



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**DOES RIVALRY ALONE PRECLUDE BOLIVIAN NATURAL  
GAS SALES TO CHILE? AN EXPLANATION FOR  
BOLIVIA'S LACK OF COOPERATION WITH CHILE  
IN THE NATURAL GAS SECTOR**

by

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December 2018

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CHILE? AN EXPLANATION FOR BOLIVIA'S LACK OF COOPERATION  
WITH CHILE IN THE NATURAL GAS SECTOR**

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## **ABSTRACT**

This thesis explores the motivations behind Bolivia's refusal to sell natural gas to neighboring country Chile. It focuses on the backlash surrounding the 2003 Gas Wars and the non-cooperation that followed. Specifically, it analyzes two cases—in the 2000s and 1950s—when Bolivia successfully cooperated with Chile in the petroleum sector. While many scholars argue that rivalry has motivated Bolivia's decision to avoid cooperating with Chile, this thesis challenges that position. This thesis hypothesizes that three factors, when all present, contribute to Bolivia's decision not to cooperate with Chile in the natural gas sector. The first factor that influences this decision is disillusionment with the governing administration's economic policy. This disillusionment leads to both the administration losing credibility and the populace approaching its policy with distrust. If this factor is present, it creates the opportunity for oppositional political elites to leverage the other two factors, resource nationalism and rivalry with Chile—Bolivia's most politically charged and compelling narratives—to fully impede cooperation. This thesis tests this theory on both case studies.

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## LIST OF ACRONYMS AND ABBREVIATIONS

ACE 22	<i>Acuerdo de Complementación Económica entre Chile y Bolivia</i>
BCM	billion cubic meters
BGO	Bolivian Gulf Oil
BP	British Petroleum
CELAC	Community of Latin American and Caribbean States
COMIBOL	<i>Corporacion Minera de Bolivia</i>
GDP	gross domestic product
ICJ	International Court of Justice
IOCs	international oil companies
LNG	liquefied natural gas
LPG	liquefied petroleum gas
MAS	<i>Movimiento al Socialismo</i>
MNR	<i>Movimiento Nacionalista Revolucionario</i>
NCDRG	National Coordinator for the Defense and Recovery of Gas
TCF	trillion cubic feet
YPFB	<i>Yacimientos Petrolíferos Fiscales Bolivianos</i>
FEJUVE	<i>Federación de Juntas Vecinales</i>

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# I. INTRODUCTION

## A. MAJOR RESEARCH QUESTION

In *Enduring Rivalries: Theoretical Constructs and Empirical Patterns*, Goertz and Diehl argue that “too often in the study of international conflict scholars have assumed that all conflict events are unrelated and that escalation to war is independent of past or possible future conflicts.”<sup>1</sup> This statement is justification for their influential work outlining the qualifiers that still contribute to defining rivalry among states. Goertz and Diehl acknowledge that states can be involved in repeated conflicts that are unrelated; however, they stress that this must be proven and “not assumed as is frequently the case.”<sup>2</sup> This thesis is presented in a similar spirit, but makes the opposite argument. Just as one can assume the conflicts between two states are unrelated to past conflicts, scholars can also incorrectly view a conflict or lack of cooperation between two states as solely the product of an unresolved rivalry. Many scholars have classified Chile and Bolivia as rival states, but this thesis cautions against assuming that the conflicts and failures of cooperation between Chile and Bolivia are solely due to their unresolved rivalry.<sup>3</sup>

The thesis specifically revolves around the reason for lack of bilateral cooperation within the energy sector. In the early 2000s, Bolivia possessed the second largest known natural gas reserves in Latin America.<sup>4</sup> Meanwhile, Chile found itself with both a growing gas demand—due to prior substantial investments in natural gas power generation—and a

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<sup>1</sup> Gary Goertz and Paul Diehl, “Enduring Rivalries: Theoretical Constructs and Empirical Patterns,” ed. Gary Goertz, *International Studies Quarterly* 37, no. 2 (1993), <https://doi.org/10.2307/2600766>, 147, 148.

<sup>2</sup> Goertz and Diehl, 148, 159; William R. Thompson, “Identifying Rivals and Rivalries in World Politics,” *International Studies Quarterly* 45, no. 4 (2001): 557–86, <https://doi.org/10.1111/0020-8833.00214>, 559, 568.

<sup>3</sup> Thompson, “Identifying Rivals and Rivalries in World Politics,”; Goertz and Diehl, “Enduring Rivalries: Theoretical Constructs and Empirical Patterns”; Darnton, *Rivalry and Alliance Politics in Cold War Latin America* (Baltimore, MD: Johns Hopkins University Press, 2014); Aparajita Gangopadhyay, “From Land Wars to Gas Wars: Chile–Bolivia Relations and Globalisation,” *India Quarterly* 70, no. 2 (2014): 139–52.

<sup>4</sup> “BP Statistical Review of World Energy 2004,” *British Petroleum (BP)*, 2004, 20.

diminishing natural gas supply from its sole supplier Argentina.<sup>5</sup> Despite the potential for a mutually beneficial relationship, both countries sought alternative markets. This thesis asks the following question: Why were Bolivia and Chile unable to make a mutually beneficial deal to supply and purchase natural gas? It specifically centers on the origins and motivators behind Bolivia's decision not to sell Chile natural gas. This contemporary decision to not sell Chile natural gas is juxtaposed with cooperation in the 1950s, which consisted of successful petroleum sales to and through Chile.<sup>6</sup> Analyzing the conditions that led to the two different outcomes helps clarify what is truly driving Bolivian foreign policy of not selling Chile natural gas within the last two decades.

## **B. SIGNIFICANCE OF THE RESEARCH QUESTION**

In answering the above question, this thesis contributes to literature regarding cooperation among rivals. Its research provides observations that further discussion regarding why rival states can cooperate in certain sectors or certain timeframes, but not in others. It is important to note that this thesis does not seek to answer how Bolivia and Chile can conclude their rivalry or what effect bilateral cooperation can have in ending said rivalry. It merely seeks to understand if and how these two rivals can cooperate on matters such as energy integration by analyzing what has precluded Bolivia from selling Chile natural gas. Furthermore, understanding why Bolivia is unwilling to sell natural gas to Chile will remain a pertinent topic until the two nations finally trade their antagonistic relationship for one of cooperation.

The thesis further touches upon issues of regional energy cooperation. Latin America is a region with large amounts of energy resources unequally distributed among several countries.<sup>7</sup> Logically, this scenario produces the opportunity for cooperation and

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<sup>5</sup> David Mares and Jeremym Martin, "Regional Energy Integration in Latin America: Lessons from Chile's Experience with Natural Gas," *Third World Quarterly* 33, no. 1 (2012): 55–70, <https://doi.org/10.1080/01436597.2012.642224>, 54, 62.

<sup>6</sup> Almaraz Paz, *Petroleo: Soberania o dependencia [Petroleum: Sovereignty or Dependency]* (Mercurio, 1958), 67 (All translations in this thesis completed by author).

<sup>7</sup> Ricardo Raineri et al., "Latin America Energy Integration: An Outstanding Dilemma," in *Evolution of Global Electricity Markets* ed. Sioshansi, Fereidoon (Boston: Academic Press, 2013), 393–432, <https://doi.org/10.1016/B978-0-12-397891-2.00014-6>, 393.

integration among nations; however, in the case of Latin America, this seemingly perfect scenario for integration has come to fruition slower and more painfully than expected.<sup>8</sup> Despite its struggles, energy cooperation remains an open discussion among Latin American nations. In fact, in 2007 the South American Energy Council was created during the very first South American Energy Summit.<sup>9</sup> Expectedly, energy integration is one of the key goals of the council.<sup>10</sup> Considering the emphasis placed upon energy integration within Latin America, the idea of identifying what factors hinder such cooperation is imperative. In fact, this field has been the focus of several scholars who together have sought to understand what contributes to cooperation and what has sabotaged the grandiose plans for regional integration once imagined.<sup>11</sup>

Lastly, this thesis enhances our understanding of the complicated relationship between the Bolivian people, their national resources, and the forces of globalization. This area remains relevant considering that, for Bolivia, the topic of resource extraction and exploitation has been present since the exploitation of the infamous Potosi silver mines during the 1500s.<sup>12</sup> Fast forward approximately 500 years to the early 2000s and this relationship has remained volatile enough to spark a political revolution that forced the resignation of two Bolivian presidents within a twenty-month period.<sup>13</sup> Understanding what motivates and fuels these social movements is important for two key reasons. First,

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<sup>8</sup> Carolina Viola Reyes, “Energy Integration in South America and Global Politics,” in *Regionalism, Development and the Post-Commodities Boom in South America*, ed. Ernesto Vivares (London: Palgrave Macmillan, 2018), 161; David Mares, “Natural Gas Pipelines in The Southern Cone,” ed. Victor, Jaffe, and Hayes,” in *Natural Gas and Geopolitics from 1970 to 2040*, (2006), 196-197.

<sup>9</sup> Gabriela Aguilera Lizarazu, “Gas Integration in South America and Liquefied Natural Gas,” *Revista de Humanidades y Ciencias Sociales (Santa Cruz de La Sierra)* 4 (2008): 1–41, 5.

<sup>10</sup> Lizarazu, 6.

<sup>11</sup> Lizarazu, 9; Raineri et al., “Chapter 14 - Latin America Energy Integration: An Outstanding Dilemma A2 - Sioshansi, Fereidoon P,” 406-408; Carolina Viola Reyes, 159.

<sup>12</sup> Bruno Boccara, *Socio-Analytic Dialogue : Incorporating Psychosocial Dynamics into Public Policies* (Lanham, Maryland: Lexington Books, 2014), 134.

<sup>13</sup> Gretchen Gordon and Aaron Luoma, “Oil and Gas: The Elusive Wealth Beneath Their Feet,” in *Dignity and Defiance: Stories from Bolivia’s Challenge to Globalization*, ed. Jim Shultz and Melissa Draper (California: University of California Press, 2008), 99, 103; Peter DeShazo, “Bolivia” in *Energy Cooperation in the Western Hemisphere: Benefits and Impediments*, ed. Sidney Weintraub (Washington, DC: Center for Strategic International Studies, 2007), 348.

understanding these movements will further help the United States (U.S.) consider more effective policy toward Bolivia, which can in turn help normalize current tense relations.<sup>14</sup> Secondly, this thesis contributes to understanding Bolivian foreign policy decision making. Overall, this thesis contributes to Bolivian foreign policy studies, which is an underrepresented field of literature.

### C. LITERATURE REVIEW

A literature review centering around the question of why Bolivia has refused to sell Chile natural gas yielded one scholarly work that partially considers the question and several articles that do not sufficiently explore the question and instead oversimplify the issue to one of resentment and anger towards Chile on the part of Bolivia.<sup>15</sup> Furthermore, the absence of literature present on the subject might lead one to believe that the matter is so undoubtedly about resentment and animosity that it is not worth exploring; however, as Goertz and Diehl argue, said matters must be proven, not merely assumed.<sup>16</sup>

A deficiency of literature dedicated to examining this thesis question resulted in referencing literature concerning energy integration within Latin America as well as applicable theory from broader fields of study such as international relations. This literature review begins by discussing observations made by Latin American energy integration literature, but supplements their ideas with more in-depth and empirically supported theory.

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<sup>14</sup> “Evo Morales, “US is Greatest Threat to Freedom, Democracy,” *Telesur*, 14 April 2018; “Evo Morales Blasts US-Backed Regional Military Exercise,” *Telesur*, 15 November 2017; “Evo Morales: Latin America Is No Longer a Yankee Colony,” *Telesur*, 12 November 2017.

<sup>15</sup> Lawrence Wright, “Lithium Dreams,” *New Yorker* 86, no. 5 (2010): 48, 8; Mares, “Natural Gas Pipelines in The Southern Cone,” 27; Feliciano Félix and Muruchi Poma, *From the Mines to the Streets a Bolivian Activist’s Life* (Austin: University of Texas Press, 2011), 203; Juan Forero, “Lingering Feud with Chile Threatens Bolivia’s Pipeline Plan,” *New York Times*, July 8, 2002; “Bolivia/Chile: Old Dispute Could Thwart Gas Project,” *Oxford Analytica Daily Brief*, March 7, 2002; “Bolivia’s Fight for the Sea Will Impact Energy Sector,” *Petroleum Economist*, May 3, 2013; “Chile, Bolivia: A Nineteenth Century War’s 21st Century Consequences,” *Stratfor Worldview*, July 13, 2005; Gideon Long, “Bolivia-Chile Land Dispute Has Deep Roots,” *BBC*, April 24, 2013; “Trickle-down Diplomacy; Bolivia and Chile,” *Economist*, November 17, 2012; Remi Piet et al., *Energy Security and Environmental Sustainability in the Western Hemisphere* (Lanham, MD: Lexington Books, 2017), 327; Juan Forero, “Hopes Fading for Bolivia Pipeline Project,” *New York Times*, March 27, 2003; Elizabeth Lokey, *Renewable Energy Project Development Under the Clean Development Mechanism: A Guide for Latin America* (London: Earthscan, 2012), 114.

<sup>16</sup> Goertz and Diehl, “Enduring Rivalries,” 148, 159.

The literature on energy integration within Latin America focuses on both the failure of the region to coordinate on a grand scale as well as the difficulties involved in coordinating on a bilateral level. In existing literature regarding bilateral agreements that have failed to materialize, several authors have considered the challenges that stand in the way of cooperation. While there does not exist exclusively divergent schools of thought on what hinders cooperation, for this thesis, the observations will be split into literature that focuses on the idea of geopolitical hostility suppressing cooperation and literature that focuses on the fear of unequal gains held by citizens hindering cooperation. Furthermore, the separation of viewpoints and further references to “schools of thought” does not imply there is a significant amount of literature on each side of the viewpoints presented below. As mentioned above, there is in fact a lack of literature making the thesis question its primary focus.

### **1. The Case for Rivalry and Resentment Hindering Natural Gas Sales**

The idea that geopolitical hostility is the root cause of why Latin American nations fail to cooperate on matters of energy integration is a prevalent one. In *Natural Gas Pipelines in The Southern Cone*, Mares considers why there was a 25-year gap between the first international gas pipeline that connected Bolivia to Argentina and subsequent connections within the region. After a comparative analysis between failing and successful pipelines, he concludes that one of the most influential factors that dictates whether international cooperation can occur is the geopolitical relationship between countries within the southern cone. While this is an overgeneralized position, it is commonly accepted in the specialized field of energy integration within Latin America.<sup>17</sup> Raineri et al. further expand on this idea as they highlight that distrust among neighbor states, which have conflictual interests deriving from historical border disputes, contributes to failed integration.<sup>18</sup> This observation is the basis for the first school of thought; however,

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<sup>17</sup> Mares and Martin, “Regional Energy Integration in Latin America,”; Raineri et al., “Latin America Energy Integration,”; Lizarazu, “Gas Integration in South America and Liquefied Natural Gas,”; Viola Reyes, “Energy Integration in South America and Global Politics.”

<sup>18</sup> Raineri et al., “Latin America Energy Integration,” 414–415.

considering this thesis deals with Bolivia-Chile relations, a model that represents their adversarial relationship is sought for the underlying foundation of this research.

The field of international relations provides a widely accepted and applicable characterization of the type of relationship between Bolivia and Chile: rivalry. Goertz and Diehl explain the importance of identifying a rivalry by asserting that different models are necessary when considering the conflict between nations that have a history of rivalry.<sup>19</sup> This distinction is important as it creates a framework that considers the history and the likelihood of cooperation between two nations as opposed to working within a framework that only considers current defining circumstances.<sup>20</sup> In the case of Bolivia and Chile, this history involves a rivalry stemming from the Nitrate War of 1879 and the subsequent loss of Bolivia's coast to Chile.<sup>21</sup> This loss of territory remains a contentious issue between the two countries.<sup>22</sup> Therefore, scholars would cite a "competing territory claim" as the unresolved issue perpetuating the rivalry between these two nations.<sup>23</sup> However, due to Goertz and Diehl's requirement for dispute density, the definition of strategic rivalry by William Thompson remains more applicable.<sup>24</sup> Thompson defines "strategic rivals" as nations that "regard each other as (a) competitors, (b) the source of actual or latent threats that pose some possibility of becoming militarized, and (c) enemies."<sup>25</sup> This definition is used in this thesis as the standard defining term for Bolivia's and Chile's relationship. The definition is similar to that of Goertz and Diehl's but omits a requirement for dispute density as a defining factor.<sup>26</sup>

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<sup>19</sup> Goertz and Diehl, "Enduring Rivalries," 148–149.

<sup>20</sup> Goertz and Diehl, 149.

<sup>21</sup> Gangopadhyay, "From Land Wars to Gas Wars," 140–142.

<sup>22</sup> "Bolivia Takes Sea Access Dispute with Chile to International Court of Justice," *Santiago Times*, March 19, 2018.

<sup>23</sup> Goertz and Diehl, "Enduring Rivalries," 153; Gary Goertz and Paul Diehl, "The Empirical Importance of Enduring Rivalries," *International Interactions* 18, no. 2 (1992): 156.

<sup>24</sup> Goertz and Diehl, "Enduring Rivalries," 154, 156; Thompson, "Identifying Rivals and Rivalries in World Politics."

<sup>25</sup> Thompson, "Identifying Rivals and Rivalries in World Politics," 561.

<sup>26</sup> Thompson, 557–558, 568–569.



The categorization of strategic rivals is merely a definition considered to provide structure to this thesis. The observations made by Latin American energy integration scholars as well as their thought process stays the same. This school of thought would argue that Bolivia refuses to sell Chile natural gas because of their rivalry, stemming from Bolivia's loss of its coast to Chile following the Nitrate War.<sup>27</sup> These scholars assume that resentment stemming from the loss is strong enough to dissuade Bolivians from selling Chile natural gas based upon principle alone. It is important to note that other scholars have indeed acknowledged the existence of Bolivian resentment towards Chile stemming from the loss of access to the Pacific.<sup>28</sup> Furthermore, this school of thought typically cites offers made by Bolivia to sell natural gas in return for sovereign access to the Pacific as proof that lack of cooperation stems from an unresolved rivalry and resentment.<sup>29</sup> While this thesis agrees that this geopolitical conflict can hinder cooperation, it seeks to analyze the extent to which such a conflict alone can impede energy integration. After all, there remain far more extreme examples of rival nations cooperating such as moments in history when rival nations engaged in hydrocarbon sales while they were involved in war with one another.<sup>30</sup>

## **2. The Case for Fear of Exploitation and Unequal Gains Hindering Natural Gas Sales**

Latin American energy integration scholars have also proposed that “the belief of unequal distribution of benefits among citizens/nationals and foreign investors/companies” can pose a challenge in facilitating energy cooperation.<sup>31</sup> For example, Mares and Martin emphasize how the domestic politics of countries that have energy surpluses in Latin America have proven unfavorable towards energy integration due to reasons of resource

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<sup>27</sup> Gangopadhyay, “From Land Wars to Gas Wars,” 140-142.

<sup>28</sup> Gangopadhyay, 141; Boccara, *Socio-Analytic Dialogue*, 143-144.

<sup>29</sup> “Bolivia’s Fight for the Sea Will Impact Energy Sector.”

<sup>30</sup> Jack S. Levy and Katherine Barbieri, “Trading with the Enemy during Wartime,” *Security Studies* 13, no. 3 (2004): 1-2.

<sup>31</sup> Raineri et al., “Latin America Energy Integration,” 414.

nationalism and beliefs that others would benefit from their country's resources.<sup>32</sup> The one work that partially considers the reasons why Bolivia has not sold natural gas to Chile, by George, takes a very similar stance.

George contributes to identifying why Bolivia has not yet sold Chile natural gas by arguing both that animosity towards Chile itself did not preclude cooperation and that it is economically necessary for Bolivia to sell natural gas to Chile as its market diminishes.<sup>33</sup> First, George considers the importance of Bolivia's resource nationalism and contends that Bolivia has become sensitive to export operations of natural resources due to a history of extraction and exploitation.<sup>34</sup> This position is not a new one; scholars widely agree that Bolivia has struggled with cycles of exploitation leading to both a strong sense of resource nationalism and the recurrence of social movements against private foreign ownership of natural resources.<sup>35</sup> With this in mind, George argues that, when the Bolivian natural gas sector developed, it became entangled in a nationalistic revolt against neoliberal policies that favored export operations through Chile, which ultimately precluded the export of natural gas to Chile.<sup>36</sup> He briefly contemplates that the protests and movement against neoliberalism stifled the feasibility of exporting natural gas to Chile as the two ideas quickly became associated with one another.<sup>37</sup> George claims this created an environment that ultimately made the export of natural gas to Chile unfeasible. This part of George's argument aligns with Raineri et al.'s observation that "unequal distribution of benefits among citizens/nationals and foreign investors/companies" can hinder cooperation, as he implies that said forces discouraged selling Chile natural gas.<sup>38</sup> This is seen in Bolivia

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<sup>32</sup> Mares and Martin, "Regional Energy Integration in Latin America."

<sup>33</sup> Samuel George, "Bolivian Natural Gas: Between a Rock and a Hard Place, Why Exporting Natural Gas to Chile is Both Possible and Necessary," (unpublished research paper, last modified April 17, 2012), <https://semancha.files.wordpress.com/2012/01/bolivian-natural-gas.pdf>, 2–3.

<sup>34</sup> George, 3–6.

<sup>35</sup> DeShazo, "Bolivia," Boccara, *Socio-Analytic Dialogue*; Thomas Perreault, "From the Guerra Del Agua to the Guerra Del Gas: Resource Governance, Neoliberalism and Popular Protest in Bolivia," *Antipode* 38, no. 1 (2006); Linda Farthing, "Bolivia's Dilemma: Development Confronts the Legacy of Extraction," *NACLA Report on the Americas* 42, no. 5 (2009).

<sup>36</sup> George, "Bolivian Natural Gas: Between a Rock and a Hard Place," 2.

<sup>37</sup> George, 5, 8.

<sup>38</sup> Raineri et al., "Latin America Energy Integration," 414.

where a majority of the Bolivian populace perceived neoliberalism as leading to situations in which the nation's natural resources were vulnerable to exploitation by foreign nationals.<sup>39</sup> While he aligns with prior observations made by energy literature scholars, George asserts that “perhaps the conventional wisdom that gas exports to Chile would be politically untenable is overstated.”<sup>40</sup> He does this by implying the backlash that occurred during the 2003 Gas Wars was more specifically directed at unpopular neoliberal reforms instead of the idea of exporting natural gas to Chile.<sup>41</sup> George supports this assertion by arguing that Bolivia has successfully exported hydrocarbons to Chile in the past. In this fashion, George shows that there may be another factor influencing the denial to export natural gas to Chile as opposed to just the resentment regarding the loss of its outlet to the sea.

International relations theory provides some additional observations useful in examining the argument made by this school of thought. Scholars of international relations argue that conflicting political interest can impede trade; however, some scholars caveat that rival states engaged in “very hostile relations” can still cooperate and participate in trade.<sup>42</sup> Kastner argues that the factor which most influences whether trade is impeded is often domestic political support for or against said trade.<sup>43</sup> With this observation, Kastner ties both schools of thought together.

### **3. Consensus and Contention**

The two schools of thought have some underlying similarities. First, by asking what hinders Bolivia from selling Chile natural gas, both are considering what prevents rivals from cooperating. Furthermore, both schools of thought consider the political risk

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<sup>39</sup> James Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, (University Park, PA: Pennsylvania State University Press, 2011), 174–175.

<sup>40</sup> George, “Bolivian Natural Gas: Between a Rock and a Hard Place,” 8.

<sup>41</sup> George, 8.

<sup>42</sup> Scott Kastner, “When do Conflicting Political Relations Affect International Trade?” *Journal of Conflict Resolution* 51, no. 4 (2007): 664, 668; Thompson, “Identifying Rivals and Rivalries in World Politics,” 559, 562.

<sup>43</sup> Kastner, “When do Conflicting Political Relations Affect International Trade?” 664–665; Thompson, “Identifying Rivals and Rivalries in World Politics,” 559, 562.

associated with selling Chile natural gas. Kastner elaborates that decisions regarding international trade and cooperation made by political leaders are considered by their constituents and that political leaders risk losing support or being replaced by political opponents when they make decisions that are widely opposed.<sup>44</sup> This theoretical breakdown further tracks with the observations made by both schools regarding the political risk associated with integration. The first school would argue leaders have not sold Chile natural gas due to fear of backlash stemming from national pride and resentment toward Chile, whereas the second school would argue that the political risks associated with selling Chile natural gas arise primarily from opposition to unequal gains, not resentment.

While not explicitly stated in either of the above schools of thought, one can assume that the hindering factors that are offered as explanations manifest themselves in the form of public opinion towards leaders that would propose such integration. While both schools would agree that public opinion hinders the sale of natural gas to Chile, there is disagreement about the level of influence Bolivian animosity towards Chile has on the decision. The first group of scholars simplifies the issue—and neglects to fully consider it—by assuming that Bolivia cannot sell Chile natural gas, as it would be considered political suicide to cooperate with Chile. On the other hand, George challenges this assumption by arguing that scholars have misinterpreted the level of animosity towards Chile. He does this by mentioning that Bolivia has exported hydrocarbons to Chile before without backlash. He further cites that negative public opinion stemming from privatization and neo-liberalization was misdirected towards Chile. Nevertheless, there is a lack of consensus and lack of literature dedicated primarily to answering the question of why Bolivia has not sold Chile natural gas. This absence has led to knowledge gaps that have not been properly considered as well as assertions that have not been properly supported by empirical evidence.

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<sup>44</sup> Kastner, “When do Conflicting Political Relations Affect International Trade?” 670.

#### **4. Gaps in Research**

George takes important steps in dispelling the popular oversimplification that suggests that “lingering animosity held by Bolivians against Chileans precludes a mutually beneficial economic relationship.”<sup>45</sup> In doing so, he begins to identify gaps in logic present within the prevalent oversimplified assumption. Nevertheless, there remain several areas deserving of further research. For example, while George cites prior exports of petroleum to Chile by Bolivia in the 1950s, he does not fully elaborate on the circumstances that made such exports possible, as opposed to current conditions that have not. George also fails to provide empirical support when assuming that public opinion against exporting natural gas to Chile was influenced by public opinion against neoliberal policy prevalent during the Gas Wars of 2003. While some scholars exploring Chile-Bolivia relations have considered the possibility that the Gas Wars may have defined future relations with Chile, the notion remains largely unexplored.<sup>46</sup> Furthermore, he does not consider why public opposition has not subsided and why Bolivia has not sold Chile natural gas since nationalizing its hydrocarbon industry. Lastly, there is a lack of literature explaining why Bolivia has successfully cooperated with Chile on several other matters without public backlash while the issue of selling natural gas seems unmanageable.

This thesis seeks to continue the discussion George began and attempts to introduce theory from other fields to answer the underlying question of why Bolivia has not sold Chile natural gas. This thesis considers observations made by literature within the field of energy integration of Latin America and international relations as it seeks to create a research perspective that is free of underlying assumptions.

#### **D. THEORY AND ARGUMENT**

The explanation for Bolivia’s unwillingness to sell Chile natural gas presented by this thesis involves aspects of both schools of thought mentioned above. The theory centers on the idea that public opinion has indeed prevented Bolivian leaders from selling Chile

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<sup>45</sup> George, “Bolivian Natural Gas: Between a Rock and a Hard Place,” 2.

<sup>46</sup> Gangopadhyay, “From Land Wars to Gas Wars,” 145.

natural gas. However, this thesis contests the notion that animosity and resentment on the part of Bolivia towards Chile is the sole explanation for not selling natural gas. It recognizes that rivalry plays a role in the choice, but it considers how other factors weigh on the decision, as well as how public opinion against natural gas cooperation with Chile became so prominent within Bolivia during a specific timeframe. More specifically, this thesis argues that, while rivalry played a role in Bolivia's decision, the role it played was greatly amplified by two other factors. Identifying these factors can help understand why Bolivia has been able to sell Chile petroleum in the past and cooperate in other sectors, but why it has not been able to sell Chile natural gas within the last two decades despite the opportunity for a mutually beneficial deal.

This thesis identifies three factors that led to Bolivia's decision not to sell Chile natural gas. It argues that together these factors have proven influential enough to dissuade cooperation in the form of selling Chile natural gas. Furthermore, it contends that these three factors manifest themselves through public opinion against the actions of political leaders.<sup>47</sup> More specifically, this theory is built around one primary factor and two additional factors that can be activated dependent upon the presence of the first variable. If the first factor is present, then the other two factors can work against potential cooperation with Chile.

The first and primary factor that has contributed to impeding cooperation with Chile is Bolivian discontent with the political administration's economic policy. This discontent and frustration can stem from poverty, perceived unfair returns from national resources, and policy perceived as threatening to constituents' livelihoods. For example, if the population is suffering from poverty and popular sentiment is that the political

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<sup>47</sup> Due to the circumstances and timeframes under which hydrocarbon cooperation with Chile was proposed the theory of this thesis focuses on the influence of public opinion on the foreign policy decisions of leaders in democratic eras. However, it is important to note that public opinion has proven capable of influencing or even unseating Bolivian military rulers whose policy regarding natural resources proved unpopular. The first example of is the 1952 revolution where the management of tin mines was a significant issue of public concern that fueled the revolution. Secondly, the nationalization of the oil industry by the 1970s Ovando-led military junta can be seen as an attempt "to attract popular support for a weak regime." Therefore, in a moment of mass discontent the military junta responded by satisfying the demands of the populace for state control over natural resources. Kevin A. Young, "From Open Door to Nationalization: Oil and Development Visions in Bolivia, 1952–1969," *Hispanic American Historical Review* 97, no. 1 (February 1, 2017): 3, 33, 34.

administration's economic policy is contributing to or responsible for said poverty, then the export operations are more likely to be questioned. This is because the above issues lead to de-legitimization of political parties, which in turn makes their decisions suspect and more likely to be contested. Ultimately, if this disillusionment is present, cooperation will be more contested; therefore, the other two factors will be able to be activated and play their complementary roles in impeding cooperation with Chile.

The additional two factors that contribute to impeding trade are based on two historically significant narratives that have the ability to greatly influence Bolivian politics. However, these narratives, which are present in the collective memory of the Bolivian people, do not autonomously work to impede trade. Just as scholars have emphasized the importance of agency and culture within the revolutionary process, this thesis asserts that individual actors such as political elites need to effectively invoke, manipulate, and build upon "timeless conceptions to arouse and mobilize the population" against cooperation.<sup>48</sup> This thesis argues that due to the presence of discontent with the administration's economic policy—first variable—political elites will be empowered to utilize the two historic narratives to challenge cooperation.

The first narrative that is leveraged by the political elite to impede cooperation is Bolivia's history of resource nationalism. However, this thesis is not arguing that Bolivia simply cannot export natural resources; it is obvious that it does. Rather, this thesis contends the populace is politically sensitive to planned export operations. This sensitivity stems from a history of perceived exploitative resource extraction operations that have traditionally benefited transnational companies and the Bolivian elite as opposed to the general populace. This factor, when leveraged by political elites, contributes to a greater backlash towards the decision to export natural resources, ultimately making cooperation

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<sup>48</sup> Selbin in *Agency and Culture in Revolution* emphasizes the critical role played by leaders in revolutions. Selbin argues that revolutions do not simply arise if certain conditions are met rather that they require leaders. Selbin outlines how leaders can draw on collective memory, –such as fear of exploitation due to prior experiences– symbolic politics, and the social context of politics to generate support and to create visions for revolutionary politics. In a similar manner and context Bolivian political elites motivated Bolivian politics. For a more in-depth explanation of the manner in which agency and culture can influence revolutions and revolutionary politics see: Eric Selbin, "Agency and Culture in Revolution," in *Revolutions: Theoretical, Comparative, and Historical Studies*, 3rd ed., ed. Jack Goldstone (Belmont: Wadsworth, 2003), 76–83.

with Chile unlikely. In fact, as mentioned above, resource nationalism is one of the factors scholars have recognized as impeding cooperation within Latin America.<sup>49</sup> In Bolivia, this factor plays a crucial role in foreign policy related to natural resources.

Lastly, to block this natural gas cooperation, political elite must also leverage the narrative of rivalry between Bolivia and Chile. Bolivia's unresolved territorial dispute with Chile, which is the basis for their strategic rivalry, continues to be a politically charged topic that can contribute to impeding cooperation between the two nations. In this case, this thesis argues that Bolivian resentment towards Chile for the taking of its Litoral region, when leveraged by political elites, contributes to the impediment of natural gas sales to Chile.

Overall, this thesis argues that these three factors contributed to a climate that impeded the sale of natural gas to Chile. It is important to note that the three factors hypothesized above as impeding cooperation are necessary conditions, which must all be present, for cooperation between Bolivia and Chile to be obstructed. In fact, this thesis contends that the lack of one or two factors is the reason Bolivia has been able to cooperate with Chile in other matters or in other timeframes.

Additionally, this thesis argues that public trust in the administration's economic policy can prevent the obstruction described above and allow for cooperation to persist. Just as disillusionment in the administration can lead to its decisions being contested, the opposite effect can also occur. If an administration is viewed as credible, then its decisions will be viewed as either beneficial to the Bolivian people or a necessary hardship. Therefore, cooperation will persist because the two additional factors above will be unable to further contribute to backlash and impede cooperation. Ultimately, when the government's policy is viewed as necessary and beneficial it will prove too difficult for elites to mobilize the public utilizing resource nationalism and rivalry. Therefore, without the primary variable of disillusionment, the remaining two factors are unable to measurably influence Bolivia's foreign policy of cooperation with Chile.

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<sup>49</sup> Mares and Martin, "Regional Energy Integration in Latin America," 66.



This thesis tests the above theory regarding Bolivia's cooperation with Chile to verify if hydrocarbon cooperation is dependent upon all three variables being present. It argues that the decision to not export hydrocarbons to Chile is motivated by disillusionment with the administration's economic policy and the effects of elites seizing upon narratives of resource nationalism and rivalry. In doing so, this thesis expands upon the incomplete explanation, which suggests that animosity and resentment on the part of Bolivia towards Chile alone is responsible for lack of hydrocarbon cooperation with Chile.

## **E. RESEARCH DESIGN**

This thesis consists of a historical comparative analysis between the political climate that enabled Bolivia to export petroleum to Chile in the 1950s as compared to the political climate that has impeded the sale of natural gas to Chile since the early 2000s. The thesis summarizes the two separate cases primarily drawing evidence from published books, academic articles, and media reports. It also utilizes historical newspaper databases and declassified U.S. reports regarding the political climate of Bolivia in the 1950s-1960s. Despite the lack of literature asking the specific question of what dissuaded Bolivia from selling Chile natural gas, there is ample research on the political climate surrounding the two time periods. This thesis also utilizes public opinion poll results from 1962 and 2003 to further understand public sentiment towards the economic policy of the political administrations that proposed cooperation with Chile in the form of hydrocarbon sales. Poll results provide a quantifiable medium to compare public sentiment during the two eras. Furthermore, the resources above are utilized to understand the role of the political elite during the time periods in which the decisions to export hydrocarbons to Chile were proposed. Lastly, this thesis utilizes international relations and public opinion scholarly works to provide a theoretical take on the results.

This approach is selected because it provides a within-case comparison of two different outcomes. This methodological approach allows the variables explained above—discontent with the administration's economic policy, political elite leveraging resource nationalism, and political elite leveraging rivalry—to be considered and examined in the

two separate outcomes and time-periods.<sup>50</sup> This thesis reviews the differences and similarities in the two circumstances to test the theory that these three factors determine whether Bolivia can cooperate with Chile in the form of hydrocarbon sales.

## **F. THESIS OVERVIEW**

This thesis begins by providing the historical background for the two narratives that are leveraged by the political elite to halt cooperation: resource nationalism and rivalry. Following the recognition of the importance of these two issues in Bolivian politics, Chapter III explores the 1950s decision to export hydrocarbons to Chile. It considers the political climate of the era, public opinion towards the administration's economic policy, and the role of the political elite in mobilizing the populace against the decision to export oil to Chile utilizing the above narratives. In Chapter IV, the same process of examination is applied to the political climate and the decision not to sell Chile natural gas in the early 2000s. Lastly, the conclusion considers the difference between the two different time-periods and provide key observations.

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<sup>50</sup> It is also important to note that the case studies in this thesis focus on eras of democratic Bolivian rule; therefore, this thesis more definitively serves as a litmus test of the influence of factors such as rivalry and resource nationalism on national level foreign policy decisions of hydrocarbon cooperation with Chile. For example, if the case studies of successful cooperation examined took place under a dictatorship or military rule the theory outlined in this thesis would not go a long way in showing that cooperation is influenced by more than just rivalry. This is because in a dictatorial regime the voice of the people would contribute less to influencing the foreign policy decisions of those in power than in a democracy. Therefore, the theory outlined in this thesis is being logically tested by the research design structure.

## II. BOLIVIA'S KEY HISTORICAL NARRATIVES

Bolivia's rivalry with Chile and resource nationalism are both topics that are central to the argument of this thesis. Therefore, before this thesis analyzes the two case studies, it is important to provide the necessary background surrounding these two variables. Doing so will show the extent to which these two topics are rooted in the history and culture of Bolivia. Each issue has more than a hundred years of history solidifying its importance within Bolivia. For this reason, resource nationalism and rivalry with Chile are two politically charged topics. More than a century later, in the current decade, these two narratives when leveraged by political elites have proven effective in influencing modern-day national politics. This chapter explains the sensitive history behind the narratives that political elites leverage when impeding cooperation with Chile.

### A. RESOURCE NATIONALISM

Resource nationalism as defined by Young is “the idea that resource wealth should be used for the benefit of the nation.”<sup>51</sup> While resource nationalism does not necessarily require government ownership or extraction of natural resources, Bolivia's experience with international actors has dissuaded it from allowing private entities to capitalize on its natural resources. In line with Young's definition, Bolivia has traditionally considered the wealth present in its natural resources as the national patrimony of the people; however, such resources have not historically been utilized for that purpose.<sup>52</sup> Instead, Bolivia has seen its natural resources exported by private entities as it has both failed to industrialize and free itself from an extractive industry model.<sup>53</sup> The repetitiveness of this extraction-export cycle paired with the perceived exploitation of Bolivian resources has resulted in the development of a strong sense of resource nationalism within the country.

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<sup>51</sup> Kevin Young, *Blood of the Earth: Resource Nationalism, Revolution, and Empire in Bolivia* (Austin, TX: University of Texas Press, 2017) 1.

<sup>52</sup> Natalie Koch and Tom Perreault, “Resource Nationalism,” *Progress in Human Geography*, (2018): <https://doi.org/10.1177/0309132518781497>.

<sup>53</sup> Young, *Blood of the Earth*, 3.

The Bolivian people's first experience with this type of extraction predates the country's official founding. The experience of the Bolivian people with international extractive forces began with the exploitation of the infamous Potosi silver mines during the 1600s.<sup>54</sup> In 1611, Potosi, which was approximately the size of London, ranked as one of the largest cities in the world.<sup>55</sup> Potosi was full of opulent churches, dance halls, and theatres; however, when the Spanish nearly depleted the mines of Cerro Rico, Potosi was left without riches. For 150 years, half the silver mined in the western hemisphere originated from the city of Potosi, yet it slowly declined into poverty after operations ceased.<sup>56</sup> Now, Potosi is one of the poorest cities in one of Latin America's poorest nations.<sup>57</sup> As president, Evo Morales described the mountain of Cerro Rico in Potosi as "a symbol of plunder, of exploitation, of humiliation."<sup>58</sup>

One by one, Bolivia experienced similar export operations of its valuable natural resources that it perceived as exploitative. In the late 19th century, a boom in rubber and nitrate mining operations gave rise to the wealthy rubber barons of Bolivia; however, just as with silver, when these two lucrative products were nearly all exported the Bolivian populace had benefited little.<sup>59</sup> In the 20<sup>th</sup> century, resource nationalism grew strong enough to influence national politics. In fact, Young cites the 1920s as the beginning of an era in which "resource nationalism became the centerpiece of economic thought" and showed the ability to serve as a "consistent unifying force for popular coalitions."<sup>60</sup> The emergence of a national conscience regarding the wealth of its natural resources and the idea that said resources should benefit the nation was driven by the wealth associated with

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<sup>54</sup> Boccara, *Socio-Analytic Dialogue*, 134.

<sup>55</sup> Wright, "Lithium Dreams," 1.

<sup>56</sup> Wright, 1.

<sup>57</sup> Wright, 1.

<sup>58</sup> Wright, 1.

<sup>59</sup> Saltpeter nitrates were prized for their part in making gunpowder and fertilizer. Gordon and Luoma, "Oil and Gas," 78–79; Valerie Fifer, "The Empire Builders: A History of the Bolivian Rubber Boom and the Rise of the House of Suárez," *Journal of Latin American Studies* 2, no. 2 (1970):115, 124, 126, 127, 130, 135, 139, 146; Juan Forero, "History Helps Explain Bolivia's New Boldness," *New York Times*, May 7, 2006.

<sup>60</sup> Young, *Blood of the Earth*, 7.

tin and oil.<sup>61</sup> Discoveries of massive tin deposits in the Bolivian highlands spurred foreign investment that led to mass extraction operations.<sup>62</sup> While poorly paid tin miners—just as the silver miners before—endured dangerous conditions, newspaper editorials asking their readers how Bolivians and Bolivia has benefited from the extraction of its silver and tin became commonplace.<sup>63</sup> Slowly, workers began demanding better pay, safer working conditions, and ultimately the nationalization of tin mines.<sup>64</sup> When these protests began gaining steam, the administration chose to use the Chaco War as pretext to demobilize the backlash.<sup>65</sup>

Despite the Chaco War helping the administration avoid mass protests during wartime, it ultimately strengthened resource nationalist movements in the long run.<sup>66</sup> Following the war, rumors that international oil corporations (IOCs) provoked the conflict to control and benefit from oil fields in the Chaco region spread throughout the nation.<sup>67</sup> This narrative, while now contested by the academic community, was persistent and became prevalent throughout Bolivian society.<sup>68</sup> Regardless of the veracity of the rumors, for Bolivians, this became a reminder of “the need to safeguard [their] precious oil (and mineral) resources in the interest of national development.”<sup>69</sup> Furthermore, anger with IOCs stemmed from the fact that during wartime, IOCs operating within Bolivia refused to provide the Bolivian military with much needed aviation fuel.<sup>70</sup> Ultimately, activist groups that had been disbanded during wartime re-organized and gained support from a politically powerful group of Chaco war veterans. Together these groups called for the

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<sup>61</sup> Young, 1.

<sup>62</sup> Gordon and Luoma, “Oil and Gas,” 78–79.

<sup>63</sup> Young, *Blood of the Earth*, 17; Gordon and Luoma, “Oil and Gas,” 78–79.

<sup>64</sup> Young, *Blood of the Earth*, 17, 20; Gordon and Luoma, “Oil and Gas,” 78–79.

<sup>65</sup> Young, *Blood of the Earth*, 21.

<sup>66</sup> Young, 21.

<sup>67</sup> Young, 6.

<sup>68</sup> Emily Meierding, “Dismantling the Oil Wars Myth,” *Security Studies* 25, no. 2 (2016): 258, 285; Young, *Blood of the Earth*, 6.

<sup>69</sup> Young, “From Open Door to Nationalization,” 7.

<sup>70</sup> Young, 25.

nationalization of Bolivia's "major sources of wealth."<sup>71</sup> Oil resource nationalism that spread due to the war and advocacy of Chaco veterans manifested itself through increasingly popular demands for nationalization of the hydrocarbon industry.<sup>72</sup> When it was finally enacted, the 1936 Bolivian nationalization of the hydrocarbon industry—the first of its kind in Latin America—was largely supported by Bolivian society.<sup>73</sup> The tin industry, while spurring the formation of several groups crucial in the 1936 nationalization of oil, unlike the oil industry, remained under private ownership.

While the tin industry nationalized at a slower pace, the social movement created by elites, via leveraging resource nationalism, proved powerful enough to help incite the 1952 Bolivian revolution. This movement began to gain steam in December of 1942 when miners, continuing to protest the unfair terms and unbearable conditions at the Catavi mine, were fired upon by the military.<sup>74</sup> That day, which was marked as the Catavi massacre, spurred mass protests that received critical support from the newly formed political party, the *Movimiento Nacionalista Revolucionario* (MNR).<sup>75</sup> Bolivians were further angered by the administration's decision to sell tin to the U.S. at 48 cents per ton when the going international rate was 52 cents per ton.<sup>76</sup> Protestors marked the administration that supported the policy as *vendepatria* due to the selling of Bolivia's national patrimony "while the little man starved."<sup>77</sup> By early 1951, the MNR leveraging resource nationalism

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<sup>71</sup> Young, *Blood of the Earth*, 23.

<sup>72</sup> This was further sparked by confirmed allegations that Standard Oil had illegally exported Bolivian oil to Argentina through a secret pipeline connecting Standard Bolivian oilfields to Standard Argentinean oilfields. This information came to light in 1935. Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia: How are the Gas and Oil Revenues Distributed?" (working paper, Institute for Advanced Development Studies, 2007); Young, *Blood of the Earth*, 7, 8.

<sup>73</sup> Bilboa Enrique, *Mito y Realidad Del Petróleo Boliviano* [Myth and Reality of Bolivian Petroleum], (La Paz: Los Amigos del Libro, 1966), 70; Young, "From Open Door to Nationalization," 7; Young, *Blood of the Earth*, 13.

<sup>74</sup> Young, *Blood of the Earth*. 30–31.

<sup>75</sup> Young, 30–31.

<sup>76</sup> James Malloy, *Bolivia: The Uncompleted Revolution* (Pittsburgh: University of Pittsburgh Press, 1970), 112, 155.

<sup>77</sup> Koch and Perreault describe "vendepatrias" as "sellers of the fatherland." There is an explicit connection in this rhetoric and language to the nation's natural resources. For a more in depth look in to how this relates to the selling of the nation's resources see: Koch and Perreault, "Resource Nationalism," 11–12; Malloy, *Bolivia: The Uncompleted Revolution*, 112–116.

won the presidency; however, the military quickly intervened and MNR leader Victor Paz was exiled.<sup>78</sup> Still, the growing discontent with the status quo proved untameable and in 1952 armed miners played a central role in the revolution that returned the MNR to power and demanded nationalization of the tin mines.<sup>79</sup> The perceived injustices associated with the management of the tin mines and natural resources were a central tenet of the MNR's 1952 revolution.<sup>80</sup> In this revolution, the nationalization of the mines was a matter where politicians and the new MNR government had little to no leeway. The populace expected nationalization and public sentiment was so strong that the new political leaders who had used the issue for political support had to oblige. Ultimately, this revolution galvanized the Bolivian public and altered Bolivia's political, social, and economic culture forever.<sup>81</sup>

Heading into the 1950s—during which Bolivia engaged in petroleum trade with Chile—resource nationalism had become a major influencer in Bolivian politics. Likewise, several decades later in the 21<sup>st</sup> century, when the tin industry plummeted and natural gas had come to hold the attention of the public, resource nationalism and protests about the mismanagement of the nation's natural gas reserves contributed to the eruption of the Gas Wars. It is telling that “in both cases” more than five decades apart “the central unifying force for the popular coalitions...was a popular demand for resource nationalism.”<sup>82</sup> Unsurprisingly, when Bolivians recognized their massive lithium reserves as a possible wealth generator, Evo Morales in 2005 declared that Bolivia would maintain full control of this natural resource and that it would not export this lithium in its raw form.<sup>83</sup> Instead, Morales claiming he would break the extractive industry model has looked to industrialize lithium to create value-added products for export.<sup>84</sup> In fact, Morales asserted that in the

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<sup>78</sup> Malloy, *Bolivia: The Uncompleted Revolution*, 152–158.

<sup>79</sup> Malloy, 155–157.

<sup>80</sup> Perreault, “From the Guerra Del Agua to the Guerra Del Gas,” 155.

<sup>81</sup> Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 4.

<sup>82</sup> Young, *Blood of the Earth*, 180.

<sup>83</sup> Wright, “Lithium Dreams,” 2–5.

<sup>84</sup> Wright, 2–5.

future there will be “lithium cars coming out of Bolivia,” a reference to electric vehicles whose batteries contain lithium based cathodes.<sup>85</sup>

As one can see, the management of natural resources has long played an important role in Bolivian domestic politics. This importance stems from perceived past exploitation of Bolivia’s resources at the hand of both state and non-state actors. While fear of unequal gains has led to the prominence of this sentiment, the issue is more nuanced than a disagreement over the price paid for raw materials. For example, considering the narrative that Bolivia has not benefited in the long term from the extraction of its natural resources, lack of industrialization from the export of raw materials has also come to be seen as a symptom of exploitation. For this reason, resource nationalism—“the idea that resource wealth should be used for the benefit of the nation”—works towards halting exports that are deemed unfair due to not advancing the industrialization of Bolivia.<sup>86</sup> Vacaflor argues that “the conflicts in Bolivia today are intrinsically linked to the way in which natural resources have been exploited throughout the country’s history.”<sup>87</sup> This thesis adds that this linkage is not automatic; political elites within Bolivia have leveraged the history behind resource nationalism to influence modern-day politics. This will primarily be seen in the 2000s case study where elites using this narrative contributed to impeding natural gas sales to Chile under the guise that the administration was once again selling the nation’s patrimony by exporting natural gas in raw form at bargain prices.

## **B. RIVALRY WITH CHILE**

Every year on March 23<sup>rd</sup>, Bolivia celebrates *Día del Mar* (Day of the Sea) in an effort to both commemorate Bolivia’s Litoral region that once provided it access to the Pacific and as an expression of Bolivia’s struggle to regain said access.<sup>88</sup> The patriotic holiday also perpetuates the narrative of its rivalry with Chile, which is a product of

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<sup>85</sup> Wright, 2–5.

<sup>86</sup> Young, *Blood of the Earth*, 1.

<sup>87</sup> Humberto Vacaflor, “Energy and Bad Luck in Bolivia,” in *Energy and Development in South America: Conflict and Cooperation*, ed. Cynthia Arson et al., *Woodrow Wilson International Center for Scholars*, 2008, 54.

<sup>88</sup> “Beaches of the Future?” *Economist*, May 9, 2015.



Bolivia's landlocked status. This rivalry, like resource nationalism, has proven to be a politically charged issue that has influenced political affairs for longer than a century. This thesis argues that this narrative, when leveraged by the oppositional political elite, contributed significantly to impeding natural gas trade with Chile in the 2000s.

The Nitrate War of 1879 served as the catalyst for the loss of Bolivia's Litoral region.<sup>89</sup> In the 1870s, Chile took part in a series of nitrate mining operations within Bolivia that were sanctioned by a previous 1874 treaty.<sup>90</sup> This treaty granted Chile generous mining concessions on Bolivian land.<sup>91</sup> However, when Bolivia established higher taxes on the mining firms operating in Bolivian territory—an act prohibited by terms outlined in the 1874 treaty, Chile forcibly occupied Bolivia's Antofagasta port and in doing so provoked a declaration of war by Bolivia.<sup>92</sup> Peru, which was in a secret defense treaty with Bolivia, entered the war once Chile had discovered the alliance and declared war on both nations.<sup>93</sup> Unfortunately for Bolivia and Peru, Chile's newly renovated navy provided it with naval dominance and the luxury to control the seaways for the transfer of troops to vital areas of land combat.<sup>94</sup> Just one month into the war, Bolivia lost all of its coastal territories.<sup>95</sup> After Chile gained control of the nitrate-rich zones that were in dispute, Bolivia withdrew from the war leaving Peru to face Chile.<sup>96</sup> By the beginning of 1881, Chile had unquestionably won the war by occupying vital Peruvian territories.<sup>97</sup> The Nitrate War officially ended with the signing of a treaty in 1884 that resulted in Bolivia ceding its access to the Pacific.<sup>98</sup>

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<sup>89</sup> Valerie Fifer, *Bolivia: Land, Location, and Politics Since 1825* (Cambridge: Cambridge Latin American Studies, 1972).

<sup>90</sup> Fifer, 59–60; Gangopadhyay, "From Land Wars to Gas Wars," 140–141.

<sup>91</sup> Fifer, *Bolivia: Land, Location, and Politics since 1825*, 59–60; Gangopadhyay, "From Land Wars to Gas Wars," 140–141.

<sup>92</sup> Fifer, *Bolivia: Land, Location, and Politics since 1825*, 59–60; Gangopadhyay, "From Land Wars to Gas Wars," 140–141; Ronald St. John, "The Bolivia-Chile-Peru Dispute in the Atacama Desert," *Boundary and Territory Briefing* 1, no. 6 (1994): 16–17.

<sup>93</sup> Fifer, *Bolivia: Land, Location, and Politics since 1825*, 60.

<sup>94</sup> Fifer, 61; Gangopadhyay, "From Land Wars to Gas Wars," 140–141.

<sup>95</sup> Boccara, *Socio-Analytic Dialogue*, 142.

<sup>96</sup> Boccara, 142.

<sup>97</sup> Fifer, *Bolivia: Land, Location, and Politics since 1825*, 63.

<sup>98</sup> Gangopadhyay, "From Land Wars to Gas Wars," 140–141.

However, small-scale hostilities did not cease until 1904 when the Treaty of Peace and Friendship was signed.<sup>99</sup> This 1904 treaty rendered Bolivia officially landlocked as it established Chile's legal and permanent right to the land it conquered.<sup>100</sup> In accordance with the treaty, Chile built Bolivia a railroad from its capital to a port in Arica, permitted Bolivia free transit to and from the Pacific for trade, and compensated it 300,000 pounds for the seized land; however, the result marked the beginning of an embittered relationship.<sup>101</sup> It is also important to note that, because Chile had seized the land to take advantage of Bolivia's sulfur and nitrate-rich territories, this war with Chile and the ensuing loss of Bolivian land perpetuated resource nationalist sentiment.<sup>102</sup> In effect, Bolivia once again saw its resources taken from its people for the benefit of others. This point would become even more relevant when Chile discovered some of the world's largest copper deposits in the same territory it gained from Bolivia.<sup>103</sup>

The loss of the Litoral region signified a national disgrace that would fuel Bolivia's future demands for access to the Pacific. In the 1920s, this escalating national sentiment prompted Bolivian officials to appeal to the League of Nations claiming—as Bolivia still does in the 21st century—that the 1904 treaty of Peace and Friendship was forcibly imposed upon Bolivia by Chile.<sup>104</sup> The League ultimately cited a lack of jurisdiction in the matter.<sup>105</sup> That same year Bolivia resorted to direct negotiation and attempted to organize a tripartite conference with Chile and Peru.<sup>106</sup> Unfortunately for Bolivia, ongoing bilateral negotiations between Chile and Peru prompted a refusal by both nations to attend.<sup>107</sup> In 1936, after unsuccessfully attempting to secure a sovereign exit to the Pacific from Peru,

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<sup>99</sup> Gangopadhyay, 140–141.

<sup>100</sup> Gangopadhyay, 140–141.

<sup>101</sup> Leslie Wehner, "From Rivalry to Mutual Trust: The Othering Process between Bolivia and Chile," *Canadian Journal of Latin American and Caribbean Studies* 36, no. 71 (2010), 11–12.

<sup>102</sup> Vacaflor, "Energy and Bad Luck in Bolivia," 49.

<sup>103</sup> Boccara, *Socio-Analytic Dialogue*, 142.

<sup>104</sup> Wehner, "From Rivalry to Mutual Trust," 11–12.

<sup>105</sup> St. John, "The Bolivia-Chile-Peru Dispute in the Atacama Desert," 18.

<sup>106</sup> St. John, 18.

<sup>107</sup> St. John, 18.

Bolivia settled for a lesser prize and signed an agreement that guaranteed it free transit of commercial goods through Peru, with a caveat that Bolivia declare it held no unresolved territorial disputes with Peru.<sup>108</sup> In a sense, this agreement with Peru strengthened the idea that it should be Chile to cede land for Bolivia to reclaim a sovereign exit to the Pacific.

In the 1950s—the era of the first case study—Bolivia revived its territorial claim and proposed negotiations with Chile to secure a sovereign exit to the Pacific.<sup>109</sup> Chile agreed to negotiations, but stipulated that due to a “1929 treaty it was obliged to consult with Peru” before agreeing to cede land to Bolivia.<sup>110</sup> When Chile proposed Bolivia pay for the land with water from Bolivia’s and Peru’s shared lake, Lake Titicaca, Peru immediately objected to the idea and the negotiations stalled.<sup>111</sup> In 1961, Chile, still seeking water to promote the economic development of its northernmost territories, diverted water from a river that ran through Bolivia into Chile and then drained into a lake in Bolivia. Bolivia raised the issue with the Organization of American States (OAS) and attached their larger dispute over a sovereign exit to the Pacific.<sup>112</sup> With the OAS recommending bilateral negotiation, Bolivia requesting arbitration by five Latin American nations, and with Chile only committing to a legal analysis of the 1904 treaty in court, Bolivia withdrew from the OAS and broke diplomatic relations with Chile.<sup>113</sup>

In 1975, Bolivia reestablished diplomatic relations with Chile in order to revive talks for an outlet to the Pacific. This time, instead of requesting water rights, Chile’s Pinochet regime proposed a trade requiring each country to cede the equivalent in territorial

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<sup>108</sup> St. John, 19.

<sup>109</sup> St. John, 19.

<sup>110</sup> St. John, 19.

<sup>111</sup> St. John, 19–20.

<sup>112</sup> St. John, 20.

<sup>113</sup> St. John, 20.

area.<sup>114</sup> Bolivia would receive its sovereign access to the Pacific in Arica and Chile would gain a part of Bolivia's southwest Altiplano.<sup>115</sup> While Bolivia did not immediately deny the request, its final response ultimately asserted that Bolivia should not have to compensate Chile for land illegally taken from it during a war where Chile was the aggressor.<sup>116</sup> Bolivia maintained that Chile unfairly took Bolivia's land and that it must right its wrongs by providing Bolivia with a sovereign exit to the Pacific. After less than three years, gridlock in negotiations once again prompted Bolivia to terminate diplomatic relations in 1978.<sup>117</sup> Later, Patricio Aylwin, who served as president when Chile returned to democracy in the early 1990s, publicly reaffirmed that Chile had no pending territorial disputes with Bolivia.<sup>118</sup> Bolivia maintained that the 1904 treaty was imposed upon it by coercion and Chile argued that matters regarding the territory of the Litoral region were not up for discussion.<sup>119</sup> Since 1978, Bolivia and Chile have not reestablished formal diplomatic relations.<sup>120</sup> Bolivia and Chile entered the 21st century tangled in an adversarial relationship.

In 2003, rivalry with Chile was one of the central factors that incited a two-month long period of civil strife termed the Gas Wars. Following the Gas Wars, which represented a peak in nationalist fervor and anti-Chilean sentiment, the Mesa administration reaffirmed its claim for a sovereign exit to the Pacific. In 2004, Bolivia released *The Blue Book*, which outlined Bolivia's maritime claim and declared that "Bolivia will never relinquish its just

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<sup>114</sup> It is also important to note that during this same era, Banzer and Pinochet managed to cooperate in Operation Condor to eliminate leftist political dissidents in South America. However, this type of cooperation was considered covert and less likely to enter the public's attention. Patrice McSherry, "Cross-Border Terrorism: Operation Condor (Report on Chile: Twilight of the General: Chile After the Arrest of Pinochet)," *NACLA Report on the Americas* 32, no. 6 (1999); Clifford Krauss, Bolivian's Dark Past Starts to Catch Up with Him, *New York Times*, March 19, 1999; "A Look at the Operation Condor Conspiracy in South America," *Associated Press*, May 27, 2016.

<sup>115</sup> St. John, 20–21.

<sup>116</sup> St. John, 20–21.

<sup>117</sup> St. John, 20–21.

<sup>118</sup> St. John, 24.

<sup>119</sup> Wehner, "From Rivalry to Mutual Trust," 11.

<sup>120</sup> "A Court Sets Back Bolivia's Quest to Reclaim Part of Chile's Coast," *Economist*, October 6, 2018.

claim for a sovereign access to the Pacific.”<sup>121</sup> Later, when Evo Morales became president in 2005, he engaged in historic gestures of goodwill towards Chile such as inviting Michelle Bachelet, then President of Chile, to his inauguration. Following this sign of goodwill, Morales and Bachelet met nine times to create a 13-point agenda, which included the resolution of Bolivia’s maritime claim.<sup>122</sup> Unfortunately, when Pinera assumed the Chilean Presidency following Bachelet, negotiations stalled once more and cordial relations dissolved. In 2013, at a Community of Latin American and Caribbean States (CELAC) conference, Evo Morales addressed Chilean President Sebastian Pinera and accused Chile of violating the treaty of 1904 on several occasions.<sup>123</sup> He further made the case that Chile should return Bolivia’s sovereign exit to the Pacific.<sup>124</sup> In response, Pinera declared Chile properly met the stipulations of the 1904 treaty, that it did not impose the treaty upon Bolivia, and that Chile had no inclination to give up any part of its territory.<sup>125</sup> That same year Bolivia filed a case with the International Court of Justice (ICJ) arguing Chile had a duty to negotiate in good faith with Bolivia for a sovereign path to the Pacific.<sup>126</sup> Five years later, in October of 2018, the ICJ ruled in Chile’s favor citing Chile has no responsibility to negotiate with Bolivia regarding potential access to the Pacific.<sup>127</sup> Therefore, Chile’s claim that the 1904 treaty is legally binding and valid was reinforced by a respected international third party, the ICJ.

Bolivia’s defeat and the ensuing unrelenting century-long quest to regain sovereign access to the Pacific gradually began to form a key part of Bolivian national identity.

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<sup>121</sup> Bolivian Ministry of Foreign Affairs, *The Maritime Claim of Bolivia: The Blue Book* (Bolivia: Bolivian Ministry of Foreign Affairs, 2004), 31.

<sup>122</sup> Wehner, “From Rivalry to Mutual Trust,” 18-20.

<sup>123</sup> “Lee el Discurso de Evo Morales en la Sesión de Cierre de la Celac [Read Evo Morales’ Speech at Closing Session of CELAC],” *La Tercera*, January 29, 2013.

<sup>124</sup> “Read Evo Morales’ Speech at Closing Session of CELAC.”

<sup>125</sup> “Read Evo Morales’ Speech at Closing Session of CELAC.”

<sup>126</sup> The suit did not ask the ICJ to decide if Chile is required to return the land it took free of charge, rather Bolivia merely asked the ICJ to decide if Chile is required to negotiate in good faith with Bolivia as it seeks to secure a sovereign path to the Pacific. “A Court Sets Back Bolivia’s Quest to Reclaim Part of Chile’s Coast,”; “World Court Ruling on Bolivia Sea Access Could Force Chile to Negotiate,” *Reuters*, September 27, 2018.

<sup>127</sup> “A Court Sets Back Bolivia’s Quest to Reclaim Part of Chile’s Coast,”; “World Court Ruling on Bolivia Sea Access Could Force Chile to Negotiate.”

Boccara argues that over time the Nitrate War captured the “nation’s imagination and transformed a national defeat into a continued search at reparation, focusing on regaining access to the sea the uniquely strong point of national cohesion on which all Bolivians seemingly agree.”<sup>128</sup> This national struggle to reclaim a sovereign exit to the Pacific ultimately became entangled with Bolivian patriotism and spread through Bolivian culture. The transformation of this defeat into “a marker of national identity” portrayed Chile as the antagonist that stole from Bolivia its territory and its natural resources.<sup>129</sup> Gradually, the plight of a landlocked Bolivia and the image of Chile as the antagonist became stronger “each time it was revived.”<sup>130</sup> The revival through repeated attempts to secure an exit was not the only way this narrative was perpetuated. Bolivians overtly propagated this powerful narrative/symbol in various ways that further entrenched its rivalry with Chile.

In Bolivia, proof of the importance of this issue can be found in all aspects of society.<sup>131</sup> Several companies and governmental institutions established after the Nitrate War have deliberately included the word “Litoral” into their name despite operating nowhere near the coast.<sup>132</sup> Public buildings often include images of once Bolivian beaches and even stamps bear images and slogans commemorating Bolivia’s Litoral region.<sup>133</sup> Slogans include “It doesn’t matter how long it takes, what is important is that one day Bolivia will have a port in the Pacific” and “Bolivia demands its right to have access to the ocean.”<sup>134</sup> Even in school, children have been taught rhymes that appeal to Bolivia’s

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<sup>128</sup> Boccara, *Socio-Analytic Dialogue*, 142.

<sup>129</sup> The idea that there is an additional factor at play in Bolivian foreign policy towards Chile due to the emotion behind the loss of its Litoral region is also present in Hall’s *Emotional Diplomacy*. In this book, he expounds on the importance of emotion in foreign policy making. Hall also cites that emotional diplomacy is distinct because leaders can strategically inject the importance of narratives that play on the emotions of the populace and frame foreign policy as motivated by a past injustice. Hall argues that this type foreign policy is effective due to the fact that it draws on strongly held values. Todd Hall, *Emotional Diplomacy - Official Emotion on the International Stage* (Ithaca: Cornell University Press, 2015), 1–5; Boccara, *Socio-Analytic Dialogue*, 142.

<sup>130</sup> Boccara, 144.

<sup>131</sup> “Trickle-down Diplomacy; Bolivia and Chile.”

<sup>132</sup> St. John, *The Bolivia-Chile-Peru Dispute in the Atacama Desert*, 90.

<sup>133</sup> St. John, 90–91.

<sup>134</sup> St. John, 90–91.

struggle for access to the Pacific.<sup>135</sup> Furthermore, textbooks used to teach the history surrounding the Nitrate War argue that “Chile’s greed for the mineral wealth of the region motivated it” to seize the land from Bolivia.<sup>136</sup> Again, this is an example of how resource nationalism is at points tangled into the rivalry between Bolivia and Chile. The textbooks used further argue that Chile exploited the tax increase as a pretext to conquer land that it prized for its mineral wealth.<sup>137</sup> Even ex-President Mesa, who would serve in the early 2000s, admitted that children in school were taught to hate Chile for taking away its access to the Pacific.<sup>138</sup>

On the other end of the spectrum, this rivalry is also engrained in Bolivia’s military culture. For example, until it was changed in 2010, the military yell of a soldier when breaking rank was traditionally “*Viva Bolivia, Muera Chile*” (Long Live Bolivia, Death to Chile).<sup>139</sup> The perpetuation of this narrative carries on into modern day. In 2011, after relations with Chile had deteriorated, President Evo Morales approved *El Himno al Litoral* (Hymn to the Litoral) as a national song.<sup>140</sup> The lyrics to this song proclaim that Bolivia’s Litoral region will be “returned to the fatherland.”<sup>141</sup> Morales further mandated that this song be played at all official government events.<sup>142</sup> As seen, this issue of access to the Pacific is one that many Bolivians consider important. This issue is so important that, despite Bolivia and Chile not engaging in a sustained military conflict since 1884, the unresolved territorial dispute propagates rivalry between the two nations.<sup>143</sup> This thesis

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<sup>135</sup> St. John, 90–91.

<sup>136</sup> Felipe Schmechel, “The Constructions of Self and Other in the History Textbooks of Bolivia, Chile, and Peru in Relation to the War of the Pacific,” *Georg Eckert Institute for International Textbook Research*, vol. 11 (2017): 37–38.

<sup>137</sup> Schmechel, 37–38.

<sup>138</sup> Wehner, “From Rivalry to Mutual Trust,” 13.

<sup>139</sup> Boccara, *Socio-Analytic Dialogue*, 142, 160; “Sea Day:” Bolivia-Chile Relations Afloat Despite Historic Clashes, *Andean Information Network*, March 23, 2010.

<sup>140</sup> Fernando Molina, “Bolivian Anthem Strikes a Sour Note with Chile,” *El Pais*, February 24, 2015.

<sup>141</sup> “Bolivian Anthem Strikes a Sour Note with Chile.”

<sup>142</sup> “Bolivian Anthem Strikes a Sour Note with Chile.”

<sup>143</sup> Wehner, “From Rivalry to Mutual Trust,” 6.

argues that this factor is so central to the culture of Bolivia that when leveraged by political elites it can contribute significantly to impeding cooperation with Chile.

## C. CONCLUSION

Bolivian foreign policy on hydrocarbon cooperation with Chile is directly influenced by the issues of resource nationalism and rivalry. Political elite utilize resource nationalism to perpetuate the idea that exporting natural resources has historically not benefitted Bolivia. This ultimately makes exporting natural resources much more challenging to sell to the domestic population. Furthermore, when natural resource cooperation with Chile is proposed, it allows political elite to leverage two historically significant narratives against cooperation. The idea of others benefitting from Bolivia's natural resources is already a sensitive topic; however, when that other is Chile, the political elite can label the administration as traitorous.<sup>144</sup> Since rivalry with Chile is a compelling narrative it can contribute to the successful impediment of cooperation with Chile.

However, just as scholars argue that symbolic political matters are utilized by leaders of revolutions, this thesis asserts that these narratives do not work autonomously. Political elites must leverage these two symbolic political issues to impede trade.<sup>145</sup> Lastly, it is important to reiterate that in order for the political elite to leverage these narratives in impeding hydrocarbon cooperation there must be disillusionment with the administration's economic policy. As will be seen in the first case study, when this mass disillusionment was not present, political elites were unable to leverage these narratives to attack the policy of cooperation with Chile.

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<sup>144</sup> Vacaflor, "Energy and Bad Luck in Bolivia," 49–50.

<sup>145</sup> Selbin, *Agency and Culture in Revolution*, 77, 81.



### III. 1950s: COOPERATION

Perhaps the best evidence that Bolivia's rivalry with Chile alone does not prohibit cooperation in terms of hydrocarbons is the fact that Bolivian leaders have managed to successfully cooperate with Chile in the past. In attempting to identify the driving factors behind Bolivia's contemporary decision to not sell Chile natural gas this thesis begins by looking at a period in which Bolivia successfully cooperated with Chile in export and sale of petroleum to and through Chile. The specific period analyzed will be from the start of the Bolivian revolution in 1952 to 1968, a year in which Bolivian production and export of hydrocarbons decreased dramatically.<sup>146</sup> During this era, trade and cooperation persisted despite Bolivia retaining its claim against Chile for a sovereign exit to the Pacific.<sup>147</sup> Cooperation also endured through a period in the early 1960s where Bolivia and Chile broke diplomatic relations due to a river dispute.<sup>148</sup> More surprisingly, Bolivia continued cooperation with Chile following the exchange of heavy gunfire at the Bolivia-Chile border in 1964.<sup>149</sup>

This chapter shows that Bolivian leaders managed to cooperate with Chile because there was lack of disillusionment with the administration's economic policy and additional credibility in the administration's decision to export petroleum to Chile stemming from several factors discussed below. Furthermore, it shows how this credibility made it difficult for oppositional political elites to leverage resource nationalism and rivalry with Chile to challenge the export of petroleum to and through Chile. The incumbent political elite, which supported the decision to cooperate with Chile, furthermore made cooperation possible without backlash by constructing a narrative that supported cooperation with

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<sup>146</sup> James Malloy and Richard Thorn, *Beyond the Revolution: Bolivia since 1952*, (Pittsburgh: University of Pittsburgh Press, 1971), 103.

<sup>147</sup> "Bolivia Renews Accusation Against Chile Over Port," *New York Times*, March 3, 1964; "Talks with Chile Sought by Bolivia," *New York Times*, August 5, 1963; "Bolivia Seeking Enclave in Chile," *New York Times*, October 13, 1963.

<sup>148</sup> "Bolivia Asks O.A.S. to Meet on Chilean River Dispute," *New York Times*, July 4, 1962.

<sup>149</sup> "Guns Fired at Chile-Bolivia Border," *New York Times*, April 7, 1964; "Talks with Chile Sought by Bolivia."

Chile. Despite an active rivalry with Chile and a strong sense of resource nationalism present within the country, Bolivian leaders managed to successfully cooperate with Chile.<sup>150</sup> The chapter begins by explaining the context in which this era began and by briefly introducing the governing administration that spurred cooperation with Chile. It then identifies the two key players in the Bolivian petroleum industry for the above era and explains how these two companies cooperated with Chile in the petroleum industry and spurred cooperation between Bolivia and Chile. Lastly, this chapter expounds upon the above theory to show why cooperation between Bolivia and Chile during this era was possible. In doing so, it also shows how previously provided hypotheses do not adequately explain the years of cooperation between Bolivia and Chile in this era.

#### **A. THE MOVIMIENTO NACIONALISTA REVOLUCIONARIO**

The 1952 MNR revolution directly preceded several of the policy decisions that led to Bolivia cooperating with Chile in the petroleum sector. The MNR, which overthrew the ruling military junta in April of 1952, branded itself early on as a patriotic socialist party seeking to represent those “excluded from the legitimate political order.”<sup>151</sup> Due to the structure of Bolivian society before the 1952 revolution, a large portion of the rural and indigenous population was disenfranchised.<sup>152</sup> Under the constitution prior to the revolution, 75 percent of the population could not be considered true citizens of Bolivia.<sup>153</sup> Strict requirements of literacy, land ownership, income level, and even employment type disqualified many Bolivian born persons from being considered Bolivian citizens.<sup>154</sup> This lack of recognition denied the population political rights such as voting and the right to run for office.<sup>155</sup> The political system by and far was considered “an elitist system” where the

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<sup>150</sup> Darnton, *Rivalry and Alliance Politics in Cold War Latin America*; Goertz and Diehl, “Enduring Rivalries,”; Thompson, “Identifying Rivals and Rivalries in World Politics.”

<sup>151</sup> Malloy, *Bolivia: The Uncompleted Revolution*, 114.

<sup>152</sup> Malloy, 34, 40.

<sup>153</sup> Malloy, 34.

<sup>154</sup> Malloy, 34.

<sup>155</sup> Malloy, 34.

“entire agrarian Indian population was excluded.”<sup>156</sup> The MNR would change this system and, as Bolivia and Chile began cooperation, this indigenous population had newly received political rights they were eager to exercise.

The MNR rose to power in the mid-1940s by dedicating itself to fighting for those who were disenfranchised. It had its most significant success in organizing support by championing the plight of tin miners.<sup>157</sup> It initially championed these concerns by criticizing the tin and silver barons who were accused of enriching themselves from Bolivian resources as the Bolivian majority suffered.<sup>158</sup> On the surface, the MNR represented the fight for nationalization of tin mines, agrarian reform, and universal suffrage; however, the party was internally divided on said issues.<sup>159</sup> Once in power, the leftist fervor the MNR rode to power would go on to force the MNR’s hand in nationalizing tin mines, enacting agrarian reform, and implementing universal suffrage for the previously disenfranchised indigenous minority.<sup>160</sup> While the MNR was implementing radical reforms, it also began a cooperative relationship with Chile in the petroleum sector.

In 1952, Bolivia, under the newly empowered MNR administration, signed an economic cooperation deal with Chile.<sup>161</sup> This deal signified the start of an economic trade relationship that would include the trade of Bolivian petroleum. During this era, the two key players in the Bolivian oil industry were the Bolivian national petroleum company *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB) and Bolivian Gulf Oil (BGO)—a subsidiary of US-based Gulf Oil.<sup>162</sup> Through these two companies, Bolivia would go on to

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<sup>156</sup> Malloy, 35.

<sup>157</sup> Malloy, 125.

<sup>158</sup> Malloy, 116.

<sup>159</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 143, 289, 298; Malloy, *Bolivia: The Uncompleted Revolution*, 149, 227.

<sup>160</sup> Malloy, *Bolivia: The Uncompleted Revolution*, 149.

<sup>161</sup> Cornelius Henry Zondag, *The Bolivian Economy, 1952–65; the Revolution and its Aftermath* (New York: Praeger, 1966), 183.

<sup>162</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*; “Bolivia Announces Pipeline for 350-Mile Oil Pipeline,” *New York Times*, September 20, 1964.

cooperate with Chile in the hydrocarbon sector by exporting oil to and through Chile. YPFB would be first to cooperate with Chile in this manner.

## **B. YPFB COOPERATION WITH CHILE**

Bolivia created YPFB in 1936 when it forced out Standard Oil and nationalized the Bolivian petroleum industry.<sup>163</sup> This expropriation and nationalization was primarily a result of national resentment towards Standard Oil and growing resource nationalism.<sup>164</sup> Once established, YPFB struggled with several challenges as it sought to fill the role of petroleum giant Standard Oil. YPFB's problems mainly stemmed from the fact that Standard Oil had taken with it a significant portion of the necessary and experienced personnel YPFB sought.<sup>165</sup> YPFB also suffered from a lack of capital that was predictably scarce throughout World War II.<sup>166</sup> Despite possessing a small domestic market, YPFB had previously struggled to meet domestic oil demand in the early 1950s and was forced to import petroleum.<sup>167</sup> In 1952, when the MNR took power, Bolivia was importing 10 million dollars' worth of petroleum to meet its internal demand.<sup>168</sup> However, while financial difficulty in the early 1950s caused problems for YPFB, the company managed to increase production rapidly during the mid-1950s. In 1954, YPFB made an oilfield discovery that allowed it to finally produce enough petroleum to meet national demand.<sup>169</sup> YPFB accomplished this feat by increasing production by almost three times as much as the previous year.<sup>170</sup> The following year, in 1955, Bolivia went on to increase its production

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<sup>163</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 70.

<sup>164</sup> Bilboa, 70.

<sup>165</sup> Bilboa, 85, 91–92.

<sup>166</sup> Bilboa, 85, 91–92.

<sup>167</sup> Paz, *Petroleum: Sovereignty or Dependency*, 91; Bilboa, *Myth and Reality of Bolivian Petroleum*, 113.

<sup>168</sup> Paz, *Petroleum: Sovereignty or Dependency*, 91; Bilboa, *Myth and Reality of Bolivian Petroleum*, 113.

<sup>169</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 118.

<sup>170</sup> The 1957 Central Intelligence Agency (CIA) report on petroleum in Latin American contained an informative section on the status of both the Bolivian hydrocarbon market and YPFB oil production. "Petroleum in Latin America - Declassified," *Central Intelligence Agency Office of Research and Reports*, August 1957, <https://www.cia.gov/library/readingroom/document/cia-rdp79t01018a000200060001-6>; Bilboa, *Myth and Reality of Bolivian Petroleum*, 130.

by an additional 60 percent.<sup>171</sup> Expectedly, Bolivia began looking for external markets to sell its surplus petroleum products and one of the most logical options due to proximity became Chile.<sup>172</sup>

While Bolivia and Chile enacted an economic cooperation deal in 1952, trade with Chile did not immediately improve.<sup>173</sup> However, Bolivia did manage to develop a petroleum trade relationship that seemed destined for success. In 1954, Chile became the second country, after Argentina, to which Bolivia began exporting petroleum products.<sup>174</sup> This year is of vital importance considering that during this time the only operating entity in the Bolivian petroleum industry was YPFB.<sup>175</sup> This was also the first year that Bolivia managed to satisfy its domestic demand without imports.<sup>176</sup> The following year, in 1955, Bolivia would also begin exporting petroleum products to Brazil and Paraguay.<sup>177</sup> Finally, in 1956, Bolivia began exporting petroleum products to Peru.<sup>178</sup> Therefore, it is important to note that Chile became the first country to which Bolivia began exporting surplus petroleum products—apart from a contract with Argentina, which dated to 1942. Bolivia’s decision to begin exporting to Chile before first exhausting other options such as Brazil, Peru, and Paraguay shows the lack of controversy surrounding the issue in the 1950s. It is also important to note that it was a state entity—YPFB—and not a private company that began to export petroleum products to Chile. This emphasizes the fact that it was indeed a state choice to cooperate with Chile, not the choice of a profit-driven third party IOC with no regard for Bolivia’s rivalry with Chile.

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<sup>171</sup> “Petroleum in Latin America – Declassified.”

<sup>172</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 460, 476.

<sup>173</sup> Zondag, *The Bolivian Economy, 1952–65*, 182–183.

<sup>174</sup> Paz, *Petroleum: Sovereignty or Dependency*, 67; Bilboa, *Myth and Reality of Bolivian Petroleum*, 380.

<sup>175</sup> An open doors policy in the Bolivian petroleum industry would not arrive until 1955 when the Davenport Petroleum code was passed. Bilboa, *Myth and Reality of Bolivian Petroleum*, 223.

<sup>176</sup> Bilboa, 113, 379–381; “Bolivia Eases Oil Code,” *New York Times*, October 28, 1955; “Petroleum in Latin America - Declassified.”

<sup>177</sup> Bolivia had been selling crude petroleum to Argentina since 1942. Bilboa, *Myth and Reality of Bolivian Petroleum*, 380.

<sup>178</sup> Paz, *Petroleum: Sovereignty or Dependency*, 67.

Despite limited literature documenting these petroleum exports from Bolivia to Chile, it can be assessed that Bolivia and Chile engaged in regular petroleum trade from the years of 1954 to 1962, as seen in Table 1.<sup>179</sup> This timeline only includes the exports from state company YPFB. YPFB exported three main petroleum products to Chile: gasoline, fuel oil, and diesel oil.<sup>180</sup> From 1954–1962, Bolivia’s YPFB exported a total of 498,194 barrels of gasoline to Chile.<sup>181</sup> This represented a value of \$2,691,680.90 in U.S. dollars.<sup>182</sup> In terms of fuel oil, Bolivia exported 19,347.17 barrels, worth \$89,742.61 to Chile. Lastly, Bolivia exported minimal amounts of diesel oil, worth \$11,964 to Chile.<sup>183</sup> Throughout this time, Argentina remained Bolivia’s largest importer of petroleum, due to a significant crude oil contract; however, Chile was the largest importer of Bolivian gasoline and was also the second largest importer of Bolivian petroleum overall.<sup>184</sup>

Table 1. Bolivian Exports of Processed Petroleum to Chile<sup>185</sup>

Years	Petroleum Product	Value in U.S. Dollars	Exports in Barrels
1954-1962	Gasoline	\$2,691.680.90	498,194.9748
1957-1962	Fuel Oil	\$89,742.61	19,347.1728
1960-1962	Diesel Oil	\$11.964.80	N/A

<sup>179</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 380; “What Does Bolivia Export to Chile? 1962,” Observatory of Economic Complexity, accessed June 29, 2018: [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/export/bol/chl/show/1962/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/bol/chl/show/1962/).

<sup>180</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 380.

<sup>181</sup> While the total value in U.S. dollars of gasoline exported to Chile is identified as \$2,691,680.90 by Bilbao in Bilboa, *Myth and Reality of Bolivian Petroleum*, 380, the exact number in barrels was ascertained by extrapolating using the export amount for the year 1957 and the export amount represented in U.S. dollars cited in by Paz, *Petroleum: Sovereignty or Dependency*, 67. This gave a base price for gasoline and this price was then used to identify the amount of gasoline exported in terms of barrels from the measurement of U.S. dollars given. This same process was performed for fuel oil measurements.

<sup>182</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 380.

<sup>183</sup> Bilboa, 380.

<sup>184</sup> Bilboa, 380.

<sup>185</sup> Adapted from Bilboa, 380; Paz, *Petroleum: Sovereignty or Dependency*, 67.

The consulted literature does not reveal any significant domestic resistance to the petroleum trade with Chile by YPFB.<sup>186</sup> In fact, in October 1954, Bolivia signed an additional agreement with Chile to initiate a “sizeable exchange of Chilean steel for Bolivian oil.”<sup>187</sup> While this deal was ultimately cancelled due to a Bolivian monetary stabilization program that disrupted the terms agreed upon, it further shows the unproblematic nature of economic cooperation with Chile.<sup>188</sup> Bolivian officials appeared more than inclined to cooperate with Chile in petroleum sales. During negotiations for the 1955 Treaty of Economic Cooperation between Bolivia and Chile, the Bolivian Minister of Foreign Affairs, Manuel Barran Peláez, offered to utilize all money paid for Bolivian petroleum “exclusively to serve Bolivian imports of Chilean products.”<sup>189</sup> Bolivia was clearly seeking to foster economic cooperation with Chile and there appeared little backlash for such efforts.

Authors Mariaca Bilbao, Canelas Orellana, and Almaraz Paz who wrote formative works on the 1950s and 1960s Bolivian petroleum industry, document the sale of Bolivian petroleum to Chile in their books and make no mention of public backlash towards cooperation with rival Chile. In fact, in *Petroleo: Imperialismo y Nacionalismo*, Canelas mentions Chile only five times throughout his 390-page assault on the alleged mismanagement of the Bolivian petroleum industry. Even those five references did not detail any backlash stemming from cooperation with Chile on the basis of resentment or national pride. Author Mariaca, in *Mito y Realidad Del Petroleo Boliviano*, does mention the feud between Bolivia and Chile as an obstacle to overcome in a hypothetical natural gas deal, but does not provide any evidence of public discontent with the already ongoing

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<sup>186</sup> Bilbao, *Myth and Reality of Bolivian Petroleum*; Amado C. Orellana, *Petróleo: Imperialismo y Nacionalismo: Roboré, Derrota de Los Pueblos* [Petroleum: Imperialism and Nationalism: Robore, Defeat of the Villages] (Librería Altiplano, 1963); Paz, *Petroleum: Sovereignty or Dependency*, 1958.

<sup>187</sup> Zondag, *The Bolivian Economy, 1952–65*; Harold Osborne, *Bolivia: A Land Divided*, 2d ed. (London: Royal Institute of International Affairs, 1955), 147.

<sup>188</sup> Zondag, *The Bolivian Economy, 1952–65*, 184–185.

<sup>189</sup> “Tratado de Complementación Económica Chile-Bolivia: Importaciones de Petróleo [Treaty of Economic Cooperation Chile-Bolivia; Importations of Petroleum],” *Biblioteca del Congreso Nacional de Chile* [Chilean Library of Congress], July 29, 1957, <https://www.leychile.cl/Navegar?idNorma=400311>.

petroleum sales to Chile.<sup>190</sup> After mentioning this possible obstacle to cooperation, Mariaca goes on to identify this option as the most plausible and economically sensible among trade options that included trade with other neighboring countries.<sup>191</sup>

Not only do these three books comprise a majority of the Bolivian literature on the subject of the 1950s and 1960s Bolivian petroleum industry; they are also a significant part of the few sources written at the height of this cooperation and as future cooperation was being proposed. The authors even include a distinguished YPFB engineer, Mariaca Bilbao, who after retirement went on to write his book. These books not only provide detailed accounts of the oil industry from a first-hand perspective, they went on to influence academics and political parties of the era.<sup>192</sup> However, these sources are not the only works that were consulted. None of the literature regarding the 1950s and 1960s Bolivian petroleum industry cited in this chapter mentions any public backlash regarding YPFB's sale of petroleum to Chile.

### **C. BOLIVIAN GULF OIL EXPORTS VIA CHILE**

While Bolivia-Chile petroleum cooperation mainly consisted of gasoline sales to Chile, it also involved the construction of an important pipeline from Sica Sica, Bolivia to Arica, Chile, through which Bolivia exported its crude petroleum to the international market. This pipeline was being spurred by foreign investment that entered the Bolivian petroleum industry in the 1950s—namely through the new company, Bolivian Gulf Oil. Despite YPFB's success in the mid-1950s, it was viewed as not having the proper resources to extract and export the level of petroleum Bolivia aimed to export.<sup>193</sup> This led to Bolivia leveraging foreign capital to exploit its petroleum reserves for export. In October 1955, Bolivia enacted the Davenport Petroleum Code, which ended YPFB's monopoly on the petroleum industry.<sup>194</sup> This new code purposely favored foreign investment in the Bolivian

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<sup>190</sup> Bilbao, *Myth and Reality of Bolivian Petroleum*, 460–462.

<sup>191</sup> Bilbao, 476.

<sup>192</sup> George Philip, *Oil and Politics in Latin America: Nationalist Movements and State Companies*, (Cambridge: Cambridge University Press, 1982), 259–260.

<sup>193</sup> “Bolivia Banking on Gain from Oil.” *New York Times*, May 5, 1955.

<sup>194</sup> “Bolivia Eases Oil Code”; Bilbao, *Myth and Reality of Bolivian Petroleum*, 127.



oil industry and many of the largest private oil companies sought concessions in Bolivia.<sup>195</sup> Bolivian Gulf Oil entered the Bolivian petroleum industry at this point. Bolivian Gulf Oil secured the first and largest concession from the Bolivian government as a result of the Davenport Petroleum Code.<sup>196</sup> Unfortunately for Bolivia, even with a significant amount of foreign capital exploring Bolivian land for potential oil reserves, there was little success.<sup>197</sup> Several companies left Bolivia without finding oil. Together, the companies that left Bolivia early invested 50 million dollars and found no commercially viable oil fields.<sup>198</sup> It would take almost five years for Bolivian Gulf Oil to become the first private company to discover an economically viable oil field.<sup>199</sup> In late 1960, Bolivian Gulf Oil discovered oil in the Santa Cruz department.<sup>200</sup> Bolivian Gulf Oil subsequently made a series of oil field discoveries that placed its reserves significantly higher than those of state company YPFB.<sup>201</sup> By the time Bolivian Gulf Oil reached this level of success, only two other companies that had conducted little to no exploration on their granted concessions remained in formal contract with Bolivia.<sup>202</sup>

Considering that Bolivian Gulf Oil entered the market at a time when YPFB was producing a surplus of petroleum, it was understood that it intended to export its extracted petroleum products. This was also apparent by Bolivian Gulf Oil's practice of drilling wells and sealing them until a proper method for export became available.<sup>203</sup> Furthermore, Bolivian Gulf Oil's position before entering the Bolivian petroleum industry was publicly expressed in its plan to export oil to California through a Pacific port.<sup>204</sup> In seeking this

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<sup>195</sup> "Gulf Set to Pipe Oil from Bolivia." *New York Times*, July 30, 1966; "Gulf Unit in Bolivia Brings in Oil Well." *New York Times*, December 21, 1960.

<sup>196</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 269, 271; "Petroleum in Latin America – Declassified, 16;" "Bolivia Expects to Become Exporter of Oil." *New York Times*, October 4, 1964.

<sup>197</sup> "Gulf Set to Pipe Oil from Bolivia."

<sup>198</sup> Philip, *Oil and Politics in Latin America*, 259.

<sup>199</sup> "Gulf Unit in Bolivia Brings in Oil Well"; Philip, *Oil and Politics in Latin America*, 259.

<sup>200</sup> "Gulf Finds Oil in Bolivia." *New York Times*, September 27, 1960.

<sup>201</sup> Philip, *Oil and Politics in Latin America*, 259.

<sup>202</sup> "Gulf Set to Pipe Oil from Bolivia."

<sup>203</sup> "Gulf Set to Pipe Oil from Bolivia."

<sup>204</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*.

outlet for the export of petroleum, Bolivian Gulf Oil incentivized Bolivia to approach its rival Chile to secure a port for petroleum exports.<sup>205</sup> When the October 1955 Davenport Petroleum Code was passed, Bolivian Gulf Oil placed conditions on the terms under which it would enter the Bolivian petroleum industry.<sup>206</sup> Ultimately, these terms spurred cooperation between Bolivia and Chile.<sup>207</sup> However, Bolivia would first have to give assurances against expropriation and pass the Davenport Petroleum Code through the Bolivian Congress.<sup>208</sup> Most importantly, Bolivian Gulf Oil required a commitment to secure a port in the Pacific and build a pipeline leading there before it would “favor [Bolivia] with their investments.”<sup>209</sup> This requirement presented a predicament for Bolivia considering it had been landlocked since it lost its Litoral region to Chile following the Nitrate War.<sup>210</sup> Nevertheless, seven months after the Davenport Petroleum Code was passed, Bolivia signed a contract committing to build a pipeline to the Pacific.<sup>211</sup>

Bolivia was faced with two economically feasible options to secure access to the Pacific: Peru or Chile. Gulf had initially mandated Bolivia seek a port through Chile; however, this requirement was never finalized.<sup>212</sup> Bolivia ultimately negotiated with Chile to secure access to the Pacific. While restrictions proposed by the Chilean Congress on the Chilean portion of the proposed pipeline temporarily halted negotiations, Bolivian officials maintained that said differences could be settled.<sup>213</sup> Luckily for Bolivia, Chile remained an importer of petroleum, and the idea of a pipeline near its points of industry seemed appealing.<sup>214</sup> Bolivia also submitted a formal proposal for a pipeline to Peru; however, the

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<sup>205</sup> Bilboa, 223–224.

<sup>206</sup> Bilboa, 224.

<sup>207</sup> Bilboa, 224.

<sup>208</sup> Bilboa, 145, 223.

<sup>209</sup> Bilboa, 223.

<sup>210</sup> Gangopadhyay, “From Land Wars to Gas Wars,” 141; Boccara, *Socio-Analytic Dialogue*, 143–144.

<sup>211</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 224.

<sup>212</sup> Bilboa, 224.

<sup>213</sup> “Petroleum in Latin America - Declassified,” 18–19.

<sup>214</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 458.

pipeline never materialized due to an agreement being reached with Chile.<sup>215</sup> This agreement to build an oil pipeline stretching from Sica Sica, Bolivia to Arica, Chile laid the groundwork for decades of petroleum sales to Chile.

In 1955, Bolivia and Chile signed another treaty of cooperation. The 1955 Treaty of Economic Complementation mainly revolved around formalizing the Sica Sica-Arica pipeline—which can be seen in Figure 1—and terms for petroleum sales to Chile. The treaty between the two countries aimed to “promote the economic development of the two countries, [by] mobilizing their comparatively more efficient industries and increasing production in all facets in order to achieve, with joint action, a greater exchange in both directions, the increase of national income and the improvement of the standard of living of both peoples.”<sup>216</sup> Bolivia and Chile were essentially seeking trade cooperation and one of the few matters specifically addressed in the treaty would be the construction of the oil pipeline. Subsection G of the treaty specifically outlined that such a pipeline would “allow for a supply of oil destined for Chilean consumption and the export of this product to other markets.”<sup>217</sup> Subsection F further outlined the terms of Chile’s preferential access to the oil being transported by the proposed pipeline. Bolivia granted Chile the ability to purchase a minimum of one thousand barrels a day of the oil being transported for the first three years; however, it would be allowed preferential access to up to three thousand barrels a day at international market prices in U.S. dollars.<sup>218</sup> The treaty further highlights that renegotiation of these terms would be later undertaken in order to *increase* the number of barrels to which Chile would have preferential first-buyer access.<sup>219</sup> Overall, the treaty highlighted the benefits of establishing a cooperative relationship in regard to petroleum.<sup>220</sup> It also serves as an example of the possible formal cooperation between the two countries.

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<sup>215</sup> “Petroleum in Latin America - Declassified,” 18–19.

<sup>216</sup> Chilean Library of Congress, “Treaty of Economic Cooperation Chile-Bolivia.”

<sup>217</sup> Treaty of Economic Cooperation Chile-Bolivia.

<sup>218</sup> Treaty of Economic Cooperation Chile-Bolivia.

<sup>219</sup> The treaty further specified that Chile would be granted preferential access to the oil paid as royalty to Bolivia by private companies but being transported through said pipeline. Treaty of Economic Cooperation Chile-Bolivia.

<sup>220</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 458.

While the above treaty outlines the terms for both YPFB and private companies exporting petroleum through said pipeline, Bolivian Gulf Oil was the primary company that took advantage of the pipeline. This was a result of a diminishing production on the part of YPFB.<sup>221</sup>

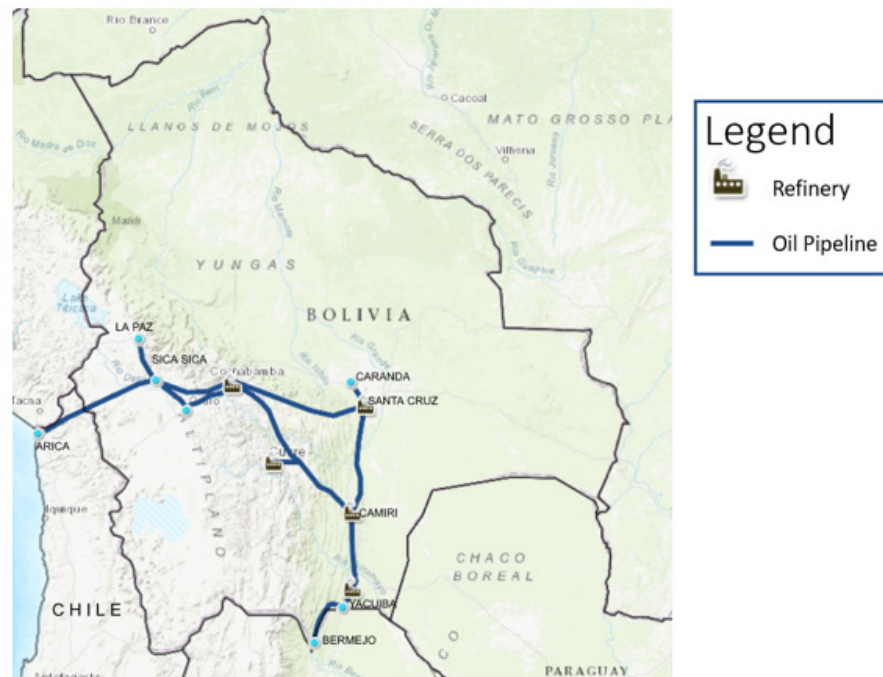


Figure 1. Bolivia Oil Pipelines in 1966<sup>222</sup>

When the pipeline became operational in early 1965, a lack of crude petroleum being produced by YPFB ultimately rendered it useless to the state enterprise.<sup>223</sup> YPFB was producing such minimal amounts of crude that royalties paid by Bolivian Gulf Oil to YPFB were being utilized to help Bolivia satisfy its contract export requirements to

<sup>221</sup> Zondag, *The Bolivian Economy, 1952–65*, 115–116.

<sup>222</sup> Zondag, 115; “Central America, Caribbean and South America Pipelines Map,” Odora, March 31, 2017; “Mapmaker Interactive,” National Geographic, accessed October 31, 2018. <https://mapmaker.nationalgeographic.org/gAZSNCRhImKCcl9r1LBCpV/?edit=dsGEAvsjU4DcqsAr98jTS2>.

<sup>223</sup> Zondag, *The Bolivian Economy, 1952–65*, 115; Cristian Santana and Sergio Miranda, “Bilateral Relations between Chile and Bolivia from the Perspective of Tarapaca’s Demands,” *International Studies* 46, no. 177 (2014).

Argentina.<sup>224</sup> Meanwhile, Bolivian Gulf Oil possessed approximately six times the reserves of YPFB and was capable of producing four times as much oil.<sup>225</sup> In 1965, Bolivian Gulf Oil began extracting its proven oil reserves for export to the international market. To do this another pipeline was constructed, extending the Sica Sica-Arica pipeline from Sica-Sica to Caranda —the site of abundant Bolivian Gulf Oil reserves—was built by Bolivian Gulf Oil.<sup>226</sup> This 350-mile pipeline began construction in 1964 following large discoveries of oil in Caranda.<sup>227</sup> When completed, Bolivian Gulf Oil transported its petroleum crude from the new pipeline to Sica Sica, where it rented the YPFB pipeline and followed through to the Pacific port in Arica, Chile.<sup>228</sup> While Chile initially protested the use of the pipeline by a private company, it eventually dropped its concerns.<sup>229</sup> Bolivian petroleum crude was first exported via Chile to refineries in California in 1966.<sup>230</sup> This cargo consisted of 260,000 barrels of crude oil.<sup>231</sup> While Bolivian Gulf Oil attempted to venture into the Bolivian domestic petroleum market, it mostly continued to export its petroleum until it was nationalized in 1969 following the overthrow of the Luis Siles administration by General Alfredo Ovando in a military coup d'état.<sup>232</sup> However, even

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<sup>224</sup> Bolivian Gulf Oil was paying a 50 percent royalty on petroleum crude produced; this crude would go to YPFB. When YPFB was producing enough crude to meet its export requirements to Argentina this crude was being refined by Bolivian refineries for domestic consumption at low prices; however, if Bolivia could not satisfy its export requirements to Argentina due to lack of production these royalties contributed to meeting the contract requirements. Zondag, 119; "Bolivia Hunts to Avert Collapse," *New York Times*, January 10, 1962.

<sup>225</sup> Young, "From Open Door to Nationalization," 33.

<sup>226</sup> "Bolivia Announces Pipeline for 350-Mile Oil Pipeline"; Gulf Oil Building Pipeline," *New York Times*, October 5, 1964.

<sup>227</sup> "Bolivia Announces Pipeline for 350-Mile Oil Pipeline."

<sup>228</sup> "Gulf Oil Building Pipeline."

<sup>229</sup> Zondag, *The Bolivian Economy, 1952–65*, 117.

<sup>230</sup> "First Bolivian Crude Sent Overseas by Gulf Oil Unit," *New York Times*, September 27, 1966.

<sup>231</sup> Chile did initially protest the export of petroleum crude via the YPFB pipeline by a private company alleging that only YPFB could utilize said pipeline. This appears to be out of line with the Treaty of Economic Cooperation cited above. Nevertheless, this small halt in cooperation stemmed from Chilean disapproval of operations, not Bolivian. "Treaty of Economic Cooperation Chile-Bolivia;" "First Bolivian Crude Sent Overseas by Gulf Oil Unit."

<sup>232</sup> Young, "From Open Door to Nationalization," 32.

then, following nationalization, Bolivia through YPFB exported a lucrative amount of crude petroleum worth \$35.97 million to Chile from 1971–1975.<sup>233</sup>

In contrast to YPFB's exportation of Bolivian petroleum, there was some backlash against Bolivian Gulf Oil's operations within Bolivia and the cooperation it spurred. However, this resentment did not stem from Bolivian Gulf Oil's choice to cooperate with rival Chile. Discontent regarding Bolivian Gulf Oil operations came mainly from perceived unequal gains favoring the international corporation as compared to Bolivia. Critics alleged that YPFB received unfavorable areas for exploration and therefore was unable to compete fairly with international company Bolivian Gulf Oil.<sup>234</sup> This criticism initially appeared in 1957 and stemmed from the far left Bolivian Communist Political Party, as well as from university academics.<sup>235</sup> These critics of the Davenport Petroleum Code ultimately fought for the nationalization of the petroleum industry.<sup>236</sup> Similarly, when the pipeline to Chile was both proposed and being built the limited backlash received stemmed from ardent YPFB nationalists arguing that the pipeline was being built on the Bolivian budget to serve the needs of foreign oil companies.<sup>237</sup> In fact, Bilbao points out that "*the only* opposition to the construction of the pipeline" stemmed from the perceived irrationality of Bolivia financing such a pipeline while the state entity YPFB lacked the proven reserves to export anywhere near the capacity of the proposed pipeline.<sup>238</sup> This discontent was not without

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<sup>233</sup> Philip, *Oil and Politics in Latin America*, 271–272; "What Does Bolivia Export to Chile? 1971," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/export/bol/chl/show/1971/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/bol/chl/show/1971/); "What Does Bolivia Export to Chile? 1972," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/export/bol/chl/show/1972/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/bol/chl/show/1972/); "What Does Bolivia Export to Chile? 1973," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/export/bol/chl/show/1973/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/bol/chl/show/1973/); "What Does Bolivia Export to Chile? 1974," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/export/bol/chl/show/1974/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/bol/chl/show/1974/); "What Does Bolivia Export to Chile? 1975," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/export/bol/chl/show/1975/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/bol/chl/show/1975/).

<sup>234</sup> These university academics would later be heavily influenced by Paz, *Petroleum: Sovereignty or Dependency*; Bilbao, *Myth and Reality of Bolivian Petroleum*, 299.

<sup>235</sup> Bilbao, *Myth and Reality of Bolivian Petroleum*, 290–294.

<sup>236</sup> Bilbao, 385–390.

<sup>237</sup> Bilbao, 224–236.

<sup>238</sup> Bilbao, 230.

reason; as mentioned earlier, foreign oil interests did dictate the requirement that a port to be made available. However, the argument can be made that Bolivia sought to build the pipeline to attract foreign investment.<sup>239</sup> Ultimately, oppositional groups saw Bolivian Gulf Oil operations as weakening state company YPFB.

It is important to reiterate that the backlash described above stemmed from perceived unequal gains and not from cooperation with rival Chile. In fact, Bolivian communist party *Partido de la Izquierda Revolucionaria* (PIR), which criticized the Davenport Petroleum Code and argued for nationalization, proposed that Bolivia should focus solely on exporting to nearby markets within Latin America.<sup>240</sup> This proposal made no mention of excluding Chile as a market and would have likely meant increased petroleum trade between the two nations. Criticism of Bolivian Gulf Oil operations never stemmed from cooperating with a rival. This, of course, is expected since YPFB itself was already cooperating with Chile. Backlash towards the Sica Sica-Arica pipeline made it even more apparent that discontent was not related to Chile. While critics attacked who was financing the pipeline there was no attention paid to the fact that the very same treaty that formalized the deal also gave Chile preference to buy the exported oil originating from Bolivia. Lastly, as with the cooperation via state entity YPFB, none of the scholarly works referenced for this thesis gave any reason to believe there was measurable discontent stemming from the administration's decision to cooperate with Chile via Bolivian Gulf Oil.<sup>241</sup> The fact that the limited backlash regarding both Bolivian Gulf Oil operations and the construction of the pipeline through Chile stemmed not from working with Chile, but rather from other matters, further proves the issue of rivalry is not a sufficient factor to impede cooperation between Bolivia and Chile. In fact, the examples above show an outright lack of outrage stemming from cooperation with Chile, let alone enough to impede trade.

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<sup>239</sup> Bilboa, 298, 289.

<sup>240</sup> Bilboa, 291–295.

<sup>241</sup> Paz, *Petroleum: Sovereignty or Dependency*; Orellana, *Petroleum: Imperialism and Nationalism*; Bilboa, *Myth and Reality of Bolivian Petroleum*.

## **D. EXPLANATION**

While this chapter demonstrates that Bolivia and Chile's rivalry alone does not prohibit petroleum trade, the focus shifts to considering why such cooperation was possible in this era without backlash and not possible in the early 2000s. This chapter posits that, despite heightened awareness given to decisions regarding national resources such as petroleum, there was sufficient confidence in the newly installed revolutionary government to consider its actions as necessary. Therefore, despite economic troubles, there was not significant disillusionment with the decisions the governing administration made, including the decision to export petroleum to Chile and the decision to construct a pipeline through Chile. Ultimately, this absence of disillusionment prevented oppositional political elites from being able to utilize the narratives of resource nationalism and rivalry to oppose cooperation. Political elites were unable to effectively intervene to propagate historical narratives that demonized both cooperation with Chile and the export of Bolivian natural resources. Instead, the incumbent political elite successfully created a cooperative relationship with Chile and actively supported the entrance of foreign investment to spur export operations through Chile. This effort was enough to portray cooperation with Chile positively and allow for successful cooperation. Each of these three factors will be fully explained and supported by evidence below.

### **1. Lack of Disillusionment with Political Administration's Economic Policy**

The main reason Bolivia was able to effectively cooperate with Chile in the 1950s as opposed to the 2000s was a lack of public disillusionment with the government's economic policy. This confidence in the government's economic policy stemmed from two main reasons. First, it stemmed mainly from the fact that the governing administration, which initiated the cooperation, had newly and emphatically come to power—in the 1952 revolution—on a platform that defended the economic livelihood of the Bolivian people against corporations and elites. This would allow the policy of the administration to appear more credible and receive less backlash. Secondly, while the governing administration inherited a struggling economy, its actions and the deals related to cooperation with Chile



were initially perceived as beneficial to Bolivia. The type of deals eased concerns of unequal gains as they were portrayed as beneficial to the Bolivian economy.

The 1952 revolution installed an administration that earned its bona fides as a socialist party by granting leftist demands for universal suffrage, nationalization of tin mines, and agrarian reform.<sup>242</sup> This introduction to the national population of Bolivia would greatly lend to the administration's credibility. Since this increased the Bolivian people's trust in the administration's economic policy, it allowed them to implement otherwise contentious economic policy with minimal backlash.<sup>243</sup> This phenomenon is documented in Cukierman and Tommasi's work which outlines how "popular support for a policy, or its 'credibility,' depends on the policy maker-policy pair."<sup>244</sup> An administration's economic policy may benefit from additional credibility when the party which implements it holds a reputation or publicized ideology that runs counter to the proposed economic policy, therefore, portraying such policy as necessary.<sup>245</sup> Cukierman and Tommasi give the fitting example of a left-wing administration being able to implement right wing economic policies with less backlash from the public than a right-wing administration would receive.<sup>246</sup> This is precisely what occurred in Bolivia with regard to the decision to export petroleum through Chile via private corporations and through the construction of the Sica Sica-Arica pipeline. Post-revolution, Paz and the MNR passed market-oriented economic policy by opening the doors to the Bolivian petroleum industry, explicitly for export. Cukierman and Tommasi specifically cite the market-oriented reforms of Paz as an example of such a phenomenon in their paper.<sup>247</sup> Such reforms eventually led to Bolivian Gulf Oil entering the market and consequentially

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<sup>242</sup> Zondag, *The Bolivian Economy, 1952–65*, 48.

<sup>243</sup> This is specifically referring to the passage of the Davenport Petroleum Code in 1955, which appeared as unlikely economic policy from a socialist party.

<sup>244</sup> Alex Cukierman and Mariano Tommasi, "When Does It Take a Nixon to go to China?" *American Economic Review* 88, no. 1 (1998): 180.

<sup>245</sup> Kenneth Schultz, "The Politics of Risking Peace: Do Hawks or Doves Deliver the Olive Branch?" *International Organization* 59, no. 1 (2005): 3–5; Cukierman and Tommasi, "When Does It Take a Nixon to go to China?" 181.

<sup>246</sup> Cukierman and Tommasi, "When Does It Take a Nixon to go to China?" 181.

<sup>247</sup> Cukierman and Tommasi, 180.

petroleum sales to Chile. This policy produced less backlash from an economic perspective—the above section shows a distinct lack of backlash from resentment and pride—and was perceived as less suspect considering the leftist reputation of the MNR. Because it was considered both necessary and beneficial to the Bolivian people, the economic policy that led to cooperation with Chile was initially viewed more favorably.

The MNR's economic policy was further deemed as rational due to the favorable terms of petroleum trade with Chile carried out by national company YPFB. The type of petroleum traded left little room for allegations of unequal gains. When YPFB engaged in petroleum trade with Chile from 1954–1964 it sold processed oil products such as gasoline, fuel oil, and diesel oil.<sup>248</sup> Selling processed petroleum would deter criticism because this was not the exportation of raw materials—of which Bolivia had grown suspicious due to a perceived history of exploitation. Exporting processed petroleum was a more lucrative deal for Bolivia as compared to exporting petroleum crude. The fact that the petroleum was refined in the country by one of five Bolivian refineries also helped ease any concerns of unequal gains.<sup>249</sup>

Furthermore, instead of this policy being seen as threatening to the livelihood of Bolivian workers it accomplished the opposite. The positive perception of the policy initially stemmed from the fact that economically struggling Bolivia with lack of budget for exploiting its petroleum reserves needed the assistance of foreign capital to capitalize on possible gains from the petroleum industry.<sup>250</sup> When this policy for open doors and cooperation with Chile was passed, the already ailing Bolivian tin industry had seen lower revenues from tin due to a drop in prices and production.<sup>251</sup> The government was hoping

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<sup>248</sup> Zondag, *The Bolivian Economy, 1952–65*, 115; Young, “From Open Door to Nationalization,” 11.

<sup>249</sup> Zondag, *The Bolivian Economy, 1952–65*, 115.

<sup>250</sup> “Bolivia Banking On Gain from Oil.”

<sup>251</sup> “Gulf Unit in Bolivia Brings in Oil Well”; Malloy, *Bolivia: The Uncompleted Revolution*, 131, 155; Bilboa, *Myth and Reality of Bolivian Petroleum*, 289.

for oil revenues YPFB would not be able to deliver.<sup>252</sup> In the early 1960s, YPFB failed to produce the necessary petroleum for domestic consumption, let alone exports. YPFB's production and profits began to plummet in 1957, and in 1961, YPFB was operating at a loss.<sup>253</sup> Not only did YPFB need Bolivian Gulf Oil royalties to satisfy exports to Argentina, but they also resorted to buying additional crude from Bolivian Gulf Oil to keep Bolivian refineries operating.<sup>254</sup> The amount of oil being utilized to continue refinery operations was so significant that a pipeline was built connecting Bolivian Gulf Oil fields to YPFB oil systems.<sup>255</sup> Ultimately, policy that led to the export of oil through and to Chile was perceived as beneficial to Bolivia, as it kept refineries that would otherwise remain idle working, helped YPFB meet its export contracts, brought in revenue through taxes and royalties for the regional and national government, and ensured a domestic supply of low-cost petroleum products. This sentiment can be seen in the cheers and positive reactions that resulted when Bolivian Gulf Oil discovered oil in Caranda, Santa Cruz in 1961.<sup>256</sup> Positive sentiment towards the administration's economic policy was also recorded in a more official medium, an official poll.

While Bolivia's economy was struggling during the above period of the cooperation, Bolivian Gulf Oil operations that exported petroleum to Chile and the economic policy that enabled said trade were initially viewed positively for the reasons outlined above. This sentiment is further supported by the results of the 1962 *Economic*

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<sup>252</sup> YPFB, which had limited success in the early 1950s, was not adequately funded and lacked the expertise to extract Bolivia's potential reserves. To make matters worse, its failures had come after YPFB had received a total of 10 million dollars in loans for needed equipment. Zondag, *The Bolivian Economy, 1952–65*, 114–117; "Gulf Unit in Bolivia Brings in Oil Well;" Malloy, *Bolivia: The Uncompleted Revolution*, 131, 155; Bilboa, *Myth and Reality of Bolivian Petroleum*, 289.

<sup>253</sup> Zondag, *The Bolivian Economy, 1952–65*, 114–115; Bilboa, *Myth and Reality of Bolivian Petroleum*, 315.

<sup>254</sup> Zondag, *The Bolivian Economy, 1952–65*, 117, 119.

<sup>255</sup> This is important considering that some of these refineries were newly commissioned in the early 1960s and would have been rendered useless state investments otherwise. Zondag, *The Bolivian Economy, 1952–65*, 117; Bilboa, *Myth and Reality of Bolivian Petroleum*, 321.

<sup>256</sup> Such discoveries were cheered because they also meant that work was provided for the region. "Oil Discoveries Cheer Bolivians" *New York Times*, January 19, 1961; "New Vistas Open in Bolivian City: Center of Nations Economy Shifting to Santa Cruz," *New York Times*, August 12, 1963.

and Political Climate of Opinion in Latin America Roper Center polls of Bolivia.<sup>257</sup> Poll results show that public opinion towards the administration's economic policy was favorable. Of the questions asked during these polls, two stand out as clear evidence that the administration's economic policy was favored in Bolivia during this era. First, as can be seen in figures 2 and 3, the poll results showed that Bolivians in 1962 generally preferred private ownership over government ownership of major industries.<sup>258</sup>

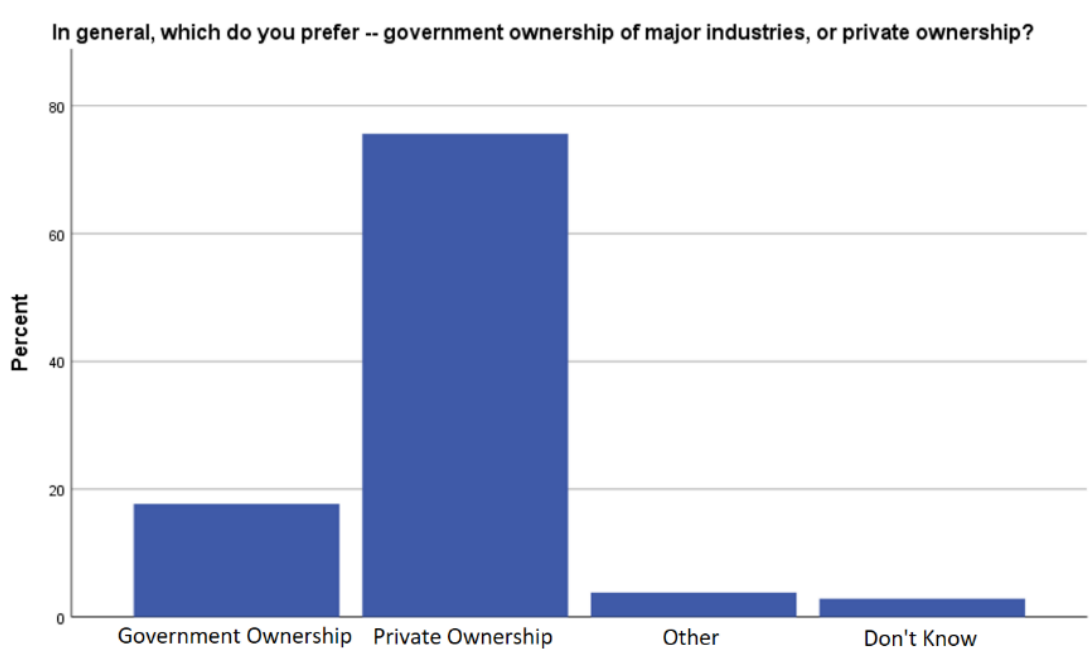


Figure 2. 1962 Roper Poll Results, Question 15<sup>259</sup>

<sup>257</sup> One-thousand people were polled as part of this survey. Two regions represented the majority of the persons polled, Cochabamba and La Paz. Apart from these regions, 300 persons from rural areas were surveyed. Cochabamba contributing to the results is important considering it was said to be the center of the criticism against the Sica Sica-Arica pipeline. Therefore, if polls showed low discontent it can be seen as indicative of a failure of the opposition to mobilize the populace. Bilboa, *Myth and Reality of Bolivian Petroleum*, 291; 1962, "USIA Poll # 1962-LA13: The Economic and Political Climate of Opinion in Latin America," United States Information Agency (USIA), <https://www.ropercenter.cornell.edu/CFIDE/cf/action/catalog/abstract.cfm?type=&start=&id=&archno=BOUSIA1962-LA13&abstract=>.

<sup>258</sup> "USIA Poll # 1962-LA13: The Economic and Political Climate of Opinion in Latin America."

<sup>259</sup> "USIA Poll # 1962-LA13: The Economic and Political Climate of Opinion in Latin America."

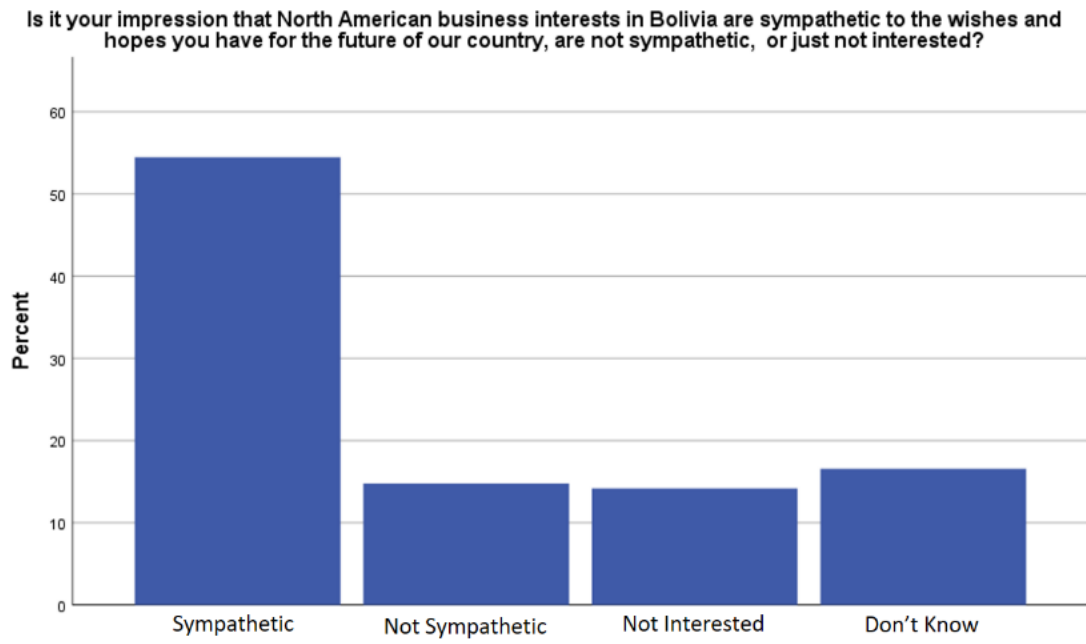


Figure 3. 1962 Roper Poll Results, Question 47<sup>260</sup>

This may have been a result of the inefficiency that followed the nationalization of tin mines, but it very much meant that Bolivians preferred the oil industry in private hands. It also shows that Bolivians generally supported the MNR's decision to allow private companies into the petroleum industry to generate exports. Secondly, the poll results found that in 1962 Bolivians generally perceived U.S. business interests in Bolivia as sympathetic to Bolivian "wishes and hopes" for the future of their country. Of course, during this era, Bolivian Gulf Oil was the major U.S. corporation operating in Bolivia. These two polls show that during this time public opinion towards companies like Bolivian Gulf Oil was favorable. This lent to the acceptance of their operations that included exports of petroleum through and to Chile; however, it also shows acceptance of the administration's policy to

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<sup>260</sup> "USIA Poll # 1962-LA13: The Economic and Political Climate of Opinion in Latin America."

use foreign investment to extract and export Bolivian petroleum to and through Chile.<sup>261</sup> Therefore, not only was there a lack of disillusionment with the government's economic policy, the above poll results show an acceptance of the administration's policy as necessary and beneficial.

## **2. Resource Nationalism Still Present**

As previously described, Bolivia has a history of resource nationalism stemming from the perceived exploitation of the country's natural resources. This phenomenon can impede cooperation with Chile as it gives political elites a memorable and relatable narrative to co-opt when trying to stir populist backlash against a target economic decision regarding natural resources—in the case of this thesis, proposed natural gas cooperation with Chile. This resource nationalism places a spotlight on government decisions regarding natural resources. However, this thesis argues that resource nationalism is only effective in impeding export operations when there is already significant disillusion with the government's economic policy. Without said disillusionment, resource nationalism cannot impede cooperation as seen in the above 1950s case.

One may attempt to argue that cooperation during the above era was only possible due to lack of awareness regarding the petroleum industry or lack of resource nationalism present for political elites to seize upon as they did in the early 2000s. Someone taking this position would logically argue that there is, in fact, a strong presence of animosity towards Chile that when dealing with something of public concern will prevent cooperation. Therefore, they would argue that only because the petroleum industry was either not important or publicized enough did it not receive backlash. This narrative could not be

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<sup>261</sup> However, it is fair to note that this sentiment faded as the U.S. withdrew aid and support. These companies would ultimately be accused of failing to invest in Bolivia while enriching themselves from Bolivian natural resources. This positive sentiment was greatly aided by the large amount of aid that Bolivia received from the US. From 1952 to 1964, the U.S. provided approximately 400 million dollars in aid to Bolivia, half of which would be in grants. In certain years, such as 1957–1959, U.S. aid provided to Bolivia comprised more than a quarter of its central government revenues. While this thesis does not focus on the role of other international state actors influencing cooperation, this matter may, in certain circumstances, lead to changing one of the three factors of the thesis. In this case, U.S. aid, which helped prop up the administration, likely contributed to the lack of further economic disaster that would have likely led to the Bolivian populace becoming discontented with the economic policy of the administration. Malloy and Thorn, *Beyond the Revolution*, 88, 104.

further from the truth. Along with Chapter II, this section explains why these presumptions would be incorrect and how resource nationalism was present as it was in the 2000s. Therefore, it shows that public opinion indeed played a role in Bolivia; it just did not object to the government's policy of cooperation with Chile because there was confidence in the government's economic policy regarding natural resource exports.

To fully identify the presence of resource nationalism, one needs merely look at the context surrounding this cooperation. As mentioned in Chapter II, just a few years prior, the 1952 revolution brought with it a dominant populist rule that introduced reforms for the nationalization of the three largest tin mines in the country. The presence of this resource nationalism is well documented and scholars have detailed how tin became the most significant issue of public concern during the revolution. The topic was so pertinent that miners took up arms to ensure nationalization and equal gains.<sup>262</sup> Taking into account the revolution was partly motivated by grievances of unequal gains stemming from national resources, one can presume there existed a politically active and engaged populace. In fact, Victor Paz as president of the new administration had an aversion towards nationalization; however, the organized labor left; which had demonstrated and fought for nationalization, unknowingly forced the hand of center-right leaders of the MNR like Paz towards nationalization.<sup>263</sup>

Resource nationalism was well and alive during this era of cooperation, and just like mining, petroleum operations became a matter of vital importance to Bolivians.<sup>264</sup> As described in Chapter II, oil resource nationalism and the importance of the petroleum industry was propelled into the national spotlight due to the Chaco War. Later, as significant oil discoveries were made in the 1950s and 1960s, interest in the oil industry

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<sup>262</sup> Malloy, *Bolivia: The Uncompleted Revolution*, 155–157.

<sup>263</sup> Paz was “lukewarm” to nationalization and wanted only to implement restrictions on export and sale of minerals. Malloy, 173–175.

<sup>264</sup> Young, “From Open Door to Nationalization,” 6.

grew within Bolivia.<sup>265</sup> Bolivians began to view “oil as a promising export commodity.”<sup>266</sup> In fact, scholars argue that, following the 1936 nationalization of the petroleum industry, oil became linked more closely to national sovereignty and Bolivian nationalism than tin.<sup>267</sup> During its founding, even the MNR, which would later implement the Davenport Petroleum Code, defended the 1930s oil nationalization calling for Bolivians to protect the country’s oil.<sup>268</sup> By the time Bolivia began exporting petroleum to Chile and negotiating the 1955 Treaty of Economic Cooperation, which led to the Sica Sica-Arica pipeline, oil resource nationalism was prevalent throughout Bolivia.

Identifying the presence of oil resource nationalism during this cooperation shows that this topic was of public concern and that political elite would be able to effectively utilize the narrative of past exploitation to rally support against cooperation with Chile if the political climate would have allowed it. However, criticism against unequal gains for international corporations appeared to initially emerge only from far left political parties during cooperation. These criticisms were ineffective in impeding cooperation because they were attacking an administration deemed credible and an economic policy perceived as necessary. With resource nationalism present, one cannot argue that this issue slid under the radar of the public and that public opinion would not have produced backlash due to lack of importance.

### **3. Political Elite Mobilization for Cooperation Instead of Against It**

This thesis contends that, for resource trade between Bolivia and Chile to be blocked within Bolivia, political elites must also leverage the narrative of rivalry to halt cooperation. These political elite must seize upon this narrative in the same fashion they would seize upon resource nationalism. However, during the MNR rule under which large

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<sup>265</sup> Young, “From Open Door to Nationalization,” 9; “Gulf Finds Oil in Bolivia;” “Oil Discoveries Cheer Bolivians;” “Gulf Oil Strikes Oil in Bolivia after 4 Years of Exploratory Drilling,” *Wall Street Journal*, September 27, 1960; “Gulf Strikes Oil in Bolivia Again,” *New York Times*, July 23, 1961; “Petroleum in Latin America - Declassified,” 15.

<sup>266</sup> Young, “From Open Door to Nationalization,” 2.

<sup>267</sup> Young, 9–10.

<sup>268</sup> Young, 9–10.



amounts of petroleum cooperation trade and other cooperative treaties were signed not only was there a lack of political elite leveraging this narrative to unseat the MNR party, but it was more challenging to craft considering the MNR retained credibility as a socialist party fighting for Bolivia. As mentioned above, the MNR party was given the benefit of the doubt when implementing this otherwise contentious policy. This would be similar to the same benefit that anti-communist hardliner Nixon received as he extended an olive branch to China.<sup>269</sup> Because of its reputation, there was little chance that the MNR would be democratically unseated so early by the narrative of the party as *vendepatria*. In line with theory spelled out earlier, the lack of disillusionment prohibited elites from leveraging rivalry against cooperation. On the contrary, the MNR would effectively convince the Bolivian population that its policy of cooperation with Chile was economically necessary and that economic investment of U.S. foreign corporations, which led to the construction of the Bolivia-Chile pipeline, was also necessary and advantageous.<sup>270</sup>

The MNR as the incumbent political elite consistently and expertly crafted the narrative that its economic policy was necessary for the success of Bolivia. Furthermore, because this very same party had just nationalized the three largest tin mines, it maintained its credibility. Therefore, instead of disillusionment allowing elites to seize upon narratives that challenged the administration's cooperation, the credibility allowed the incumbent political party to effectively sell its decision to the public. As the oil industry became an option for serious economic prosperity, President Paz immediately began painting YPFB as a company with limited resources that could not meet the production needs the country required.<sup>271</sup> In 1956, Paz responded to the aforementioned limited criticism of allowing foreign companies to enter the Bolivian oil industry by arguing that such "criticism is unjustified" and that the reality was that Bolivia needed "large scale exploitation of oil...

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<sup>269</sup> Cukierman and Tommasi, "When Does It Take a Nixon to go to China?"

<sup>270</sup> It is also important to note that this might have been motivated by large amounts of U.S. aid given to Bolivia in this his era. Malloy and Thorn, *Beyond the Revolution*, 88, 104.

<sup>271</sup> "Bolivia Banking on Gain from Oil."

which requires large investments.”<sup>272</sup> Paz further justified the decision by claiming that the oil industry after such investments would begin to provide much-needed profits that would surpass the earnings of tin.<sup>273</sup> Similarly, Siles, who followed Paz as president under the MNR party, despite being considerably more leftist than Paz, defended the Davenport Petroleum Code.<sup>274</sup> Siles was ultimately the president who ordered the construction of the pipeline the Paz administration had negotiated with Chile.<sup>275</sup> Siles, like Paz, argued that the Davenport Petroleum Code was necessary. Less than a year later, in late 1956, he addressed the Bolivian Congress arguing that the “vicious cycle—of scarce production and reserves—will not be broken until foreign investment and credits bring to Bolivia the technology and teams of developed countries.”<sup>276</sup> Siles continued by arguing that the rationale of seeking foreign investment was the basis of the Davenport Petroleum Code and also exactly what would break the cycle.<sup>277</sup> Siles, like Paz, also made promises and statements where he alleged that it would take only two years for Bolivia to be inundated with profits from the oil industry.<sup>278</sup> These crafted narratives and visions, which painted an industrialized and wealthy Bolivia, were very compelling since the country had long suffered from poverty.

However, it was not only the executive branch that would publicly support the decision. *La Nacion*, which served as the official media arm of the administration, also defended the Davenport Petroleum Code by publicizing its benefits for Bolivians and its moments of success.<sup>279</sup> For example, Bilboa points out that following the discovery of oil in Santa Cruz the press company *La Nacion* and other press organizations praised the

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<sup>272</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 289.

<sup>273</sup> Bilboa, 289.

<sup>274</sup> Malloy, *Bolivia: The Uncompleted Revolution*, 158; Bilboa, *Myth and Reality of Bolivian Petroleum*, 231.

<sup>275</sup> Malloy, *Bolivia: The Uncompleted Revolution*, 158; Bilboa, *Myth and Reality of Bolivian Petroleum*, 231.

<sup>276</sup> Bilboa, *Myth and Reality of Bolivian Petroleum*, 298.

<sup>277</sup> Bilboa, 298.

<sup>278</sup> Bilboa, 306.

<sup>279</sup> Bilboa, 306.

Davenport Petroleum Code as successful and YPFB as inefficient for failing to carry out similar discoveries of much-needed oil reserves.<sup>280</sup> Such praise from the state-controlled press and the MNR appeared daily.<sup>281</sup> This narrative was further supported by the fact that Paz's brother, Jose Paz Estenssorro, as the head of YPFB, came out and justified the construction of the Sica Sica-Arica pipeline. Jose Paz argued that even though Bolivia exported petroleum to neighboring countries it could not be considered an international vendor until it had a port that allowed it to sell its petroleum at a competitive rate to whoever paid most.<sup>282</sup> He justified this policy as a way for Bolivia to finally earn the deserved price for its natural resources. Likewise, in 1957, the general manager of YPFB, Hinojosa Achia, publicly announced that "construction of the pipeline is crucial and should be completed as soon as possible."<sup>283</sup> While nationalists attempted to portray the administration's economic policy as damaging YPFB, it was difficult to make such an argument when the leaders of YPFB were arguing the opposite position. Such criticism in the early years of the administration and during cooperation was not effective. As seen in the above poll results, the government operations that led to the cooperation with Chile were supported. Furthermore, U.S. National Intelligence estimates analyzing trends in Bolivia found a "growing receptivity to foreign investment in petroleum" during this era.<sup>284</sup> Ultimately, the administration's credibility prevented political elites from mobilizing the public against the policy of cooperation with Chile on the basis of rivalry and resource nationalism.

## E. CONCLUSION

In attempting to identify the drivers behind the current Bolivian foreign policy of not selling Chile natural gas, the 1950s case in which Bolivia leaders managed to cooperate

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<sup>280</sup> Bilboa, 306.

<sup>281</sup> Bilboa, 306.

<sup>282</sup> Orellana, *Petróleo: Imperialismo y Nacionalismo*, 175–176.

<sup>283</sup> Orellana, 176.

<sup>284</sup> Foreign Relations of the United States, 1955–1957, Volume VI, American Republics: Multilateral; Mexico; Caribbean, National Intelligence Estimate, (Washington: Government Printing Office, 2010), Document 6. <https://history.state.gov/historicaldocuments/frus1955-57v06/d6>.

with Chile was studied. The case study provides several helpful insights in considering contemporary events and helps test common theories offered to explain why Bolivia has not sold Chile natural gas. First, considering that YPFB trade occurred with no backlash, this case shows that resentment and national pride alone is not a sufficient factor in impeding hydrocarbon trade between Bolivia and Chile. Therefore, this means that if this factor was crucial in the 2000s, there was another reason why its effects were amplified. Furthermore, this case study shows that such cooperation is not political suicide, as it is often portrayed.<sup>285</sup> This case study also demonstrates how lack of disillusionment with an administration's economic policy or, in other words, credibility can affect public opinion towards a policy. This is seen in the acceptance of the policy by the public, which in a different era—with a different policy maker-policy pair—would be considered contentious. This case study also shows how political administrations that implement out of character economic policy can benefit from additional credibility. This is because the public will view the economic policy as truly necessary. Lastly, as explained in the theory for this thesis, when there is sufficient credibility in the government's economic policy, elites are unable to effectively leverage resource nationalism and rivalry as narratives to challenge cooperation. Therefore, if there is not sufficient disillusionment with the administration's economic policy, then trade will not be impeded since other factors will not be able to measurably affect the administration's policy. Such history of exploitation and rivalry is only effectively utilized to challenge an administration if political elites target an administration whose economic policy has lost credibility. In the 1950s, this was not the case; therefore, cooperation proceeded between the two nations. However, in the early 2000s, the administration's neoliberal economic policy was greatly opposed and this situation allowed the oppositional political elites to utilize the narratives of resource nationalism and rivalry to influence policy of cooperation.

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<sup>285</sup> This is extremely apparent in the case of Victor Paz since he was re-elected twice more after initiating petroleum cooperation with Chile. Victor Paz was elected for his first full term as president in 1952, his second in 1960, and he would win election a third time in 1985, Clifford Krauss, "Victor Paz Estensorro, 93, Four-Time Bolivian Leader, Dies," *New York Times*, June 9, 2001.

#### **IV. 2000s: LACK OF COOPERATION**

Scholars often cite the outrage surrounding the 2003 Gas Wars as conclusive evidence that rivalry prohibits Bolivia and Chile from cooperating not only in natural gas sales but also in the petroleum industry. They focus heavily on the public outrage that condemned cooperation with Chile and the ensuing inflammatory remarks from Bolivian leaders that pledged Bolivia would not sell Chile natural gas until it received a sovereign exit to the Pacific. This chapter examines this case study and provides a more thorough explanation for the lack of cooperation with Chile in the natural gas sector by using the theory outlined in this thesis. It does so by highlighting key points, which scholars have either overlooked or discounted, that prove Bolivia's policy was motivated by more than animosity towards Chile. Like the 1950s case study, cooperation in the 2000s involved possible natural gas sales to Chile and export of natural gas through Chile via a pipeline to the international market. However, this time, both methods of potential cooperation, which involved natural gas, ultimately proved unsuccessful.

First, this chapter shows why disillusionment with the government's economic policy led the public to view its policy of Chilean natural gas cooperation with distrust. To do that, it highlights the power struggle between neoliberal reformists and those who opposed such policy throughout the years leading up to the administration's proposal to export natural gas through Chile. It identifies the growing backlash towards neoliberal policy that helped instigate the Gas Wars, which in turn successfully impeded natural gas cooperation with Chile. Documenting this uprising shows that the backlash the administration received regarding possible export operations through Chile was motivated by disillusionment with the neoliberal economic policy of the administration rather than just rivalry. Ultimately, this discontent allowed the oppositional political elite—who mostly opposed neoliberal economic policy—to utilize narratives of resource nationalism and rivalry to vilify and impede natural gas cooperation with Chile.

This chapter begins by explaining the context in which this era of non-cooperation emerged. It continues by introducing the governing administration that considered cooperation with Chile and tracks the negative effects of its economic policy. By doing

this, this chapter demonstrates the backlash the administration faced stemmed from growing discontent with the neoliberal economic policy. From there, this chapter presents the influence of a growing movement that opposed the government's policies. It then identifies key players in the Bolivian petroleum industry that unsuccessfully attempted to cooperate with Chile. Lastly, this chapter expounds upon the above theory to show why natural gas cooperation between Bolivia and Chile during this era was not possible, but sales of petroleum crude and liquefied petroleum gas (LPG) were possible. In doing so, this explanation shows why previously provided rivalry arguments do not adequately explain the reasons Bolivia and Chile were unable to cooperate in the natural gas sector.

#### **A. RETURN OF THE MNR AND THE RISE OF THE NEOLIBERAL MODEL**

The administration that would attempt to re-initiate cooperation with Chile in the petroleum sector was again part of the MNR party.<sup>286</sup> Bolivia returned to democracy in 1982 following twenty years of military rule.<sup>287</sup> Under this military rule and specifically under the military regime of Hugo Banzer, Bolivia fell dangerously into debt.<sup>288</sup> Banzer sowed “the seeds of future economic crisis” by tripling Bolivia’s debt in just seven years.<sup>289</sup> Nearing the end of his reign, interest payments on Bolivia’s new debt totaled approximately “30 percent of Bolivia’s annual export earnings.”<sup>290</sup> Riddled with growing debt payments and faced with dropping tin prices, Bolivia democratized in the midst of an economic crisis.<sup>291</sup> The leftist political party *Unidad Democrática y Popular* (UDP) that reintroduced

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<sup>286</sup> The MNR returned to the political scene in the mid-1980s with the reelection of Victor Paz Estensurro who was previously exiled to Peru following the 1964 military coup. Stanley Greenberg, *Dispatches from the War Room: In the Trenches with Five Extraordinary Leaders* (New York: St. Martin’s Press, 2009), 354–355.

<sup>287</sup> Benjamin Kohl and Linda Farthing, *Impasse in Bolivia: Neoliberal Hegemony and Popular Resistance* (London: Zed Books, 2006), 54–55.

<sup>288</sup> Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 152–153.

<sup>289</sup> Banzer also unwisely borrowed high-interest rate loans to pay off past Bolivian debts. Nick Buxton, “Economic Strings,” in *Dignity and Defiance: Stories from Bolivia’s Challenge to Globalization*, ed. Jim Shultz and Melissa Draper (California: University of California Press, 2008), 152–153; Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 153.

<sup>290</sup> Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 153.

<sup>291</sup> Siekmeier, 156.

Bolivia to democracy could not survive through the economic and political turmoil and held early elections that led to the MNR gaining the presidency.<sup>292</sup>

With a mounting economic crisis, the MNR proposed a radical change to the status quo in Bolivia.<sup>293</sup> When the MNR claimed the presidency in 1985, 70 percent of the country lived in poverty; Bolivia faced crippling debt, rising unemployment, and 60,000 percent hyperinflation rates.<sup>294</sup> The country's gross domestic product (GDP) had declined for the past five years, dropping a shocking 9.2 percent in 1982 alone.<sup>295</sup> The MNR appointed Gonzalo Sanchez de Lozada —known as “Goni” in Bolivia—as Planning Minister to address Bolivia's economic crisis.<sup>296</sup> Goni, working with Harvard economist Jeffery Sachs, proposed a neoliberal economic model that served as shock therapy for Bolivia.<sup>297</sup> Under the motto of “we act or Bolivia dies,” over the next four years, the MNR changed the state-led economy by decontrolling prices, liberalizing trade, increasing energy prices, and removing capital controls.<sup>298</sup> The extreme measures were effective, and Bolivia's inflation dropped to near zero within a month.<sup>299</sup> However, the MNR by no means turned the economy around. Soon after, Bolivia's unemployment rate rose from “16 percent in 1985 to 21.5 percent in 1988.”<sup>300</sup> In the short term, as the neoliberal economic agenda took hold, Goni gained the reputation of a neoliberal economic modernizer who saved Bolivia from the brink of ruin.<sup>301</sup> With its 1985 economic policy, the MNR shed its former revolutionary socialist image and effectively rebranded itself as a neoliberal reformer.

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<sup>292</sup> Buxton, “Economic Strings,” 153; Greenberg, *Dispatches from the War Room*, 355.

<sup>293</sup> Buxton, “Economic Strings,” 153; Greenberg, *Dispatches from the War Room*, 355.

<sup>294</sup> Greenberg, *Dispatches from the War Room*, 356–357.

<sup>295</sup> Kohl and Farthing, *Impasse in Bolivia*, 54.

<sup>296</sup> Buxton, “Economic Strings,” 158–159.

<sup>297</sup> Greenberg, *Dispatches from the War Room*, 357.

<sup>298</sup> Greenberg, 358.

<sup>299</sup> Greenberg, 358.

<sup>300</sup> Greenberg, 358.

<sup>301</sup> Greenberg, 358–359.

## 1. The Foundation of a Looming Backlash

While the MNR's neoliberal shock therapy was effective in ending hyperinflation, its destructive effects on the economic livelihood of the Bolivian people inspired a powerful social movement that would oppose the neoliberal economic model. In certain areas, the populace felt the effects of the fiscally conservative measures almost immediately. For example, overnight, in an effort to curb government spending, the administration cut various benefits that "miners had fought for, over decades, such as the right to subsidize food, health, and educational support."<sup>302</sup> In August 1985, these cuts prompted perhaps the first protests against neoliberal policy measures that threatened the livelihood of the populace.<sup>303</sup> These cuts prompted an estimated two thousand miners to go on strike in protest.<sup>304</sup>

The state mining company *Corporacion Minera de Bolivia* (COMIBOL) among other state enterprises remained a central target for cuts.<sup>305</sup> Before these cuts began COMIBOL employed 30,000 workers, and at the start of 1993, it employed only 3,000 workers.<sup>306</sup> In addition, approximately 33,000 other state employees were let go due to this immediate shock therapy policy.<sup>307</sup> The cuts resulted in swift backlash against the MNR's economic policies. The effects of Bolivia's neoliberal policy are best described by Buxton who states that "the closure of state companies meant that many jobs were lost in the formal sector and very few new ones were created. The focus on attracting foreign investment may have created added profits for a few, but it did not create jobs for very many."<sup>308</sup>

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<sup>302</sup> Buxton, "Economic Strings," 155–156; Kathleen Schroeder, "Economic Globalization and Bolivia's Regional Divide," *Journal of Latin American Geography* 6, no. 2 (2007): <https://doi.org/10.1353/lag.2007.0048>.

<sup>303</sup> Buxton, "Economic Strings," 154–156.

<sup>304</sup> In response, the MNR declared a state of siege and exiled 143 of the demonstrators to "a remote area in the Amazon." Kohl and Farthing, *Impasse in Bolivia*, 76; Buxton, "Economic Strings," 154–156.

<sup>305</sup> Kohl and Farthing, *Impasse in Bolivia*, 66.

<sup>306</sup> Buxton, "Economic Strings," 154–156.

<sup>307</sup> Kohl and Farthing, *Impasse in Bolivia*, 66, 71.

<sup>308</sup> Buxton, "Economic Strings," 156–158.



As a result of the layoffs, Bolivia saw huge growth in the informal work sector: specifically the coca industry.<sup>309</sup> A decline in government revenue and jobs stemming from the deteriorating tin industry led to a mass search for employment.<sup>310</sup> Many of these displaced workers migrated to Cochabamba to farm coca.<sup>311</sup> The availability of jobs in the coca industry and the rush to fill said jobs was so significant that in just one province known for coca growth—Chapare—the population jumped from 40,000 to 215,000 in seven years.<sup>312</sup> By 1986, employment in the coca industry accounted for 25 percent of the nation’s total jobs and “40 percent of Bolivia’s gross domestic product.”<sup>313</sup>

Surprisingly, on paper, Bolivia’s economy had begun growing as opposed to shrinking.<sup>314</sup> However, even as it grew the number of persons living in poverty grew “by an average of 130,000 a year.”<sup>315</sup> This left 70 percent of the population under the poverty line by the early 1990s.<sup>316</sup> This national economic growth, paired with an increase in poverty, meant that inequality within the country was on the rise.<sup>317</sup> Inequality continued to grow and in doing so it generated further discontent with the administration’s economic policy. Zamora, who took office in 1989, followed some of the MNR’s economic policy, but his administration re-hired approximately 20,000 state employees to offset unemployment.<sup>318</sup> However, his successor, Goni, would undo this increase in state employment.

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<sup>309</sup> Buxton, “Economic Strings,” 156–158.

<sup>310</sup> Kohl and Farthing, *Impasse in Bolivia*, 2006; Gordon and Luoma, “Oil and Gas,” 88.

<sup>311</sup> Greenberg, *Dispatches from the War Room*, 365; Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 158–159.

<sup>312</sup> Caroline Conzelman et al., “Coca: The Leaf at the Center of the War on Drugs,” in *Dignity and Defiance: Stories from Bolivia’s Challenge to Globalization*, ed. Jim Shultz and Melissa Draper (California: University of California Press, 2008), 187; Greenberg, *Dispatches from the War Room*, 363.

<sup>313</sup> Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 163.

<sup>314</sup> Buxton, “Economic Strings,” 156–158; Kohl and Farthing, *Impasse in Bolivia*, 80.

<sup>315</sup> Buxton, “Economic Strings,” 156–158; Kohl and Farthing, *Impasse in Bolivia*, 80.

<sup>316</sup> Buxton, “Economic Strings,” 156–158; Kohl and Farthing, *Impasse in Bolivia*, 80.

<sup>317</sup> Buxton, “Economic Strings,” 171.

<sup>318</sup> Kohl and Farthing, *Impasse in Bolivia*, 80.

## B. ATTEMPTED NATURAL GAS COOPERATION WITH CHILE UNDER THE MNR

Goni, who successfully ran for president in 1993, kept Bolivia on the neoliberal track with his “capitalization” plan that sought to attract foreign investment by selling off state industries.<sup>319</sup> Understanding Bolivia’s wariness towards privatization, the plan proposed a joint venture with private entities in which Bolivia retained a 51 percent stake in the industries it sold.<sup>320</sup> The plan was meant to both create generous investment terms for private entities and to protect state control. Goni touted the plan’s ability to create half a million jobs, “double the economy in ten years,” and provide enough revenue for a newly created social security system.<sup>321</sup> One of the vital state industries that Goni targeted for this new restructuring was YPFB.<sup>322</sup>

Under this pseudo-privatization, Bolivia began to develop its natural gas industry and became a major natural gas exporter. During his first term as president, Goni “capitalized” YPFB by selling its assets to three different companies: Chaco, Transredes, and Andina.<sup>323</sup> Transredes, a consortium formed by U.S.-based Enron and Netherlands-based Shell, bought YPFB’s “pipelines and distribution infrastructure.”<sup>324</sup> Andina, a subsidiary of Spain-based Repsol, along with Chaco, a subsidiary of British Petroleum (BP), bought YPFB’s equipment infrastructure, and its “exploration and production companies.”<sup>325</sup> Lastly, Chaco and Andina also “gained control of oil and gas reserves valued at approximately 12 billion dollars.”<sup>326</sup> Despite Goni’s promises, Bolivia became

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<sup>319</sup> Kohl and Farthing, 84–86.

<sup>320</sup> Gordon and Luoma, “Oil and Gas,” 86–87.

<sup>321</sup> Gordon and Luoma, 86.

<sup>322</sup> Gordon and Luoma, 86.

<sup>323</sup> Gordon and Luoma, 86.

<sup>324</sup> Christina Haglund, “A River Turns Black,” in *Dignity and Defiance: Stories from Bolivia’s Challenge to Globalization*, ed. Jim Shultz and Melissa Draper (California: University of California Press, 2008), 48; Gordon and Luoma, “Oil and Gas,” 87.

<sup>325</sup> Gordon and Luoma, “Oil and Gas;” “YPFB Andina S.A.,” BNAméricas, accessed August 29, 2018, <https://www.bnamericas.com/company-profile/en/ypfb-andina-sa-ypfb-andina>; “Petrolera Andina Ahora es YPFB-Andina S.A. [Andina is now YPFB-Andina S.A.],” Los Tiempos, accessed August 29, 2018, <http://www.lostiempos.com/actualidad/economia/20090113/petrolera-andina-ahora-es-ypfb-andina-sa>.

<sup>326</sup> Gordon and Luoma, “Oil and Gas,” 87.

the minority shareholder in the firms by retaining only 49 percent ownership.<sup>327</sup> However, Goni did not only sell off YPFB's assets; he also passed a new petroleum law incentivizing further investment in Bolivia's petroleum industry.<sup>328</sup>

In 1996, Goni passed Hydrocarbon Law 1689, which created very favorable terms for foreign investors in Bolivia's petroleum industry.<sup>329</sup> The law removed the royalty structure that provided 50 percent of production revenues to Bolivia.<sup>330</sup> Instead, under the new law, Bolivia received 18 percent of production revenues while foreign investors retained the remaining 82 percent.<sup>331</sup> Such favorable terms allowed IOCs to increasingly profit from a country that already boasted one of the lowest production costs in the world.<sup>332</sup> These favorable terms led to an influx of investment that rapidly increased Bolivia's natural gas reserves in the late 1990s.<sup>333</sup>

International companies Chaco and Andina, which possessed drilling rights within Bolivia, made sizeable discoveries of gas fields beginning in late 1997.<sup>334</sup> Chaco and Andina discovered several large gas fields in the Santa Cruz and Tarija regions, thereby increasing Bolivia's reserves almost ten times of what they were in 1997.<sup>335</sup> In 1997, Bolivia possessed 3.8 trillion cubic feet (TCF) of proven reserves and 1.9 TCF of probable reserves; in 2003, it possessed 28.7 TCF in proven reserves and 26.2 TCF in probable

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<sup>327</sup> Gordon and Luoma, 87.

<sup>328</sup> Kohl and Farthing, *Impasse in Bolivia*, 85.

<sup>329</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 4–5.

<sup>330</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 10–12; Kohl and Farthing, *Impasse in Bolivia*, 85; Gordon and Luoma, "Oil and Gas," 87.

<sup>331</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 10–12; Kohl and Farthing, *Impasse in Bolivia*, 85; Gordon and Luoma, "Oil and Gas," 87.

<sup>332</sup> Gordon and Luoma, "Oil and Gas," 88.

<sup>333</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 12.

<sup>334</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 10–12; Gordon and Luoma, "Oil and Gas," 87.

<sup>335</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 12.

reserves.<sup>336</sup> However, 1997 was also the same year that Goni completed his first presidential term. Unfortunately for Goni, he was unable to win reelection, and General Hugo Banzer, who vilified the neoliberal approach, took control of the presidency.<sup>337</sup> For legal reasons, Banzer ultimately relented from following through on his campaign promise to re-nationalize the petroleum industry; however, he did cancel Goni's newly instituted social security system.<sup>338</sup>

## 1. The Growing Neoliberal Backlash after Goni's First Term

After Goni's first term, his neoliberal economic policy *Plan de Todos* (Plan for Everybody) and more specifically his plan of capitalization generated further backlash against neoliberal economic policy. The plan, which promised to create jobs by incentivizing foreign investment, instead resulted in massive layoffs by previously state-owned enterprises.<sup>339</sup> For example, once privatized, YPFB and the railroad industry fired approximately 90 percent of their employees by 2002, all the while increasing production dramatically.<sup>340</sup> The backlash against capitalization became widespread during this process.<sup>341</sup> Daily marches and protests in response to the capitalization of industries took place throughout the country in an effort to save jobs.<sup>342</sup> Furthermore, since the privatization of the petroleum industry resulted in revenue losses for the government, an

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<sup>336</sup> That same year, Bolivia also possessed 24.2 TCF in possible natural gas reserves. Bolivia's gas reserves were further prized because a majority of them were free gas fields. Natural gas in free gas fields is more cost efficient to extract than gas in oil fields considering they contain very little oil, which when present must be separated. Lastly, Bolivia's natural gas reserves are composed of more than 90 percent methane, which is considered to be a valuable gas for producing processed hydrocarbon products Gordon and Luoma, "Oil and Gas," 87–90; Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 12.

<sup>337</sup> Greenberg, *Dispatches from the War Room*, 360.

<sup>338</sup> The loss of this social security system –Bonosol– would disadvantage the neoliberal cause as it was one of the few social programs that was created to benefit the Bolivian people as a result of the privatization of state-owned industries. Greenberg, *Dispatches from the War Room*, 360; Kohl and Farthing, *Impasse in Bolivia*, 120.

<sup>339</sup> In total, capitalization privatized five of Bolivia's largest state-owned enterprises. These industries previously provided 60 percent of yearly governments revenues. Kohl and Farthing, *Impasse in Bolivia*, 97, 108.

<sup>340</sup> Kohl and Farthing, 112.

<sup>341</sup> Kohl and Farthing, 99.

<sup>342</sup> Kohl and Farthing, 99.

additional 25 percent tax on petroleum products and natural gas was enacted in 1997.<sup>343</sup> This tax sparked further protests from both taxi drivers and impoverished residents who struggled to pay rising gas prices.<sup>344</sup> To make matters worse, in addition to the hardships associated with these fiscally conservative measures, the Bolivian economy was hardly growing. The Bolivian people, who were promised unprecedented growth, saw GDP growth of just 1 percent in both 1999 and 2000.<sup>345</sup> Furthermore, in 2001, inequality within Bolivia reached its peak and was the highest in Latin America, even surpassing neighboring Brazil.<sup>346</sup>

Banzer produced further economic unrest by targeting the informal coca farming sector that employed many who lost their jobs to neoliberal reforms.<sup>347</sup> A decline in government revenue and loss of jobs stemming from the privatization of state industries had led to an even greater search for employment in the coca industry.<sup>348</sup> Despite this, the Banzer administration set its sights on completely eradicating the coca trade. Under the Dignity Plan, from 1998–2001, the Banzer administration made “an unprecedented effort to destroy coca crops” within Bolivia.<sup>349</sup>

The government targeted the coca haven of Chapare in the Cochabamba region. Under the auspices of the Dignity Plan, the government eradicated “85 percent of the total land under illegal cultivation.”<sup>350</sup> As Kohl and Farthing note, this eradication of coca farming in Cochabamba decimated the regional economy, generating further unrest that “rippled through the entire country.”<sup>351</sup> Such unrest increased growing discontent with the government’s neoliberal economic policy. Since Evo Morales began his political career as

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<sup>343</sup> Kohl and Farthing, 115.

<sup>344</sup> In the city of El Alto, tax hikes led to “a week of violent confrontations.” Kohl and Farthing, 115, 138.

<sup>345</sup> Kohl and Farthing, 113.

<sup>346</sup> Buxton, “Economic Strings,” 171.

<sup>347</sup> Greenberg, *Dispatches from the War Room*, 361–363.

<sup>348</sup> Kohl and Farthing, *Impasse in Bolivia*; Gordon and Luoma, “Oil and Gas,” 88.

<sup>349</sup> Greenberg, *Dispatches from the War Room*, 363.

<sup>350</sup> Greenberg, 363.

<sup>351</sup> Kohl and Farthing, *Impasse in Bolivia*, 151.

an advocate for coca farmers and a champion of socialism that criticized the neoliberal agenda, the unrest helped catapult him to political success.<sup>352</sup> Morales and the *cocaleros* banded together to protest Banzer's eradication policies.<sup>353</sup> As the conflict persisted, *cocaleros* unified with different indigenous peasant groups to create the *Movimiento al Socialismo* (MAS) political party and seek the presidency in 2001.<sup>354</sup>

Throughout these very same years, Cochabamba underwent a defining political revolution against neoliberal economic policy. This movement would galvanize the public to act against perceived unfair neoliberal policy and created a blueprint for the organizations that would protest during the Gas Wars. In 2000, the regional government of Cochabamba privatized the city-owned water company by selling it to the US-registered company Bechtel.<sup>355</sup> Within weeks of privatization, Bechtel raised water rates by an average of 50 percent, but in some cases by 200 percent.<sup>356</sup> The deal that had been privately negotiated and only seen by a select few Bolivians came under fire.<sup>357</sup> Rebellion spread across the region of Cochabamba and the angered citizens engaged in a four-month-long crusade against the military and the police, which became known as the Water Wars, in order to evict Bechtel from Bolivia.<sup>358</sup> As the rebellion grew, Evo Morales and the coca farmers from Chapare, who had been protesting government eradication of coca fields, arrived to support the Cochabamba protestors.<sup>359</sup> The two coalitions organized together and created ties that would later prove crucial in the Gas Wars.<sup>360</sup> When the dust settled, the people of Cochabamba had succeeded in removing the government-backed

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<sup>352</sup> Greenberg, *Dispatches from the War Room*, 360–363.

<sup>353</sup> In classic Bolivian fashion, coca farmers set up roadblocks in response to government efforts. Greenberg, 362.

<sup>354</sup> Greenberg, 362.

<sup>355</sup> Jim Shultz, "The Cochabamba Water Revolt and Its Aftermath," *Dignity and Defiance: Stories from Bolivia's Challenge to Globalization*, ed. Jim Shultz and Melissa Draper, (California: University of California Press, 2008), 10–17.

<sup>356</sup> Shultz, "The Cochabamba Water Revolt and Its Aftermath," 18; Perreault, "From the Guerra Del Agua to the Guerra Del Gas," 158.

<sup>357</sup> Shultz, "The Cochabamba Water Revolt and Its Aftermath," 16.

<sup>358</sup> Shultz, 25.

<sup>359</sup> Shultz, 21.

<sup>360</sup> Shultz, 21.

transnational company and changed Bolivian politics forever.<sup>361</sup> As Shultz argues, the Water Wars successfully challenged the neoliberal agenda that had dominated the economic discourse of Bolivia for almost two decades.<sup>362</sup> The Water Wars created and empowered a social movement “whose primary demands were to change the country’s economic direction.”<sup>363</sup> In fact, it was Oscar Olivera, the leader of the Water Wars, who created the National Coordinator for the Defense and Recovery of Gas (NCDRG): a key organization that led parts of the Gas Wars.<sup>364</sup>

One of the national events that best demonstrates the power of this growing social and political movement is the 2002 presidential election. While Goni initially found himself battling candidate Manfred Reyes Villa at the polls, Morales proved effective in seizing the growing discontent with neoliberal economic policy to gain support.<sup>365</sup> Evo Morales began the election polling at a meager 3 percent; however, on election day he secured 20.9 percent of the votes coming in second behind Goni, who won by less than two percentage points.<sup>366</sup> The fact that Morales made challenging the neoliberal economic model an important pillar of his campaign showed that there was growing discontent with neoliberal policy. As described by Shultz, “voting for Morales became the way to express at the ballot box what people had expressed on the streets in Cochabamba.”<sup>367</sup> Evo Morales’ success in the 2002 election gave him a motivated political base that was “united and ready to march with him.”<sup>368</sup> However, Goni, who won a narrow victory over an unexpected opponent, would have a chance to govern.

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<sup>361</sup> Shultz, 25.

<sup>362</sup> Shultz, 28.

<sup>363</sup> Shultz.

<sup>364</sup> Perreault, “From the Guerra Del Agua to the Guerra Del Gas,” 161–162.

<sup>365</sup> Greenberg, *Dispatches from the War Room*, 373; Shultz, “The Cochabamba Water Revolt and Its Aftermath,” 29.

<sup>366</sup> Greenberg, *Dispatches from the War Room*, 382–385.

<sup>367</sup> Both Evo Morales and his Vice President Alvaro Linera would later reflect on the Water Wars as a turning point in which a social movement became a political revolution. Shultz, “The Cochabamba Water Revolt and Its Aftermath,” 29.

<sup>368</sup> Greenberg, *Dispatches from the War Room*, 384.

## 2. The Tax and Gas Wars

When Goni secured a narrow presidential victory in 2002, Bolivia possessed the second largest natural gas reserves in Latin America.<sup>369</sup> Since Bolivia's domestic hydrocarbon market remained relatively small and its proven reserves had risen due to the influx of foreign investment, exports became the best option for private corporations that sought to cash in on these newfound reserves.<sup>370</sup> Despite a lucrative joint natural gas export deal secured with Brazil's national oil company Petrobras in 1999, private entities within Bolivia sought to venture into additional markets.<sup>371</sup> In 2001, two companies secretly began negotiations for a natural gas export plan that entailed cooperation with Chile.<sup>372</sup> As Goni campaigned for the presidential office in 2002, this more solidly defined plan became a focal point of his economic vision.<sup>373</sup> Both Pacific LNG and Prisma proposed the plan.<sup>374</sup> Prisma is the company that "took over Enron's assets after its collapse" and Pacific LNG, specifically established for this deal in 2002, was a consortium that included Repsol and BP.<sup>375</sup> Together, these companies planned to export natural gas from Bolivian gas fields in Tarija to a port in the Pacific where they would liquify it for transfer to California.<sup>376</sup> The plan was known as the Pacific LNG plan. Similar to the 1950s, the two options for implementation were building a pipeline through Chile to a port in Arica or building a pipeline through Peru to the Pacific.<sup>377</sup> Of the two plans, the pipeline through Chile was

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<sup>369</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 12.

<sup>370</sup> Ariel Casarin and Luciana Nicollier, "Gas Market Integration in the Southern Cone," (working paper, International Gas Union's Gas Market Integration Task Force, 2009), 11.

<sup>371</sup> Velasquez-Donaldson, "Analysis of the Hydrocarbon Sector in Bolivia," 11.

<sup>372</sup> Gordon and Luoma, "Oil and Gas," 90.

<sup>373</sup> Greenberg, *Dispatches from the War Room*, 387.

<sup>374</sup> Gordon and Luoma, "Oil and Gas," 90; Perreault, "From the Guerra Del Agua to the Guerra Del Gas," 160–161.

<sup>375</sup> Gordon and Luoma, "Oil and Gas," 90; Perreault, "From the Guerra Del Agua to the Guerra Del Gas," 160–161.

<sup>376</sup> Gordon and Luoma, "Oil and Gas," 90; Perreault, "From the Guerra Del Agua to the Guerra Del Gas," 160–162.

<sup>377</sup> "Bolivia: New Markets Needed for Natural Gas," *Oxford Analytica Daily Brief Service*, January 12, 2004, <http://libproxy.nps.edu/login?url=https://search.proquest.com/docview/192447591?accountid=12702>.



the closest and cheapest by a margin of \$600 million.<sup>378</sup> Pacific LNG, primarily leading the deal, refused to pay more for a pipeline through Peru and decided to support cooperation with Chile publicly.<sup>379</sup> When the deal became widely rejected in 2003, what would become known as the Gas Wars erupted.<sup>380</sup> These Gas Wars and the response of the administration ultimately led to both Goni fleeing to the U.S. and the disbanding of the Pacific LNG deal. However, before the Gas Wars erupted, the Goni presidency after just seven months in office faced the first major backlash towards its perceived unfair economic policies.

The less often cited Tax Wars of Bolivia are a great example of the developing legitimacy crisis the Goni administration faced due to its neoliberal economic reforms.<sup>381</sup> Driven by an attempt to solve the deficit problem in Bolivia, in February 2003 Goni announced a new tax plan that increased taxes.<sup>382</sup> The next morning, Evo Morales called on his newfound constituency to reject the proposal via “national protests, including marches, and acts of civil disobedience.”<sup>383</sup> The national police force, which was already locked in a vigorous battle over wages with the Goni administration, marched alongside protesters as they overran the presidential palace plaza.<sup>384</sup> When protestors encountered military force, they called on the police for protection. Soon, the military controlled one half of the plaza while the protestors, with police support, controlled the other half. As the two groups exchanged deadly fire on the grounds of the plaza, Evo Morales and other political leaders called for Goni’s resignation.<sup>385</sup> Protestors with police support fired bullets into the presidential office.<sup>386</sup> Fortunately for Goni, he had covertly vacated the presidential

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<sup>378</sup> Gangopadhyay, “From Land Wars to Gas Wars,” 144; Kohl and Farthing, *Impasse in Bolivia*, 174; Gordon and Luoma, “Oil and Gas,” 90.

<sup>379</sup> “Bolivia: New Markets Needed for Natural Gas,” Gordon and Luoma, “Oil and Gas,” 90–91.

<sup>380</sup> Gordon and Luoma, “Oil and Gas,” 90–91.

<sup>381</sup> Kohl and Farthing, *Impasse in Bolivia*, 116.

<sup>382</sup> Jim Shultz, “Lessons in Blood and Fire,” in *Dignity and Defiance: Stories from Bolivia’s Challenge to Globalization*, ed. Jim Shultz and Melissa Draper (California: University of California Press, 2008), 130–131.

<sup>383</sup> Shultz, “Lessons in Blood and Fire,” 132; Greenberg, *Dispatches from the War Room*, “

<sup>384</sup> Shultz, “Lessons in Blood and Fire,” 132–135.

<sup>385</sup> Shultz, 131–135.

<sup>386</sup> Greenberg, *Dispatches from the War Room*, “ 388.

palace before protestors advanced inside and set fire to the vice president's office and "the headquarters of the four major neoliberal political parties."<sup>387</sup> After three days, two of which were consumed by violence that led to 34 deaths, Goni withdrew his tax plan.<sup>388</sup> Kohl and Farthing astutely note that the Tax War "marked a loss of government legitimacy" and was a sign "the neoliberal hegemonic regime was collapsing."<sup>389</sup>

The Gas Wars, like the Tax Wars, were a symptom of the building dissatisfaction with the ruling administration's economic policy.<sup>390</sup> Shultz argues that "the proposed gas sale emerged as a symbol of discontent with Sanchez de Lozada and his failed economic promises."<sup>391</sup> Protestors during the Gas Wars were motivated by several factors including renationalizing the hydrocarbon industry—not just halting possible cooperation with Chile. In fact, the main demands of the NCDRG, which formed in July 2002 and led the protests, were nationalization of the hydrocarbon industry, "a program of industrialization, the overhaul of Sanchez de Lozada's hydrocarbons law, and a referendum on exporting natural gas."<sup>392</sup>

While protestors were calling on the government to discard the possibility of cooperating with Chile when Goni entered the presidency in 2002, it is important to note that there were also growing demonstrations calling for both the nationalization of the petroleum industry and an end to the drug war waged against *cocaleros*.<sup>393</sup> Almost a year before the Gas Wars, in August of 2002, the NCDRG along with *cocaleros* managed to incite relatively constant demonstrations and roadblocks that lasted until the start of the next year.<sup>394</sup> Protests became such a problem that in January of 2003 President Goni held

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<sup>387</sup> Greenberg, *Dispatches from the War Room*, 388; Forrest Hylton, *Revolutionary Horizons: Past and Present in Bolivian Politics* (London: Verso, 2007), 107–109.

<sup>388</sup> Greenberg, *Dispatches from the War Room*, 388; Shultz, "Lessons in Blood and Fire," 131–135.

<sup>389</sup> Kohl and Farthing, *Impasse in Bolivia*, 138, 187.

<sup>390</sup> Gordon and Luoma, "Oil and Gas," 91.

<sup>391</sup> Gordon and Luoma, 91.

<sup>392</sup> Kohl and Farthing, *Impasse in Bolivia*, 172–175; Gordon and Luoma, "Oil and Gas," 91.

<sup>393</sup> Greenberg, *Dispatches from the War Room*, 388; Kohl and Farthing, *Impasse in Bolivia*, 174.

<sup>394</sup> In January, mass protests waged by the *cocaleros* required 20,000 military troops to break up. In doing so, 26 people died, 13 military members and 13 civilians. Greenberg, *Dispatches from the War Room*, 388; Kohl and Farthing, *Impasse in Bolivia*, 174.

a press conference where he appealed for “constructive dialogue” and offered the presidential palace as a venue for proposed discussion with the different groups of protestors.<sup>395</sup> Unfortunately for Goni, not long after the press conference, he proposed the tax hike that triggered the Tax Wars. Overall, the variety of grievances supports the idea that discontent stemmed from not only possible cooperation with Chile, but also other national-level issues to include an overall rejection of natural gas exports.

In fact, former Vice President Carlos Mesa, also a renowned historian, has astutely pointed out that “Goni never stated that he intended to sell natural gas through Chile.”<sup>396</sup> However, it is also fair to note that Goni both neither denounced claims of possible cooperation with Chile nor did he initially favor a referendum on the Pacific LNG plan.<sup>397</sup> Nevertheless, the fact that protests began to swell despite a lack of confirmation for or against cooperating with Chile shows, as will be fully explained later, that the oppositional political elite played a crucial role in this rebellion. Before an admitted decision to cooperate with Chile, the oppositional political elites convinced the populace that the administration was traitorous. Ultimately, despite not publicly committing to natural gas cooperation with Chile, the widespread belief became that the administration intended on doing precisely that.<sup>398</sup> Since cooperation with Chile became the de facto position of the administration, this thesis will from here on out refer to the Pacific LNG deal as a form of planned cooperation with Chile.

In mid-September of 2003, sustained protests over the Pacific LNG plan began to overtake Bolivia.<sup>399</sup> The Gas Wars had officially commenced. On the 19<sup>th</sup> of September,

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<sup>395</sup> Greenberg, *Dispatches from the War Room*, 388.

<sup>396</sup> Ruben Lopez, “Goni Nunca Dijo Que iba a Vender Gas Por Chile [Goni Never Said he was Going to Sell Gas through Chile],” *La Razon*, October 21, 2018, [http://www.la-razon.com/suplementos/animal\\_politico/Goni-dijo-iba-vender-Chile\\_0\\_1709229113.html](http://www.la-razon.com/suplementos/animal_politico/Goni-dijo-iba-vender-Chile_0_1709229113.html).

<sup>397</sup> *Our Brand Is Crisis*. Directed by Rachel Boynton. Port Washington, NY: Koch Lorber Films, 2006.

<sup>398</sup> The public sentiment was correct. Mesa states that despite Goni never publicly expressing that he was cooperating with Chile, he did not doubt those were his intentions. Lopez, “Goni Never Said He Was Going to Sell Gas through Chile.”

<sup>399</sup> The catalyst for the final protests of the Gas Wars was actually sparked by the government’s heavy-handed approach to roadblocks stemming from protests to liberate a *campesino* accused of killing two cattle rustlers. Kohl and Farthing, *Impasse in Bolivia*, 174.

the NCDRG gathered 50,000 people in the region of La Paz and 20,000 in the region of Cochabamba to protest the Pacific LNG deal.<sup>400</sup> When the government utilized military force to break up roadblocks that trapped approximately 200 tourists, a firefight broke out between the military and citizens.<sup>401</sup> Seven deaths resulted from the firefight, and before the end of the month, the president was again being urged to resign.<sup>402</sup> As protests and roadblocks worsened, Evo Morales called on the people to support him as he vowed that together they would “overthrow the government.”<sup>403</sup> Further engagements with the military on October 12, which resulted in 26 more deaths, emboldened protestors.<sup>404</sup> With the nation’s capital in an informal lockdown and continuous clashes between the protestors and the administration, the death toll continued to rise.<sup>405</sup> The Goni administration and the coalition that initially supported the Pacific LNG deal finally agreed to both halt the plan and hold a referendum on natural gas dealings; however, the protests continued.<sup>406</sup> Five days later, with the death toll at 67, Goni resigned and flew to the U.S. seeking asylum.<sup>407</sup> With Goni gone, Vice-President Carlos Mesa assumed the presidency and promised to implement a binding referendum to decide Bolivia’s course of action in regards to its natural gas dealings.<sup>408</sup>

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<sup>400</sup> Hylton, *Revolutionary Horizons*, 112.

<sup>401</sup> Greenberg, *Dispatches from the War Room*, 389; Kohl and Farthing, *Impasse in Bolivia*, 174.

<sup>402</sup> Hylton, *Revolutionary Horizons*, 112–113.

<sup>403</sup> Greenberg, *Dispatches from the War Room*, 108.

<sup>404</sup> Gordon and Luoma, “Oil and Gas,” 92.

<sup>405</sup> Gordon and Luoma, 90–97.

<sup>406</sup> Greenberg, *Dispatches from the War Room*, 389.

<sup>407</sup> Gordon and Luoma, “Oil and Gas,” 94.

<sup>408</sup> “Bolivian President Quits amid Turmoil,” *BBC*, October 18, 2003, <http://news.bbc.co.uk/2/hi/americas/3202216.stm>; “Bolivia: Congress Swears in Former V.P. Carlos Mesa,” *Inter Press Service*, October 18, 2003, <http://www.ipsnews.net/2003/10/update-bolivia-congress-swears-in-former-vp-carlos-mesa/>; Willem Assies, “Bolivia: A Gasified Democracy,” *European Review of Latin American and Caribbean Studies*, no. 76 (2004): 28.

### C. GAS POR MAR

The Mesa administration, despite serving less than two years in office, played the most significant role in Bolivia's foreign policy of not selling Chile natural gas. This was primarily due to a Chilean energy crisis that began under his tenure and partly because of the way the Mesa administration proposed cooperation with Chile under the promised referendum. The Mesa administration changed the narrative by proposing a different type of cooperation with Chile. The proposal changed from exporting natural gas *through* Chile, to selling natural gas *to* Chile. The administration also tied the issue of selling natural gas to Chile to the longstanding dispute over access to the Pacific. In doing so, the Mesa administration popularized the phrase "*gas por mar*" (gas for sea)."<sup>409</sup> This phrase created the idea that Bolivia should regain its Litoral region in return for agreeing to sell Chile natural gas. In effect, it made the decision reliant on Chile's willingness to cede some of the conquered territories back to Bolivia. The Mesa administration began to shift the focus through the referendum held in July of 2004.<sup>410</sup>

For the referendum, the Mesa administration, which did not support nationalization "for fear of scaring off foreign investment," designed a five-question survey that many criticized as promoting results favored by the administration.<sup>411</sup> The first question asked if Bolivia should repeal Hydrocarbon Law 1689, which reduced the royalties paid by private companies from 50 percent to 18 percent.<sup>412</sup> The second question asked if Bolivia should recover ownership over its hydrocarbons at the wellhead.<sup>413</sup> Question three asked if

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<sup>409</sup> Wehner, "From Rivalry to Mutual Trust," 16.

<sup>410</sup> Schroeder, "Economic Globalization and Bolivia's Regional Divide," 12.

<sup>411</sup> In total, there was a 60 percent participation rate, with 40 percent abstaining from taking part in the referendum. This level of response, which is lower than normal for Bolivia, led many to believe that citizens did not vote as a protest. This aligns with the fact that there was backlash received for the wording of the questions. Gordon and Luoma, "Oil and Gas," 95–97; Nick Buxton, "Economic Strings," 130; Schroeder, "Economic Globalization and Bolivia's Regional Divide," 12.

<sup>412</sup> Schroeder, "Economic Globalization and Bolivia's Regional Divide," 14.

<sup>413</sup> Despite the Bolivian constitution guaranteeing the ownership of Bolivian natural resources to the state, Hydrocarbon Law 1689 transferred ownership of hydrocarbons to IOCs after they were extracted from the ground. This question sought to undue this transfer in ownership. Roberto De Albuquerque, "The Disappropriation of Foreign Companies Involved in the Exploration, Exploitation and Commercialization of Hydrocarbons in Bolivia," *Law and Business Review of the Americas* 14, no. 1 (2008): 29, 34; Schroeder, "Economic Globalization and Bolivia's Regional Divide," 14.

Bolivians agreed that YPFB should be reestablished as a national oil company and recover “the state’s ownership of stakes held in the part-privatized oil companies so that it can take part in all the stages of the hydrocarbon production chain.”<sup>414</sup> Question four asked if Bolivians agreed with “President Carlos Mesa’s policy of using gas as a strategic resource to recover sovereign and viable access to the sea.”<sup>415</sup> This question was key in redefining the conversation regarding natural gas cooperation with Chile. However, as Chile was unwilling to provide Bolivia with sovereign access to the Pacific, the proposal of *gas por mar* that this question created would impede cooperation for years to come. Lastly, question five asked if Bolivians agreed “that Bolivia should export gas under a national policy framework that ensures supplies for Bolivians; encourages the industrialization of gas on national territory; levies taxes and/or royalties on oil companies up to 50% of the production value of oil and gas; and earmarks resources from the export and industrialization of gas mainly for education, health, roads and jobs?”<sup>416</sup>

In July of 2004, the Bolivian people went to the polls to voice their opinions and frustrations regarding the country’s natural gas dealings. Of those that voted, a large majority supported the repeal of Hydrocarbon Law 1689; 77 percent favored repealing this law, 12 percent did not, and 12 percent left the question blank.<sup>417</sup> In question two, 82 percent of participants voted for Bolivia to regain ownership of hydrocarbons at the wellhead, 8 percent disagreed with this measure, and 11 percent left the question blank.<sup>418</sup> Similarly, 78 percent of voters agreed that the government should reestablish YPFB and nationalize the hydrocarbon industry, 13 percent did not, and 11 percent did not respond to the question.<sup>419</sup> The overwhelming anti-privatization sentiment shown in these two questions demonstrates that Bolivians were passionate about nationalization and regaining

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<sup>414</sup> Schroeder, “Economic Globalization and Bolivia’s Regional Divide,” 14; “Bolivia 2004 Binding Referendum on Energy Policy,” *Georgetown University Political Database of the Americas*, accessed July 22, 2018, <http://pdba.georgetown.edu/Elecdata/Bolivia/ref04.html>.

<sup>415</sup> Schroeder, “Economic Globalization and Bolivia’s Regional Divide,” 14.

<sup>416</sup> Schroeder, 14.

<sup>417</sup> Schroeder, 14.

<sup>418</sup> Schroeder, 14.

<sup>419</sup> Schroeder, 14.

control of their natural gas resources. This further validates the argument that anti-Chilean sentiment was not the only issue that drove the Gas Wars. Furthermore, in question four Bolivians showed that a slight majority supported the idea of *gas por mar*. Of those that voted, 47 percent supported the idea of *gas por mar*, 39 percent disagreed with it, and 15 percent did not answer.<sup>420</sup> While the question prompted the most blank responses of all five questions, it secured a majority of 54 percent and became the official position of the Bolivian people. It is fair to note that Bolivians likely only agreed to sell Chile natural gas in this poll because of the prospect of receiving access to the Pacific, which is a crucial national issue. Lastly, question five asked if Bolivia should export natural gas overall. Of those that voted, 53 percent were in favor of exports, 33 percent believed the nation's natural gas should not be exported, and 14 percent left the question blank.<sup>421</sup> Following this referendum and particularly with question four, the Mesa administration embraced the policy of *gas por mar* as it proposed natural gas sales to Chile in return for a sovereign exit to the Pacific.<sup>422</sup>

In 2004, with Chile unwilling to cede land for natural gas, Bolivia signed a natural gas contract with Argentina, which stipulated that Argentina should export “not one molecule” of the natural gas imported from Bolivia to Chile.<sup>423</sup> Even though Chile and Argentina's worsening energy crisis made a natural gas deal economically appealing, the

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<sup>420</sup> Schroeder, 14.

<sup>421</sup> Schroeder, 14.

<sup>422</sup> Iván Tamayo, “Hay Que Desterrar la Frase ‘Gas por Mar’.” Carlos Mesa [We Need to Banish the Phrase ‘Gas for Sea’]. Carlos Mesa], *La Razon*, February 3, 2013, [http://www.la-razon.com/suplementos/animal\\_politico/desterrar-frase-gas-Carlos-Mesa\\_0\\_1772222808.html](http://www.la-razon.com/suplementos/animal_politico/desterrar-frase-gas-Carlos-Mesa_0_1772222808.html); “Mi Gobierno y el Mar [My Administration and the Sea],” Carlos D. Mesa Gisbert, April 8, 2011, <https://carlosdmesa.com/2011/04/08/mi-gobierno-y-el-mar/>.

<sup>423</sup> Interestingly enough, Bolivians did not take issue with providing Argentina natural gas exports even though it meant that Argentina would have more surplus domestic natural gas to sell to Chile. Oil and Gas in Latin America. An analysis of politics and international relations from the perspective of Venezuelan policy, Genaro Herrera, “Oil and Gas in Latin America. An Analysis of Politics and International Relations from the Perspective of Venezuelan Policy,” *El Cano Royal Institute*, October 26, 2018, [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_en/contenido?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_in/zonas\\_in/dt20-2006](http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/dt20-2006); Mares and Martin, “Regional Energy Integration in Latin America,” 65–66; Gangopadhyay, “From Land Wars to Gas Wars,” 146; “Mesa: Si Chile Acepta ‘Gas Por Mar’ Iniciaremos Negociaciones” [Mesa: If Chile Accepts “Gas for Sea” we will begin negotiations], *EMOL*, June 17, 2004.

ultimatum of *gas por mar* hindered cooperation between Bolivia and Chile. Meanwhile, backlash towards neoliberal policy in Bolivia continued under Mesa.

### **1. The Continuing Neoliberal Backlash**

Despite the results of the referendum, the Mesa administration sought to maintain existing contracts and instead steadily increased oil and gas taxes.<sup>424</sup> The backlash from the left, which fueled the Gas Wars, argued that these terms were too lenient on IOCs. Meanwhile, the conservative majority in Congress argued the opposite; they wanted to maintain the existing terms that favored foreign investment. In response to this gridlock, Mesa offered his resignation, which Congress did not accept. To avoid Mesa's permanent resignation and another presidential crisis, Congress agreed to break the gridlock by yielding to leftist demands. Congress agreed to renegotiate the existing terms to increase royalties from 18 percent to 50 percent.<sup>425</sup> With IOCs protesting the new terms, Mesa refused to support the bill, but it passed without his approval.<sup>426</sup> In response to a perceived failure to fully nationalize the hydrocarbon industry, Evo Morales incited protests throughout the country.<sup>427</sup> In the midst of nationwide protests during June of 2005 and after laboriously battling to pass a hydrocarbon law that would not deter foreign investment, Mesa resigned. By the time Mesa resigned, the Pacific LNG plan had faded away and the idea of exporting natural gas to Chile had become dominated by the idea of *gas por mar*.

### **D. EVO MORALES AND NATURAL GAS**

Following Mesa's resignation in 2005, Evo Morales, a founding member of the MAS, won the presidency with a record-breaking 54 percent of the vote.<sup>428</sup> While in office, Morales sought to achieve four objectives related to the hydrocarbon industry.<sup>429</sup> First, he

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<sup>424</sup> Gordon and Luoma, "Oil and Gas," 96–97.

<sup>425</sup> Congress also allowed YPFB to take part in the hydrocarbon industry, but inadequately funded it to do so. Gordon and Luoma, 97.

<sup>426</sup> Gordon and Luoma, 96–98.

<sup>427</sup> Greenberg, *Dispatches from the War Room*, 391.

<sup>428</sup> Hylton, *Revolutionary Horizons*, 129; Greenberg, *Dispatches from the War Room*, 389.

<sup>429</sup> Gordon and Luoma, "Oil and Gas," 101.



sought to revive YPFB in an attempt to regain control over operations. In effect, Morales sought to “renationalize” the Bolivian hydrocarbon industry.<sup>430</sup> However, he accomplished this not through expropriation, but instead by forcing the private international firms to sell YPFB enough shares for it to control a majority.<sup>431</sup> Secondly, Morales sought to renegotiate the contracts that originally left Bolivia with 18 percent of revenue profits—a venture in which he was largely successful. Bolivia now retained near 80 percent of production revenue while IOCs received approximately 20 percent.<sup>432</sup> Third, he aimed to renegotiate natural gas prices with Argentina and Brazil.<sup>433</sup> Lastly, Bolivia sought to industrialize its natural gas industry by developing value-added exports, like “petrochemicals, synthetic diesel, and fertilizers.”<sup>434</sup> Morales went on to run for the presidency twice more, each time gaining reelection.<sup>435</sup> Throughout all three terms, Evo Morales stood by Bolivia’s previous stance to not sell Chile natural gas until it received a sovereign exit to the Pacific.

Morales’ acceptance of the *gas por mar* policy stance proved surprising from an economic perspective. Considering that Evo Morales served as president during the worst years of Chile’s decade-long natural gas crisis, his acceptance of the *gas por mar* policy seemed counterintuitive coming from a president that sought fair compensation for Bolivia’s natural resources. Chile was in a position where it would pay a premium for natural gas. In the late 1990s, Chile increasingly began to rely on natural gas for its heating,

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<sup>430</sup> This nationalization was very symbolic considering that in reality the plan mimicked Goni’s proposal where the government maintained a majority stake in joint ventures allowing it to control operations. Gordon and Luoma, 103.

<sup>431</sup> Gordon and Luoma, 103.

<sup>432</sup> In 2005, Bolivia tripled the natural gas revenues that it received the year before. Gordon and Luoma, “Oil and Gas,” 99–104; De Albuquerque, “The Disappropriation of Foreign Companies Involved in the Exploration, Exploitation and Commercialization of Hydrocarbons in Bolivia,” 23.

<sup>433</sup> Gordon and Luoma, “Oil and Gas,” 101; “Bolivia Turns Screw on Brazil,” *Petroleum Economist*, August 1, 2006, <http://www.petroleum-economist.com/articles/politics-economics/south-central-america/2006/bolivia-turns-screw-on-brazil>.

<sup>434</sup> Gordon and Luoma, “Oil and Gas,” 101; Benjamin Kohl and Linda Farthing, “Material Constraints to Popular Imaginaries: The Extractive Economy and Resource Nationalism in Bolivia,” *Political Geography* 31, no. 4 (2012): <https://doi.org/10.1016/j.polgeo.2012.03.002>, 231; Young, *Blood of the Earth*, 181.

<sup>435</sup> Evo plans to run for the presidency again in 2019 despite constitutional term limits restraining him. “Evo Morales Finds a Way to Run for Re-election,” *Economist*, December 1, 2017; Nicholas Casey, “Bolivia Tells President His Time is up He Isn’t Listening,” *New York Times*, January, 28, 2018.

power generation, and industry sectors.<sup>436</sup> Chile's natural gas consumption rose 325 percent from 1.9 billion cubic meters (BCM) in 1996 to a peak use of 8.6 bcm in 2004.<sup>437</sup> Argentinean imports primarily met this increase; however, when Argentina experienced an energy crisis in 2004 due to lack of production, it restricted exports to Chile.<sup>438</sup> Beginning in 2004, Chilean imports of Argentinean natural gas dropped dramatically from a peak of 8.6 BCM in 2004 to 2.2 BCM in 2008.<sup>439</sup> Due to this crisis, in the late 2000s, demand for natural gas in Latin America drove an increase in prices that resulted in Chile paying the highest rates in the region.<sup>440</sup> However, the Morales administration abstained from selling Chile natural gas or taking part in a joint venture like Bolivia did with Brazilian national oil company Petrobras.<sup>441</sup> In fact, Morales later revealed that Chilean officials under Michelle Bachelet's first presidential term—2006 to 2010—offered to pay triple the going rate for natural gas; however, he declined the offer because “there was a decision, by the people, to not sell gas due to the issue of its maritime land.”<sup>442</sup>

In 2013, during a CELAC conference, Evo Morales addressed Chilean President Sebastian Pinera face to face and contended that once Chile granted Bolivia a sovereign exit to the Pacific, Bolivia would sell Chile natural gas.<sup>443</sup> Pinera stood by Chile's well-publicized position by responding that “issues of sovereignty are not negotiated on the basis of economic interests.”<sup>444</sup> Bolivia and Chile would continue to follow the pattern of Bolivia proposing a *gas por mar* trade and Chile refusing the deal.

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<sup>436</sup> “Chile Energy Policies Beyond IEA Countries,” *International Energy Agency (IEA)*, 2018, 62; “Chile Energy Policy Review,” *IEA*, 2009, 121.

<sup>437</sup> “Chile Energy Policy Review,” 121.

<sup>438</sup> “Chile Energy Policy Review,” 121; “Chile Energy Policies Beyond IEA Countries,” 61; Mares and Martin, “Regional Energy Integration in Latin America,” 64–65.

<sup>439</sup> “Chile Oil and Gas Security Emergency Response of IEA Countries,” *IEA*, 2012, 19.

<sup>440</sup> Pascale Bonnefoy, “Gas Por Mar [Gas for Sea],” *International Studies* 45, no. 174 (2013): 22.

<sup>441</sup> De Albuquerque, “The Disappropriation of Foreign Companies Involved in the Exploration, Exploitation and Commercialization of Hydrocarbons in Bolivia,” 41.

<sup>442</sup> “Evo Descarta Vender Gas a Chile y Dice Que ese País Quería Pagar el Triple [Evo Discards the Idea of Selling Gas to Chile and Says that Chile Wanted to Pay Triple],” *Erbol*, August 20, 2015.

<sup>443</sup> “Read the Evo Morales’ Speech in Closing Session of CELAC.”

<sup>444</sup> “Piñera a lo Lagos: Da Sólida Respuesta a Evo Morales en Cumbre Celac [Pinera Gives Solid Response to Evo Morales at CELAC],” *El Mostrador*, January 28, 2013.

## **E. EXPLANATION**

In the early 2000s, Bolivia possessed the second largest known natural gas reserves in Latin America. Meanwhile, Chile was facing an energy crisis and was forced to pay premium prices for liquefied natural gas (LNG) imports that could not meet its energy needs. This situation created a seemingly perfect scenario for natural gas cooperation between Bolivia and Chile that never materialized. Scholars identified rivalry as the driver for this lack of cooperation; however, this explanation is puzzling considering Bolivia engaged in successful petroleum cooperation with Chile from the 1950s-1970s and because Bolivia sold Chile oil from the 1990s-2000s; the extent of these sales will be fully explained below. As this thesis seeks to fully understand why Bolivia did not sell Chile natural gas in the 2000s, it challenges the argument that rivalry has been the central driver behind this foreign policy decision. The prominence of *gas por mar* rhetoric has led scholars to conclude that Bolivia's unwillingness to sell Chile natural gas is driven primarily by rivalry. However, scholars have overlooked several factors that prove rivalry is not the primary motivator determining whether Bolivia sells Chile natural gas. The following case study shows how the three factors outlined as part of this thesis' theory played significant roles in impeding cooperation. Specifically, disillusionment with the administration's economic policy led to distrust in the administration's policy of cooperation with Chile, and in turn, that allowed oppositional political elites to utilize narratives of resource nationalism and rivalry, which impeded natural gas cooperation.

### **1. Cooperation with Chile during the 2000s**

Scholars have overlooked significant Bolivian cooperation with Chile that challenges the idea that rivalry alone determines the success of Bolivian natural gas cooperation with Chile. First, scholars overlook Bolivia and Chile's growing trade relationship during the 1985–2015 era. Secondly, and most shockingly, scholars overlook the fact that during the same era Bolivia engaged in regular petroleum trade with Chile. These examples demonstrate that Bolivian cooperation with Chile is more complicated

than previously described and requires multiple factors to be explained. While this section covers the extent of the cooperation, the specific explanation provided by this thesis for why this cooperation successfully persisted is covered in further sections as part of explaining the influence of the identified three influential factors.

First, scholars have overlooked Bolivia's growing economic trade with Chile that started with the return of the MNR in the 1980s. This trade immediately shows that Bolivia is capable of cooperating with Chile despite their rivalry; however, the context in which this trade increases further shows that Bolivian foreign policy of cooperation with Chile is not directly linked to anti-Chilean sentiment. In 1986, the increased liberalization of trade by the MNR caused Bolivian imports of Chilean goods to rise 90 percent from \$30 million to \$80 million a year by 1993.<sup>445</sup> In 1993—Goni's first year of presidency—the MNR negotiated and approved the *Acuerdo de Complementación Económica entre Chile y Bolivia* (ACE 22), which formalized trade between the two nations.<sup>446</sup> By 2003, when protests crippled Bolivia and anti-Chilean sentiment ran high, imports from Chile increased to \$112 million a year, approximately a 33 percent increase.<sup>447</sup> At this point, someone who ascribes to the notion that rivalry prohibits cooperation with Chile would expect imports to be nonexistent or at least diminish during times of tense rivalry. However, trade continued rising, and in 2015 Bolivia imported an unprecedented \$255 million of Chilean goods that signified a 77 percent increase from 2003.<sup>448</sup>

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<sup>445</sup> "What Does Bolivia Import from Chile? 1986," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/import/bol/chl/show/1986/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/import/bol/chl/show/1986/); "What Does Bolivia Import from Chile? 1993," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/import/bol/chl/show/1993/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/import/bol/chl/show/1993/).

<sup>446</sup> "Chile y Bolivia Profundizan Cooperación Económico – Comercial [Chile and Bolivia Deepen Economic-Commercial Cooperation]," Ministerio de Relaciones Exteriores de Chile [Ministry of Foreign Affairs of Chile], July 9, 2009, <https://minrel.gob.cl/minrel/site/artic/20090709/pags/20090709165621.html>.

<sup>447</sup> "What Does Bolivia Import from Chile? 1993," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/import/bol/chl/show/1993/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/import/bol/chl/show/1993/); "What Does Bolivia Import from Chile? 2003," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/import/bol/chl/show/2003/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/import/bol/chl/show/2003/).

<sup>448</sup> "What Does Bolivia Import from Chile? 2015," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/sitc/import/bol/chl/show/2015/](https://atlas.media.mit.edu/en/visualize/tree_map/sitc/import/bol/chl/show/2015/).

Furthermore, considering the very same ACE 22 agreement also proposed natural gas cooperation with Chile without receiving backlash, one can assume that proposed natural gas trade with Chile alone is not enough to incite protests. The ACE 22 was signed a whole decade before the Pacific LNG plan, yet the populace did not challenge the idea of natural gas cooperation with Chile until much later. This further demonstrates that multiple factors influenced public rejection of natural gas cooperation with Chile. The ACE 22 agreement clearly proposed “the execution of specific energy integration projects” with Chile.<sup>449</sup> Furthermore, chapter nine of this agreement outlined that “in the future, agreements will be made for the purchase and sale of natural gas of Bolivian origin.”<sup>450</sup> The ACE 22 even outlined the construction of a pipeline to Chile for natural gas sales.<sup>451</sup> This was very similar to the issue that scholars later claimed solely incited the Gas Wars. Ultimately, the lack of backlash against proposed natural gas trade shows how both the political context and the political elite contribute to mobilizing public opinion against cooperation with Chile.

Lastly, scholars have overlooked actual petroleum trade with Chile that began in 1989 and persisted through the Gas Wars into 2016. The extent of this petroleum trade not only shows that energy cooperation with Chile is possible, but that it is dependent on factors other than just rivalry. In 1989, Bolivia began exporting LPG refined within Bolivia to Chile.<sup>452</sup> Except for a brief halt in the mid-1990s, Bolivia exported LPG to Chile regularly until 2004.<sup>453</sup> Bolivia also exported other forms of refined petroleum—excluding LPG— to Chile consistently from 1995–2015.<sup>454</sup> Lastly, Bolivia sporadically exported

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<sup>449</sup> “Acuerdo de Complementación Económica 22 [Economic Complementation Agreement 22],” ALADI, accessed June 29, 2018, <http://www.aladi.org/nsfaladi/textacdos.nsf/ca05a6ae01cc969583257d8100416d1e/22e99c149349183d032567ee007cef4f?OpenDocument>.

<sup>450</sup> ALADI, “Economic Complementation Agreement 22.”

<sup>451</sup> “Economic Complementation Agreement 22.”

<sup>452</sup> “What Does Bolivia Export to Chile? 1989–1995,” Observatory of Economic Complexity, accessed June 29, 2018, <https://atlas.media.mit.edu/en/visualize/stacked/sitc/export/bol/chl/show/1989.1995/>.

<sup>453</sup> “What Does Bolivia Export to Chile? 1995–2016,” Observatory of Economic Complexity, accessed June 29, 2018, <https://atlas.media.mit.edu/en/visualize/stacked/hs92/export/bol/chl/show/1995.2016/>.

<sup>454</sup> Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1995–2016.”

lucrative amounts of crude oil to Chile from 1997 until 2016.<sup>455</sup> Overall, except for 1994, Bolivia engaged in petroleum trade with Chile every year from 1989–2016 (Figure 4).<sup>456</sup>

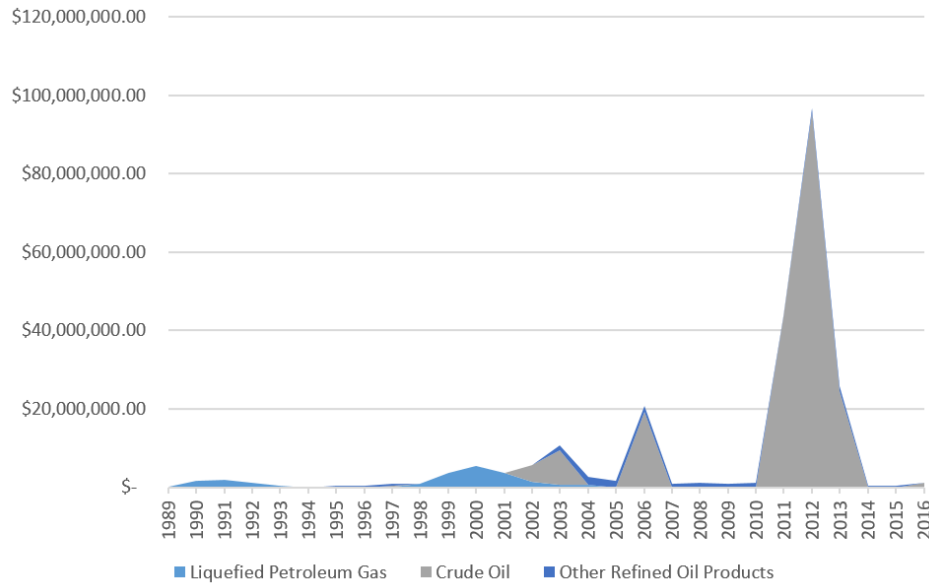


Figure 4. Bolivian Export of Petroleum to Chile from 1989–2016<sup>457</sup>

In total, from 1989–2016, Bolivia exported approximately \$233,000,000 worth of petroleum to Chile, the majority of which took place after the Gas Wars.<sup>458</sup> The fact that scholars overlook this level of petroleum cooperation with Chile shows that existing explanations are unsuccessful in explaining Bolivian foreign policy of natural gas trade with Chile. This study will show that the three factors below explain noncooperation as well as the often-overlooked petroleum trade between Bolivia and Chile during the very same years.

<sup>455</sup> Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1995–2016.”

<sup>456</sup> Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1989–2004”; Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1995–2016.”

<sup>457</sup> Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1989–2004”; Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1995–2016.”

<sup>458</sup> Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1989–1995”; Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1995–2016.”

## **2. Disillusionment with the Administration's Economic Policy**

This thesis argues that disillusionment with the administration's economic policy was one of the main factors that impeded cooperation between Bolivia and Chile in the natural gas sector. Considering the MNR's economic policy was modeled after a neoliberal economic plan, identifying growing discontent and backlash towards neoliberal economic policy shows that Bolivians grew discontented with the administration's economic policy. Therefore, when this explanation refers to backlash against neoliberal policy, it can be considered synonymous with backlash towards the administration's economic policy. Moving on, once there was significant disillusionment with the MNR's neoliberal economic policy, its decisions were perceived with distrust and could be successfully challenged by oppositional political elites. In this case, the policy that underwent this process was that of cooperating with Chile in the natural gas sector. To show this occurred, it must first be established that there was discontent with the government's economic policy and more specifically the economic policy surrounding planned cooperation. Ultimately, disillusionment with the government's economic policy stemmed from two main reasons. First, the government's economic policy led to stagnant economic growth and economic conditions that threatened the livelihoods of Bolivian workers. Secondly, discontent stemmed from perceived unfair terms favoring IOCs as opposed to the Bolivian populace. These two reasons created negative sentiment towards the administration's policy, which peaked in 2003.

The above historical account for this case study clearly outlines the growing discontent with the administration's economic policy by showing the devastating effects of the MNR's neoliberal economic policy on the livelihood of the Bolivian people and the resulting backlash towards said neoliberal policy. The cuts in social services, massive layoffs as a result of privatization, and increases in taxes all contributed to disillusionment with the administration's economic policy. Furthermore, when these unemployed workers found jobs farming coca, the government further threatened their livelihoods via the war

on drugs.<sup>459</sup> Ultimately, the neoliberal model failed to deliver on promised jobs, increased quality of life, and exceptional economic growth. Therefore, the Bolivian people became disgruntled with the perceived injustices they faced under the neoliberal model. This discontent with the administration's economic policy became so prevalent that it contributed to the "neoliberal wars": the water, tax, and gas wars.<sup>460</sup> For example, the public's actions during the Gas Wars show that it was motivated by discontent with the administration's economic policy. A visible sign of this is that the NCDRG led the protests. This group specifically sought to undo the neoliberal policy that privatized the country's natural gas reserves. Secondly, the fact that the Gas Wars did not end when President Goni agreed to halt the export plan and hold a referendum on the gas issue shows that there were deeper issues than just cooperation with Chile. This deeper issue was discontent with the administration's economic policy. This is further proven by the continued protests that led to the resignation of President Mesa in 2005. During this time, the Pacific LNG plan was undoubtedly no longer a possibility the administration was considering.<sup>461</sup> Nevertheless, eight of Bolivia's nine departments were effectively shut down due to mass protests.<sup>462</sup> Therefore, these mass protests are representative of the disillusionment with the administration's economic policy that threatened Bolivian's livelihoods by creating the harsh economic conditions outlined above.

Discontent with the administration's economic policy also stemmed from the fact that the neoliberal reforms enacted by the Goni administration were perceived as hugely beneficial to the IOCs, yet not beneficial to most Bolivians. Outrage with the terms of the contracts stemmed from two main reasons. First, discontent stemmed from the fact that the deals sponsored as a result of the government's neoliberal economic policy contributed little to industrializing and developing Bolivia. While investment in the petroleum industry

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<sup>459</sup> Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 164–169; Steve Harten, *The Rise of Evo Morales and the MAS* (London: Zed, 2010), 71.

<sup>460</sup> Kohl and Farthing, *Impasse in Bolivia*, 149.

<sup>461</sup> Juan Forero, "Foreign Gas Companies in Bolivia Face Sharply Higher Taxes," *New York Times*, May 18, 2005, <https://www.nytimes.com/2005/05/18/world/americas/foreign-gas-companies-in-bolivia-face-sharply-higher-taxes.html?mtrref=undefined>.

<sup>462</sup> Gordon and Luoma, "Oil and Gas," 98.



did rise rapidly, “that investment didn’t lead to modernization of the industry or the generation of new job creating industries.”<sup>463</sup> Motivated by profits, private companies exported inexpensive crude oil and increased their profits by refining it themselves in Argentina and Brazil.<sup>464</sup> Similarly, the Pacific LNG deal that proposed cooperation with Chile involved exporting crude oil for later processing into dry natural gas.<sup>465</sup> This lack of industrialization generated further discontent when the privatized firms that took over YPFB, instead of hiring thousands of workers, began firing the majority of their employees.<sup>466</sup> Secondly, discontent stemmed from a perceived unfair division of profits favoring IOCs. Goni’s Hydrocarbon Law 1689, which created extremely generous terms for international corporations, along with news that private firms were reaping an “average investment return of ten to one” caused an uproar.<sup>467</sup> Furthermore, discontent stemmed from the fact that the Pacific LNG deal was expected to sell natural gas at half the price Bolivia was charging Brazil.<sup>468</sup> In effect, the backlash the Pacific LNG deal faced was a perfect representation of Bolivian discontent with neoliberal policy. This contributed to it being the perfect target for oppositional elites.<sup>469</sup> Due to the above reasons, there was significant disillusionment with the economic policy of the administration that attempted natural gas cooperation with Chile.

The level of disillusionment with the economic policy of the administration is visible in the 2003 Bolivian *Latino Barometer* poll results for two key questions. First, as the MNR was considered a neoliberal reformist party and proponent of the market economy, it bears to reason that individuals who disagreed with this market economy

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<sup>463</sup> Gordon and Luoma, 88.

<sup>464</sup> IOCs in Bolivia used their subsidiaries’ refineries, located in Argentina and Brazil, to process natural gas. Gordon and Luoma, 88.

<sup>465</sup> Gangopadhyay, “From Land Wars to Gas Wars,” 144.

<sup>466</sup> Kohl and Farthing, *Impasse in Bolivia*, 112, 122; Gordon and Luoma, “Oil and Gas,” 88.

<sup>467</sup> This perceived unfairness was not without reason, while production of oil and gas increased by 135 percent in the first seven years of capitalization, “government oil and gas revenues grew by only 10 percent.” Gordon and Luoma, “Oil and Gas,” 87–89; Kohl and Farthing, *Impasse in Bolivia*, 119, 173.

<sup>468</sup> Gordon and Luoma argue that pressure from the U.S. ambassador “to accept a low selling price” resulted in the Goni’s administration agreeing to sell natural gas so inexpensively. Gordon and Luoma, “Oil and Gas,” 91.

<sup>469</sup> DeShazo, “Bolivia,” 353.

model would be dissatisfied with the government's economic policy.<sup>470</sup> As expected, in 2003, polls found that most Bolivians were discontented with the functioning of the market economy model that had dominated Bolivia for approximately two decades; this can be seen in Figure 5.

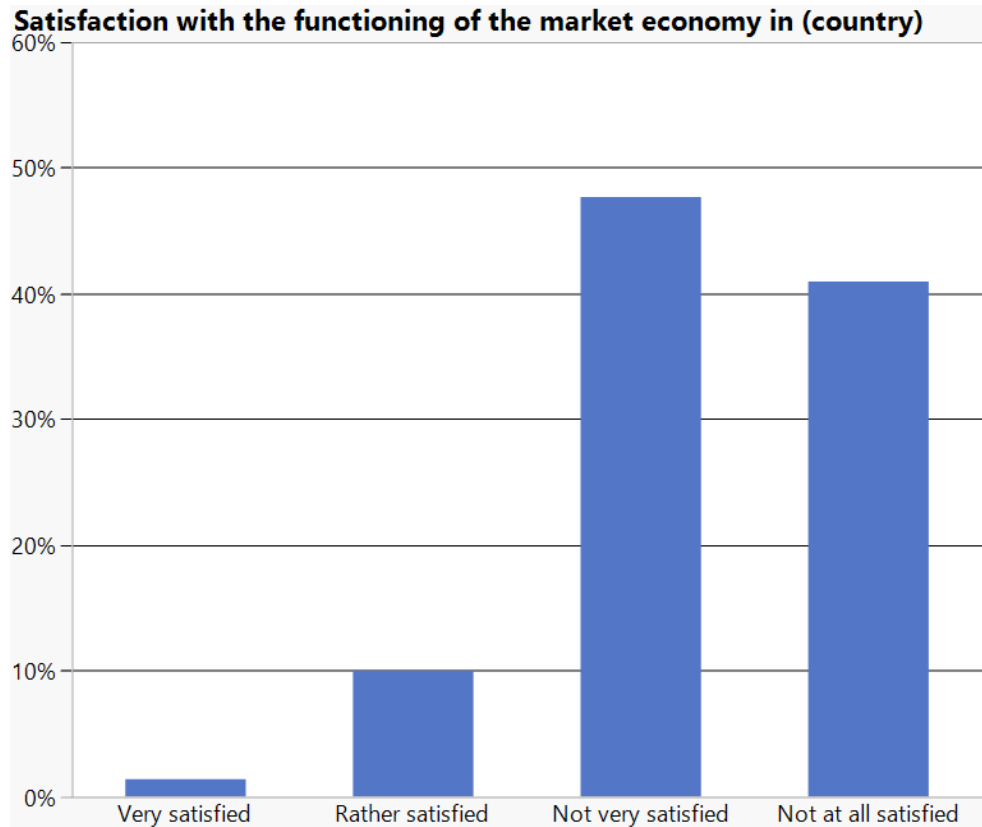


Figure 5. 2003 Latino Barometer Poll Results 1<sup>471</sup>

Also, as seen in Figure 6, poll results found that most Bolivians believed that privatization of state-owned industries had not been beneficial to the country.

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<sup>470</sup> Shultz, "The Cochabamba Water Revolt and Its Aftermath," 28–29; Kohl and Farthing, *Impasse in Bolivia*, 103.

<sup>471</sup> "Latino Barometro 2003 Bolivia Poll Results," Latino Barometro, 2003, <http://www.latinobarometro.org/latContents.jsp>.

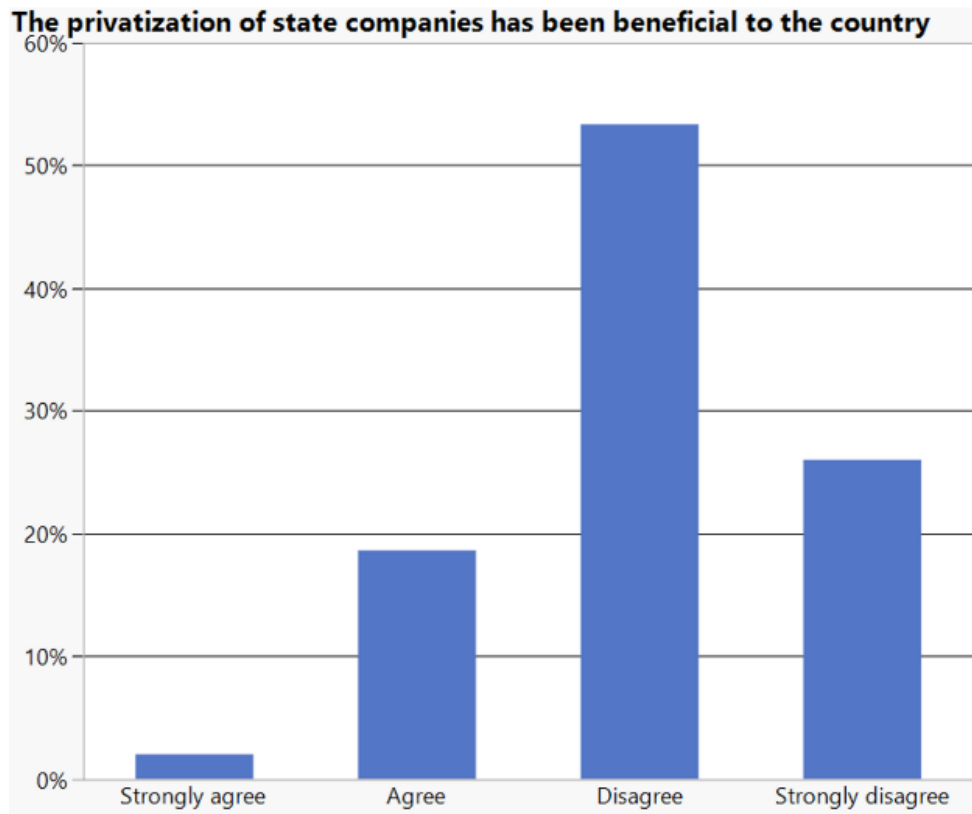


Figure 6. 2003 Latino Barometer Poll Results 2<sup>472</sup>

As outlined above, the disillusionment represented in these results likely stemmed from a deterioration in economic conditions and a belief that such policy threatened the livelihood of the Bolivian people while enriching IOCs. The results regarding privatization are especially important considering they represent discontent with policy that allowed IOCs to both enter the Bolivian petroleum industry and control the export and profits of Bolivian natural gas reserves. This control then allowed IOCs to present the plan to export natural gas through Chile, which many opposed; therefore, one would expect the discontent that is represented by said poll results. Furthermore, the results of this poll mirror the results from the July 2004 referendum where Bolivians heavily voted for the re-nationalization of the Bolivian petroleum industry.<sup>473</sup> Together, this shows there was discontent with the economic policy that led to proposed exports to Chile. Overall, the poll results show that

<sup>472</sup> “Latino Barometro 2003 Bolivia Poll Results.”

<sup>473</sup> Schroeder, “Economic Globalization and Bolivia’s Regional Divide,” 14.

there was a strong disillusionment with the government's economic policy when the MNR attempted cooperation with Chile. The discontent outlined above subsequently allowed political elite to leverage narratives of resource nationalism and rivalry to successfully challenge the decision to cooperate with Chile.

Furthermore, the oppositional political elite that mobilized the public to oppose the administration's policy were successful in spreading their message because the MNR and their policy had fallen into disrepute. For two decades, Bolivians endured economic hardship they associated with neoliberal economic policy and, more specifically, the MNR. For example, Kohl and Farthing argue that the emerging social movements found their strength in "a common rejection of neoliberal policies."<sup>474</sup> In effect, this led to the delegitimization of the MNR and other parties that ascribed to the neoliberal economic model. This idea is supported by Greenburg, a political strategist for the MNR during this era, who stated: "the great majority of the public did not want what we and the other traditional parties were selling."<sup>475</sup> This shift in public opinion provided an opening for oppositional political elite offering an alternative to the MNR. Ultimately, cooperation with Chile represented a perfect target for political elite looking to seize upon this opportunity because it involved discontent with neoliberal economic policy, control over Bolivian natural resources, and cooperation with their main rival.<sup>476</sup>

### **3. Political Elite and Their Motives**

In this section, I argue that the oppositional political elite utilized the opportunity to challenge the administration's policy of cooperation with Chile to serve their political interests. While the motives for the political elite may vary slightly, this thesis focuses on Evo Morales and the MAS because their influence was perhaps the most effective and widespread. To make the above point, I argue that Morales and the MAS benefitted from growing discontent with the political status quo, then I present evidence that shows they strategically supported social movements—such as the Gas Wars—to challenge that status

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<sup>474</sup> Kohl and Farthing, *Impasse in Bolivia*, 149.

<sup>475</sup> Greenberg, *Dispatches from the War Room*, 368.

<sup>476</sup> DeShazo, "Bolivia," 353.

quo. Secondly, I present evidence that shows decisions made by Morales and the MAS, as incumbents, did not reflect their prior rhetoric; therefore, their real motives were gaining political power.

When the government began its unprecedented 1998 coca eradication under the guise of the Dignity Plan, Morales, along with the early stages of the MAS, aimed to protect coca farmers by opposing government eradication measures.<sup>477</sup> As Harten argues, this stance effectively pitted them against the traditional political elite who waged the war on coca.<sup>478</sup> Like the MNR in the 1950s, the MAS with Morales as their leader championed the plight of the disenfranchised to increase their political support.<sup>479</sup> The MAS targeted the economic policy of the incumbent political elite as it simultaneously spoke out against perceived unjust coca eradication.<sup>480</sup> Ultimately, the MAS benefited from any discrediting of traditional political parties as it both discredited the coca eradication measures and seemingly attracted more supporters to the MAS.<sup>481</sup> Since the MAS was increasingly finding success by defining itself as the alternative to traditional political parties, it further began acting against traditional political parties.<sup>482</sup>

As part of the MAS' strategy to gain support by mobilizing discontented Bolivians, Morales joined and incited social movements that challenged the ruling administration. Morales' history shows a pattern of leveraging movements not related to coca eradication for political gain. This is first seen when Morales and the *cocaleros*—under his

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<sup>477</sup> Harten, *The Rise of Evo Morales and the MAS*, 55, 65, 70; Greenberg, *Dispatches from the War Room*, 362–363, 381–383.

<sup>478</sup> Harten, *The Rise of Evo Morales and the MAS*, 73.

<sup>479</sup> Harten, 73–75, 95.

<sup>480</sup> Harten, *The Rise of Evo Morales and the MAS*, 72; Shultz, “The Cochabamba Water Revolt and Its Aftermath,” 29; Juan Forero, “Economic Crisis and Vocal Opposition Test Bolivia’s President,” *New York Times*, February 16, 2003, <https://www.nytimes.com/2003/02/16/world/economic-crisis-and-vocal-opposition-test-bolivia-s-president.html?rref=collection%2Fbyline%2Fjuan-forero&mtrref=www.nytimes.com>.

<sup>481</sup> Greenberg, *Dispatches from the War Room*, 362.

<sup>482</sup> Harten, *The Rise of Evo Morales and the MAS*, 102–103.

leadership—arrived in Cochabamba to protest during the Water Wars.<sup>483</sup> Morales’ history of leveraging these movements did not end there; his calls for protests and “civil disobedience” contributed to inciting the 2003 Tax Wars.<sup>484</sup> As another clear sign that Morales sought to bring down the ruling party instead of changing policy, during the Tax Wars, he immediately called for Goni’s resignation instead of the repeal of the tax law. Following these two attempts to challenge traditional political parties, Morales launched an offensive against the MNR’s proposal to export natural gas via the Pacific LNG plan.<sup>485</sup> The MAS called for protests and campaigned so strongly against the policy—utilizing narratives of rivalry and resource nationalism—that even before the Gas Wars occurred the Goni administration accused them of “trying to start a gas war.”<sup>486</sup> Weintraub supports this theory by arguing that Morales and the cocaleros that formed the MAS “adopted the cry ‘*no al gas*’ as a vehicle for their own political goals.”<sup>487</sup> Further compelling evidence is apparent in Morales’ behavior during the Gas Wars where he not only called for Goni’s resignation once more, but publicly declared that the populace should overthrow the government.<sup>488</sup> Ultimately, Morales’ political strategy proved effective; the MAS became increasingly popular as traditional parties suffered in the polls.<sup>489</sup> However, the litmus test for Morales’ adherence to the values he championed during protests awaited him when he entered the presidential office.

Morales’ foreign policy decisions once he gained the presidency in 2005 demonstrated that his mobilizing the population against natural gas cooperation with Chile

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<sup>483</sup> Later, Morales’ Vice President Alvaro Garcia Linera asserted that the Water Wars represented the rising of a movement that proved capable of challenging the “prevailing system of government.” This is further evidence that during this era Morales and the MAS saw the value in leveraging this movement for its ability to challenge traditional political parties. Shultz, “The Cochabamba Water Revolt and Its Aftermath,” 29.

<sup>484</sup> Like the Water Wars, Morales was on the streets protesting during the Tax Wars. *Our Brand is Crisis*; Shultz, “Lessons in Blood and Fire,” 131-132.

<sup>485</sup> DeShazo, “Bolivia,” 344; Gordon and Luoma, “Oil and Gas,” 95.

<sup>486</sup> DeShazo, “Bolivia,” 353.

<sup>487</sup> DeShazo, “Bolivia,” 353; Harten, *The Rise of Evo Morales and the MAS*, 120; Greenberg, *Dispatches from the War Room*, 388.

<sup>488</sup> Greenberg, *Dispatches from the War Room*, 389; DeShazo, “Bolivia,” 353, 357.

<sup>489</sup> Harten, *The Rise of Evo Morales and the MAS*.

was merely an effort to gain political support. First, while Morales on several occasions proposed *gas por mar* to Chile, Morales, as the opposition, strongly attacked this idea on the basis that anything less than Chile returning the land for free was unjust.<sup>490</sup> Initially, Morales incited protests against using natural gas to secure an exit to the Pacific.<sup>491</sup> In fact, Morales was a vital part of a coalition that criticized the Mesa administration for questions four and five of the 2004 referendum. Leading to the 2004 referendum, Morales and the MAS urged voters to vote “no” on question four and five, thereby rejecting exports to Chile and all exports of natural gas.<sup>492</sup> However, Morales later changed his position on natural gas exports and the idea of *gas por mar*.<sup>493</sup> Lastly, Morales not only dialed down his rhetoric to propose *gas por mar*, but under his leadership Bolivia continued with sales of oil to Chile. Morales sold Chile more oil than Bolivia had sold Chile in the past seven decades. Simply put, if Evo Morales truly believed that the MNR’s policy of cooperation with Chile was traitorous, he would not have discarded his principles to propose *gas por mar* and would not have continued to sell Chile oil while president. Morales’ actions contradicted his anti-Chile rhetoric and in doing so showed that he challenged natural gas cooperation with Chile as a way to gain political support—just as he had in the past joined other social movements that opposed the political status quo for his political gain.

#### 4. Political Elite Mobilization of Resource Nationalism

Bolivia’s extensive history of resource nationalism played a crucial role in halting proposed natural gas cooperation with Chile. More specifically, this section argues that this powerful national sentiment did not just appear, rather it grew from oppositional political elite evoking the narrative of Bolivian resources being exploited to stop cooperation. This section shows the impact of oppositional political elite mobilizing the public by examining two scenarios, one where the elite impeded cooperation by mobilizing the population

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<sup>490</sup> “Propuesta de Evo Morales de Entregar Gas por Mar Causa Revuelo en Bolivia [Evo Morales’ proposition of gas for Sea causes stir in Bolivia],” *Peru 21*, January 28, 2013.

<sup>491</sup> “Evo Morales’ Proposition of Gas for Sea Causes Stir in Bolivia.”

<sup>492</sup> Morales argued the natural gas should be consumed within Bolivia or used to develop refined petroleum products. “Opposition Puts Bolivian Gas Exports at Risk,” *Energy Compass*, October 9, 2003, <http://search.proquest.com/docview/199492041/>; Hylton, *Revolutionary Horizons*, 119.

<sup>493</sup> “Read the Evo Morales’ Speech in Closing Session of CELAC.”

utilizing resource nationalism and one where cooperation persisted without backlash because the oppositional political elite did not leverage resource nationalism to target cooperation.

When the MNR attempted natural gas cooperation with Chile, the oppositional political elite utilized the “collective memory” of those who believed “their country has never benefited from the exploitation of its natural resources” to advance their political interests and to halt cooperation with Chile.<sup>494</sup> These elites portrayed government policy as leading to the ransacking of the nation’s resources.<sup>495</sup> When running for election in 2001, Evo Morales routinely criticized the neoliberal model by alleging that it led to the “sacking of Bolivia’s natural resources.”<sup>496</sup> Following his unsuccessful attempt for the presidency and leading to the Gas Wars, Evo Morales, who was key in encouraging resource nationalism and perpetuating the narrative that the administration’s policies were robbing the people of their national patrimony, delivered a call to action.<sup>497</sup> Speaking to crowds of protestors, Morales stated: “we must fight from the streets—defend our natural gas.”<sup>498</sup> Evo Morales even compared the movement to the 1952 revolution, which was largely driven by resource nationalism.<sup>499</sup> In doing so, Morales sought to mobilize Bolivians by drawing on a historically celebrated and almost legendary event that involved forcefully taking back the natural resources of Bolivia for the people.<sup>500</sup> The rhetoric proved effective; protestors working with the NCDRG and twenty-one other local organizations began protests to “recover gas for Bolivians” and in doing so helped ignite the Gas Wars that

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<sup>494</sup> Gordon and Luoma, “Oil and Gas,” 78.

<sup>495</sup> Gordon and Luoma, 100.

<sup>496</sup> Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 175; Gordon and Luoma, “Oil and Gas,” 100; Greenberg, *Dispatches from the War Room*, 361; Raul Madrid, “The Rise of Ethnopolitics in Latin America,” *World Politics* 60, no. 3 (2008): 67; Harten, *The Rise of Evo Morales and the MAS*, 95; Connie Veillette, *Bolivia Political Developments and Implications for U.S. Policy*, CRS Report No. RS21660 (Washington, DC: Congressional Research Service, 2004), 2.

<sup>497</sup> Greenberg, *Dispatches from the War Room*, 382; Perreault, “From the Guerra Del Agua to the Guerra Del Gas,” 162.

<sup>498</sup> Greenberg, *Dispatches from the War Room*, 382.

<sup>499</sup> Greenberg, 382.

<sup>500</sup> Selbin, *Agency and Culture in Revolution*, 77–81.



halted natural gas cooperation with Chile.<sup>501</sup> A more definitive sign that resource nationalism played an integral role in halting cooperation with Chile is apparent in Perreault's argument that what began as calls to halt cooperation with Chile, "transformed into a widespread rejection of export plans altogether."<sup>502</sup> This observation is supported by the results of question five in the 2004 referendum where 38 percent of those that voted opposed the idea of exporting natural gas.<sup>503</sup> As mentioned, Morales and the MAS contributed to motivating the population to vote against any natural gas exports.<sup>504</sup> This is a clear sign that Morales leveraged resource nationalism, as this message was not specific to Chilean exports. Protestors motivated by resource nationalism rhetoric began adopting slogans that reflected a general opposition to exporting natural gas.<sup>505</sup> While protests did not succeed in entirely halting all natural gas exports this rhetoric succeeded in contributing to the impediment of cooperation with Chile.

One may ask why resource trade in the form of oil sales was able to persist from 1989–2016, despite the argument that resource nationalism works to impede trade. This is where the specification that oppositional political elite must mobilize the population against resource trade plays a role. This explanation is provided to show that Bolivian cooperation with Chile is possible when these political elites are not leveraging resource nationalism to target cooperation. During the above era, mobilization and rhetoric from elites revolved primarily around natural gas. This focus on natural gas is noticeable in various forms throughout this era. For example, it is visible in the actual name of the primary organization that led the Gas Wars. The NCDRG's name literally specifies that it fought for the defense and recovery of the nations *natural gas*. Furthermore, this focus on natural gas is evident in the 2004 referendum. Question four and five, which concentrated

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<sup>501</sup> Kohl and Farthing, *Impasse in Bolivia*, 173.

<sup>502</sup> Perreault, "From the Guerra Del Agua to the Guerra Del Gas," 163.

<sup>503</sup> Hylton, *Revolutionary Horizons*, 119; Schroeder, "Economic Globalization and Bolivia's Regional Divide," 14.

<sup>504</sup> "Opposition Puts Bolivian Gas Exports at Risk;" "An Uneasy Peace in La Paz," *Institutional Investor*, November 7, 2003, <https://www.institutionalinvestor.com/article/b15135qkbfqcgx/an-uneasy-peace-in-la-paz>.

<sup>505</sup> *Our Brand is Crisis*.

on exports, referred explicitly to “natural gas” not hydrocarbons in general. The rhetoric that followed kept the same emphasis and led Mesa to create the infamous slogan that Bolivians championed, *gas por mar*. In this situation, Mesa specifically proposed Bolivia use natural gas as a tool to gain a sovereign exit to the Pacific.<sup>506</sup> However, this focus was no mere coincidence. Political elites such as Evo Morales concentrated on natural gas as a topic to mobilize the population. Likewise, motivated protestors in the street influenced by such rhetoric held signs asserting “*el gas es nuestro*” (the gas is ours) and “*el gas no se vende*” (the gas is not for sale).<sup>507</sup> Overall, there was a specific focus on natural gas by the protestors during the Gas Wars. Therefore, Bolivian trade of oil to Chile was able to carry on in the background as the nation was divided over the management of natural gas. This ultimately shows that the oppositional political elite’s exploitation of a narrative is a crucial part of that narrative being effective in impeding cooperation with Chile. However, this explanation raises one more question: why did elites focus on natural gas exports?

Political elite focused on natural gas because “after the crash of the tin industry, gas became the country’s most important natural resource.”<sup>508</sup> Natural gas to Bolivians represented their last hope to industrialize and escape poverty. This sentiment is apparent in the comments made by a key member of the *Federación de Juntas Vecinales* (FEJUVE), Carlos Rojas: “After the looting of our gold, silver, tin, of all the minerals we’ve had....the last resource we have left is gas...There is no other resource in Bolivia that can be our future economic support.”<sup>509</sup> Furthermore, Weintraub argues that unlike oil, natural gas had “broad implications for future domestic development” therefore, gas “acquired iconic stature” and held the nation’s attention.<sup>510</sup> The elevation in importance of natural gas led to it being targeted by the political elite because it held the most potential to generate mass

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<sup>506</sup> Schroeder, “Economic Globalization and Bolivia’s Regional Divide,” 14.

<sup>507</sup> There were further variants of these signs and chants such as “el gas para Bolivia” (the gas is for Bolivia) and “*el gas es de Bolivia carajo*” (the gas is Bolivia’s damn it!). *Our Brand is Crisis*; Elliott Gotkine, “Bolivians Protest at Gas Plan,” *BBC*, October 1, 2003.

<sup>508</sup> Gordon and Luoma, “Oil and Gas,” 79.

<sup>509</sup> Gordon and Luoma, “Oil and Gas,” 80; “Para no Olvidar: Cronología de la “Guerra del Gas” El Alto 2003 [To Not Forget: Chronology of “the Gas War” El Alto 2003],” *El Alto Digital*, October 12, 2017, <http://www.elaltodigital.com/politica/no-olvidar-cronologia-la-la-guerra-del-gas-alto-2003/>.

<sup>510</sup> DeShazo, “Bolivia,” 344.

political support. Consequently, this led to the impediment of natural gas cooperation as opposed to oil.

Resource nationalism holds a very distinctive place in the collective memory of the Bolivian people. When leveraged by the political elite to attack cooperation with Chile it can prove very effective as seen in the example of the failed natural gas cooperation. However, one can also see that if the oppositional political elite do not leverage resource nationalism, cooperation can proceed. This is observable in the oil sales to Chile that persisted from 1989–2016. Resource nationalism played a very specialized role in halting natural gas cooperation with Chile.

## **5. Political Elite Mobilization of Rivalry**

While this thesis revolves largely around shedding light on factors other than rivalry to help explain why natural gas trade with Chile never materialized, it does accept that rivalry played an important role and considers how it came to disrupt cooperation with Chile. It is very apparent that Bolivians hold strong feelings of resentment towards Chile for taking their Litoral region. This resentment and rivalry when leveraged by oppositional political elite contributed strongly to the impeding of natural gas cooperation in this era. First, oppositional political elite during the Goni administration used the narrative of rivalry to mark the administration's possible cooperation with Chile as traitorous and, in doing so, effectively mobilized the Bolivian populace against the administration and cooperation. The 2003 Gas Wars, which were a product of this mobilization, established that cooperating with Chile in the natural gas sector was an issue public opinion opposed. This section then shows that rivalry, and more specifically Bolivian access to the Pacific, which drives Bolivian-Chilean rivalry, continued to dominate the discourse regarding possible cooperation thereby impeding any possibility of natural gas cooperation with Chile.

First, this section shows that the oppositional political elites leveraged rivalry to mobilize the population against natural gas cooperation with Chile. As with resource nationalism, political elites targeted natural gas using rivalry because the management of natural gas reserves was an important national issue that would garner the most attention

and therefore the most political support.<sup>511</sup> Considering there is strong resentment towards Chile for effectively rendering Bolivia landlocked, the oppositional political elite, seeking to mobilize the population, framed the proposed cooperation with Chile as traitorous.<sup>512</sup> For example, Morales utilized the narrative that the administration was betraying the Bolivian people as he threatened that “Bolivians would never forgive” the administration for cooperation with Chile.<sup>513</sup> Morales as “Bolivia’s most influential protest leader” played a key role in mobilizing the population against natural gas cooperation with Chile.<sup>514</sup> This mobilization of the public against cooperation began four months before the Gas Wars reached their peak in October 2003.<sup>515</sup> In June 2002, far before the Pacific LNG deal was solidified, Morales called for protests against cooperation with Chile on the basis of rivalry.<sup>516</sup> Following this initial protests, Evo Morales “launch[ed] a campaign to block the export of Bolivia’s gas through Chile.”<sup>517</sup> During this campaign, Morales alleged that Goni’s decision to cooperate with Chile as opposed to Peru would ignite a civil war and bring an end to his presidency.<sup>518</sup> However, as mentioned, the Goni administration at this point had not confirmed whether exports would go through Chile. This shows that Morales’ mobilization of the population via rivalry was a strategic decision and not reactive. While other grievances were pertinent during this era, the protestors did embrace a noticeable anti-Chile message.<sup>519</sup> Journalists noted that it was not uncommon to see protestors holding signs that specifically condemned natural gas sales to Chile or to spot graffiti on walls near

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<sup>511</sup> DeShazo, 344.

<sup>512</sup> Bonnefoy, “Gas for Sea,” 17.

<sup>513</sup> Forero, “Lingering Feud With Chile Threatens Bolivia’s Pipeline Plan.”

<sup>514</sup> Juan Forero, “Bolivian President Offers to Resign,” *New York Times*, June 7, 2005, <https://www.nytimes.com/2005/06/07/world/americas/bolivian-president-offers-to-resign.html?mtrref=undefined>.

<sup>515</sup> Greenberg, *Dispatches from the War Room*, 382.

<sup>516</sup> Greenberg, 382.

<sup>517</sup> Greenberg, *Dispatches from the War Room*, 389; Kohl and Farthing, *Impasse in Bolivia*, 173.

<sup>518</sup> “Evo Morales Denuncia Intención de “Autogolpe” de Sánchez de Lozada [Evo Morales Denounces Sanchez de Lozada’s Intentions for a Self-Coup],” *El Litoral*, September 18, 2003, <http://www.ellitoral.com/index.php/diarios/2003/09/18/internacionales/INTE-03.html>; “Opposition Puts Bolivian Gas Exports at Risk.”

<sup>519</sup> Greenberg, *Dispatches from the War Room*, 382.

protest areas with similar anti-Chile messages.<sup>520</sup> Morales' predictions proved correct; together, the political elite effectively mobilized protestors in the tens of thousands against cooperation with Chile and overthrew the Goni administration. Following months of nationwide protests that became known as the Gas Wars, it became understood that public opinion strongly opposed natural gas cooperation with Chile.

However, even after initial cooperation dissolved, rivalry stemming from the loss of Bolivia's Litoral region monopolized the discussion regarding natural gas sales to Chile and in doing so continued to doom cooperation. After 2003, due to the efforts of the oppositional political elite, public opinion had proven unfavorable to straightforward cooperation with Chile; therefore, President Mesa in 2004 presented natural gas as a bargaining chip for a sovereign exit to the Pacific. Consequently, the legacy of the Gas Wars and in effect the legacy of the political elite mobilizing the population against cooperation with Chile contributed to impeding possible cooperation years later because *gas por mar*, which was continuously and vehemently rejected by Chile, prevented cooperation from materializing. Furthermore, during this era, Morales continued using the narrative of rivalry to mobilize the population against cooperation and to gain political support. This is visible in both his rhetoric that argued Chile should return the land it stole from Bolivia without the promise of natural gas cooperation and by his subsequent mobilization of the population to vote "no" on question four—*gas por mar* question—of the July 2004 referendum.<sup>521</sup> Ultimately, the oppositional political elite leveraging rivalry created the proposal of *gas por mar* that stunted natural gas cooperation with Chile for years to come.

Years later, politicians supported the argument that the rhetoric, which as shown stemmed from the initial public backlash, continued to impede natural gas cooperation with Chile. For example, ex-president Mesa, whose administration coined two of the most infamous phrases that led to the requirement that Bolivia receive a sovereign exit before it sold natural gas to Chile—the phrases *gas por mar* and "not one molecule"—argued in a

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<sup>520</sup> Forero, "Lingering Feud with Chile Threatens Bolivia's Pipeline Plan;" *Our Brand is Crisis*.

<sup>521</sup> Hylton, *Revolutionary Horizons*, 119.

2013 interview that these phrases once uttered became law and that these “topics which were handled incorrectly” should be readdressed.<sup>522</sup> Mesa ultimately declared that the phrases *gas por mar* and “not one molecule” should be abandoned if Bolivia is to cooperate with Chile.<sup>523</sup> The Consul General of Bolivia in Chile, Roberto Finot, echoed the same idea when he argued that the phrases divided Bolivia and Chile and led to conflict rather than cooperation.<sup>524</sup> These politicians are in essence supporting the argument that rhetoric from initial public backlash doomed natural gas cooperation with Chile. When one considers that oppositional political elite such as Morales leveraged rivalry to mobilize the population and create such backlash, one can see the pathway that led to cooperation with Chile being halted. Mesa takes his observation one step further and asserts that for cooperation with Chile to take place the rhetoric from these politically charged moments—rhetoric created due to the mobilization of Bolivians by elites utilizing rivalry—must be abandoned and a new relationship with Chile should be embraced.<sup>525</sup>

Overall, political elite utilizing rivalry to mobilize Bolivians against cooperation with Chile created an environment that fostered anti-Chilean sentiment and contributed to inciting to the Gas Wars. The Gas Wars served in part as an expression of public disapproval of cooperation with Chile. Because the nation effectively decided against cooperation with Chile in such a historic fashion—the Gas Wars—politicians were hesitant to propose cooperation with Chile, and those politicians who sought to cooperate with Chile were forced to resort to ultimatums of *gas por mar* in an effort to gain domestic approval. As mentioned, such ultimatums condemned cooperation with Chile to failure.

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<sup>522</sup> “We Need to Banish the Phrase ‘Gas for Sea’.” Carlos Mesa;” Carlos D. Mesa Gisbert, “My Administration and the Sea.”

<sup>523</sup> “We Need to Banish the Phrase ‘Gas for Sea’.” Carlos Mesa;” Carlos D. Mesa Gisbert, “My Administration and the Sea.”

<sup>524</sup> Wehner, “From Rivalry to Mutual Trust,” 19–20.

<sup>525</sup> “We Need to Banish the Phrase ‘Gas for Sea’.” Carlos Mesa;” Carlos D. Mesa Gisbert, “My Administration and the Sea.”

## F. CONCLUSION

This chapter outlined the key factors that shaped Bolivia's foreign policy decision of not selling Chile natural gas in the 2000s. First, this chapter identified the growing discontent with the neoliberal agenda and the resulting privatization. Specifically, this chapter demonstrated that these policies created economic conditions that caused poverty and threatened the livelihood of Bolivians. Because of these conditions, the opposition was able to successfully leverage discontent to attack proposed natural gas cooperation with Chile. This was an effective strategy since Bolivians no longer had faith in the government's economic decisions, viewed its policy with distrust, and were therefore open to alternative perspectives. Ultimately, planned cooperation with Chile became an easy target for the political opposition hoping to gain political support. Since the first variable of disillusionment with the administration's economic policy was present, the oppositional political elite were able to further discredit proposed cooperation with Chile by leveraging narratives of resource nationalism and rivalry.

This case study further showed how the oppositional political elite utilized resource nationalism and rivalry to target proposed natural gas cooperation with Chile. First, the oppositional political elite were able to mobilize the population against trade by appealing to the narrative that Bolivia has continuously seen its valuable natural resources extracted and exported by private companies who benefit wildly while Bolivia remains in poverty. Secondly, this chapter reaffirmed the influence of rivalry in halting Bolivia-Chile natural gas cooperation. Oppositional political elites seized upon this narrative in combating proposed cooperation leading to the Gas Wars. Furthermore, after the initial cooperation was effectively impeded, rivalry played a more central role in impeding a mutually beneficial gas deal with Chile. Bolivia's unresolved territorial dispute with Chile eventually led to the ultimatum of *gas por mar*, which in turn impeded any chance of natural gas sales to Chile.

Ultimately, this chapter demonstrates that all three factors—disillusionment with the administration's economic policy, political elite mobilization of resource nationalism, and political elite utilization of rivalry—are necessary conditions in impeding petroleum trade with Chile. As seen with the sale of oil products directly to Chile during years of

intense rivalry, lack of one or two of these variables will allow cooperation to persist. Understanding how these three variables interact with each other will further increase our understanding of Bolivian foreign policy on natural resource trade and cooperation with Chile.



## V. CONCLUSION

While Bolivia developed massive gas reserves in the early 2000s, Chile found itself looking for a new natural gas supplier after Argentina, its sole supplier, cut its natural gas exports to Chile.<sup>526</sup> This thesis considered why Bolivia and Chile did not subsequently secure a mutually beneficial natural gas deal. It specifically centered on discerning why Bolivia, which sought to benefit economically from its natural gas reserves, decided not to sell natural gas to Chile. Existing literature on the subject has argued that Bolivia's decision was motivated by Bolivian resentment towards Chile stemming from their embittered rivalry. Scholars argue that the Gas Wars and the ensuing *gas por mar* rhetoric serves as proof that Bolivia refrains from cooperating with Chile in the natural gas sector.<sup>527</sup> However, this thesis challenged the popular narrative that Bolivia refused to sell Chile natural gas during the early 2000s solely due to rivalry.

Ultimately, this thesis found that three factors contributed to Bolivia's decision not to sell Chile natural gas. The first factor was disillusionment with the governing administration's economic policy. This disillusionment was a result of poverty, perceived unfair returns from national resources, and perceptions that government policies threatened livelihoods. This disillusionment leads to both the administration losing credibility and popular mistrust. When this disillusionment is present, it creates the opportunity for oppositional political elites to leverage two of Bolivia's most politically charged and compelling narratives to impede cooperation: resource nationalism and rivalry with Chile. However, if the first factor is not present and the administration is considered credible, those political elites will be unable to leverage resource nationalism and rivalry to impede cooperation.

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<sup>526</sup> Mares and Martin, "Regional Energy Integration in Latin America," 54, 62.

<sup>527</sup> Wright, "Lithium Dreams;" Mares, "Natural Gas Pipelines in the Southern Cone," 27; "Bolivia's Fight for the Sea Will Impact Energy Sector;" "Chile, Bolivia: A Nineteenth Century War's 21st Century Consequences;" Long, "Bolivia-Chile Land Dispute Has Deep Roots;" Piet et al., *Energy Security and Environmental Sustainability in the Western Hemisphere*, 327.

The 1950s case study demonstrated that petroleum cooperation with Chile is possible, when there is an absence of disillusionment with the administration's economic policies. During the 1950s, Bolivia was able to cooperate with Chile in sales of refined petroleum products and in the construction of the Sica Sica-Arica oil pipeline that would pump oil through and to Chile for decades to come. This cooperation was able to persist without any documented backlash stemming from Bolivian national resentment towards Chile. The absence of national backlash, in this case, confirmed that scholars have overlooked other factors driving Bolivia's foreign policy of petroleum cooperation with Chile. This case study showed that the reason for cooperation was a lack of disillusionment with the administration's economic policy. This trust in the administration made it difficult for the oppositional political elite to leverage narratives of resource nationalism and rivalry to challenge cooperation; therefore, cooperation persisted.

In contrast, in the 2000s, natural gas cooperation was impeded because all three factors were present. During the era of proposed natural gas cooperation, discontent with the administration's economic policy was prevalent as the Bolivian populace perceived the administration's policy as threatening to its livelihood. This led to Bolivians initially perceiving the MNR's policy of cooperation with suspicion since it came from an administration that had little credibility. This created an opportunity for the oppositional political elite to leverage narratives of resource nationalism and rivalry to impede cooperation with Chile. Oppositional political elites during this era seized on this opportunity by inciting protests and mobilizing the domestic population against cooperation with Chile; therefore, cooperation was impeded.

The second case study also documented often-overlooked Bolivian cooperation with Chile in the oil sector, during the same era. As mentioned in Chapter IV, this cooperation persisted because the political elite focused their rivalry and resource nationalism rhetoric on the issue of natural gas as opposed to oil. Political elites focused on natural gas because the Bolivian populace perceived it as representing a new and final hope for Bolivia to industrialize. Natural gas therefore gained vital national importance. However, oil was perceived as less important and less likely to be useful in generating political support for the elites. For this reason, the political elites did not focus on oil

operations. Consequently, this oil cooperation was able to persist with Chile, unimpeded by the popular backlash. In effect, not all three variables were present; therefore, cooperation persisted. The fact that oil cooperation persisted during the same period that managed to halt natural gas cooperation shows that all three factors of this theory are indeed required to impede cooperation, not just rivalry.

## A. OUTLOOK FOR COOPERATION

Despite the lost opportunity for natural gas cooperation in the early 2000s, Bolivia may once again be incentivized to cooperate with Chile. This new push to cooperate with Chile in the natural gas sector stems from Bolivia's diminishing customer base. Brazil's natural gas contract with Bolivia is set to expire in 2019 and Brazil has expressed that it is looking to renew the contract for half the amount of natural gas previously delivered.<sup>528</sup> Furthermore, Brazil is only planning on extending this contract until approximately 2024–2026, when it expects its domestic natural gas production to replace imports.<sup>529</sup> Since Bolivia exports the majority of its natural gas to Brazil, this presents a problem. Meanwhile, Argentina, which also imports natural gas from Bolivia, has expressed similar plans to end natural gas contracts with Bolivia in 2026.<sup>530</sup> Similar to Brazil, Argentina's increasing domestic natural gas production is driving its push to end Bolivian natural gas imports.<sup>531</sup> Within the last decade, Brazil and Argentina have imported approximately 97 percent of

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<sup>528</sup> Sabrina Valle, "Latin American Giant's Hunger for Foreign Gas Ebbs Amid Oil Boom," *Bloomberg*, March 26, 2018, <https://www.bloomberg.com/news/articles/2018-03-27/latin-american-giant-s-hunger-for-foreign-gas-ebbs-amid-oil-boom>; Selwan Parker, "Weighing Bolivia's Gas Export Options," *Petroleum Economist*, August 9, 2018, <http://www.petroleum-economist.com/articles/midstream-downstream/pipelines/2018/weighing-bolivias-gas-export-options>.

<sup>529</sup> Brazil's increased domestic production of natural gas within the last two years has already allowed it to decrease its LNG imports by 75 percent. Valle, "Latin American Giant's;" "Bolivia's Oil Revenue to Reach USD 2.2 Billion," *Borneo Bulletin*, October 15, 2018, <https://borneobulletin.com.bn/bolivias-oil-revenue-to-reach-usd2-2-billion/>.

<sup>530</sup> Charles Newbery, "Argentina Aims to Start Construction of First LNG Export Terminal in 2019," *S&P Global*, September 28, 2018, <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/092818-argentina-aims-to-start-construction-of-first-lng-export-terminal-in-2019>.

<sup>531</sup> Newbery.

Bolivia's yearly natural gas exports.<sup>532</sup> The possibility of losing its two largest customers has led Bolivia to look for new markets. In recent years, Bolivia has begun exporting minimal amounts of natural gas to Paraguay, Uruguay, and Peru; however, these markets have never comprised more than three percent of Bolivian natural gas exports and will not be adequate for the level of natural gas surplus that Bolivia will possess.<sup>533</sup>

Bolivia has three economically sensible options to consider for selling its surplus natural gas that will be available when Brazil and Argentina reduce their imports. The first and most likely option that Bolivia will pursue is exporting its natural gas to the international market through Peru. In fact, in April of 2018, Morales announced, in a public meeting with Peru's President, a future joint project to export LNG to the international market from a port in Ilo, Peru.<sup>534</sup> However, this project has yet to gain traction and, based on pipeline studies conducted in the 2000s during the planning of the Pacific LNG project, this pipeline is still \$600 million more expensive than the Chilean options.

Bolivia's other two options involve cooperation with Chile. First, Bolivia still has the option of exporting natural gas through the Arica Chilean port, as described in Chapter IV. Secondly, Bolivia can choose to sell Chile natural gas directly. While Chile has started to import natural gas through its two LNG terminals, its demand has spurred the planned

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<sup>532</sup> "Where Does Bolivia Export Petroleum Gas to? 2006," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/bol/show/2711/2008/](https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/bol/show/2711/2008/); "Where Does Bolivia Export Petroleum Gas to? 2016," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/bol/show/2711/2016/](https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/bol/show/2711/2016/).

<sup>533</sup> Bolivia began exporting small amounts of natural gas to countries other than Brazil and Argentina in 2014. "Where Does Bolivia Export Petroleum Gas to? 2014," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/bol/show/2711/2014/](https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/bol/show/2711/2014/); "Where Does Bolivia Export Petroleum Gas to? 2015," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/bol/show/2711/2015/](https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/bol/show/2711/2015/); "Where Does Bolivia Export Petroleum Gas to? 2016," Observatory of Economic Complexity, accessed June 29, 2018, [https://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/bol/show/2711/2016/](https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/bol/show/2711/2016/).

<sup>534</sup> "Evo Plantea Convertir Ilo en Megapuerto Para Exportar GNL y Perú Pide Activar el Bioceánico [Evo Proposes Converting Ilo in to a Megaport to Export LNG and Peru Asks to Activate the Bioceanic]," *Los Tiempos*, April 28, 2018, <http://www.lostiempos.com/actualidad/economia/20180428/evo-plantea-convertir-ilo-megapuerto-exportar-gnl-peru-pide-activar>; Parker, "Weighing Bolivia's Gas Export Options."

construction of a third LNG terminal.<sup>535</sup> Unfortunately, this project has run into delays; therefore, GNL Quintero, one of its current terminals, will expand capacity to meet national needs.<sup>536</sup> In fact, an IEA report indicated that Chile in 2015 still had not returned to consuming the level of natural gas that it was consuming before its 2000s natural gas crisis.<sup>537</sup> This slow return to its previous peak use is likely due to an inability to import enough natural gas through its two LNG terminals and because natural gas coming from these terminals is not cheap enough to provide an incentive for its use as fuel for electricity generation. However, Bolivian natural gas exports to Chile would allow for Bolivia to receive a higher price than Brazil paid and for Chile to get a lower price than it pays for LNG imports.<sup>538</sup> While natural gas cooperation so close to the Gas Wars and by the MAS may seem unlikely, Vice President Alvaro Garcia Linera, in late 2015, stated that, as Bolivia expands its natural gas sales to countries including Paraguay and Uruguay, “Chile will have to become a market.”<sup>539</sup>

While this once again looks like the perfect opportunity for cooperation, the recent decision by the ICJ may deter initial decisions by Morales to cooperate with Chile. As the October 2018 decision by the ICJ declared that Chile has no duty to negotiate with Bolivia regarding access to the Pacific, Bolivian politicians looking to export natural gas to Chile so soon may provide the opposition with ammunition to leverage the rivalry narrative. The usefulness of this narrative might have been increased by Morales’ continual utilization of

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<sup>535</sup> Karen Thomas, “Chile’s GNL Quintero Expands as Penco LNG Faces New Delays,” *LNG World Shipping*, March 10, 2017, [https://www.lngworldshipping.com/news/view,chiles-gnl-quintero-expands-as-penco-lng-faces-new-delays\\_46840.htm](https://www.lngworldshipping.com/news/view,chiles-gnl-quintero-expands-as-penco-lng-faces-new-delays_46840.htm).

<sup>536</sup> Thomas.

<sup>537</sup> “Chile Energy Policies Beyond IEA Countries,” 60.

<sup>538</sup> “Read Evo Morales’ Speech at Closing Session of CELAC.”

<sup>539</sup> Morales later denied that the administration was considering selling Chile natural gas. “Bolivia Espera que Chile se Convierta ‘en Algún Momento’ en Mercado Para su Gas [Bolivia Expects that Chile Will Become ‘At Some Point in Time’ a Market for its Gas],” *Emol Mundo*, August 19, 2015, <https://www.emol.com/noticias/Internacional/2015/08/19/745825/Bolivia-espera-que-Chile-se-convierta-en-algun-momento-en-mercado-para-su-gas.html>; “Evo Morales Dice Que en 2006 Chile Ofreció Comprar Gas al Triple Del Precio Internacional [Evo Morales Says that in 2006 Chile Offered to Buy Gas at Triple the International Price],” *Tele13*, August 20, 2015, <http://www.t13.cl/noticia/politica/evo-morales-dice-2006-chile-ofrecio-comprar-gas-al-triple-del-precio-internacional1>.

the maritime dispute to generate political support throughout his last three terms. However, as outlined by this theory, if not all three factors are present, cooperation may be possible.

Furthermore, a change in leadership may edge Bolivia closer to cooperating with Chile. Ex-president Mesa, who has expressed interest in mending relations with Chile and voiced the need to avoid terms such as *gas por mar* and “not one molecule” in 2013, recently declared his candidacy for the 2019 presidential election.<sup>540</sup> Since there has been growing discontent with Morales, due to his continuing run for reelection, despite a national referendum deciding not to extend term limits, and due to his administration’s loss at the ICJ, Mesa may have a strong chance to win.<sup>541</sup> If Mesa returns to office, a normalization of relations with Chile may eventually lead to cooperation in the natural gas sector.

## **B. BROADER OBSERVATIONS AND FUTURE RESEARCH**

In showing that Bolivia’s foreign policy towards Chile is motivated by more than mere rivalry, this thesis showed how oppositional political elites seeking to leverage rivalry for political gain can impede cooperation. The results of this thesis show that agency can play an important role in impacting future Bolivian-Chilean relations, specifically in the energy sector. However, future research may further consider how past political elites have leveraged rivalry with Chile for their political gain. This research could further show the

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<sup>540</sup> Fernando Molina, “El Expresidente Boliviano Carlos Mesa se Enfrentará a Evo Morales en las Elecciones de 2019 [Bolivian Ex-president Carlos Mesa will Challenge Evo Morales in the 2019 Elections],” *El Pais*, October 6, 2018, [https://elpais.com/internacional/2018/10/06/america/1538847718\\_243168.html](https://elpais.com/internacional/2018/10/06/america/1538847718_243168.html); Tamayo, “We Need to Banish the Phrase ‘Gas for Sea’.” Carlos Mesa.”

<sup>541</sup> Bolivia’s loss at the ICJ, which was led by Morales, has caused visible discontent with the administration to surface on social media. Furthermore, some oppositional political elite have already taken the opportunity to leverage the issue to attack Morales leading up to the January 2019 presidential elections. Some polls already show ex-President Mesa leading in favorability over Morales. Fernanda Rojas, “Carlos Mesa Surge Como el Favorito Para Derrotar a Evo [Carlos Mesa Surges as Favorite to Defeat Evo],” *La Tercera*, October 23, 2018, <https://www.latercera.com/mundo/noticia/carlos-mesa-surge-favorito-derrotar-evo/371495/>; Tomas Velasco, “Bolivia Losing in the ICJ: A Drastic Turn for the January 2019 Elections,” *Global Risk Insights*, November 3, 2018, <https://globalriskinsights.com/2018/11/bolivia-losing-icj-2019-elections/>; “Bolivia: Carlos Mesa Could End the Government of Evo Morales,” *Latin American Post*, October 15, 2018, <https://latinamericanpost.com/23904-bolivia-carlos-mesa-could-end-the-government-of-evo-morales/>; “Chile Not Obligated to Negotiate Sea Access with Bolivia: ICJ,” *Aljazeera*, October 1, 2018, <https://www.aljazeera.com/news/2018/10/chile-obliged-negotiate-sea-access-bolivia-icj-181001083856710.html>.

extent to which political elites leveraging rivalry have obstructed cooperation that may otherwise have been possible.

On a theoretical level, this thesis showed that agency is crucial to consider when seeking to understand why rival nations do or do not cooperate. This thesis introduces agency into the conversation of rival politics and shows how important national issues and narratives—resource nationalism and rivalry—can be leveraged by political elite to mobilize the domestic populace against proposed cooperation with a rival. Of course, this thesis caveats that this is only feasible when the administration has lost legitimacy. This thesis showed that “ideas and actors” matter when considering whether rival nations will or will not cooperate.<sup>542</sup> Therefore, the results of this thesis challenge the structuralist perspective, which both assumes that animosity and prior conflict determines that rivals will not cooperate and that political elites play an insignificant role said conflict. Lastly, because agency and ideas matter, the results of this thesis suggest that the U.S. should take seriously history and past narratives of U.S. involvement in not only in Bolivia, but in the region when trying to improve relations. Unknowingly playing into a past negative narrative can be very detrimental for U.S. policy-makers seeking cooperation.

Since this thesis found that rivalry alone is not a sufficient factor to impede cooperation between Bolivia and Chile, it pushes back on the idea that rivalry alone precludes two nations from cooperating in the energy sector. Future research can examine other energy disputes among rivals to verify if rivalry is indeed driving lack of cooperation.<sup>543</sup> Such research can consider if and why these nations, like Bolivia and Chile, can cooperate in only certain sectors while they are unable to cooperate in the energy sector.

In effect, the findings of this thesis push back on the idea that distrust and hostility alone are driving conflict between rivals. In showing that ideas and actors are important in affecting cooperation between rivals, this thesis shows that geopolitical conflict does not solely determine whether nations cooperate. Therefore, just as Goertz and Diehl cautioned

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<sup>542</sup> Selbin, *Agency and Culture in Revolution*.

<sup>543</sup> “How Much Petroleum Does the United States Import and Export?” U.S. Energy Information Administration (EIA), accessed October 22, 2018, <https://www.eia.gov/tools/faqs/faq.php?id=727&t=6>.

international conflict scholars that they have too often “assumed that all conflict events are unrelated” this thesis argues that rivalry may be an influencing factor, but that scholars need to ensure they do not go too far in the opposite direction by classifying all lack of cooperation or conflict as a result of rivalry alone.<sup>544</sup> Ultimately, this thesis contributes to this literature by showing that, while rivalry is a motivating factor, it alone does not determine if nations can cooperate. Scholars must consider agency and narratives and not assume conflict and lack of cooperation is directly tied to rivalry.

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<sup>544</sup> Goertz and Diehl, “Enduring Rivalries,” 147, 148.



## APPENDIX

Table 2. Bolivia Exports of Petroleum to Chile 1989–2016 Yearly Totals in Dollars<sup>545</sup>

	Liquefied Petroleum Gas	Crude	Refined Petroleum
1989	\$ 56,000.00	\$ -	\$ -
1990	\$ 1,540,000.00	\$ -	\$ -
1991	\$ 1,980,000.00	\$ -	\$ -
1992	\$ 1,030,000.00	\$ -	\$ -
1993	\$ 294,000.00	\$ -	\$ -
1994	\$ -	\$ -	\$ -
1995	\$ -	\$ -	\$ 355,000.00
1996	\$ -	\$ -	\$ 277,000.00
1997	\$ 263,000.00	\$ 142,000.00	\$ 374,000.00
1998	\$ 961,000.00	\$ -	\$ 32,300.00
1999	\$ 3,560,000.00	\$ -	\$ 61,800.00
2000	\$ 5,470,000.00	\$ -	\$ 23,000.00
2001	\$ 3,590,000.00	\$ -	\$ 63,000.00
2002	\$ 1,460,000.00	\$ 4,190,000.00	\$ 70,100.00
2003	\$ 532,000.00	\$ 9,010,000.00	\$ 1,160,000.00
2004	\$ 616,000.00	\$ -	\$ 1,920,000.00
2005	\$ -	\$ -	\$ 1,530,000.00
2006	\$ -	\$ 19,300,000.00	\$ 1,550,000.00
2007	\$ -	\$ -	\$ 807,000.00
2008	\$ -	\$ -	\$ 1,070,000.00
2009	\$ -	\$ -	\$ 862,000.00
2010	\$ -	\$ -	\$ 1,050,000.00
2011	\$ -	\$ 43,400,000.00	\$ 341,000.00
2012	\$ -	\$ 95,800,000.00	\$ 885,000.00
2013	\$ -	\$ 24,500,000.00	\$ 1,190,000.00
2014	\$ -	\$ -	\$ 379,000.00
2015	\$ -	\$ -	\$ 342,000.00
2016	\$ -	\$ 1,080,000.00	\$ -
	Total	Total	Total
	\$ 21,352,000.00	\$ 197,422,000.00	\$ 14,342,200.00

<sup>545</sup> Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1989–1995;” Observatory of Economic Complexity, “What Does Bolivia Export to Chile? 1995–2016.”

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