion of the democratic majority are all intertwined phenomenon that have appeared not only in Bolivia but at a regional level. Ecuador and Venezuela are among the clearest examples of this democratic, populist and revolutionary wave in South America. While Venezuela has already indicated it will intervene militarily if the USA is perceived to be destabilising the country, it is not yet clear what other countries might hypothetically come to Bolivia's aid if Morales' government were threatened. Likely candidates include Ecuador, Nicaragua and Cuba.

Regarding the USA much of the leftist resurgence in Latin America rides on the back of failed US economic and political leadership, especially the failure of the neoliberal model, which served to further concentrate wealth in a region of the world where the distribution of wealth is the most inequitable. Further, Venezuela has eclipsed the US as a supplier of developmental assistance to Latin America. All of this has occurred at a time when the USA has been preoccupied with a losing battle in Iraq, and as other global powers such as China, India and Russia appear to be asserting themselves. Rather than trying to extend an olive branch to the Morales government, there appear to be increasing signs of unappreciated US action in the country. This was exemplified by Morales' rejection of a US policy paper critical of Bolivian democracy in summer 2007, which he called unwanted 'intervention'.<sup>48</sup>

Overall the Bolivian case represents a work in progress. It is much too early to discern whether this experiment is bound for success. The Morales government has worked hard in attempts to unite a notoriously fragmented country. Morales has succeeded in providing social programmes derived from the nationalisation project, but the country's impoverished population remains impatient. Class and racial tensions also have flared in the context of the country's redistribution of wealth and privileges. The government also must continue to attract foreign investment in the extractive sector, so that it will indeed have wealth to redistribute. It is not clear whether Morales'

nationalisation policies have scared off investment in any permanent way, although TNCs have been sharply critical of his government. Elements of transnational corporations and global finance capital will doubtless attempt to torpedo the Bolivian experiment. Given the historical record of profound political instability, and the presence of both national and global enemies of the socialist project in Bolivia, keeping the support of the armed forces is key for the Morales government—but this, too, is not an easy task in the context of government programmes designed to break the grip of the white and upper-class top brass.

Bolivia's radical project has survived its first year and a half. Radical changes in the realm of security have been commensurate with sweeping changes in political economy. The country's future remains uncertain. If the resource industry remains hot, if the government can ensure that wealth actually trickles down, if President Morales uses a balanced carrot and stick approach to preside over social fragmentation, if the government can maintain the support of the military, and if benefactors like Venezuela keep the taps open, Bolivia's left turn may prove to be a success.

## Notes

- 1 This term denotes the assertion of indigenous power.
- 2 For a good overview of many of the themes associated with Bolivian politics, see Waltraud Q Morales, *A Brief History of Bolivia*, New York: Facts on File, 2004; Deborah Poole, *Vision, Race, Modernity: A Visual Economy of the Andean Image World*, Princeton, NJ: Princeton University Press, 1997; Abraham Lowenthal & Samuel Fitch, *Armies and Politics in Latin America*, New York: Holmes and Meier, 1986; James Painter, *Bolivia and Coca: A Study in Dependency*, Boulder, CO: Lynne Rienner, 1994; Robert Albrow, 'The water is ours, Carajo!', in June Nash (ed), *Social Movements: Anthropological Reader*, London: Blackwell, 2005, pp 249–271; Maria Choque, 'Reconstitución del ayllu y derechos de los pueblos indígena', *Journal of Latin American Anthropology*, 6 (1), 2001, pp 202–224; Silvia Rivera Cusicanqui, 'Reclaiming the nation', *NACLA Report on the Americas*, 38 (3), 2004, pp 19–23; and Javier Sanjinés, 'Movimientos sociales y cambio político en Bolivia', *Revista Venezolana de Economía y Ciencias Sociales*, 10 (1), 2004, pp 203–218.
- 3 Author interview with Enrique Arteaga, ex-minister for the mining industry and president of the Club de Minería, La Paz, 6 July 2006.
- 4 Author interview with Dr Arturo Castaños, Director of Institutional Relations, Petrobras, La Paz, 21 July 2006.
- 5 *La Razon*, 27 August 2006.
- 6 As quoted in the *Vancouver Sun*, 30 October 2006 (author's emphasis).
- 7 See *La Razon*, 12 May 2007.
- 8 As quoted in the *Taipei Times*, 11 February 2007.
- 9 For an excellent general discussion of the topic of corporate responsibility, see Liisa North, Timothy Clark & Viviana Patroni (eds), *Community Rights and Corporate Responsibility*, Toronto: Between the Lines, 2006.
- 10 Author interview with Eliodor Sandi, Director of Sectoral Policies, Ministry of Mining and Metallurgy, La Paz, 6 July 2006.
- 11 Author interview with Osvaldo Arce, Manager for Exploration, Empresa Minera Unificada, 5 July 2006.
- 12 Author interview with Jaime Villalobos Sanjinés, technical representative of Manquiri SA, Proyecto San Bartolomé, La Paz, 21 July 2006.
- 13 Author interview with Arturo Castaños.
- 14 *El Diario*, 16 May 2007.
- 15 See *El Diario*, 21 March 2007.
- 16 BBC News, 29 November 2006.
- 17 Author interview with José Guillermo Salence Salinas, Director, Political Impacts Programme, Centro de Estudios Jurídicos e Investigación Social, Santa Cruz, 24 July 2006.



- 18 Author interview with Dr Lorgio Balcazar Arroyo, General Manager, Comité pro Santa Cruz, Santa Cruz, 25 July 2006.
- 19 Government of Bolivia, Ministry of Planning, 'Defensa Nacional', *Plan Nacional de Desarrollo*, June 2006, section 3.4.6, p 2.
- 20 *Ibid*, p 3.
- 21 Author interview with Liliana Guzmán, Advisor to the Minister for Human Rights, National Ministry of Defence, La Paz, 5 July 2006.
- 22 Government of Bolivia, 'Defensa Nacional', p 5.
- 23 Author interview with Liliana Guzmán.
- 24 *Ibid*.
- 25 Government of Bolivia, 'Defensa Nacional', p 5.
- 26 *Ibid*, p 1.
- 27 Author interview with Daniel Castro, Chief of Communications, Comité pro Santa Cruz, Santa Cruz, 25 July 2006.
- 28 *Ibid*.
- 29 *El Diario*, 24 May 2006.
- 30 Author interview with Lorgio Balcazar Arroyo.
- 31 *Ibid*.
- 32 Author interview with José Guillermo Salence Salinas.
- 33 *Ibid*.
- 34 See *New York Times*, 1 June 2006.
- 35 *El Diario*, 25 January 2007.
- 36 See *La Razon*, 27 May 2007.
- 37 Author interview with Liliana Guzmán.
- 38 See Agencia Bolivariana de Noticias, 12 October 2006.
- 39 *Ibid*.
- 40 As quoted in *El Diario*, 2 February 2007.
- 41 See *La Razon*, 14 October 2006.
- 42 *El Diario*, 9 October 2006.
- 43 See *New York Times*, 14 May 2006.
- 44 *El Tiempo*, 18 September 2006. For a discussion of the failed drug war in Colombia, see James Rochlin, *Social Forces and the Revolution in Military Affairs: The Cases of Colombia and Mexico*, New York: Palgrave-Macmillan, 2007.
- 45 See *El Diario*, 21 December 2006.
- 46 See *El Diario*, 17 July 2007.
- 47 For a further discussion of this, see Rochlin, *Social Forces and the Revolution in Military Affairs*.
- 48 See *La Jornada* (Mexico), 12 July 2007.