



**AALBORG UNIVERSITY**  
DENMARK

**Aalborg Universitet**

## **Bolivian Backlash? Investment climate, citizenship and "constructive" neoliberalism in contemporary Bolivia**

Andersson, Vibeke; Haarstad, Håvard

*Publication date:*  
2007

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication from Aalborg University](#)

*Citation for published version (APA):*

Andersson, V., & Haarstad, H. (2007). Bolivian Backlash? Investment climate, citizenship and "constructive" neoliberalism in contemporary Bolivia. Paper presented at Making Institutions Work for the Poor?, Bergen, Norway.

### **General rights**

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- ? Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- ? You may not further distribute the material or use it for any profit-making activity or commercial gain
- ? You may freely distribute the URL identifying the publication in the public portal ?

### **Take down policy**

If you believe that this document breaches copyright please contact us at [vbn@aub.aau.dk](mailto:vbn@aub.aau.dk) providing details, and we will remove access to the work immediately and investigate your claim.

## **Bolivian Backlash? Investment climate, citizenship and ‘constructive’ neoliberalism in contemporary Bolivia**

*Vibeke Andersson, Aalborg University, Denmark & Håvard Haarstad, University of Bergen, Norway*

*Paper for the conference: Making Institutions work for the Poor? Norwegian Association for Development Research. Bergen, Norway 5-7 November, 2007*

### **Abstract**

Perspectives on policy reforms and their consequences in Bolivia have tended to emphasize the destructive effects of neoliberalism and various backlashes in the form of uprisings and recently the nationalization of gas resources. By examining policy shifts and implementations at the local, national and international scale, we find less support for the backlash narrative. Instead, there is a convergence across scales in promoting subjects and institutions for political and social stability, with the explicit and implicit recognition that a proper climate for investments is best served through these aims. This involves decentralization policy that opens new political spaces for previously marginalized groups at the local scale, a pragmatic “nationalization” of gas resources that recognizes the need for FDI at the national scale, and a shift towards concerns for social and political stability in the investment climate perspective of the IMF at the international scale. Constructive neoliberalism politicizes the social individual, but depoliticizes the economic individual.

Key concepts: citizenship, investment climate, popular participation (in all forms – also resistance), institution building, representation, movements (identity-based vs. collective)

### **Introduction**

Bolivia has in many ways been a laboratory for neoliberal experiments. The structural reform program starting in 1985 was by many considered a model for rapid reduction of inflation and public sector rationalization. There is no doubt that the Supreme Decree 20160 (the structural adjustment program of 1985) created increased poverty in the already impoverished Bolivian society and that there was significant opposition to it from civil society, particularly from labour

unions. In the 1990s, a second wave of reforms were implemented that, on the one hand, privatized the large state enterprises and, on the other hand, decentralized state institutions. These latter reforms created political structures on the local level and opened political spaces for previously excluded groups. It was the political empowerment of these groups in the arena of formal politics that seem to have paved the way for the election of Evo Morales. Various social uprisings led by excluded groups and the landslide election victory of Morales have been hailed by parts of the left as representing a backlash against the neoliberal model and an alternative path for economic development.

A closer reading of policy shifts both in the main institutional proponents of neoliberalism and in Bolivia leads us to think otherwise. Rather than a backlash and an alternative agenda, there is a significant convergence between the policies that are currently promoted both by the IMF and the Bolivian state. There seems to have been a pragmatic turn at the IMF that acknowledges that the attraction of foreign direct investment (FDI) into a poor economy requires political stability and social inclusion and significant pragmatism in Bolivian state policy maintaining that FDI is necessary for the development of the natural resource sector. With the implicit and explicit recognition that the investment climate is hampered by political instability, poverty and social polarization, there is in Bolivia continuity between the aim of attracting FDI and more progressive agendas of granting political rights and institution building.

This discussion informs debates on contemporary neoliberalism, which we see as divided between two main currents of theorizing. While some emphasize the social costs of structural adjustment and the reduction of the national state, several recent accounts have emphasized neoliberal constructions of citizenship and social rights. Craig and David (2003) refer to a “third way” of neoliberal reforms, which seek to optimize governance to create ideal conditions for international investments, while Postero (2007) and others show how neoliberal citizenship reforms opened political spaces for indigenous citizens. In our analysis of contemporary policy reforms in Bolivia we find that they seem far removed from the reductive (as opposed to constructive) structural adjustment programs of the 1980s and 1990s. Instead, we aim to show that across local, national and international scales, there is a convergence between on one hand, attracting FDI and integrating Bolivia in the international economy, and on the other, granting social rights and opening spaces for political movements.

### **Neoliberalism beyond structural adjustment**

The term neoliberalism has been applied for a broad range of policy reforms that promotes the role of economic rationality and the market in the governance of society (Kohl and Farthing, 2006). Critiques of neoliberal reforms have typically pointed to the gap between economic liberalisation and social concerns, such as lack of individual access to political influence, education, health care and basic necessities. These “realist” accounts emphasize how economic reforms are imposed through lopsided institutional and economic power relations, how the reforms create polarized structures of distribution, and how social upheaval result directly from neoliberal reforms. For example, Keeling (2004) argues that neoliberal reforms have not addressed social concerns because “policy priorities have been macroeconomic in nature and not geared toward addressing poverty, inequality, or the redistribution of access to skills, capital and global opportunities”. Inequality and unequal development are seen as “natural outcomes” of this particular development model (Harris, 1995). On Bolivia, realist accounts have centred on the role of IMF in imposing socially disastrous structural adjustment (Nash, 1992), consequences of neoliberal reform on small scale agricultural production (Arze and Kruse, 2004), regional differences in embracing or opposing a neoliberal economy (Schroeder, 2007), and how recent social upheaval has “dealt an inspiring blow [...] to the neoliberal order” (NACLA, 2004). When studying social movements, indigenous peoples’ fight for rights and poor people’s struggle to survive in contemporary Latin American States, the politics of neoliberalism is often seen as enemy number one (Shultz, 2002, 2005, Petras & Veltmeyer, 2003, Perreault, 2006). In this framework, multinational corporations and their foreign direct investments represent a policy reorientation aligned with the interests of national and international elites, or the subordination of local development to the national integration in the global economy. It then follows, within this framework, that expulsion of multinational corporations represents an empowerment of locally based development and identity-making.

Parallel to these realist accounts there has emerged a current analyzing how neoliberal reforms effect construction of identities and citizenship. What can be called “constructive neoliberalism” goes beyond structural adjustment. Perreault and Martin (2006) note that “the environment, culture, and identity have emerged as key neoliberal frontiers.” Postero (2007) sees Bolivian decentralization reforms as part of a neoliberal regime of indigenous citizenship that “interpellated indigenous people as citizens”. That is, the reforms aimed to foster responsible subjects for a neoliberal economy, but these newly empowered citizens, “assuming some of the rationalities of neoliberalism and acting through institutions established during the neoliberal

political reforms, posed important challenges to the workings of global capitalism”. Kohl (2002) states that “the promotion of local democratic institutions actually serves to establish a new regime of control that seeks the political stability necessary to attract foreign investment even as it promotes local autonomy and economic development.” Political spaces were opened for indigenous people to make demands on the state, but in practice, participation within these spaces is dependent on a certain kind of rational behaviour. Training was needed to develop these capacities in indigenous communities, so that these subjects could comply with pre-defined budgeting and legal requirements. NGOs funded, trained and reinforced certain behaviours among the indigenous people, to assist them in conforming to notions of “good” citizenship in neoliberal multiculturalism. The Bolivian state redefined its national identity as a “multicultural state” to comply with a neoliberal citizenship regime (Andolina et al. 2005), which provided specific subject categories within which indigenous people were to be represented. McNeish (2002) labels this a “reinvention of the Andean tradition”, in a case study of how a highland Bolivian community became locked into a negotiation of their identity and development aspirations as a community with the national state and international financial institutions. This second current tends to assume that there is a division between the neoliberal citizenship regime and neoliberal economic policy, such as Postero’s account, where indigenous subjects acted on the political spaces provided by the neoliberal citizenship project to challenge the workings of global capitalism (Postero, 2007).

A divergence between these currents seems to be whether neoliberalism should be understood as mainly a reductive force that reduces the ability of the state and local political actors to influence structures of distribution, or whether neoliberalism in this case could be seen as a constructive project of creating particular types of identities and subjectivities that facilitate Bolivian compliance with international democratization discourses. In a reading of contemporary Bolivian society it is possible to find some support for either of these currents. While the realist current of analysis sees recent social upheaval in Bolivia as a “backlash” reaction against neoliberalism and privatization of earlier governments and the IMF, the second current emphasizes how recent social upheaval has been partly enabled by neoliberal reforms that opened new spaces for identity politics and formal inclusion of formerly excluded social groups. There has been a resurgence of a revolutionary, anti-neoliberal movement (at least in their own discourse), a left-wing president and government with focus of “taking back rights” from the establishment (former parties and elite groups, especially in the big cities).<sup>i</sup> At the same time there is a policy focus on

decentralization and indigenous empowerment aiming to integrate new elements of society and opening spaces for indigenous identity politics.

Neoliberal economic policies such as FDI-liberalization are typically associated with the first account, since they aim for a restructuring of state structures to facilitate private economic activity. The recent political shift in Bolivia seems to aim towards an empowerment of a rhetorically anti-neoliberal and anti-globalist movement epitomized by the election of Evo Morales in 2005. In particular, there has been a focus on this movement as it represents a reaction to the concessions made to foreign enterprises by the “neoliberal” government of Sánchez de Lozada (1993-1997 and 2002-2003). The economic policies of the Sánchez de Lozada government which favoured the attraction of foreign direct investment (FDI) into the Bolivian economy symbolize the reductive and destructive force of neoliberalism, while the political decentralization reforms of the Sánchez de Lozada government are used as empirical evidence of neoliberalism as a project constructing notions of identity and citizenship.

In this article we are broadly in line with what we have here called the second current of theoretization on neoliberalism, that of stressing that the citizenship regime of neoliberalism has opened new political spaces for identity politics at the local level. But there is a need to address the ways in which economic policy discourses are converging with the political project of social inclusion, particularly since the investment climate for FDI is dependent on stability and a social infrastructure for economic activity. Craig and Porter (2003) argue for seeing this as a “third way” or a “new convergence”, “in which governments and agencies of various stripes are focusing on optimizing economic, juridical and social governance in order to create ideal conditions for international finance and investment.” The convergence we focus upon here is that between, on the one hand, FDI policy and investment climate concerns, and on the other, the neoliberal cultural project of constructions of identities and citizenship for a “disciplined inclusion” into the state structure.

Subaltern groups, neighbourhood organisations, unions, indigenous people’s movements are in both currents outlined above seen as actors opposing globalisation and neoliberal economic policies in developing countries. While this seems to be the case, it is important not to lose sight of the continuity between the socially liberal regime and economic integration policies, in that both aim for a stable political environment and “responsible” political/economic subjects. The research on neoliberalism as a constructive force installing particular rationalities opens for investigating

economic policies in ways that go beyond the simple neoliberalism/anti-globalist binary that the “backlash” narrative of neoliberalism and resistance against it fell into.

### *Interscalar neoliberalism*

Realist accounts typically see neoliberalism as a global process implemented from top on down by international institutions. In order to understand the neoliberal construction of particular institutions and subjectivities, as in constructive neoliberalism, it is useful to understand it as a “glocal” process. “Glocalization” refers to the processes by which institutional arrangements shift upwards to global scales and downwards to local, urban or regional institutional arrangements (Swyngedouw 2004). While accounts of neoliberal globalization tend to recognize only the former, the glocalization perspective acknowledges that more complex institutional and political arrangements are involved in contemporary economic and socio-political developments, which renegotiate the importance of the local. This is in line with Peck and Tickell’s call for a reading of the variable ways in which “local neoliberalisms” are embedded within wider networks and structures of neoliberalism (Peck and Tickell, 2003). Swyngedouw and Kaïka (2003) argue that even though we may face an increasing global post-modern ‘commodity-culture’, there is also an increasing focus on local resistance against this imposed ‘commodity’ culture and an enhanced demand for opposition against the “traditional structural adjustment programs of the 1980’s”. Perreault (2006) sees Bolivian neoliberalism as a classic case of glocalization, as state administration is shifted downward towards the local and upward and outwards towards transnational corporations, multilateral agencies and non-governmental organization.

The notion of glocalization can be used to analyse the processes of economic and social inclusion in the nation-state, as development strategies for inclusion into the global economy seem integrated with local attempts of fostering political stability and social inclusion. “Global” neoliberal policies which create fierce local opposition are one side of the coin. But glocalization also involves an inclusion of local cultures and identities in the national and global civil society, creating room for identity based (as opposed to class based) movements in national and global civil society. In order to understand the “glocal” constitution of contemporary neoliberalism, this article is structured according to a “glocal” scalar model that aims to show how the integration of neoliberalism with concerns for social inclusion and political stability is taking place across scales and is particularly dependent on the integration of the local.

### *Approaching policy discourses at scales*

In the following, we present a review of policy discourses at the local, national and international scalar levels to illustrate their convergence around the aim for the proper “investment climate”. The data is based on field work in Bolivia by the authors, most recently until to February 2007. During field work, data was collected through interviews and participant observation. IMF policy documents were collected at the IMF Archives in Washington, DC. These were analysed in a discourse analytical perspective, focusing on the context in which statements in the documents were made and how the connotation of the concept of FDI changed over time. We also use Bolivian policy documents and other documents, such as gas sector policy decrees and hydrocarbon contracts. The data for investigating processes on the local level was collected through a longer field work in a municipality the Potosí department in the years 1998-2000. The primary method for this field work was participant observation during meetings in the municipal government and at meetings in the communities, Apart from that interviews were conducted at all levels in the municipality and the communities.

The analyses of these data sources comprise the next three sections. First, we introduce the neoliberal decentralization reforms that aimed to include and create political spaces for previously marginalized subjects in economic development discourses. These reforms are the basis for social neoliberalism. Then we move to the national level, to discuss the implementation of nationalization policy that has been seen as a radical break from and a backlash against neoliberal agendas. Finally we examine recent policy shifts of the investment climate perspective of the IMF. This forms the basis of the conclusion, where we question the backlash narrative and instead discuss the convergence across scale upon constructing a politically stable investment climate.

#### *Local scale: Decentralization and Popular Participation*

Decentralisation is currently taking place in about 80% of all developing or transitional countries (International Council on Human Rights Policy, 2005). In the majority of the cases this includes transferring responsibilities for health, education, taxation and other issues from national to local levels. Governments at local level have been introduced to create empowerment, social inclusion and local governments seem to become central to policy formation as a partially replacement for



nation states (ibid). In Bolivia, a string of new reforms were presented in the mid 1990s, including reforms on decentralisation and democratisation, land rights and education. Hence in Bolivia, economic liberalism seems to be grounded in social inclusion rather than social exclusion.

Bolivia is a heterogeneous society with a large percentage of indigenous people and a strong tradition for popular participation and social protest. The protests were after the 1952 “revolution”<sup>ii</sup> concentrated in the peasant and workers unions – especially the miners unions, but during the mid 1980’s identity-based indigenous movements grew stronger. The indigenous movement and the labour unions often had contradicting interests, and recently the labour unions have lost some of their influence. The reforms on decentralisation and citizenship (participación popular) could be seen as tools to creating political stability at all levels of society (Kohl, 2002). In contrast to earlier attempts to creating citizenship (modernization and “civilization” processes from 1950 onwards), the current reforms emphasise identity, culture and ethnicity from an approach that is rather new in Bolivia.

After the revolution of 1952, the inclusion of the rural indigenous population (the majority of the population) was carried out basically by forming workers and peasant unions thereby linking citizenship to the class-based “revolutionary nationalist” state (Casanovas 1985). Land was expropriated from the haciendas and redistributed. Peasants had to be members of the peasant unions to receive land (Petras & Veltmeyer, 2005). This linked inclusion, citizenship and ownership to land to each other and to a class based discourse. At the same time an education reform was introduced enhancing Spanish as common language – all initiatives which would include the indigenous population in the mestizo society by toning down indigenous identity.

A reversed process is in progress in contemporary Bolivia, which is based on an identity discourse as expressed by President Evo Morales at his inauguration ceremony:

*“The indigenous people have been marginalised with the foundation of Bolivia in 1825, therefore the indigenous people will now claim the right to recreate Bolivia.”<sup>iii</sup>*

This is in accordance with the “reinvention of the Andean tradition” as described by McNeish (2002). Thus Morales’ discourse at the inauguration ceremony stressed the cultural aspect of Bolivia being a multi-cultural society with a majority of indigenous people. The class based discourse of the union and the union’s fight for better distribution of wealth in the Bolivian society<sup>iv</sup> was downplayed in favour of a new discourse which is the basis of social processes and policy reforms introduced during the past decade.

As the economy failed with the drop in tin prices in the mid-1980's (tin being Bolivia's most important export good at the time), a need to create new revenue from other sources became necessary for the Bolivian state. The interpellation of indigenous people as citizens (and tax-payers) (Postero, 2007) was an instrument in this process. This combined with a growing popular demand, were some of the reasons behind the creation of the decentralization and democratization reforms. To be able to register citizens it became necessary to create tools to perform this registration. New municipalities were created in areas which had not formerly been included in state administration. Political spaces opened to formerly excluded groups which also have demanded these spaces by way of popular protests (road blockades which has been one of the most important tools for protesters given that Bolivia has relatively few accessible roads and blocking these has proven effective in creating awareness among city population and government).

The reforms of the 1990's were not only a demand from international financial institutions to settle conflicts in Bolivia and create a stable civil society by "promoting local democratic institutions" (Kohl, 2002). It was also a demand from large parts of the population, which had been excluded from power, especially the indigenous people, who had had no *de facto* possibilities of influencing state policies. Most of the power and money were centred in the big cities (La Paz, Santa Cruz, Cochabamba), and the population in many rural areas were not taking active part as citizens of the Bolivian States. Regarding land distribution the INRA land reform introduces land allocation according to *territories* and thereby linking to indigenous social and cultural organisation such as the *ayllu*. This is very different from the post revolutionary land reform of 1952 distributing land as individual plots. Policy-discourse has changed from union-based discourse to discourse focusing on culture and identity in the formation of a "reclaimed indigenusness". This indicates that reforms of popular participation and fiscal decentralisation in Bolivia within the last 15 years have created a notion of citizenship among formerly excluded groups – in particular among the rural indigenous population.

The interest of states in including social organisations and creating institutions based on these organisations may be caused by a growing interest in regarding social capital as an asset which development and institution building projects can build on. Social capital is seen as the "glue" that holds together a group of people because it entails shared social and cultural values and an organisation which is embedded in local lives. This is increasingly regarded as an asset in relation to building up local governments (Radcliffe et.al., 2004, International Council on Human

Rights Policy, 2005). We see this clearly in the case of Bolivian, where social capital has been promoted through these decentralization reforms.

### *New political spaces at the local level*

The reform processes were not implemented without friction. Even though indigenous people and other poor groups obtained citizenship, rights to voting, land right, and education there were also protests against the government's neoliberal policies of privatization (Capitalization law), which are going hand in hand with the "citizenship"-reforms. As mentioned before – poor people of Bolivia were empowered politically, but not economically. Locally based social movements have inserted their cultural identities in liberal democratic discourses. This creates a political economy where identity-based movements have achieved degrees of empowerment through institutionalization as for example in the popular participation reform and the land reform INRA, which both include indigenous people's social and cultural organisation in the law.<sup>v</sup>

The following examples show that these policies over time have created change in rural areas in relation to empowering indigenous people politically and including this part of the population in the institution building and citizenship formation.

*Department of Potosí, October 1998:* In the municipality of Coma<sup>vi</sup> in southern Bolivia, the municipal council meets every Monday afternoon.<sup>vii</sup> Most often the meetings take place with only the members of the council present, but this Monday a delegation from the village Huya has come to ask for a solution concerning the electrification project, which should have been initiated in their area some time ago. The people living in Huya are indigenous poor peasants. The villagers appear in their daily clothes, bare feet in sandals made of old rubber tire and clothes that show traces of hard work in the fields. The members of the municipal council, on the other hand all are town professionals and the social and cultural differences are very visible. After having waited most of the afternoon, the representatives from Huya are allowed to enter the meeting. There are five persons, who represent the "council of authorities" from the village of Huya.

From the chairman of the council they are met with the response; "why do you people always show up so numerous? We will only receive one representative at a time." After explaining, that it is important to them that all can participate in the meeting, the members of the delegation are allowed to stay. But they are not offered chairs and must stand throughout the meeting. The leader of the electrification committee of Huya asks the municipal council permission to speak, and given this,

he gives the opinion of the delegation towards the failing electrification project. All members of the delegation ask permission to speak, and they all analyse the needs for electrification, the consequences of the missing electricity, and ask the municipal council to allow for the work to start. Even though the representatives from Huya speak well, they at the same time are very humble towards the municipal council, and what is intended as a complaint is very subtly presented, not to offend the members of the municipal council.

The delegation is dismissed after almost an hour of presence, and the municipal council promises to do something about the situation. In the discussion among the members of the municipal council afterwards, the conclusion is that it is unfortunate with the delay of this project, but due to the spending of the funds this year, the project must be postponed to the following year. This was never voiced towards the delegation. They were dismissed with “We shall see to it as soon as possible...” It was the fifth time the delegation visited the municipal council. Nothing comes out of the request.

This situation was rather common in rural areas before the implementation of the popular participation reform. Indigenous communities have to some extent been well organised. The village council has established governance at community level and (male) villagers have participated in sub-commissions, like the commission created for taking care of electricity and representing the village towards the municipality. The first municipal governments elected in rural Bolivian municipalities often consisted of local urban elites using their connection to get elected. Urban elites have showed a somewhat racist attitude towards villagers, as can be seen in the example.

This general negative and racist approach to indigenous people by urban elites is also expressed in the following quote from Zenon Yucra, mayor of Uncía, Norte de Potosí, and aymara (translation by author):

*“Not only in Uncía [municipality in the Potosí department], but in all of Bolivia, the people in the rural areas are still regarded as someone not able to take the responsibility as an (municipal) authority. In Bolivia we are very racist, there is no respect towards the inter-cultural aspect. So many years have passed where the people from the rural areas have been discriminated by the people from the urban areas. They really respect us, they even say: “How can an Indian be a mayor!” When I was about to begin there was a strong opposition. People said: Instead of being a town, [Uncía] will transform into a village”. But with all that we are doing we are breaking this pattern. We also try to making the inter-cultural aspect respected at all levels. In all of the country we have always been marginalized, but it is interesting to note that the Indian and the campesino*

*have the same capacity as the city-dweller, we are the same, but still the people of the urban areas do not accept this*” (Interview, Uncía, Bolivia, April 2000).

NGOs have performed trainings in indigenous communities to develop capacities in relation to the reforms of popular participation and decentralisation. But a process of acceptance by former *mestizo* and white elites in rural areas has been equally important in the empowerment process initiated by the Bolivian State to towards social inclusion of marginalised groups. The process of decentralization has effectively opened new political spaces for previously marginalized groups, as the example from nine years later illustrates:

*Department of Potosí, December 2006*<sup>viii</sup>: To the astonishment of many members of local elites, the indigenous people have managed to claim power in the new municipalities rather effectively. By way of the OTBs (Organización Territorial de Base) and DMIs (Distrito Municipal Indígena) indigenous peoples’ organisations have been co-opted in the municipal democratisation process. The OTB is an important entity of the law on popular participation in the rural areas. OTBs are connected to one social organisation claiming to be representative of the people in a given area, and thus the representative of these people in the municipality participating in the process of forming development plans and projects in their area. The village councils have been functioning as OTBs under *participación popular*. As the director of one NGO working in Southern Bolivia said; “*Participación Popular* has allowed the reconstruction of indigenous organisations” (*Marco Antonio Castro, ISALP*<sup>ix</sup>).

The DMIs are not directly connected to the OTBs. DMIs are described in the Law 2028 of municipalities (1999). In this it is stated, that the municipalities created after the law of popular participation must form municipal districts (*Ley 2028, Artículo 164*)<sup>x</sup>. DMIs have been created according to existing socio/cultural entities, thereby stressing the government’s wish to enhance citizenship building along the cultural/social lines by granting rights along these lines. Social and cultural groups are included as state subjects and the citizenship is connected to identity (as indigenous) and local organisation. *Participación Popular* stresses the *cultural* aspect of the existing social organisations and their incorporation in the states’ administrative system. The former administrative system based on cantons, sections and provinces did not admit that the existing social organisations had any importance. The creation of DMIs according to “habits and customs” is thus a big step forward for the original organisations, since these are now acknowledged in the law.

The new political spaces opened by decentralization reforms have not only been acknowledged with acquiescence by elites and the non-indigenous population. On December 15<sup>th</sup> in

Santa Cruz, one million people (according to some accounts) took to the streets to protest the results of the decentralization laws and the INRA land reform, which have deprived them of both power and land. The conflict between highland (La Paz) and lowland (Santa Cruz) is an old one, and the election of Evo Morales has exacerbated it and increased calls for lowland autonomy. In particular, the law INRA has distributed land along the line of the DMIs and according to historical claim of territories granting especially indigenous groups in the Departments of Santa Cruz and Beni rights to new territories.

The efforts to include previously marginalized groups may have promoted social and political stability in some areas, but has created at least temporary instability in other areas. Nevertheless, the neoliberal reforms seem to have effectively promoted local economic accountability and new forms of inclusion in the poorer sections of Bolivian society. The neoliberal decentralization reforms opened new political spaces for identity based movements, in order to promote political and social stability.

#### *National scale: Pragmatic “nationalization” with FDI*

The election of Evo Morales on a platform of nationalizing petroleum resources was highly publicized as a return to a radical agenda and a reversal of IMF-led neoliberalism. And the announcement of nationalization in 2006 was highly symbolic, taking place on the international day of labour May 1<sup>st</sup>, with the presence of the military troops at the oil fields of foreign companies, and the issuance of a decree that publicized its historical links to the nationalizations in 1937 and 1969. The Wall Street Journal reported that “Bolivia Seizes Natural-Gas Fields in a Show of Energy Nationalism”. But the military troops were withdrawn as soon as journalists’ cameras left (Democracy Centre, 2007). The nationalization decree (DS 28701) imposes a set of conditions that continues legislation passed before Morales was elected, in particular the New Law of Hydrocarbons (No. 3058). This involved a reconstituted role for the state petroleum enterprise YPFB and higher taxes on exploration for foreign companies. The Bolivian Law No. 3058 was passed the same year that the IMF in its Ex-post assessment had separately concluded that the existing Bolivian tax regime was too generous towards foreign companies. All foreign companies that had their contracts revoked stayed in Bolivia to negotiate new contracts. Despite the rhetorical symbolism surrounding the announcement of nationalization, the “nationalization” policy signals an

intention for continuity with the discourse of investment climate and the need to integrate economic development strategies with political consensus and social inclusion.

While the contracts from the Capitalization period were based on risk sharing, under the new contracts the Bolivian state retains full ownership of resources. The contracts establish that they do not grant “at any moment, the right of property over the hydrocarbons produced, which are and will be the property of the YPFB” (Contract between YPFB and Petrobras, author’s translation). In other words, deposits are owned by the state, while the extracted product is the property of the state petroleum enterprise. Foreign companies will be the operators in exploration, but will surrender the hydrocarbons to YPFB according to an agreed price, and YPFB will be the sole exporter. Royalties and taxes on the surrendered product total 82%. But there is a significant incentive in that from 32 % of royalty and tax, operating companies can deduct operation and exploration costs. The government is reimbursing investments that foreign companies made before nationalization, based on an audit prepared during contract renegotiation. The government has also negotiated delivery contracts with friendly governments in Brazil and Argentina that ensure stable exports of hydrocarbon products. Though the new contracts are less attractive than the Capitalization era contracts, they are significantly more attractive for foreign investors than what the 82% tax rate seems to indicate.

In an interview with one of the authors, the manager of Canadian Energy Enterprises, one of the companies with renegotiated contracts, said of the new contract that it was one of the best ones he had signed:

*“Everything can be deducted from the current price. You can take capital expenditures, the operation costs, the royalties off of a very good price. [...] And we don’t have to look for the market. YPFB is providing the market, we just have to sell them the gas. And we recover the investments we have done. [...] We could have all this without calling it nationalization. That was because of electoral rhetoric, which makes it seem that the government is creating conflict”* (Interview, Coscio).

Other company executives interviewed said that the current process of contract renegotiation could not be characterized as “nationalization”, since what is taking place is mostly a redefinition of contractual terms. At the same time, they expressed concern that the rhetoric of “nationalization” creates perception of hostility towards foreign investors and uncertainty of the future policy direction in the sector that discouraged long term investment. An economist at the International Finance Corporation of the World Bank expressed the same ambiguity:

*“[The government] tells us that rights will be respected, that there will be fair compensation. Then we see on the front page of the newspapers... It is not consistent” (interview, Molliendo).*

This indicates that uncertainty is at the level of political rhetoric and that “nationalization” was a concession to the electoral base of Evo Morales and the social movements that agitated for it. At the level of actual policy, the renegotiation of contracts aims to balance favourable terms for FDI in the sector with a redefined role for the state enterprise and a social distribution of income from hydrocarbon production. In an interview with one of the authors, the Minister of Finance under Morales, discussed the importance of rebuilding the state enterprise YPFB *and* the need for FDI:

*“YPFB is very important for us, but it is still growing slowly. And we need aggressive investments to industrialize the gas. We are making agreements with other companies that have competence in this” (interview, Arce).*

Hence “nationalization” seems less a backlash and a return to a radical agenda, and more a pragmatic integration of FDI-led growth with the aim of creating political consensus around a policy regime that gives increased capacities for some state institutions. At the level of policy (not rhetoric) this can be understood as an aim for a “managed” integration of Bolivia into the global economy that recognizes the importance of stability and consensus. Though it would be a stretch to label the nationalization policy “neoliberal”, it converges with the aim to balance political stability with pragmatic concerns for the investment climate.

#### *International scale: IMF discourse on the Bolivian investment climate*

The Washington Consensus institutions, in particular the IMF and the World Bank, are generally considered the proponents of the neoliberal model at the international level, and have implemented neoliberal reforms throughout Latin America (Peet, 2003). In Bolivia, the IMF is renowned for its privatization reforms in the 1980s and 1990s. The reforms of the 1980s centred on macroeconomic stability, while the 1990s reforms combined privatization with the decentralization reforms described above. Towards the end of the 1990s, a significant shift took place in the policy discourse of the IMF on Bolivia which leads us to draw parallels between these reforms and the reforms taking place at national and local levels.

This motivation for the policy shift is explained in the Ex-post Assessment by the IMF published in 2005 (although the policy shift itself took place before this). The Ex-post Assessment



criticizes previous reforms for failing to include large sections of the population, thereby contributing to political and social instability. The Ex-post Assessment looking back at its engagement in Bolivia through these decades took as its point of departure the apparent paradox that although the country had followed through on all reforms, growth never exceeded 4 per cent and income-based poverty measures were left virtually unchanged and a couple of years prior it had been “on the brink of major financial and political crisis”, as it was formulated (IMF, 2005, 2). While the articulated problem of the 1980s and 1990 had been that state institutions were too strong, now the assessment was that structural adjustment did not work because state institutions were too *weak*. It was also concluded that the tax regime of former privatization regimes were too generous towards foreign companies, and that not enough attention was paid to institutional depth and creating social and political consensus for reform programmes.

The Ex-post assessment came some years after shifts in the policy discourse towards institution- and consensus building had become central issues. The World Bank had gone through similar shifts, and the Poverty Reduction Strategy Papers are much-publicized attempts of the Washington Consensus institutions of encouraging “ownership” and legitimacy for reforms. In the joint World Bank and IMF staff assessment of Bolivia’s PRSP it is stressed that the strategy “places emphasis on reaching out to excluded groups, and increasing the effectiveness and efficiency of institutions of the public sector” (IMF, 2001, 1). Though it can be intervened that the concern for democratic participation is merely rhetoric, the IMF clearly sees its objectives of macroeconomic stability and stable economic growth impeded by social instability, lack of consensus, inefficient infrastructure for economic activity and a polarized society, even at local scales.

While the reforms of the 1980s had revolved around a particular notion of public efficiency that privatized most state functions, the IMF became increasingly concerned with the “climate” for foreign investments. In the 1990s this mostly involved designing legislation that opened for FDI and capitalizing state enterprises to attract foreign capital, competence and technology particularly into the natural resource sectors. Between 1994 and 1997 a large Capitalization programme was implemented that privatized the state petroleum enterprise YPFB and other state enterprises, with the aim of attracting FDI. In an IMF report on Bolivia’s progress on the Highly Indebted Poor Countries Initiative in 1997, (IMF 1997) it is apparent that in the discourse, the level of FDI has become a measurement of the country’s economic health. But from this point on, it is apparent from the policy documents that the IMF has realized that attracting FDI is dependent on more than just

privatization. An attractive climate for FDI hinges upon social as well as economic infrastructure and political stability.

This opened for a policy discourse where the “investment climate” is constructed much more broadly, and where the IMF went beyond its original mandate of providing balance of payments loans to foster macroeconomic stability. In the Economic Policy Framework Paper 1997 to 1999 negotiated between the IMF and the Bolivian government, it is stated that “reflecting the new role of the state, efforts in 1997-99 will focus on strengthening social infrastructure (education, health, and basic sanitation), regulatory agencies for the recently privatized activities and for the implementation of norm and policies to protect the environment.” (IMF 1997b, 16). In other words, it is necessary to strengthen state institutions and the ability of society to carry economic activity. This is a type of neoliberalism far removed from reductive privatizations.

After the Capitalization programme between 1994 and 1997, the IMF policy became characterized by what can be called a discourse on the “embedded investment climate”. The PRSPs were central to this discursive shift, as attempts to create “social and political consensus” for economic policy (IMF, 2001). Within this policy discourse, economic growth is dependent on investor confidence, and it is implied that deep social inequalities and political divisions damages confidence and in turn the potential for FDI-led growth. Noting episodes of civil unrest, the 2003 Request for Stand-By Arrangement states that the short term economic program “focuses on stabilizing the economy after the recent civil disturbances and resulting financial instability and laying a basis for the return to growth” (IMF 2003, 9). The 2005 Sixth Stand-By Arrangement Review stated that macroeconomic performance is dependent on a policy “fundamentally altering the character of the state and improving the business environment” (IMF 2005b, 17). Altering the character of the state is dependent on fostering efficient and economically rational institutions even at the local level. In turn, what we call the “embedded investment climate” is the IMF policy discourse on FDI that acknowledges that the attraction of FDI and FDI-led growth is dependent on political stability and a social infrastructure for economic activity to the degree that prudent macroeconomic policy can not be pursued without policies for social inclusion, consensus building and poverty reduction.

## **Conclusion**

The decentralization and democratization reforms have had important impact (especially) for the indigenous people, *at the local scale*, in the municipalities and villages of rural Bolivia. The international donor community and movements and organisations in Bolivia have been very aware of the rights based approach granting indigenous people all over the globe rights in relation to the national states where they live (Henriksen 2001). In the reform participation popular it has been attempted to create institutions on social capital at local level, that made use of the already existing local organisations and thereby interpellating indigenous people as *indigenous* citizens in the Bolivian State. This creation of local level institutions enhancing local democracy can be seen as correlating with the aim to politicize the social individual by opening up a dual process of indigenous people maintaining their original organisations and the states' attempt to include these organisations and their inbuilt governance capabilities by co-opting the organisations in the national democratisation process.

These new local political spaces opened for political influence of previously marginalized groups that created a mandate for nationalization of gas resources *at the national scale*. This was cast in anti-foreign company rhetoric, while the actual policies aim to pragmatically balance the need to maintain this rhetoric with maintaining a proper investment climate. Rather than representing a backlash against neoliberalism, it has FDI and the participation of foreign company as a central element of its industrialization strategy. *At the international scale*, the IMF has recently promoted what we have called “the embedded investment climate” discourse in Bolivia, which concedes that the climate for investment is dependent on a particular social infrastructure and an economically responsible culture. It is acknowledged that higher inflows of FDI and prudent macroeconomic policy can not be pursued without greater social inclusion, consensus building and poverty reduction.

The long-term efforts to integrate Bolivia in the global economy have recently turned to creating institutions for political stability, democratic participation and multi-ethnic representation, in the explicit and implicit recognition that the “investment climate” and spillovers from investments are best served through these aims. On this basis, we argue that there is a significant convergence between neoliberalism and its supposed “backlash”. This convergence or “third way” (Craig and David, 2003) can also be described as a convergence between economic liberalism and social liberalism: across scales there is a convergence between, on one hand, attracting FDI and integrating Bolivia in the international economy, and on the other, granting social rights and opening spaces for political movements. Modernisation and the integration of the national economy

with international flows of capital is a project of creating particular social infrastructure, dependent on political stability, consensus building and cultures of economic responsibility. This project is distinctly glocal, in that it is constituted by policy constructions at local, national and international scales. It is characteristic of constructive neoliberalism. Strictly economic measures imposed from above have seemed to fail. Reforms can not work in society without creating subjects with some form of citizenship: rights granted, duties demanded. If subjects do not see it as their interest to support the State, social turmoil will prevail and state-building will be hampered. Government reforms addressing citizenship and investment climate, on the other hand, could go hand in hand in creating a stable Bolivian State – or so it seems from the perspective of this brand of neoliberalism. The economic development strategy centred upon creating a proper investment climate is both glocal and constructive, in that it seeks to build institutions and subjectivities from the local scale and upwards.

But the reforms of constructing political spaces for particular identities and identity-based social movements have a political economy that seems relatively unexplored. While there may be a convergence between economic and social liberalism, the reforms also illustrate the significant gap between social inclusion and economic empowerment. They seem to politicize the social individual, but to depoliticize the economic individual and collective economic identities. The investment climate development strategy creates political spaces for identity-based movements, while collective organization around economic interests is not encouraged. And this is why we still opt to call the reforms “neoliberal”, the economy is largely constructed as a sphere external to social and political spheres and left to govern itself given the proper investment climate. But given the new political spaces in identity-based struggles, it is not unthinkable that these may translate into more negotiating power in economic spheres.

## References:

Andersson, Vibeke & Jørgen Riis Pedersen: "Du må ikke lyve, du må ikke stjæle, du må ikke være doven" En status på den bolivianske regerings første år ved magten In: *Kritisk Debat*, Maj 2007, vol.30

Andersson, Vibeke: Når det oprindelige bliver "moderne": Decentraliseringslove som instrument i anerkendelsen af den oprindelige befolkning i Bolivia. In: *Den Ny Verden* 4, 2000.

Andolina, R. S. Radcliffe and N. Laurie. (2005). Development and Culture: Transnational identity making in Bolivia. *Political Geography* 24: 678 – 702.

Arze, C. and T. Kruse. (2004). The consequences of neoliberal reform. NACLA Report on the Americas.

Brysk, Alison: From Tribal Village to Global Village. Indian Rights and International Relations in Latin America. Stanford, California, 2000.

Casanovas, W. M. (1985). Capital Accumulation and Revolutionary Nationalism in Bolivia, 1952 -85. In: The State and Capital Accumulation in Latin America, Vol II. C. Anglade and C. Fortin. Pittsburgh, University of Pittsburgh Press.

Crabtree, John: Patterns of protests: Politics and Social Movements in Bolivia, Latin America Bureau, London 2005.

David, Craig and Doug Porter: Poverty Reduction Strategy Papers: A New Convergence. In *World Development*, Vol 31, No.1, pp. 53-69, 2003.

Democracy Center: A Democracy Center Review of: Gamarra. Eduardo A.: "Bolivia on the Brink". A Special Report from the Council on Foreign Relations. Cochabamba, Bolivia, 2007

Haarstad, Håvard: Foreign Direct Investment and State Restructuring: the IMF discourse on the Bolivian investment climate. Paper presented at the FAU-conference, Copenhagen, June 2007

Harris, R. L. (1995). The Global Context of Latin American Affairs. In Capital, Power and Inequality in Latin America. S. Halebsky and R.L. Harris. Boulder, Westview Press.

Henriksen, John: Implementing the Right of Self-Determination of Indigenous Peoples, in: *Indigenous Affairs*, IWGIA, vol. 3, 2001

IMF. (1997). EBS/97/136, Bolivia – Progress Report on the Initiative for the Heavily Indebted Poor Countries (HIPC), 6/23/97, IMF Archives.

- IMF. (1997b). EBD/97/100, Bolivia – Enhanced Structural Adjustment Facility – Economic Policy Framework Paper for 1997-99, 8/27/97, IMF Archives.
- IMF. (2001). EDB/01/49, Bolivia – Poverty Reduction Strategy Paper – Joint Staff Assessment, 5/16/01, IMF Archives.
- IMF. (2003). Bolivia: Request for Stand-By Arrangement – Staff Report. IMF Country Report No. 03/179, 6/03, IMF Archives.
- IMF. (2005) Country Report No. 05/139, Bolivia – Ex Post Assessment of Longer Term Programme Engagement – Staff Report, 4/05, IMF Archives.
- IMF. (2005b). Bolivia: Fifth Review Under the Stand-By Arrangement. IMF Country Report No. 05/146, 4/05, IMF Archives.
- Keeling, D. (2004) Latin American Development and the Globalization Imperative: New Directions, Familiar Crises. Journal of Latin American Geography. **3**(1): 1-21
- Kohl, B. (2002). "Stabilizing neoliberalism in Bolivia: popular participation and privatization." Political Geography **21**: 449-472.
- Kohl, B. and Farthing, L. (2006). Impasse in Bolivia. Neoliberal hegemony and popular resistance. London, Zed Books.
- McNeish, J. (2002). "Globalization and the Reinvention of Andean Tradition: The Politics of Community and Ethnicity in Highland Bolivia " Journal of Peasant Studies **29**(3-4): 228-269.
- NACLA. (2004). Bolivia Fights Back. NACLA Report on the Americas, **38**(3).
- Nash, J. (1992). Interpreting Social Movements: Bolivian Resistance to Economic Conditions Imposed by the International Monetary Fund. American Ethnologist, **19**(2): 275-293
- Peck, J. and A. Tickell (2003). Neoliberalizing Space. Spaces of Neoliberalism. N. Brenner and N. Theodore. Malden, Blackwell.
- Peet, R. (2003). Unholy Trinity: The IMF, World Bank and WTO. London, Zed Books.
- Perreault, T.: From the *Guerra del Agua* to the *Guerra del Gas*: Resource Governance, Neoliberalism and Popular Protest in Bolivia. In *Antipode*, Blackwell, Oxford, 2006.
- Petras, J. & H. Veltmeyer: Dynamics of Social Change in Latin America. Palo Alto, California, 2003
- Petras, J. & H. Veltmeyer: Social Movements and State Power, Argentina Brazil, Bolivia, Ecuador. Pluto Press, London, 2005

Postero, N. G. (2007). *Now We are Citizens: Indigenous Politics in Postmulticultural Bolivia*. Stanford, Stanford University Press.

Schroeder, K. (2007). Economic Globalization and Bolivia's Regional Divide. Journal of Latin American Geography. 6(2): 99-120

Shultz, Jim: The Politics of Water in Bolivia. *The Nation*, January 28<sup>th</sup>, 2005.

Shultz, J.: Promises to Keep. Using Public Budgets as a Tool to Advance Economic, Social and Cultural Rights. FUNDAR, Cuernavaca, Mexico, 2002

Spronk, Susan: Bolivia: A Movement toward or beyond 'Statism'?. In: *The Bulletin*, No.47, 28 March, 2007

Swyngedouw, E. (2004). Globalisation or 'Glocalisation'? Networks, Territories and Rescaling. Cambridge Review of International Affairs 17(1): 25-48.

Swyngedouw, Erik & Maria Kaïka: The Making of 'Glocal' Urban Modernities, Exploring the Cracks in the Mirror. In: *City*, Vol 7, No.1, April 2003

---

<sup>i</sup> The parties have been a main factor in maintaining inequalities and unjust social order, since political parties have been famous for being sustaining corruption, for example by supporting the practises of "Peguismo (pega being slang for job) or cuoteo (with each party enjoying its "cuota" of power)" (Crabtree, 2005:11).

<sup>ii</sup>

<sup>iii</sup> "Se marginó la participación de los pueblos indígenas originarios en la fundación de Bolivia en el año 1825, por eso los pueblos indígenas originarios reclaman refundar Bolivia." (La Razon, 22/1 2006).

<sup>iv</sup> This discourse had been expressed by Evo Morales when he was representing the coca producers union, which he has been leader of for a number of years (and which he still is heading).

<sup>v</sup> Participación popular inserts the notion of OTB (territorially based organisation) such as the ayllu and INRA bases land distribution on social organisation as well in allowing indigenous groups to reclaim (to a certain extent) territories which they have possessed historically.

<sup>vi</sup> The example is from a field work in Bolivia in 1998 funded by "Rådet for Udviklingsforskning, DANIDA.. The names of municipality and community have been altered

<sup>viii</sup> Fieldwork in La Paz and Potosí. Funded by Aalborg university

<sup>ix</sup> Investigación Social y Asesoramiento legal, Potosí. NGOs working with social issues and with promoting indigenous peoples' rights in Southern Bolivia

<sup>x</sup> The Municipal Government has the power to administratively organise the territory of the municipality in a participatory planning process and in accordance with the municipal statutory rules.