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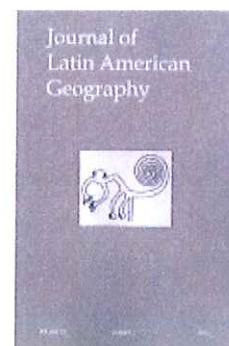
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Journal of Latin American Geography, Volume 11, Number 2, 2012,  
pp. 103-120 (Article)

Published by Conference of Latin Americanist Geographers  
DOI: 10.1353/lag.2012.0045



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# Consultation, Compensation and Extraction in Bolivia after the 'Left Turn': The Case of Oil Exploration in the North of La Paz Department<sup>1</sup>

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## **Abstract**

Bolivia is part of the left-turn that Latin America has seen since the end of the 1990s. The country was traditionally ruled by a conservative establishment and political instability characterized a decade of conflicts that culminated in the ascendancy of the Movement towards Socialism (Movimiento al Socialismo, MAS) and, in 2006, of the first indigenous president –Evo Morales. The election of Morales and the subsequent changes to the Bolivian state have been praised by some scholars as revolutionary, while others have argued that these changes essentially consist of a continuation and re-constitution of neo-liberal regimes. This paper highlights the changes in compensation and redistribution policies that have accompanied the nationalization of hydrocarbons and the institutionalization of consultation processes for indigenous peoples affected by hydrocarbons activities. In this context, we analyse an oil exploration project that took place in the north of the La Paz Department. In particular, focus is on how the compensation and consultation frameworks debilitated opposition to the project. We conclude that the government's priorities are intertwined with the continuation of the extractive economic model. In these circumstances questioning extractive projects is not an option.

**Keywords:** *Lliqimuni, Evo Morales, left turn, YPFB, Petroandina*

## **Resumen**

Bolivia es parte del giro a la izquierda que, desde finales de la década de 1990, ha caracterizado a la política de América Latina. Tradicionalmente el país fue gobernado por un establecimiento conservador y la inestabilidad política caracterizó una década de conflictos que culminaron con la ascendencia del "Movimiento al Socialismo" (Movimiento al Socialismo, MAS), y en 2006, Evo Morales se con-

virtió en el primer presidente indígena. La elección de Morales y los cambios posteriores en el Estado boliviano han sido aclamados por algunos estudiosos como revolucionarios, mientras que otros han argumentado que los mismos consisten, esencialmente, en una continuación y re-constitución de regímenes neoliberales. Aquí se destacan los cambios en las políticas de compensación y redistribución que han acompañado a la nacionalización de los hidrocarburos y la institucionalización de los procesos de consulta a los pueblos indígenas afectados por las actividades de hidrocarburos. En este contexto, se analiza un proyecto de exploración petrolera que tuvo lugar en el norte del departamento de La Paz. En particular, nos enfocamos en cómo los marcos de compensación y consulta debilitaron la oposición al proyecto. Llegamos a la conclusión de que las prioridades del gobierno están entrelazadas con la continuación del modelo económico extractivo. En estas circunstancias cuestionar los proyectos de extracción no es una opción.

Palabras clave: *Llquimuni, Evo Morales, giro a la izquierda, YPFB, Petroandina*

### Introduction

Bolivia is a leading nation of the “left-turn” politics that have characterized Latin America since the end of the 1990s and, specifically, after the changes taking place from 2006 –the year the left-leaning indigenous President Evo Morales took office– with respect to social policies and indigenous people’s rights. These changes have attracted considerable attention, with some authors describing them as ‘revolutionary’ (Dunkerley, 2007), while others have claimed that they are in fact only minimal adjustments that are ultimately functional to the continuation and recreation of neoliberal policies (Webber, 2010).

Given the economic structure of Bolivia, mostly based on primary commodities in general and on hydrocarbons and minerals in particular, and considering the role of hydrocarbon and mining for state revenues, policies concerning extraction are defining in any political project in the country. The revenues generated by extraction have increased considerably since various measures –including the nationalization of hydrocarbons– have allowed the state to capture a larger share of the economic rents generated by extraction. Additionally, international commodity prices have been on the rise since 2005 which has also been beneficial to the national revenues (Fundación Jubileo, 2012; Gudynas, 2012). These revenues are financing numerous social policies that have been initiated or have expanded since 2006 and that are flagships for Morales’ political agenda. Given the relationship of dependency between the extractive sector and the state budget, the need for increased revenues is underpinning the intensification of extraction in areas where it has been taking place for decades and the expansion of the extraction frontier to new locations, known as ‘non-traditional’ areas (cf. YPFB, 2011).

Two key features highlight the way extractive companies that are expanding their operations in non-traditional areas intersect with the policy changes mentioned above: (i) the redistribution of benefits from extraction and (ii) consultation with local population. This paper examines one case of

expansion into non-traditional areas and focuses on the interplay between new redistributive policies and indigenous rights.

The need for fair redistribution policies –including compensations to local communities– has been a prominent demand of social movements concerned with the extractive industries. In fact, local opposition to extraction projects has often been motivated precisely by the lack of such policies. In the Bolivian context, clear examples can be found in the Chaco region, a traditional area of extraction, where the indigenous Guaraní communities in the Itika Guasu and Weenhayek territories have opposed extraction for many years because they do not receive any appreciable share of the benefits captured by oil companies.<sup>3</sup> Related to this issue, and revealing of the way Bolivian institutions are putting into practice the new relationship between state and indigenous people, is the approach extractive companies are developing with respect to the consultation with local populations in general and with indigenous people in particular.

This paper combines the policy and practice of redistribution and consultation with a case study concerning oil exploration in a non-traditional area, the Lliquimuni oil block in the north of the La Paz department (Figure 1). The process started in mid-2007 with the establishment of the company Petroandina, a joint venture of the Venezuelan state-owned *Petróleos de Venezuela* (PDVSA) and the Bolivian state-owned *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB). Petroandina's first operation was the exploration of the Lliquimuni block (Ribera, 2008).

By analysing the case of the Lliquimuni block, this paper aims at contributing to the existing debate over the significance of the policy changes taking place in Bolivia, providing a new academic analysis of how redistribution and consultation policies are interplaying in an oil exploration project. Furthermore, the issues dealt with have a bearing beyond Bolivian boundaries because these policy developments coincide with the enactment and implementation of similar provisions throughout the Latin American continent, *e.g.*, in Ecuador and, most recently, in Peru (Gudynas, 2010; 2012).

This study is the result of a dialogue between an academic researcher and an activist who come from different disciplines: ecological economics and biology. The diverse background of the authors is reflected in methods and data source that are both primary and secondary. Specifically, a survey of the literature has been carried out and information has been collected through numerous interviews with indigenous people (leaders and not), residents of the area where the exploration took place, central and local government officials, technicians and fieldworkers of the oil company, trade unionists and members of agricultural cooperatives. These interviews were carried out both individually and through group discussions, albeit only rarely was it possible to have groups of people with very different perspectives. This difficulty stems from the polarization within issues concerning hydrocarbons, indigenous people and the environment in Bolivia. Numerous field trips have been carried out in 2011–2012.

The paper is organized as follows: the next section discusses revenues generated by extraction and their macro- and microeconomic impact, the third section presents a discussion of consultation rights and is followed by the presentation of the case study. The penultimate section discusses and interprets the case study findings and the final section concludes.

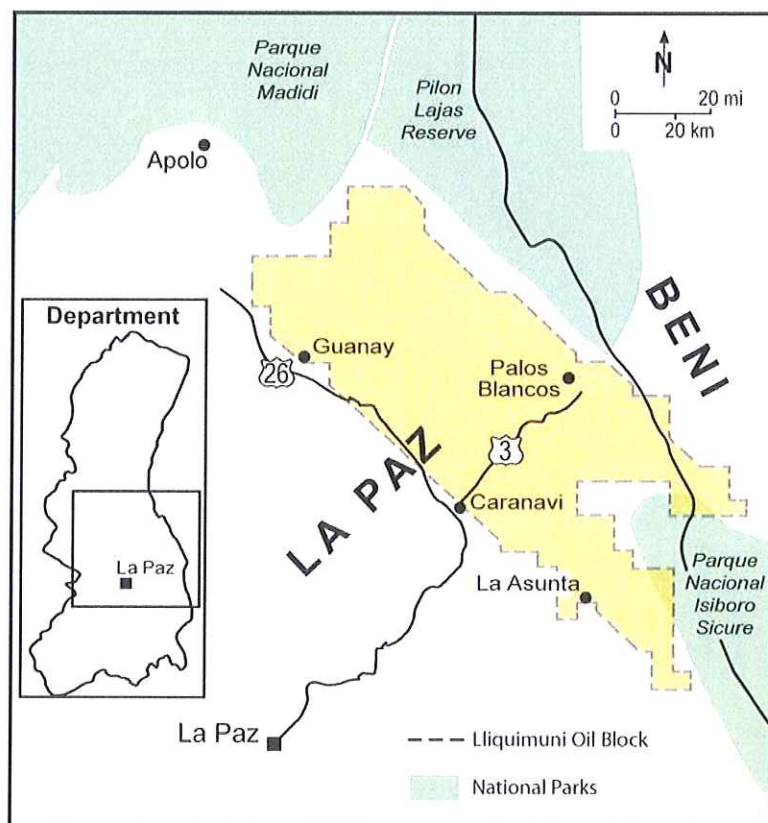


Figure 1.

### Extraction Revenues and Their Redistribution

As is common throughout Latin America, historically the extraction of gas and oil in Bolivia has been marked by episodes of environmental degradation, unresolved environmental liabilities, little local development and varying success of the state in appropriating the rents generated by companies operating in the hydrocarbon sector (Dunkerley, 1984; Galeano, 1973; Kohl and Farthing, 2012). Extraction in this part of the world has thus been criticised at both the domestic and the international level because of the unsatisfactory results in terms of development and is one of the cases of the so-called 'natural resource curse' (Acosta, 2009). At the macroeconomic level, the resource curse is a well-researched phenomenon: the paradox of resource abundant

countries with low economic development (Sachs and Warner, 1999). The channels linking relatively abundant natural resources with negative economic performance relate to the over-appreciation of the real exchange rate as a result of commodity exports (the so-called Dutch disease), misled economic policies in general (*e.g.*, low investment in education), and rent-seeking and corruption in particular (Van der Ploeg, 2011).

Studies on the local consequences of resources extraction have also established negative socio-economic impacts from natural resources booms that are specific to the areas where resources are extracted. These impacts include the establishment of specialized economies that entirely depend on volatile commodity prices, processes of land concentration and local inflation that hinder economic activities different from resource extraction; environmental degradation; and violent conflict (Martinez-Alier, 2002; Watts and Ibaba, 2011). In areas inhabited by indigenous communities, the negative socio-economic impacts have been accentuated and at times they have coincided with the substantial disappearance of indigenous settlements due to high mortality rates and migration (Sawyer, 2004).

These issues underline the paradox characterizing most projects concerning the harvesting of non-renewable resources in developing countries, and Bolivia is not an exception to the accumulation of rents by extractive companies and state authorities that is accompanied by local socio-economic distress (Adeola, 2000; Bridge, 2004; Gudynas, 2012; Ribera, 2010; Zibechi, 2010). In fact, communities where extraction takes place are often marginalized rural communities that are in dire need of basic socio-economic services (schools, hospitals etc.) as is common in most Bolivian rural communities. Additionally, communities close to extraction sites experience persistent environmental liabilities that, for example, include continuous oil leakages produced by oil wells that are not currently productive, but that have not been sealed properly, and larger occasional oil spills that are not remediated (LIDEMA, 2010).

Other examples of these dynamics are found in the areas around the large gas fields in the department of Tarija—a traditional area of gas extraction—and where the Tucantí Guarani community is a noticeable case. The community lives in the proximity of the mega-field Sábalo that is profitably operated by Petrobras, while the population experiences continuing extreme socio-economic deprivation that has not improved after years of gas exploitation.<sup>4</sup> Only the implementation of comprehensive revenues redistribution and compensation policies would be a departure in a historical pattern of extraction to address this paradox purportedly.

The coexistence of poverty and abundance—together with unrealistic expectations on the potential of national assets (Kohl and Farthing, 2012)—is crucial to understand the political turmoil that has characterised Bolivian politics at the turn of the 21<sup>st</sup> century. This unrest has engendered a number of policies that have tried to respond to popular demands regarding the control of hydrocarbon revenues. Responses have ranged from increased taxation to more decentralized distribution of the rents, but they have eventually culminated in further political unrest that only subsided—to some extent—with the election of Evo Morales whose political agenda is marked by the nationalization of hydrocarbons.

Data on the evolution of state revenues from hydrocarbons –increased from an average of US\$ 526 million in the period 2000-2005 to US\$ 2,286 million in 2006-2011– show that during Morales' administration the government has been able to greatly increase its income from the sector.<sup>5</sup> This is the result of numerous changes related to the nationalization of companies operating in the sector and the application of new taxes and royalties, together with higher international commodity prices.

If one examines the way distribution of state revenues from hydrocarbons has evolved over time, we see two main tendencies. On the one hand, there is a process of decentralization whose main beneficiaries are the departments and municipalities who in 2005 received 4.4 percent and 7.2 percent of the total budget, respectively, and 6.2 percent and 7.8 percent in 2011 (for a detailed analysis see Radhuber, 2012). On the other, hydrocarbon revenues are funding specific social programs, including pensions and conditional cash transfers. For example, the *Renta Dignidad*, the pension scheme, is financed by 27 percent approximately of the Direct Tax on Oil and Gas (Fundación Jubileo, 2012). The geographical distribution of the revenues is complex, but Tarija, the department that produces round 70 percent of the hydrocarbon, is also the one that benefits the most from redistribution (Fundación Jubileo, 2012: 10).

These combined trends of increasing state revenues and geographical redistribution, apart from being intimately related to the specific political changes taking place in Bolivia, resonate as a response to a criticism of extraction that is common throughout the global South: while they have to bear the socio-environmental costs of extraction, only scant resources are allocated to the local communities where extraction takes place (Idemudia, 2009). Other arguments relate to the fact that extraction of riches from a location –unless governed through specific redistributive policies– will benefit the country as a whole but might have negative impact on local economies (Banks, 1993). Along these lines of thought, the missing redistribution of revenues and the lack of compensatory policies at the local level result in unfair outcomes.

### Extraction and Local Communities: Consultation

One of the most prominent indigenous rights that has been promoted in the last decades is the right to consultation, which is one of the main achievements of the International Labor Organization (ILO) Convention 169, the Indigenous and Tribal Peoples Convention from 1989. The convention stipulates the right of indigenous people to be consulted in good faith, with appropriate procedures and through their representative institutions, on administrative or legislative decisions and development plans that will affect them (International Labor Organization, 1989: art 6). Consultation and participation are proposed as decisive tools to defend indigenous rights and they are the cornerstones of the convention.<sup>6</sup>

These rights are further strengthened by the United Nations Declaration on the Rights of Indigenous Peoples –adopted in 2007– embodied in the free, prior and informed consent that the state must request 'prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources' (United Nations, 2007: art. 19, 32). The

recognition of consent is a breakthrough in terms of self-determination and a much stronger concept than consultation, limited, however, by the fact that the declaration serves as a statement of intent and is not legally binding.

The ILO convention and the United Nations Declaration have been praised as great achievements and indigenous communities and human rights organizations throughout the world have pressured their parliaments to ratify them. In the case of Bolivia, the ILO convention 169 is enshrined in the Bolivian legal framework through a law ratified in 1991<sup>7</sup> and the United Nations Declaration was adopted in 2007.<sup>8</sup> The enshrinement of consultation in the Bolivian legal framework has culminated in a new political constitution –approved with a popular referendum in 2009– that re-asserted the consultation rights of indigenous people and peasant communities (Gobierno de Bolivia, 2009: art. 30).

In Bolivia, consultation rights intersect with extractive industries because hydrocarbons are most often located in areas inhabited by indigenous communities organized within officially sanctioned territories (*territorios comunitarios de origen*, TCOs, also called *territorio indígena originario campesino*, TIOC). The TCOs are the crowning of a long and tortuous process of acknowledgment and institutionalization of indigenous communities and territories, and the result of a secular struggle. This struggle culminated in the devolution of some state powers to indigenous communities –the indigenous autonomy– organized in TCOs, on condition that indigenous organizations will conform with legal requirements (cf. Watts, 2000; Castree, 2004; Salgado, 2010).

On the related issue of popular participation, Morales' administration has been praised for its capacity to go beyond formal participatory frameworks while capturing the essence of the demands arising from the Bolivian society with respect to planning towards the beginning of its first mandate (Pellegri, 2012). Overall, the experience of the ascent to power of Evo Morales, the first indigenous President, has resulted in policies conducive to the empowerment of the Bolivian indigenous majority. In this sense, the formal approval –e.g. by the enactment of specific laws and the recognition of participation and consultation rights in the constitution– is the coronation and institutionalization of a long process towards the recuperation of political power by indigenous people.

Despite these achievements and the enactment of legislation to guarantee participation and consultation, several observers have criticized the limitations of an actually existing public consultation processes in Bolivia (Bascopé Sanjinés, 2010: 293-300). This criticism has been coupled with accusations that the Morales administration governs in an inconsistent way and in bad faith.<sup>9</sup> One case in particular has become emblematic of these allegations: the consultation process for the construction of a highway through a national park that is also an indigenous territory (*Territorio Parque Nacional Isiboro Sécure*, TIPNIS) (Bebbington and Bebbington, 2012). The TIPNIS highway has been a highly contested undertaking with the local indigenous movement suggesting that the highway will be instrumental for the colonization of their territories by coca growers and will result in environmental degradation. Apart from the discussion over the merit of this infrastructural project, the government approach towards the opposition has been extremely inconsiderate. In one instance, President Morales stated that the road would be built 'whether [the local inhabitants] like it or not'; a statement that stands in stark contrast to the



legislation and constitution when it comes to the aforementioned consultation and consent rights.<sup>10</sup> Even more seriously, a peaceful march of people opposing the construction of the highway was attacked by a massive police operation. The report by the Bolivian Ombudsman investigating the operation reached the conclusion that the public authorities violated the human rights of the protesters. After the police operation, state authorities also obstructed the Ombudsman's inquiry (Defensoría del Pueblo, 2011). The conflict over the construction of the highway is still ongoing at the time of writing (June 2012), however, the way the government has dealt with indigenous groups opposing government plans for their own territories sheds new light on the meaning and practice of consultation in contemporary Bolivia (*e.g.* Stefanoni, 2012).

### **Distributional Benefits and Consultation in an Exploration Project: North of La Paz Department**

The Alto Beni region, including the Lliquimuni Block, is located in the central sub-Andean region of La Paz and includes large alluvial valleys, created by the river Alto Beni and its tributaries, and surrounded by mountains. The soils are relatively fertile due to the alluvial sediments carried by the rivers. Part of the ecosystems below 700m above sea level and most of the ones at higher altitude are well preserved and rich in biodiversity. Other parts have been heavily degraded or transformed since the 1960s because of the expansion of the agricultural frontier. One agricultural specialty in the region is organic production, especially cocoa, and there are organizations (both commercial and trade unions) of organic farmers.

Oil activities in Lliquimuni were planned by the government from 2007, when renewed expectations were generated about the existence of sizeable oil deposits. The oil industry had in fact begun investigating the potential for hydrocarbons extraction already in 1976 when Sun Oil drilled the Tuichi well without success. From that date until 1992, Shell, Union, Elf (now Total), Texaco, Hispanoil (now Repsol), Philips, Mobil and Lone Star made surface surveys –conducted without drilling wells– but that did not result in exploitation plans.<sup>11</sup> The state-owned YPFB, before its privatization in 1996 and subsequent re-nationalization in 2006, also drilled three exploratory wells without finding profitable deposits.

The Lliquimuni oil block covers an area of 675,000 hectares and is located just outside the buffer zones of two protected areas: the Pilon Lajas Reserve and the Madidi National Park (Figure 1). The block overlaps with indigenous territories of the Mositene, Chimane and Leco nationalities. The presence of indigenous territories is especially important because, as mentioned above, comprehensive rights to consultation and consent are recognized by the domestic and international normative framework. Nevertheless, several issues arise with respect to the divergences between the norms and the actual process that has led to seismic exploration of the block.

Given the presence in the area of both non-indigenous and indigenous inhabitants, the government decided to proceed first with the consultation of organizations representing non-indigenous people, doubtlessly because it would be a faster process (Bascopé Sanjinés, 2010; Monje, 2010). The consultation process started in 2008 with the Ministry of Hydrocarbons and Energy (MHE)

contacting the organization grouping settlers in the La Paz Department in the area (phase 1 of the consultation) and it resulted in agreements containing some modest conditions on how the seismic exploration should be performed.<sup>12</sup> Given the fact that settlers –through their organizations– are part of the parliamentary majority supporting the government (Lorenzo, 2011: 9) and are favourable to extractive activities that they see as a source of development, it is unsurprising that an agreement would be reached quickly between their representatives and the MHE.<sup>13</sup> This agreement provided a first legitimizing moment to the project showing support from (parts of) the local population.

After securing consent in phase 1, the Ministry was obliged to consult the indigenous authorities as prescribed by the legal framework. In so doing, legislation also requires that the state operates through the representative institutions of indigenous people (United Nations, 2007). The main institution in the territory of the Mosesten TCO is the Organization of Mosesten Indigenous People (Organización del Pueblo Indígena Mosesten, OPIM) representing the eight communities in the TCO. OPIM is a member of the Departmental organization of indigenous people of La Paz (Central de Pueblos Indígenas de La Paz, CPILAP), which is a member of the Confederation that represents the indigenous people of the Bolivian lowlands (Confederación de Pueblos Indígenas de Bolivia, CIDOB). Phase 2 of the consultation started with CPILAP putting forward a series of requests regarding the exploration and the procedures to be followed in the consultation. The requests included substantial compensation for the access and control of the Mosesten territory, provision of information of the exploration plans and co-monitoring of the seismic works to ensure the agreements would be respected.

The nature of the conditions posed by CPILAP –that included the completion of the land registration process of the community– would have resulted in prolonged negotiations and possibly delays for the investments of the exploration. Instead, the MHE decided to bypass the indigenous organizations and instead contact directly the leaders of individual communities through a process that has polarized the positions within the local population and across communities (Schilling-Vacaflor, 2012). In this way, the unity of the indigenous movement was challenged and four communities –out of eight– declared that they did not feel represented by CPILAP and OPIM (Liegeois, 2009; cf. SENA-Fobomade, 2011). As a result of this situation, the OPIM was markedly weakened due to the lack of support from some of its member communities. During interviews, current and former leaders of OPIM described extremely tense situations and episodes of psychological and physical harassment. The former is exemplified by graffiti on the walls of OPIM accusing the organization of being functional to foreign interests (Figure 2), while the latter is exemplified by the violent attack on Daniel Gigasi –former leader of OPIM– while he was leaving the offices of the organization.<sup>14</sup>

Some aspects of the process leading to the seismic exploration intersect the issue of compensation and, according to current and former leaders of the OPIM, the direct negotiation with community representatives offered an opportunity to the oil company to negotiate minimal compensation: essentially minor public works such as the construction of town squares and refurbishing of schools (Figure 3). These compensations were functional to weaken local resistance, and community leaders favorable to the oil company also acknowledged that they had received compensation for their work as

“facilitators”.<sup>15</sup> Overall, from the organizational perspective the process of institutionalization of indigenous forms of self-government that took decades to construct, almost derailed in a few months by the tactics of the MHE.<sup>16</sup>

Apart from the central government, local governments are also involved in the process. The municipal government of Palos Blancos –which includes the Lliquimuni block– is openly well inclined towards the exploration activities and the prospect of extraction. Local officials have confirmed in our interviews that they have limited control over how extraction takes place, nevertheless, they see their role as facilitators of the process. On the one hand, the municipality serves as a distribution point of some of the benefits agreed in the oil exploration phase. On the other, the envisioned extraction activities will generate large revenues to be redistributed locally. For the municipality this process should result in the availability of large amounts of funds that are badly needed at the moment and additional agreements could result in the construction of specific public works. The prospective availability of revenues is coupled with political allegiance to the government that in turn sees the expansion of extractive activities as central to its political agenda and thus generates widespread support for the activities of oil companies.

At the level of local individuals, another crucial aspect of extraction activities is that they create formal employment opportunities. These opportunities are particularly enticing in communities where these opportunities are virtually non-existing. The exploration process has already provided temporary jobs to local youth turning them into staunch supporters of the oil companies.



Figure 2. Graffiti next to the entrance of the OPIM. The Graffiti reads “OPIN (sic!) of the gringos” and resonates the accusation that indigenous groups protesting extractive activities in their territories are subservient to foreign interests.



Figure 3. The new town square of Santa Ana de Mosetenes with the plaque marking its construction as a part of the Plan for social investment in the seismic exploration project of YPFB-Petroandina.

### From Local Benefits to Legitimacy and from Consultation to Divide and Conquer

There are tensions between the Bolivian institutional framework that has evolved towards the institutionalized recognition of indigenous rights on one side and the increasing need of revenues from extractive industries that in most cases operate on indigenous territories on the other. These tensions are underscored by Morales' public declarations who have expressed, in colourful ways, his anger at those who oppose hydrocarbons extraction: 'Comrades, we cannot behave like the dog in the manger who does not eat and will not let anyone else eat. We have to think first of the interests of the fatherland' (30/10/08).<sup>17</sup> Morales also highlighted the importance of hydrocarbons for his country:

What is Bolivia going to live from if NGOs propose an Amazon without oil? They want the Bolivian people to be penniless, without IDH [the hydrocarbon tax], they are also saying that there should not be any Juancito Pinto [voucher], nor the Renta Dignidad, nor the Juana Azurduy voucher (...) [cash payments for children, mothers and pensions] (10/07/09).<sup>18</sup>

These declarations stand in stark contrast with the statement made at the World People's Conference on Climate Change and the Rights of Mother Earth (Cochabamba, 2010): "There are only two ways: Pachamama (Mother Earth) or death. Either capitalism dies or Mother Earth dies, either capitalism lives or Mother Earth lives" (19/04/2010).<sup>19</sup>

Rather than dismissing these contradictory discourses as folklore, it is important to recognise that they signal the deep tensions characterizing

the Bolivian turn to the left. These tensions arise from divide between the progressive movement in Bolivia and the groups that supported President Morales' ascent to power, and the government has tried to accommodate both tendencies. For example, the national development plan and the new constitution are proposing to respect the Pachamama while, at the same time, foreseeing increasing revenues from the extraction of natural resources together with the development of industrial processes based on the same extractive activities (Gobierno de Bolivia, 2006 and 2009; Pellegrini, 2012).

To date, the Bolivian government has managed to navigate through these tensions while lending its own legitimacy to extractive industries whose continuing operations override socio-environmental concerns. In the process, dissenting voices, that criticize the perseverance of the extractivist model, are accused of being subservient to foreign interests and to the right wing opposition.<sup>20</sup> Most investments in the extractive sector are actually made by foreign companies or by joint ventures, and progressive opposition has argued that there is a perpetuation of neo-colonialism with new actors. Also in the case of the Lliquimuni block, the involvement of the Venezuelan oil company has been questioned and the protection of foreign investment has been mentioned as one of the reasons for the violation of the consultation rights of the indigenous people (Bascopé Sanjinés, 2010).

The issue of legitimacy also relates to the fact that the government has been able to nationalize the oil industry through a process that has greatly increased the state appropriation of the rents generated by the sector (Kaup, 2010). Nationalization and the increase in the state's share of oil revenues are measures that have widespread support in the country and contribute to explaining the level of popularity and legitimacy of President Morales –as demonstrated by the unprecedented 64 percent of the votes that were cast for him in the 2009 elections. Morales has spent some of his political capital to support extraction, and several of the movements that contributed to his ascent to power are now moving to the opposition that consequently now includes non-conservative groups. However, it is still unclear what the longer-term consequences for the legitimacy of the government might be.

These dynamics have also contributed to shaping the consultation process for the exploration of the Lliquimuni block. Compensation and redistribution have been used in order to gain local support for the exploration and isolate opposition. The difficulties encountered in the consultation process with the indigenous organization have been overcome by direct negotiation with individual communities. These negotiations and the agreements reached have polarized communities hereby weakening the indigenous institutions in the area. Overall, compensation and consultation mechanisms have contributed to form a situation where the opposition to the exploration process has been marginalized and significantly weakened.

## Conclusions

Compensation provided during the Lliquimuni block exploration and expectations for future local redistribution of oil revenues have legitimized and engendered support for oil extraction. The process of consultation played out very differently than what is stipulated by the legal framework and, rather than working through local indigenous authorities, the government bypassed them.

This has created numerous conflicts within the indigenous organization, in the communities and between the organization, settlers and government authorities.

Consultation and compensation are policies that respond to legitimate concerns over the local impacts of natural resource extraction, however the implementation of consultation processes in a context where the institution that should carry them out—the Ministry of Hydrocarbons and Energy in the Bolivian case—is biased in favour of a project that *a priori* cannot be questioned has resulted in the weakening of the local indigenous institutions. The way consultation was carried out provides an example of renewed modalities of 'divide and conquer' strategies that oil companies have commonly used throughout Latin America to access natural resources in the face of local opposition (Sawyer, 2004). This case also exemplifies the fact that when tensions have emerged between the autonomy vested in the TCOs and the interests of the state, as defined by the prevailing concerns in the government, the state has asserted its own primacy (Stefanoni, 2012).

The ultimate cause of these dynamics is that the economic structure of Bolivia continues to be characterized by the predominant export of basic commodities to the global market and that the fundamentals of the social metabolism—the energy and material throughout the economy—are unchallenged (Muradian *et al.*, forthcoming). Moreover, while being able to capture increasing shares of the rents generated by extraction, the state is becoming more dependent on the expansion and intensification of extractive activities to finance its functioning and social programs. In this context, the practice of consultation that could challenge extraction has been distorted and subservient to government priorities. This process is marked by continuity of the practice of neoliberal governments that have institutionalized participation, since the mid-1990s, through formal instruments—such as the National Dialogues. These instruments were manipulated to promote the government agenda or satisfy donor conditions to obtain debt alleviation (Pellegrini, 2012).

The central question arising is whether Bolivia is ready to move to a post-extractivist development model that would allow the questioning of extraction projects (Gray Molina, 2007; Gudynas, 2011). Without such a move, the local and national opposition movements that should express their concerns through the consultation processes are bound to have to accept the government imperatives, "whether they like it or not".

## Notes

<sup>1</sup> The financial support of the 'Conflict and Cooperation over Natural Resources in Developing Countries' program of The Netherlands Organization for Scientific Research (NWO) to this research is gratefully acknowledged. For more information on the research program "Nationalization of Extractive Industries: Conflict and Cooperation in Bolivia and Ecuador", see [www.iss.nl/nebe](http://www.iss.nl/nebe).

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<sup>3</sup> Quiroga, O. A. *Las regalías, IDH y otros entuertos*. (available at <http://omarquiroya.blogspot.nl/2011/07/las-regalias-idh-y-otros-entuertos.html> (last accessed 30/06/2012))

<sup>4</sup> For a recent discussion see *Tucumán viviendo en pobreza sobre la riqueza* in El Nacional, 04/03/2012. The concept of poverty could and should be problematized (Escobar, 1995), but in this specific case it seems an appropriate shorthand to describe the deprivation experienced by the members of an indigenous community whose territory has been entered by an oil company, whose values have concomitantly been transformed, but that has not experienced improvements in terms of their socio-economic condition.

<sup>5</sup> See *Presidente identifica ocho problemas económicos en sus seis años de gestión* (available at <http://www.erbol.com.bo/noticia.php?identificador=2147483954521> (last accessed 30/06/2012)). Cf. Fundación Jubileo, 2012 for similar data.

<sup>6</sup> See <http://www.ilo.org/indigenous/Conventions/no169/lang--en/index.htm>

<sup>7</sup> Law 1257, December 1991.

<sup>8</sup> Law 3760, November 2007.

<sup>9</sup> E.g. F. Machicao. *13 razones para defender la ley corta que preserva la vida indígena del TIPNIS* (available at [Plataformaenergetica.org](http://Plataformaenergetica.org), published 09/02/12, last accessed 30/06/2012).

<sup>10</sup> See *Evo afirma que camino por el TIPNIS se hará 'quieran o no'* in *Página 7*, 30/06/2011.

<sup>11</sup> See Mendizábal Salinas, E. *La Paz aún aguarda descubrimientos de petróleo y gas* (available at [hidrocarburosbolivia.com](http://hidrocarburosbolivia.com), published 23/02/2010, last accessed 30/06/2012).

<sup>12</sup> These included measures to reduce the risk of landslides and damages to water sources, compensations for agricultural crops and restricted flying hours for helicopters; see damage described in Bascopé Sanjinés, 2010: 67.

<sup>13</sup> See *Consulta previa en Lliquimuni* (available at <http://www.fmbolivia.com.bo/noticia>, published 14/11/2011, last accessed 30/06/2012).

<sup>14</sup> See: Sentencia Constitucional 0429/2011-R, Sucre, 18 de abril de 2011.

<sup>15</sup> These events echo the notorious corruption that affects the implementation of environmental regulations in many countries (Pellegrini, 2011).



<sup>16</sup> The sources of this information are several interviews carried out in 2011-2012 and the testimonies given by local people affected by oil activities collected in LIDEMA, 2010.

<sup>17</sup> See Quispe, J. *Quizás nuestro destino sea el de la Amazonia* (available at <http://www.fobomade.org.bo/art-715>, last accessed 30/06/2012)

<sup>18</sup> See Quispe, J. *Quizás nuestro destino sea el de la Amazonia* (available at <http://www.fobomade.org.bo/art-715>, last accessed 30/06/2012)

<sup>19</sup> See *Evo Morales: o muere el capitalismo o muere la Madre Tierra* (available at <http://www.aporrea.org/internacionales/n155611.html>, last accessed 30/06/2012)

<sup>20</sup> For example see [Plataformaenergetica.org](http://Plataformaenergetica.org) (La Paz, 23/06/10).

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