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Business Power and the Politics of Postneoliberalism: Relations Between Governments and Economic Elites in Bolivia and Ecuador

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ABSTRACT
The article analyzes and compares the dynamics of business-government relations in Bolivia and Ecuador during the presidencies of Evo Morales and Rafael Correa. It specifically traces the shift from confrontation to rapprochement to a fairly stable pattern of negotiation and dialogue that characterizes the two governments' interaction with core business elites. Drawing on the structural and instrumental power framework developed by Tasha Fairfield, it proposes an explanation that accounts for this overall shift as well as for the main differences between the two countries. In a nutshell, the article argues that the business elites' response to a severe loss of instrumental power and the governments' response to the persistent structural power of business combined to cause the shift toward negotiation and dialogue. The article also probes the plausibility of this power-based explanation by briefly comparing the two cases with other left-of-center governments in the region.

January 9, 2015, Santa Cruz, Bolivia: President Morales, accompanied by his vice president and three ministers, meets with representatives of the most important business associations from Bolivia's economic powerhouse. Among many friendly words, Morales instructs his fellow cabinet members to pay major attention to the present business representatives and attend to their needs. —Los Tiempos 2015a

Two months later, some 2,500 kilometers farther to the northwest: Also joined by his vice president and other cabinet members, Ecuador's president Correa receives business representatives from the country's export, industrial, and commercial sectors in Quito. "We are synchronized," emphasizes Henry Kronfle, president of Ecuador's Business Committee (CEE), on this occasion. —El Universo 2015a

Recent scholarship on the evolution of the leftist turn in Latin America has pointed to increasing tensions, if not outright conflicts, between the left-ofcenter governments and those social movements that had been key in bringing them to power (see Stahler-Sholk et al. 2014). The strained relations of the indigenous movements in Bolivia and Ecuador and the governments of Evo Morales and Rafael Correa, respectively, are cases in point (Becker 2013; Tockman and Cameron 2014). Yet what has been rather neglected is the flip side of this development that is illustrated by the stories noted above: while the election of leftist outsiders in Bolivia and Ecuador had initially provoked united resistance from the countries' political and economic elites (Eaton 2011), recent years have seen the emergence of fairly cooperative relations between the Morales and Correa governments, on the one hand, and important business sectors, on the other. This article empirically analyzes this shift in business-government relations and offers a power-based explanation that accounts for both the overall changes in and the main differences between Bolivia and Ecuador.

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Empirically, the analysis builds on and updates comparative research on the responses of "conservative autonomy movements" (Eaton 2011) and "the right" (Bowen 2014) to the revolutions proclaimed by Morales and Correa. In the case of Bolivia, it focuses on the (agri)business sector from Santa Cruz and shows how the open confrontation with the Morales government that Eaton and Bowen have analyzed was replaced by a process of mutual rapprochement and then outright cooperation. In Ecuador, this research also finds a general shift from a reduction in the political influence of the domestic economic elites to a partial reestablishment of business influence on government policies and a corresponding change in business attitudes toward the government (from opposition to dialogue). Yet the trajectory of business-government relations in Ecuador is a bit more complex, because here both confrontation and rapprochement have been less clear-cut. The Correa government, from the very beginning, only selectively targeted the economic elites and has, by and large, continued to do so until today. At the same time, economic elites in Ecuador have been less unitedly confrontational in regard to the government, even during the first years of the Correa presidency.
In explaining these two cycles of contention, this article applies Tasha Fairfield's structural and instrumental power framework (2015) to the issue of businessgovernment relations. More specifically, it argues that it was the severe loss of instrumental (or political) power that motivated the business elites in both countries to enter into dialogue with what they previously saw as hostile governments. At the same time, the persistent structural (or investment) power of business, which was reduced by the international commodity boom but resurged in the context of external shocks (such as the global financial crisis), drove the governments to approach core business groups. In combination, a process of mutual adaptation emerged that made possible increasing policy agreements, which gave substance to abstract, power-based incentives. As a result, a new, postneoliberal equilibrium has taken shape, in which domestic private business retains much of its traditional structural power and has recuperated some of its instrumental power, but without fully regaining its previous capacity to influence policymaking.
The article starts by briefly summarizing the politicoeconomic context in the two countries, including the status quo ante of business-government relations before Morales and Correa, the political and economic challenges posed to business inter- ests by these two governments, and the initial period of confrontation that followed. The empirical section then zooms in on the interaction between business representatives and the governments in Bolivia and Ecuador in order to trace the process of rapprochement that has led to a fairly stable pattern of negotiation and dialogue.[1] In terms of business representatives, this analysis focuses on the domestic economic elites, as represented by the main business associations and individual business leaders who represent large domestic firms or business groups.[2]
The subsequent explanatory section briefly summarizes the structural and instrumental power framework and then shows how it helps to make sense of the common dynamic of, and the main differences between, business-government relations in Bolivia and Ecuador. In addition, it probes the plausibility of this powerbased explanation by briefly comparing the two cases with other left-of-center governments in the region.
In sum, the article furthers understanding of the ongoing political changes in Bolivia and Ecuador, offers empirical and theoretical insights into the politics of postneoliberalism in Latin America (Burdick et al. 2009; Macdonald and Ruckert 2009), and contributes to filling the overall research gap in work on business politics in the region (Fairfield 2015, 4; Karcher and Schneider 2012, 273).

FROM CHALLENGES TO CONFRONTATION: THE POLITICOECONOMIC CONTEXT

In the 1980s and 1990s, business politics in Bolivia and Ecuador generally evolved in line with the overall trend in Latin America "into congenial and accommodating environments for big business with multiple avenues for effective inputs" (Karcher and Schneider 2012, 280). Across the region, economic crises and neoliberal reforms meant that business power, in both its instrumental and structural dimensions, generally increased, despite the (re)turn to democratic regimes based on the principle of formal political equality (cf. Conaghan 1996; Wolff 2005, 63–67).

During Bolivia's "pacted democracy" (democracia pactada), a promarket consensus united the three dominant political parties, and, starting with the adoption of the New Economic Policy in 1985, businesspeople or market-friendly technocrats came to manage crucial areas of economic policy (cf. Conaghan 1996; Mayorga 1997). The business elite from Santa Cruz, economically the country's most vibrant department, enjoyed "significant representation" in national politics, both indirectly via business associations and the regional civic committee (Comité Pro Santa Cruz) and directly through political parties with a strong base in Santa Cruz (Eaton 2011, 298).

In Ecuador, by contrast, democratic politics were characterized by instability, fragmentation, and deadlock, and as a consequence, neoliberal reforms in Ecuador have been less radical and comprehensive than in Bolivia (Bowen 2014, 99–101). Still, before Correa, neoliberal guidelines generally informed economic policies and reforms. Ecuador's economic elite—individual technocrats and businesspeople, the small club of powerful "economic groups" (grupos económicos), and the business associations (cámaras)—had a privileged influence on political decisionmaking, not least through close relations with political parties (cf. Burbano de Lara 2006; Eaton 2011, 299–300).

The election of Evo Morales (2005) and Rafael Correa (2006) changed this situation. The "democratic and cultural revolution" proclaimed by the former and the "citizens' revolution" pursued by the latter, both of which included the rewriting of the respective constitutions via a constituent assembly and the turning away from previous neoliberal recipes toward a much more state-centered development model (Wolff 2012), have posed direct threats to both the political influence and the economic interests of the two countries' business elites.

The incoming governments significantly reduced the political influence of business leaders, groups, and associations—implying what may be called a loss in instrumental business power. With the Morales government, it was social movement and trade union organizations, instead of business associations, that came to benefit from "institutionalized consultation in policymaking," one of the principal channels of business power in Latin America (Karcher and Schneider 2012, 278). The Correa government pursued an anticorporatist agenda that "cut the channels of communication" with a whole series of organized interest groups, including business associations (Pachano 2012, 99).

The reduction in business political influence in the two countries also included a severe loss in the level of direct access to the executive. The first Morales administration was very much characterized by ministers and senior officials with antineoliberal reputations and strong ties to social and indigenous movements (Stefanoni and Do Alto 2006, 104–10). Correa, when naming his first cabinet, "generally avoided the presence of individuals close to the entrepreneurial and financial sectors" (Ramírez Gallegos 2012, 121).

Furthermore, with the breakdown of the traditional party system and the weakening of the right-wing opposition at the national level, business elites in both countries increasingly lost the capacity to influence policymaking through like-minded parties. In Bolivia, between 2006 and 2009, the right-of-center opposition still had a veto-holding minority position (in Congress and the Constituent Assembly) that enabled it to force the Morales government into negotiations. But since 2009, the governing Movimiento al Socialismo (MAS) has held a two-thirds majority in Parliament. In Ecuador, the right-wing opposition to Correa essentially lost its veto power with the election of the Constituent Assembly in 2007, which saw an unambiguous victory of Correa's Alianza País (AP).[3]

Business elites also saw their economic interests threatened. The overall agenda of change proclaimed by Morales and Correa was clearly not in line with business interests. The heterodox, postneoliberal economic policies pursued by the two governments, by increasing state regulation and intervention while not "fully abandoning the market-led model," did certainly "challenge orthodox principles"; their "redistributive social policies" included "increased expenditure, extended coverage of existing social programs, and redistribution through labor market policies" (Levitsky and Roberts 2011a, 22–23; cf. Madrid et al. 2010, 153–69). In Bolivia, direct threats to economic interests most notably concerned the proclaimed "agrarian revolution" that explicitly targeted large landholders and agribusiness in the country's lowlands, especially Santa Cruz (Gray Molina 2010, 63; Madrid et al. 2010, 161). In Ecuador, the state intervention and increasing regulation particularly affected the banking sector (Conaghan 2011, 276; Weisbrot et al. 2013).[4] In general terms, the rewriting of the constitutions and a series of basic laws on economic matters created an atmosphere of political and judicial uncertainty, which was intensified by the governments' revolutionary-socialist discourse, as well as by the overall political polarization.[5]

As a consequence, during the first years of the new governments, business elites in the two countries explicitly sided with the opposition. In fact, the conservative autonomy movements that gained strength in the most economically vibrant regions—the Bolivian department and city of Santa Cruz and Ecuador's coastal province of Guayas, with the port city of Guayaquil—were jointly led by "private sector entrepreneurs, business associations, and local politicians" (Eaton 2011, 291). In the case of Santa Cruz, the regional opposition movement included not only the departmental government and the civic Comité Pro Santa Cruz but also the Santa Cruz Federation of Private Entrepreneurs (Federación de Empresarios Privados de Santa Cruz, FEPSC), which unites regional business associations such as the Eastern Chamber of Agriculture (Cámara Agropecuaria del Oriente, CAO) and the Chamber of Industry and Commerce (Cámara de Industria, Comercio, Servicios y Turismo de Santa Cruz, CAINCO) (cf. Eaton 2011, 303; Gamarra 2008, 126).

The push for regional autonomy in Santa Cruz, as well as in other lowland departments, included far-reaching demands for change (basically a radicalization of decentralization), but its main motive was defensive: to constrain, as far as possible, the political project pursued by the Morales government. Via their political representatives in the Constituent Assembly and through extra-institutional protests that included the use of physical violence, the autonomy movements systematically tried to obstruct the process of constitutional reform (Bowen 2014, 104). At the same time, the demands for autonomy rights aimed essentially at limiting the power of the central state. Most notable in this regard has been the demand for "regional control over land tenure to protect agribusiness and to prevent the national government from redistributing land" (Eaton 2011, 294).

Throughout 2008, escalating conflict driven by the regional autonomy movements brought the country close to the brink of civil war (cf. Gray Molina 2010; Romero et al. 2009). In the end, however, a compromise was struck in Parliament that included a detailed revision of the draft constitution originally adopted by the Constituent Assembly and paved the way for the constitutional referendum. The regional autonomy movements, as a result, failed to prevent the adoption of a new constitution, but they did succeed in significantly modifying its provisions (Romero et al. 2009). These modifications included "key concessions" to the Santa Cruz business elite, such as a nonretroactivity clause that exempts existing agrarian property from the new five-thousand-hectare limit on the size of landholdings (Eaton 2011, 297).

In Ecuador, the conflict between the Correa government and the opposition has been much less structured by regional cleavages and thus driven far less by the regional opposition movement in Guayas (Eaton 2011). In general, Ecuador's business community is more fragmented—along both sectoral and regional lines— which has made the opposition to Correa on the part of the country's (former) political and economic elites less united and less radical (Bowen 2014). Also, Correa did not openly confront "the economic elite" as such, but instead his discourse included attacks targeted against the financial or banking sector (as opposed to the productive sector), against those economic conglomerates that he depicted as concentrating too much economic power and manipulating public opinion (usually involving banks that also owned private media outlets), and against “speculative” and “corrupt” practices (again, usually seen as characterizing banks).[6]

Still, even if quite a few business groups pragmatically worked with the government, the country’s main business associations, during the first years of the Correa government, were clearly associated with the opposition (cf. Bowen 2014, 108–9; Ramírez Gallegos 2012, 126; Unda 2011, 138). In January 2008, when 130 business leaders representing 30 national associations met to voice their rejection of key government decisions, the daily El Comercio commented that given the current weakness of the political opposition, the business elite had become the “face” of the opposition (El Comercio 2008a). According to Bowen (2014, 108), exporters took a particularly hard line with the Correa government and were, in this sense, “most similar to the agro-export elite in Bolivia.” This is directly due to the fact that the export sector was specifically affected by Ecuador’s postneoliberal turn. President Correa, from the outset, had opposed a free trade agreement with the United States, and in July 2009, the government also suspended trade negotiations with the European Union (EU). When the two sides resumed talks in February 2010, the Correa government emphasized that it would not accept an agreement along the lines of the EU’s bilateral treaties with Colombia and Peru (Leví Coral 2013, 5).

FROM CONFLICT TO RAPPROCHEMENT TO DIALOGUE: THE DYNAMICS OF BUSINESS-GOVERNMENT RELATIONS

During the first years of the new governments, business-government relations in Bolivia and Ecuador were characterized by opposition, if not outright confrontation. Yet eventually, increasingly cooperative relationships emerged.

The Case of Bolivia

Among Bolivia’s business sectors, the “wealthy export-oriented agroindustrial elites located mainly in the eastern region of Santa Cruz” clearly stood out (Bowen 2014, 102). At the same time, their confrontational attitude drove the opposition to the new Morales government (Eaton 2011; Gamarra 2008; Gray Molina 2010). The Bolivian case study therefore focuses on the Santa Cruz (agri)business elite as represented, in particular, by FEPSC, CAO, and CAINCO. The rapprochement between the Morales government and these business associations started with increasing splits among the regional elites and first instances of dialogue between the government and business representatives. Following this phase of rapprochement (2009–12), a second phase (since 2013) has been characterized by increasingly close cooperation, with an astonishingly low level of public conflict between the parties.[7]

In October 2008, the regional opposition from Santa Cruz was still united. Following the congressional agreement, political and business representatives from Santa Cruz jointly called for a “No” in the constitutional referendum (Los Tiempos 2008). But with the new constitution approved, the situation started changing. In the runup to the International Fair of Santa Cruz (ExpoCruz), in September 2009, a dispute emerged between the business representatives, who had decided to invite President Morales, and the president of the Comité Pro Santa Cruz, Luis Núñez, who harshly criticized this invitation (Los Tiempos 2009).

In the end, Morales declined the invitation, but a year later he did travel to Santa Cruz to participate, for the first time, in the opening of ExpoCruz. While the political elites from Santa Cruz—including the governor, the mayor, and the president of the Comité Cívico—responded by failing to appear at the event, Morales and the president of CAINCO reportedly presented the opening ceremony as “a new phase in the relationship between the private sector and the state, between orient and occident, between the traditional and the emerging elites” (Los Tiempos 2010). In his speech, President Morales emphasized the need to include the private sector and explicitly thanked CAO and CAINCO for mediating between the central government and the departmental and municipal governments of Santa Cruz (El Deber 2010).

In January 2011, a meeting of business representatives from Santa Cruz with the president in La Paz confirmed the increasing split between the political and the economic elites. Civic Committee president Núñez criticized the meeting, calling CAINCO president Eduardo Paz and the other business leaders who had met with Morales "traitors against the civic struggle of Santa Cruz." Paz responded by emphasizing that entrepreneurs should dedicate themselves to working and producing instead of meddling in politics. At the meeting, Morales and the business representatives emphasized their joint commitment to support national production and investment in order to generate employment (Los Tiempos 2011a). According to one commentator, the meeting "consolidated" the "productive alliance" between the government and agribusiness (Bolpress 2013).

At ExpoCruz 2011, Vice President Álvaro García Linera spoke on behalf of the central government. His remarks on the need to work together, on the expansion of agricultural production, and on investment in infrastructure were considered "important initiatives" by CAINCO president Julio Roda. FEPSC president Gabriel Dabdoub offered an alliance with the government (Los Tiempos 2011b). That such an alliance was indeed in the making was further confirmed during the Encuentro Plurinacional para Profundizar el Cambio, a two-step national debate that took place in Cochabamba in December 2011 and January 2012. While the Cochabamba Summit was primarily meant to revive the government's ties with its social base, the meeting also saw the participation of business associations, including those from Santa Cruz.

Given the unprecedented presence of business leaders in such a meeting, Los Tiempos columnist Ramón Rocha Monroy concluded that Bolivia's entrepreneurs had finally been convinced that the current process of change was not leading the country toward socialism (2012). América Economía (2012b) reported that with the Cochabamba Summit, Evo Morales had managed "to incorporate the private sector, which until recently had been harsh critics of his government." Representatives of the autonomy movement in Santa Cruz, for their part, lamented that the region's economic elite had abandoned the struggle and made a deal with the central government in order to protect their interests (El Deber 2012). The business groups reportedly also "largely stopped funding the Comité Pro Santa Cruz, plunging this once allpowerful institution into a financial crisis" (Crabtree and Chaplin 2013, 137).

During 2013, García Linera attended a series of meetings in Santa Cruz, reiterating the government's will to support the expansion of agricultural production in the region. At the Encuentro Agroindustrial Productivo: Más Inversión, Más Empleo in July, he declared that the government had adopted the proposal for a "public-private alliance" made by the agricultural sector from Santa Cruz "as a roadmap" (Los Tiempos 2013). A month later, he announced three agreements with the region's agricultural sector: measures to facilitate agricultural exports, a law to legalize illegal deforestation, and support for the production of electricity by sugar refineries (Vicepresidencia 2013a).

At the opening of ExpoCruz 2013 in September, it was President Morales who gave a speech—for the first time officially opening the fair. During the event, Morales and CAINCO president Luis Barbery emphasized the need and mutual willingness to work together (La Razón 2013). Morales promised public investment in infrastructure, "legal security" in issues of land ownership, and a law on investment that would guarantee the rights of private investors (NotiBoliviaRural 2013). For the private sector, Gabriel Dabdoub (FEPSC) talked about the "working relationship" between the government and the private sector and emphasized that the country's economic development required cooperation "among all": "a public-private partnership (articulación pública privada) no matter who is in government" (Página Siete 2013).

This alliance was consolidated in December 2013 at the Foro Empresarial "Infraestructura para la Producción" in Santa Cruz, in which both Morales and García Linera participated. At the meeting, the government and regional business representatives ratified their joint commitment to the Agenda Patriótica 2025, which basically foresees a private-public partnership to increase public investment in infrastructure to promote agricultural production and trade (Vicepresidencia 2013b).

This brief reconstruction of the chain of events suggests that the rapprochement between the Morales government and the Santa Cruz business elite was enabled by—and generated further—increasing policy agreements between the two conflicting parties. While the process of land titling and redistribution significantly slowed after 2010, the Morales government increasingly emphasized the need to promote large-scale agricultural production and exports (BIF 2012). This added to the effective exemption of existing property from the new constitutional limits on the size of landholdings.

In terms of specific agreements, a CEDLA study emphasizes two demands that agribusiness associations officially raised at the above-mentioned Cochabamba Summit and that the Morales government subsequently addressed (Ormachea and Ramírez 2013, 13–14). The first concerned the legalization of illegal deforestation. Law No. 337 (Apoyo a la Producción de Alimentos y Restitución de Bosques), proclaimed by the president in January 2013, effectively "legitimizes the illegal conversion of previously forested land to agricultural usage" (Ormachea and Ramírez 2013, 19). The business response to the law was unequivocal: "We are more than pleased [contentísimos]," emphasized CAO president Julio Roda, "because these are more than five million hectares that will be free from reversions and exaggerated fines" (Bolpress 2013).

The second demand concerned the issue of verification of the economic and social function of land (Ormachea and Ramírez 2013, 25–26). Landowners had called for extending the term for making this verification from two years (as established by current agrarian law) to up to ten years, pointing to the need to increase landowners' legal security and facilitate their access to loans. In December 2012, the government presented to the legislative assembly a law (Ley de Pausa Social) that would have declared an exceptional five-year suspension of verification. Although the proposal got stuck in the legislative assembly, where it met with fierce criticism (cf. Bolpress 2013; Erbol 2014), the government recently promised a general extension of the verification period (La Razón 2015).

A further area of contestation concerned restrictions on exports. Responding to rising global food prices in 2008, the Morales government introduced "an ad hoc policy of temporary suspensions of agricultural and agribusiness exports" by way of executive decrees (Ormachea and Ramírez 2013, 31). Business associations strongly criticized these measures. In the end, however, these restrictions remained temporary; they were loosened in the course of the following years and, in general, did not prevent Bolivian agribusiness exports from rising (cf. Bolpress 2013; Ormachea and Ramírez 2013, 30–39). Still, export quotas persist and remain a contested issue today.

This series of policy agreements was acknowledged by CAO president Julio Roda, who, in June 2013, characterized the relationship with the government as "good" and specifically mentioned the "commitment to increase the exports," the law on illegal deforestation, the draft law that would extend the terms for verification of the economic and social function of land, and another draft law against illegal land invasions and occupations (El Deber 2013).[8]

In the meantime, such statements of mutual respect and meetings have become the new normal in the relationship between the government and the Santa Cruz business elite. In early 2015, as noted in the epigraphs at the beginning of this article, Morales and several ministers met with CAINCO, CAO, and FEPSC and agreed on a joint summit to discuss agricultural policies (Los Tiempos 2015a). On the occasion of the one hundredth anniversary of CAINCO, Morales paid tribute to the organization by handing over the state's medal of honor, Cóndor de Los Andes, while CAINCO president Luis Barbery emphasized that "there is no doubt that the bonds of trust with the government have been strengthened" (Los Tiempos 2015b). In sum, James Petras (2013) certainly exaggerates when calling "the Santa Cruz agro-oligarchy" "political allies" of the Morales government, but the previous confrontation between them is effectively over.

The Case of Ecuador

Corresponding to the higher fragmentation of the business community as well as to the less united business opposition to Correa, the cycle of contention that characterizes business-government relations in Ecuador is less clear-cut. Concerning the main business associations, however, the overall trend is fairly similar to the Bolivian case: first instances of business-government dialogue in 2008 and 2009, which basically responded to the repercussions of the global financial crisis, led to a period of rapprochement (2010–13), which, since 2013, has gradually evolved into a fairly stable pattern of dialogue. This, most notably, also includes the exporters that were initially among the hard-line opponents of the government. In the banking sector, however, changes from conflict to rapprochement have been only gradual and temporary.

Correa's anticorporatist strategy manifested itself not only in the absence or infrequency of official meetings with business associations; it also meant an effective reduction in direct business influence in state institutions. An example is the Foreign Trade and Investment Council, COMEXI. In the meetings of this state entity, which defines Ecuador's trade policies, five business delegates used to have seats and votes. Correa issued a complaint of unconstitutionality against this participation of interested parties in a regulatory body, and in July 2008, the Constitutional Tribunal emitted a corresponding decision (Ecuador Inmediato 2008); in November 2008, business representatives were again admitted to participate in COMEXI meetings, but this time without voting rights (El Comercio 2008b).

This institutional change also had an impact on actual policy decisions. Responding to the repercussions of the global financial crisis, in January 2009 the government—through COMEXI—introduced temporary protective tariffs on 627 import goods (CEPAL 2010, 128–29). In the following years, further import restrictions were added on different occasions. In 2008 and 2009, the Correa government also intervened to regulate food prices (rice, corn, milk, and bread) (Stefanoni 2012, 245). In addition, the currency export tax was increased twice: from 1 percent to 2 percent in 2009 (Acosta 2009, 122) and to 5 percent in 2011 (Acosta 2012, 64). However, already in July 2008, the government had also eliminated tariffs on 282 import goods, especially capital goods and equipment needed for agricultural and industrial production (Ecuavisa 2008). In return, it can be read as "evidence of the willingness of business associations to cooperate with the Correa government" that "several of the country's largest importers (many with longstanding links to rightwing political parties and the leading chambers of commerce and industry) signed an agreement with the president in 2009 to restrict imports" (Bowen 2014, 108).

The issue of trade negotiations with the EU was prominent when, in December 2009, business representatives met with Correa, and discussions were marked by different sectors' concerns about the lack of trade agreements with Ecuador's major export markets (El Comercio 2012). It is notable that the next high-level meeting of business leaders with Correa did not take place for another 32 months.[9] In the meantime, the EU had decided to extend trade preferences in the context of the Generalized System of Trade Preferences (GSP) only to countries with a per capita GDP lower than Ecuador's current level, leading business representatives to warn of serious effects on the country's exports (El Comercio 2011).

Yet at the next meeting, in August 2012, the atmosphere was remarkably different. Now, CEE executive director Roberto Aspiazu highlighted the government's will to reach an agreement with the EU (El Comercio 2012). Later, business representatives would acknowledge that since 2012 they had been gaining access to the Correa government—and that this "generation of spaces for dialogue" had fundamentally changed their relationship with the government (El Comercio 2013a).

Following a visit by Correa to Germany in April 2013, business representatives emphasized the "very positive message" delivered by the government, specifically referring to the willingness to resume trade negotiations with the EU. Pablo Dávila of the Cámara de Industrias y Producción (CIP) added that "we have to accept and support the public policies of Ecuador," including the “red lines in the process of negotiations [with the EU]” that Correa had drawn (ANDES 2013). At a meeting in May 2013, Felipe Rivadeneira (Federación Ecuatoriana de Exportadores, Fedexpor) highlighted the government’s recent emphasis on the promotion of production and foreign trade.

Generally, business representatives acknowledged that improvements in infrastructure had been benefiting the private sector, as had public investment in education, but also lamented the “uncertainty” and “lack of judicial security” created by the series of 11 tax reforms (El Comercio 2013a). As these statements show, the business associations had, by now, “abandoned [their] belligerent discourse against the government” in order to focus on dialogue and negotiation (Unda 2013, 130).

In this context, the loss of U.S. trade preferences under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) in July 2013 did not seriously affect business-government relations. In fact, Correa immediately announced compensatory measures to reduce the impact on Ecuadorian exports to the United States (El Telégrafo 2013). Furthermore, in June 2013, the government took a decision very much appreciated by the private sector: according to the Revista Líderes (2013), the reestablishment of the Ministry of Foreign Trade, which Correa himself had abolished, was considered “a dream becoming reality,” while the designation of Francisco Rivadeneira as the new minister “produced enthusiasm.”

When, in November 2013, President Correa emphasized the aim to conclude a trade agreement with the EU, if not “at any price” (Global Post 2013), the daily newspaper El Comercio (2013b) commented that the “good relations between the government and the private industrial sector move forward.” In July 2014, Ecuador and the EU finally signed a trade agreement. Most recently, the meeting of business represen- tatives with President Correa in early 2015 that was mentioned at the beginning of this article concluded with a series of agreements, leading the daily El Universo (2015b) to talk about a “new alliance” between the public and private sectors.

This overall rapprochement between the Correa government and important portions of the economic elites notwithstanding, confrontation has persisted with a few specific sectors. Most notably, the banking sector has faced both repeated criticism from the government and continuing measures of state regulation (cf. Álvaro 2014; Conaghan 2011, 276; Ramírez Gallegos 2012, 124–25; Weisbrot et al. 2013). As a result, the relationship between the Correa government and Ecuador’s private banks has been characterized by tensions or outright confrontation, giving way to temporary conciliation and friendly exchange only in “moments of international crisis” (América Economía 2012a).

Although this relationship had been marked by tensions from the outset, the confrontation intensified in late 2008. The reason was the government’s strategy “to reduce interest rates, promote the productive apparatus through credit, and repatriate public and private savings from the exterior” (Acosta 2009, 120). In December 2008, the association of private banks (Asociación de Bancos Privados del Ecuador, ABPE) harshly criticized the government in an open letter published in the national press.[10] As a consequence, the government gradually retracted the policy of regulating interest rates (Acosta 2009, 121). Confrontation, then, gave way to joint attempts at mitigating the repercussions of the global financial crisis. In early 2009, the government and the private banks “intensified their meetings,” producing anticrisis measures, such as the reduction of the minimum reserve requirement (encaje bancario) and the injection of public resources into the financial sector (América Economía 2012a). In February 2009, the first official visit of ABPE representatives to the presidential palace resulted in an agreement that included, inter alia, the possibility to raise some interest rates, tariffs, and commissions (El Comercio 2009a, b).

In June 2009, however, El Comercio (2009c) once again reported deepening rifts between the government and the private banks, provoked by a series of government policies. In May 2009, for instance, the government had established a Domestic Liquidity Coefficient, “which required that 45 percent of all banks’ liquid assets had to be held domestically” (Weisbrot et al. 2013, 3). In December 2009, the tax on currency exports was raised and new regulations promoting savings and loan cooperatives were adopted (Acosta 2009, 122). In 2010, the government ordered the private banks "to repatriate parts of the Freely Disposable International Reserves," while new Central Bank regulations required private financial institutions to buy government bonds as a part of their liquidity reserves. In 2011, through a referendum, a new regulation was passed that barred private financial institutions from owning or holding shares in companies outside the financial sector.

In 2012, the Central Bank raised the Domestic Liquidity Coefficient from 45 percent to 60 percent, thereby obliging banks to further repatriate assets held outside the country. In November 2012, in the context of the campaign for the February 2013 elections, a law was approved (Ley Urgente de Redistribución del Gasto Social) that included raising taxes on banks in order to increase social spending for the poor (América Economía 2012a). ABPE executive director César Robalino harshly criticized the law, including calling it unconstitutional (Infobae 2012). When, in 2014, Parliament approved a new Monetary and Financial Code (Código Orgánico Monetario y Financiero), Robalino identified a "profound state interventionism" that would, in the end, "weaken totally and absolutely the entire financial security net" (La Patilla 2014).

At the same time, the profits made by private banks have almost steadily risen since the global financial crisis in 2009. Yet tougher regulations and higher taxes have reduced profit rates: the return on equity of Ecuador's private banks has fallen from more than 20 percent between 2005 and 2007 to around 10 to 12 percent between 2012 and 2014 (Superintendencia de Bancos del Ecuador 2015; cf. Acosta 2012, 67; Álvaro 2014).

STRUCTURAL AND INSTRUMENTAL BUSINESS POWER: EXPLAINING SHIFTING BUSINESSGOVERNMENT RELATIONS

Business-government relations in Bolivia and Ecuador have followed an overall cycle of contention, from opposition and confrontation to rapprochement and cooperation. As a result, core representatives of the countries' economic elites have adopted a fairly pragmatic attitude and a rather cooperative relationship with "their" government, just as the two governments now openly recognize most business elites as partners.

To explain these two cycles of contention, Fairfield's 2015 study on business power and tax politics in Latin America offers the most promising theoretical framework. Drawing on a wealth of literature on business politics, she distinguishes between two types of business power that are independent but mutually reinforcing causes of business influence on policymaking. Instrumental power grasps the capacity of business to deliberately influence political decisionmaking through lobbying, direct participation in policymaking, or financing electoral campaigns. This type of power is based on direct relationships with policymakers (i.e., through partisan linkages; business representation in consultative bodies, governments, and public office; or informal ties), as well as on resources such as cohesion, expertise, media access, and money (Fairfield 2015, 28–42). Structural power, in contrast, does not require deliberate collective action but "stems from the profit-maximizing behavior of private sector actors and policymakers' expectations about the aggregate economic consequences of myriad individual investment decisions made in response to policy decision" (Fairfield 2015, 42).

While Fairfield also identifies government strategies and popular mobilization (which, at times, can counterbalance business power) as relevant factors, she finds that the "structural and instrumental power framework provides strong leverage for explaining how, when, and to what extent economic elites influence policy in market democracies" (Fairfield 2015, 275). In applying this theoretical framework to the topic of business-government relations, this study will show that it helps explain the main patterns of confrontation and cooperation that can be observed in Bolivia and Ecuador.

Although this study cannot comprehensively test the power-based explanation by contrasting it with competing accounts, it can probe its plausibility by briefly comparing the Morales and Correa governments with other left-of-center governments in the region. Still, the structural and instrumental power framework certainly represents a partial theory only. A comprehensive explanation would require taking additional factors into account. For such an explanation it would also be necessary to disaggregate the collective actors involved to account for the internal dynamics in both the governments and the business communities.

Bolivia and Ecuador Compared

As the foregoing analysis has shown, it was a significant loss of instrumental power on the part of business that enabled the new governments to seriously challenge business interests and thereby provoke increasing confrontation. Initially, business groups and associations in both countries tried to use their remaining sources of instrumental power—partisan linkages, media access, informal ties—to oppose the governments. These attempts largely failed because of the governments' domestic political strength. But the international context further constrained business instrumental power by largely closing off the kind of authoritarian solutions with which Latin American elites have traditionally responded to leftist challenges (Roberts 2014, 28).11 Once business elites recognized that they had lost their instrumental power for good, they shifted from confrontation to dialogue.

In the case of Bolivia, it was only after the autonomist strategy of confrontation had openly failed that the Santa Cruz business sectors increasingly distanced themselves from the radical wing of the political opposition and started to engage in dialogue with the government. With the adoption of the new constitution in January 2009, Morales' re-election was to be expected, and the strategy of relying solely on an alliance with the right-wing opposition in order to gain political leverage became futile. The 2009 elections confirmed this expectation. Correspondingly, entering negotiations and creating ties with the government became the most promising strategy to recover some of that lost instrumental power. This strategy was further supported by the business elites' success at using their remaining instrumental power (linkages with opposition parties and autonomy movements) to enforce crucial modifications of the new constitution.

Whereas three years of far-reaching uncertainty (2006–8) preceded the political consolidation of the Morales government, it was only a few months after Correa took office that the election of the Constituent Assembly and the suspension of Congress left business in Ecuador without strong allies in the political system. This added to the generally higher fragmentation of Ecuador's business elite, which meant that its instrumental power in regard to the Correa government was relatively low from the outset. This explains why Ecuadorian business groups never adopted an openly confrontational stance and were, in fact, always willing to enter into dialogue with the Correa government (cf. Bowen 2014; Eaton 2011).

In both countries, the loss of instrumental business power was further supported by a relative decline in structural power caused by the international commodity boom (cf. Levitsky and Roberts 2011a, 10–11; Madrid et al. 2010, 144). Rising energy prices augmented the dominant role of the countries' oil and gas sector, from which private domestic business is largely absent, and contributed to the rise of the public sector's share of the economy by significantly increasing fiscal revenues. Yet the governments' postneoliberal policies did not break with the overall capitalist, market-based development model. The political strength of both governments was based on strong economic performance, including significant increases in social spending and public investment. In economic terms, therefore, both Morales and Correa could hardly afford a general economic downturn, which—given the economic structure of the two countries—also meant preventing a general deterioration of the business of private companies. As a result, private business retained significant structural power. This became tangible when external shocks once again increased the governments' vulnerability to profit-driven business decisions. Reflecting this structural power, the two governments initiated steps to approach business, mainly in response to such external shocks.

In the case of Ecuador, timing confirms this economic logic behind the government's engagement with the business elite. As Unda (2011, 141) has argued, it was "the anticrisis policies," taken in response to the global financial crisis in 2008 and 2009, that initiated the process of rapprochement. The core steps in the improvement of business-government relations, then, clearly followed the government's efforts to contain the trade deficit, which soaring imports have almost continuously created since 2010, and to secure Ecuadorian exports to the EU, which were threatened first latently, by the EU trade deals with Colombia and Peru, and then imminently, by the announced withdrawal of EU trade preferences for Ecuador. Some of the measures taken by the Correa government with a view to improving the trade balance did harm specific business interests (e.g., the restrictions on imports). Yet in general terms, the strategy of import substitution has also been built on cooperating with and supporting private business. The overall pattern in Bolivia is the same. The Morales government's increasing willingness to cooperate with and support agribusiness followed rising food prices in 2008, falling exports in 2009, and a decline in agricultural production in 2010. In the case of Ecuador, however, the government's reactions to economic threats were much more direct, given that the official dollarization of the local economy does not allow for the kind of countercyclical monetary policies that the Bolivian Central Bank adopted in response to external shocks (CEPAL 2010, 128–29, 134–35; cf. Acosta 2009, 114–16). Dollarization also contributes to explaining the Correa government's unequal treatment of different sectors. While the dependency on foreign currency enhances the structural power of the export sector, the limited range of available policy responses to current account deficits suggests anticrisis measures that restrict imports and bank activities.

In combination, the business elites' response to the loss of instrumental power and the governments' response to resurging structural business power explain the shift toward negotiation and dialogue.[12] Precisely because this rapprochement was driven by both sides, it involved mutual adaptation, and thereby fostered increasing policy agreements that gave substance to abstract, power-based incentives. The analysis here of business-government interactions has made this sufficiently clear, be it in the case of Bolivia's agribusiness or Ecuador's export sector. On the one hand, business elites in the two countries increasingly came to see postneoliberal economic policies as not only threatening but also beneficial.[13] On the other hand, over the years, the Morales and Correa governments gradually abandoned more radical ideas of what an alternative development model might look like in favor of a fairly classical set of neodevelopmentalist policies. As we have seen, the international context supported this process of mutual adaptation by strengthening business economically (i.e., its structural power) while constraining it politically (i.e., its instrumental power).

In the case of Bolivia, just as the economic and social policies Morales pursued were based on, among other things, thriving agribusiness in Santa Cruz, the government's focus on integrating and modernizing the country implied public investment in infrastructure that was in line with business interests—as were the fairly conservative macroeconomic policies. In this sense, Mokrani Chávez and Uriona Crespo (2013, 83) observe "a sort of convergence of the development discourse" between the Morales government and the main agribusiness sectors from Santa Cruz.

In Ecuador, too, the postneoliberal development strategy basically aims at a kind of "capitalist modernization" (Unda 2011, 139) with an emphasis on social inclusion. Correspondingly, quite a few of Ecuador's business groups have done very well during the Correa government, in particular those active in imports and those linked to public infrastructure investment or social expenditures (Acosta 2012, 67). At the same time, however, the government's aim to build a "modern" state—one that is no longer dominated by a few families—meant that it had to confront specific business sectors and groups (Unda 2013, 128). As a result, persistent conflicts between business groups and governments notwithstanding, general strategies aimed at improving the country's material infrastructure and promoting exports were increasingly seen as part of a shared development agenda.

As already suggested, the power-based explanation also grasps crucial differences between Bolivia and Ecuador. The persistent instrumental power of Bolivian business elites throughout the first years of the Morales government (based on linkages to right-wing parties and the autonomy movements) enabled the open confrontation. In Ecuador, not only did business lose its instrumental power more rapidly, but the higher constraints on radical changes in economic policies in the dollarized economy meant that business structural power was stronger. This plausibly contributed to the Correa government's overall stance toward business elites, which, from the very beginning, combined targeted attacks against specific sectors and groups with an overall embrace of nonspeculative, profit-oriented business. As a result, Ecuadorian business groups never openly joined the opposition the way the Santa Cruz economic elite did in Bolivia, and the Correa government never challenged broader business interests the way the early Morales government did. At the same time, the persistent fragmentation of Ecuador's business community has continued to limit its instrumental power, enabling the Correa government to keep on with its targeted sector- and group-specific attacks on business interests.

Bolivia and Ecuador in Regional Comparison

Comparative studies of the leftist turn usually associate the governments of Morales and Correa with that of the late Hugo Chávez and his successor, Nicolás Maduro (cf. Levitsky and Roberts 2011b; Stefanoni 2012; Weyland et al. 2010). Still, very clearly, business-government relations in Venezuela have evolved in decidedly different ways. Relatively moderate economic policies became ever more radical and antibusiness over time; in a similar way, confrontation with private business, which first escalated in the early 2000s, has continued unabated (cf. Corrales and Penfold 2015, chaps. 3, 8; Ellner 2013). Without going into detail, this different pattern plausibly reflects differences in the instrumental and structural power of business. As Corrales and Penfold demonstrate, "Chávez's economic policy became radical—heavily anti-market and distributive—only when the removal of institutional constraints and the rise in oil revenues allowed him to seize the opportunity and tighten political competition" (Corrales and Penfold 2015, 48–49, emphasis in the original).

The concentration of power in the executive implied a severe loss of instrumental power of business; surging oil prices reduced its structural power. While certainly not the only factor at play, the dominance of the oil economy in Venezuela, which is much greater than in Bolivia and Ecuador, enabled the continuous radicalization in economic policies and the persistent confrontation in state-business relations (cf. Corrales and Penfold 2015, chap. 3).[14]

The governments of the Partido dos Trabalhadores (PT) in Brazil and the Concertación in Chile are the main representatives of the so-called moderate or institutionalized left (cf. Levitsky and Roberts 2011b; Weyland et al. 2010). Some postneoliberal facets notwithstanding, the macroeconomic policies in these two cases are usually characterized as fairly orthodox (Levitsky and Roberts 2011a, 21; Madrid et al. 2010, 153). Although business elites in Brazil and Chile have generally tended to support right-wing parties and candidates, business-government relations in both countries have never seen anything like the confrontation observed in Bolivia or Ecuador, not to mention Venezuela.

While "distinct historical experiences and partisan trajectories" are certainly relevant in this regard (Levitsky and Roberts 2011a, 16), comparative studies strongly suggest that left-of-center governments in Brazil and Chile have operated under much tighter constraints (cf. Madrid et al. 2010, 153). At least in part, these constraints are related to the instrumental and structural power of business. In terms of instrumental power, for instance, right-of-center parties with close links to business elites retained parliamentary veto positions in both Brazil and Chile (cf. Fairfield 2015, chap. 3; Montero 2014). In addition, the commodity boom's negative effect on structural business power was lower in Brazil because of its "much more diversified economy" and in Chile because its resource stabilization fund prevented the government from deliberately using windfall revenue from copper exports (Madrid et al. 2010, 153).

An interesting intermediate case is Argentina. On the one hand, the economic policies of the Kirchner governments (since 2003) have been put in the same heterodox category as those of Bolivia and Ecuador (Levitsky and Roberts 2011a, 21– 24). On the other hand, the dynamics of business-government relations have been markedly different. During the presidency of Néstor Kirchner (2003–7), they remained fairly cooperative, including business associations in a neocorporatist pattern of tripartite bargaining (Etchemendy and Collier 2007). Shortly after the 2007 election of Cristina Fernández de Kirchner, however, resistance to a further increase in agricultural export taxes led to a serious confrontation between her government and Argentina's agricultural producers. In the end, the government was forced to reverse the tax plan (Fairfield 2015, 203–18).

Since then, the government has radicalized its economic policies and adopted a much more confrontational approach toward the country's business elite (cf. Schamis 2013, 175–76; Svampa 2014, 162–64). According to Fairfield (2015, 210), the 2008 escalation can be explained by the fact that, given the agricultural producers' weak structural and instrumental power, "the government did not anticipate negative economic outcomes or consequential political resistance." Due to specific circumstances and political dynamics, however, the agricultural producers were able to build significant instrumental power: increasing cohesion enabled massive protests, as well as successful lobbying in Congress (Fairfield 2015, 203–18). Still, at the cross-sectoral level, business cohesion has remained relatively low and instrumental power much weaker than, for example, in Chile (Fairfield 2015, chaps. 5– 7). In this context, the government could avoid seeking a rapprochement with private domestic business, while the latter was not able to openly challenge the former.

CONCLUSIONS

This article has empirically traced the remarkable shift from confrontation to increasingly cooperative business-government relations in postneoliberal Bolivia and Ecuador. In order to account for these two cycles of contention, a power-based explanation was presented that draws on Tasha Fairfield's structural and instrumental power framework. While offering a partial explanation only, this framework does indeed make sense of this overall shift, as well as of the main differences between the two countries, while also accounting for the core differences between the Morales and the Correa governments, on the one hand, and other left-of-center governments in the region, on the other.

Yet the power-based explanation should not be read as a deterministic, structuralist account that leaves no role to the agency of governments, business actors, or, for that matter, other sociopolitical groups. As the two case studies have shown, once in power, the Morales and Correa governments deliberately used the loss of instrumental business power to further reduce it. Similarly, as leftist critics of the two governments would have it, the postneoliberal policies actually pursued by Morales and Correa, which implied an overall acceptance of structural business power, were not without alternatives. Those policies thus also reflect the outcome of genuinely political struggles within the governments and the broader sociopolitical movements sustaining them. At the same time, however, such political struggles are shaped—constrained and enabled—by the very structural context in which they take place. This reflects what Anthony Giddens (1984) once called the duality of structure. In this sense, the persistent structural power of business, by putting a price on antibusiness policies and promising rewards for business-friendly behavior, has shaped the political process by which the two governments gradually came to abandon more radical facets of their political projects in favor of a fairly classical set of neodevelopmentalist policies.

The overall result of the cycles of contention analyzed here can be understood as a new, postneoliberal equilibrium. Through the reestablished cooperative relationship, business has recovered some of its instrumental power, and its structural power is still significant. But the capacity of business to influence policymaking is still clearly lower than before Morales or Correa took office in the first place. In terms of instrumental power, the increased relative autonomy of the state continues to constrain business actions that aim at directly influencing policymaking, and structural power remains relatively limited, due to the reduced economic relevance of private domestic business (compared to the oil and gas sector and the public sector).

The shift from a mainly confrontational to a largely cooperative relationship between post-neoliberal governments and economic elites, therefore, does not indicate a simple return to the status quo ante.

NOTES

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1. This analysis is based on systematic research in the online editions of local newspapers from the two countries, complemented by primary and secondary sources. It also draws on roughly 150 interviews and background talks conducted in April and May 2009 and March 2013 (Bolivia) and March 2009, June 2009, and September and October 2014 (Ecuador), which included representatives of the respective governments, parliaments, political parties, and civil society organizations (including business associations), as well as academic experts.

2. On the range of business actors in Latin America, see Fairfield 2015, chap. 2; Karcher and Schneider 2012, 274–75.

3. To be precise, the executive-backed Tribunal Supremo Electoral (TSE) suspended all members of Congress from the three main opposition parties, thereby enabling the election of a Constituent Assembly, which suspended and finally replaced Congress.

4. The Correa government has also significantly increased fiscal revenues by strengthening tax administration, thereby reducing tax evasion, and by implementing some progressive measures of tax reform (cf. Acosta 2012, 64; Ramírez Gallegos 2012, 125).

5. In both countries, the new governments also confronted the private media, which have traditionally been closely aligned and intertwined with the political and economic elites. Another important area in which strong economic interests were challenged was the oil and gas sector. Here, however, increasing taxation and state control largely affected foreign companies, not domestic business.

6. See Correa's speeches at www.presidencia.gob.ec/discursos. Accessed April 1, 2014.

7. In a similar way, Gustavo Pedraza has identified three phases in the relationship between the Morales government and the economic elites in Santa Cruz: confrontation (2006–10), tensions with minimal agreements (2010–12), and a "long-term pact" (since 2013) (Página Siete 2013; personal communication, March 2013).

8. The latter law against land occupations (Ley contra Avasallamiento y Tráfico de Tierras) was promulgated by Morales in December 2013 (Los Tiempos 2014).

9. In between occurred the 2010 negotiations over the new production code, which Unda (2011, 138) identifies as the start of "the rapprochement with the business associations." In the end, business associations still criticized the new code as "undermining their competitiveness," but "dropped their total opposition to the plan" (Bowen 2014, 108).

10. In this letter (documented in Acosta 2009, 120), ABPE warned that the government was threatening "economic stability and public confidence" in the financial system.

11. This constraining effect is based on the strong regional norm that protects elected governments in the Americas, which was further strengthened by the solidarity among South America's left-of-center governments. Regional support was unequivocal when the two governments faced serious domestic threats in 2008 and 2010, respectively.

12. By and large, this overall logic was suggested early on by Durand (2006, 153).

13. At the same time, restrictions on exports (Bolivia) and imports (Ecuador), as well as the later efforts at promoting agricultural production (Bolivia) and exports (Ecuador), demonstrated

that even trade-oriented sectors actually depend on favorable state policies (from the provision of infrastructure to financial subsidies and diplomatic backing).
14. Between 2005 and 2011, oil exports represented between 60 percent and over 90 percent of Venezuela's total exports. In contrast, the share of Ecuador's oil exports ranged between 46 and 55 percent, Bolivia's gas exports between 36 and 47 percent (CEPAL 2015).

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