

## Bolivia's New International Stage

Written by Miguel Centellas

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MIGUEL CENTELLAS, JUL 3 2008

The December 2005 election of Evo Morales as the president of Bolivia captivated international attention. Morales had already placed a surprising second place in the 2002 election, thanks in part to warnings from Washington that it would cut aid to Bolivia if Morales, the leader of the Bolivia's coca growers (the *cocaleros*), was elected president.[i] In doing so, ironically, the Bush administration anointed Morales a standard bearer for critics of the traditional political establishment's neoliberal economic policies and close ties to Washington—and especially for those opposed to the US-dictated coca eradication efforts.[ii] Not surprisingly, Morales's election was greeted (by supporters and critics alike) as part of the region-wide shift to the left.[iii]

Bolivia's international diplomacy has undergone a remarkable change. Morales worked to realign Bolivia away from its earlier Washington orbit and closer to anti-American bona fides like Venezuela's Hugo Chávez and Cuba's Fidel Castro. While his predecessors made Washington their first international destination, Morales opted instead to visit Havana. From there, he began what can only be described as a public relations blitz. While most Bolivian presidents traveled little, Morales went on a whirlwind pre-inaugural world tour that took him to Havana, Caracas, Madrid, Paris, Brussels, Beijing, Pretoria, and São Paulo in ten days. His inauguration on January 21-22, 2006, was heavily covered by international media and included a guest list of foreign dignitaries from around the world.

Since then, Morales's government has worked to maintain an uncharacteristically high international profile. After Spain's King Juan Carlos mocked Morales's informal attire, the Bolivian president embraced this image, starting a brief fashion trend.[iv] When FIFA considered a ban on games played at high altitude, Morales led an international campaign opposing the ban, even playing in an exhibition match in the Andes.[v] In September 2007, while in New York to attend a United Nations meeting, he became the second sitting head of state (after Pakistan's Pervez Musharraf) to appear as a guest on Comedy Central's *The Daily Show With Jon Stewart*. Earlier that year, Morales had publicly endorsed José Bové in the French presidential election. In 2007 Morales also began a very public campaign for the Nobel Peace Prize.[vi]

All of this international attention is unprecedented. As a small, underdeveloped country (it ranks 117th in the UNDP's Human Development Index),[vii] Bolivia has never had the kind of "weight" in international politics of regional powers like Brazil, Argentina or Chile. Among the Andean countries, Bolivia has regularly taken a back seat to Peru and Ecuador, which have larger and more diversified economies. Even despite its strategic importance in the US drug war, most of the attention typically goes to Colombia.

In a climate of widespread concern over Latin America's "left turn" and the growing influence of Hugo Chávez in the region, Bolivia seemed well suited to benefit from its new foreign policy presence, as Jorge Castañeda suggested.[viii] After all, Morales could potentially have gone the way of Luiz Inácio da Silva ("Lula"), the popular social democratic president of Brazil. Despite his similarly humble and "outsider" origins, Lula had since 2002 moved towards a moderate, social-democratic position that embraces free market economics with progressive social policies that have significantly reduced poverty. Morales's early visits abroad suggested his willingness to court

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international political support and financial investment.

Yet international and domestic factors both constrained Morales's ability to forge a moderate path. These include global economic realities, such as the international financial slowdown and the rising price of oil, as well as Bolivia's historically precarious position in the international economy. But they also include political missteps, such as Morales's eagerness to embrace controversial figures such as Hugo Chávez and Iranian president Mahmoud Ahmadinejad. Additionally, autonomy-seeking regional leaders have spearheaded a growing domestic political opposition which has dealt a series of recent setbacks to Morales and his government.[ix]

Despite marked improvement during Morales's first year, due in large part to substantial foreign debt cancellations,[x] Bolivia is poorly equipped for high-stakes international politics. Not only is Bolivia poor, it is also a small economy. This means that the country has little leverage when dealing with foreign investors or negotiating trade deals. In an increasingly delicate international financial context, goodwill will only go so far.

A number of economic policy announcements by the Morales government have cooled relations with Europe (which provides nearly three quarters of total non-lending donor aid to Bolivia[xi]). While the US is typically the target of anti-neoliberal rhetoric, there is relatively little American capital investment in Bolivia. Beginning in the mid-1990s, Bolivia effectively privatized most state-owned companies. But these were mostly taken over by European investors such as Italy's Euro Telecom, Spain's Unión Fenosa, and Royal Dutch Shell. On May 1, 2008, Morales issued a decree nationalizing the telephone company Entel, drawing sharp criticism from the Italian government. Similar moves to re-nationalize other Bolivian industries have made European governments understandably jittery.

A decree nationalizing the country's hydrocarbons sector on May 1, 2006, also negatively affected Bolivia's relations with key regional neighbors. Brazil's Petrobras was heavily invested in the sector. Bolivia's natural gas exports are of strategic necessity for Brazil's growing economy, which is the single largest consumer of Bolivian natural gas. Though the nationalization decree had little real impact (this was not outright expropriation, but rather the start of contract "renegotiations"), it was announced with no warning and included militarization of several installations.[xii] Only days after the announcement, Petrobras pulled the plug on any future investment projects in Bolivia.[xiii] The question of whether Lula responded forcefully enough became an issue in Brazil's 2006 presidential election. Argentina, the other significant importer of Bolivian natural gas was similarly affected. Since then, Bolivia's relations with two key Mercosur partners have become lukewarm.

In spite of very public attacks on traditional foreign investors, the Morales government has courted a number of new investors. India's Jindal steel has signed a US\$ 2.1 billion deal to exploit iron ore reserves.[xiv] The Iranian government has also agreed to invest at least US\$ 1 billion.[xv] And despite the symbolic move to "nationalize" Bolivia's oil and gas industry, Morales and Chávez agreed to establish Petroandina, an oil and gas partnership between Bolivia's YPFB and Venezuela's PDVSA. At the same time, Morales has become an active supporter of Chávez's alternative trade bloc (ALBA), further binding his country to Venezuela, Cuba, and to a lesser extent Nicaragua.

Meanwhile, Venezuela has played an increasingly prominent role in Bolivia. Using his country's oil revenues, Chávez has supplied the Bolivian government with a number of bank checks for various projects in the past two years. Not accounted for in the official budget, Morales has traveled the country handing out such checks to local authorities, government ministries, even military and police units. Domestic opponents have become increasingly worried that Morales will make Bolivia in Venezuela's image.[xvi] Increasing reports and rumors of Venezuelan military presence in the country have done little to appease the growing domestic opposition to Morales's government.

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As the goodwill generated during the early days of Morales's government slowly fades, Bolivia runs the risk of marginalizing traditional friends. Relations with Washington are at a low, furthered by a combination of US embassy missteps and heated Morales rhetoric. Relations with Europe are also starting to strain. In particular, Morales's often overly abrasive comments have pushed the diplomatic envelope. After the EU announced draconian policies against illegal immigrants, Morales accused European leaders of racism and suggested that Bolivia could also expel foreigners.[xvii] Bolivia has also recently alienated its historically closest ally, after publicly disparaging Peru's President Alan García (he called him, among other things, "overweight") over criticisms of Peru's free trade deal with the United States.[xviii]

Bolivia's government today stands in an awkward position. Having tied his political fate so closely to Chávez (who himself faces growing internal problems), Morales has risked alienating Bolivia from much-needed international trade partners and donor countries. So far the partnership with Chávez has born some gains, as Venezuelan petrodollars flood the country. But a close partnership with a rival gas exporter (Bolivia's gas reserves in the region are second to Venezuela's) may have negative long-term consequences. As a landlocked country, Bolivia is perhaps better off maintaining close ties with regional neighbors like Peru and Brazil, or even working to repair relations with Bachelet's Chile (the two countries have had strained diplomatic relations since the 1879 War of the Pacific). In the current international climate, cozying up to leaders like Chávez and Ahmadinejad may be a dangerous gambit.

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[i] <http://news.bbc.co.uk/2/hi/americas/2077471.stm>

[ii] For a review of US drug policy in Bolivia, see Kathryn Ledebur, "Bolivia: Clear Consequences." In Coletta Youngers and Eileen Rosin (ed.), *Drugs and Democracy in Latin America: The Impact of US Policy* (Boulder, CO: Lynne Rienner), 143-184.

[iii] <http://www.washingtonpost.com/wp-srv/world/interactives/latinpolitics/index.html>

[iv] <http://www.nytimes.com/2006/02/02/fashion/thursdaystyles/02sweater.html>

[v] <http://www.nytimes.com/2007/06/17/weekinreview/17romero.html>

[vi] <http://evonobel2007.org/>

[vii] <http://hdr.undp.org/en/statistics/>

[viii] <http://www.foreignaffairs.org/20060501faessay85302-p0/jorge-g-castaneda/latin-america-s-left-turn.html>

[ix] <http://www.opendemocracy.net/article/bolivia-s-democratic-tides>

[x] [http://www.cepr.net/documents/publications/bolivia\\_update\\_2007\\_08.pdf](http://www.cepr.net/documents/publications/bolivia_update_2007_08.pdf)

[xi] [http://www.cepr.net/documents/bolivia\\_challenges\\_2006\\_03.pdf](http://www.cepr.net/documents/bolivia_challenges_2006_03.pdf)

[xii] <http://news.bbc.co.uk/2/hi/business/4964432.stm>

[xiii] <http://news.bbc.co.uk/2/hi/business/4971832.stm>

[xiv] <http://www.iht.com/articles/ap/2007/07/19/business/LA-FIN-Bolivia-Jindal.php>

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[xv] <http://www.iht.com/articles/2007/09/28/america/iran.php>

[xvi] [http://www.economist.com/world/la/displaystory.cfm?story\\_id=E1\\_STQNDGJ](http://www.economist.com/world/la/displaystory.cfm?story_id=E1_STQNDGJ)

[xvii] <http://www.iht.com/articles/reuters/2008/06/20/business/OUKBS-UK-VENEZUELA-EUROPE.php>

[xviii] [http://ap.google.com/article/ALeqM5g4M6iBywCi6b9Y8Q1Y5xk\\_OZmQGwD91LA7880](http://ap.google.com/article/ALeqM5g4M6iBywCi6b9Y8Q1Y5xk_OZmQGwD91LA7880)