



# **BOLIVIA** **INFORMATION** **FORUM**

## **Bolivia Information Forum Bulletin** **No. 22, September 2012**

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# Miners at loggerheads

Confrontation between unionised mineworkers and those from cooperatives (*cooperativistas*) reached a peak on 18 September. A massive march of *cooperativistas* took over the centre of La Paz, in support of their colleagues in the 26 de Febrero mining cooperative at Colquiri. It was indeed a show of strength, with dynamite being set off along their route. Mineworkers of the Miners' Federation (FSTMB) were seriously outnumbered and one miner was killed outside its offices by a stub of dynamite thrown into their midst. This is not the first time that such disputes have erupted into serious conflict. A running battle between *cooperativistas* and mineworkers from the state-owned mine at Huanuni, Bolivia's largest tin mine, took place back in 2006. This ended with some 4,000 *cooperativistas* being incorporated into the state mining company.

## **A massive march of *cooperativistas* took over the centre of La Paz, in support of their colleagues in the 26 de Febrero mining cooperative at Colquiri.**

Last May-June, miners from the 26 de Febrero cooperative threatened to take over the Colquiri mine, then run by the private company Sinchi Wayra, owned by the Swiss multinational Glencore. Whilst the government announced that it was prepared to re-nationalise the mine, it would only do so if the mineworkers made it clear that this was what they wanted. The company entered into negotiations with the *cooperativistas* to seek a solution by offering them a better seam to work. Excluded from this agreement, the unionised workers then demanded re-nationalisation. The government went ahead and re-nationalised the company, incorporating some 400 of the *cooperativistas* into the formally constituted labour force. The Cooperative 26 de Febrero won access to one of the better seams, but promised not to inflate their number any further.

### **A bit of history**

Colquiri, mined since colonial times, and later by the tin baron Simón Patiño, produces principally tin and zinc. Its reserves are extremely rich, with the mine holding important deposits of both minerals. It

has never been known to incur losses.

In 1999 the mine was privatised and taken on as part of Comsur, the mining company belonging to ex-president Gonzalo Sánchez de Lozada. Together with Porco and Bolívar, the mine was then sold on to Glencore-Sinchi Wayra in 2004, after Sánchez de Lozada was ousted as president. Since then it has been developed as part of the Glencore empire, known locally as Sinchi Wayra. It is the second most important private company in Bolivia after Sumitomo-San Cristóbal.

Sinchi Wayra made Colquiri an example of decentralised production, with different parts of the operation farmed out to different firms: production, transport, supplies, even food provision. It has employed some 400 workers in all, working in relatively good conditions - even those working underground (some 300). Production of tin alone in 2011 was worth about \$55 million, about 10% of national production.

## **The cooperative sector is thought to have 80-100,000 workers. This has made the sector much more politically powerful than before.**

Cooperatives began to be set up in 1987, when the Comibol mine was closed down as a consequence of structural adjustment. The 26 de Febrero is the largest, with about 1,200 workers. There are three others, with about 1,000 workers between them. As is often the case elsewhere, the cooperatives consist of a number of associates (*socios*), who are equivalent to shareholders. They employ others as temporary labour, who earn far less. They are paid according to what they produce.

Hector Choque, the 31-year old killed outside the FSTMB offices, had come from a cooperative background; he was one of those who had been taken on as a full-time employee by the nationalised company.

### **Agreement not enough**

However, the cooperative was not content with the part of the mine it had been awarded, given problems in its accessibility. It therefore pushed for a change in the seam involved, gaining – initially at

least with agreement of all parties – the rich Rosario vein.

The mineworkers from the re-nationalised firm - their numbers swollen by some of the *cooperativistas* - then became intransigent, saying that they refused to hand over the promised seam, and that they had not agreed to this part of the bargain. They then cut off access to the mine, shutting off the entrance route, armed with old Mausers and pistols.

The consequence of this was that the *cooperativista* miners then came out nationally in favour of their fellows, organising the huge march staged on 18 September. Although La Paz is used to marches, the extensive use of dynamite on the march was widely considered abusive.

### **The *cooperativistas* and their agenda**

Though the immediate flash-point has been the question of the interests of the 26 de Febrero cooperative, the conflict has brought others to the fore.

When the Morales government began six years ago, mineral prices were much lower than they are today. Increased prices have made artisanal mining much more attractive, and numbers employed in it have grown accordingly. The cooperative sector is thought to have 80-100,000 workers. This has made the sector much more politically powerful than before.

Though they vary a lot according to where they are located and what mineral they produce, the cooperatives tend to be such in name only. The *socios* are those who run them, not the workers involved. As cooperatives, they pay virtually no taxes. They typically pay their workers low wages, while making money from charging levies or percentages on what is produced. Cases of *socios* earning Bs. 90,000 a month (about \$13,000) are not unusual; unskilled workers meanwhile can expect to earn Bs. 3,000 a month (a little over \$400). Cooperatives are loath to spend money on investment in the search for new ores, preferring to move on to exploiting already known seams. Nor do they invest much in reducing their environmental impacts.

The current legal situation is unclear. A new mining law has been under discussion, but as yet no agreement has been reached among the different actors involved. Whilst cooperatives are recognised, along with state and private concerns, they are subject to few legal controls. As well as paying very little tax, their workers do not benefit from health and safety regulations. It is partly because of the lack of clear policy that mine takeovers, like that in Colquiri, are quite common. Their increased political clout means that they are a force to be reckoned with.

Whereas mineworkers in the past have been active proponents of change at the national level, today's cooperatives tend to be preoccupied with their own narrow interests. When it comes to discussing the new mining law, they are mainly concerned in keeping their privileged tax status. They are also interested in gaining access to better seams in other mining operations. Unionised mineworkers from the FSTMB say that they represent nothing other than private enterprise under a new guise.

# Land and land reform: where are we now?

Land holding and land reform has been one of the central drivers behind political dynamics in Bolivia in recent years. The BIF held an international seminar on land and politics in Santa Cruz in 2008, where the issue of stark inequality in landholding was highlighted, along with the need for redistribution and greater equity. We now take the opportunity to assess the success of government policies and examine the current situation regarding competing claims for control of land.

## Processes – land titling by the INRA and the creation of TIOCs

During the 1990s, in response to the situation of gross inequality in land ownership and landlessness of many peasant and indigenous communities, social movements – particularly lowland indigenous groups - had pushed for a new process of land reform. This was finally initiated in 1996 with the passing of the “INRA law” which established the National Land Reform Institute (Instituto Nacional de Reforma Agraria – INRA). The idea was to create a more equitable distribution of land in the country through a process of “*saneamiento*”, or land-titling.

The INRA law also enabled indigenous groups claiming ancestral land to be awarded Communal Indigenous Lands (*Tierras Comunitarias de Origen* - TCOs). Following the constitutional reform in 2009, TCOs became known as territories (*Territorio Indigena Originaria Campesina* - TIOCs). These brought the TCOs into line with the legal framework of the new constitution, granting them exclusive rights over the use of renewable resources on their territories.

The TIOCs are located throughout Bolivia in the western highlands, the inter-Andean valleys and the eastern lowlands, altogether totalling 20.7 million hectares, which represents just under a fifth of the recognised cultivable land in Bolivia. Some measure several million hectares and contain many small communities. For example, Nor Lipez and Sur Lipez in Potosí department measure 1.99 and 1.55 million hectares, and have populations of just 10,460 and 4,905 people respectively. There are also TIOCs that are affiliated to *campesino* organisations rather than indigenous organisations, such as Ayopaya in the Cochabamba valleys.

While companies and bigger landowning interests had won out after the previous period of land reform (particularly after the periods of dictatorship in the 1970s and 80s) the situation has now changed with indigenous peoples and *campesinos* being the main beneficiaries. Some 800,000 people have benefited since the INRA law was passed in 1996 (see also article by Juan Carlos Rojas).

## Outstanding issues:

### Land for farmers from the western highlands

The 1953 agrarian reform affected principally the western highlands and valleys, with main beneficiaries in these areas being the *campesinos*. Families received small plots of land, that with successive generations have often become tiny. The great majority of the rural population lives in the highlands (Andean valleys and Altiplano) and this population continues to grow. With no more land available in the highlands, many people are left with few options than to migrate.

Previously a safety-valve for this growing pressure on the land was the process of planned “colonisation”, whereby rural families were settled on productive land in the valleys and lowlands by the National Colonisation Institute (INC). However this office was closed in 1992 amid government corruption scandals. Subsequent colonisation has lacked proper planning and has taken place spontaneously. Many highland peasants now migrate to urban centres in Bolivia, increasing already overcrowded peripheral settlements. They also migrate abroad to Argentina and Europe, where they often face discrimination and hardship.

The serious problem of the *minifundio* has therefore not been tackled.

### TIOCs vs. individual land titles

One of the major problems of land holding has been partly tackled with the finding of solutions to the land issues of indigenous groups, where often small numbers of people have achieved title to large tracts of land, held collectively. However, this contrasts with the situation that the more numerous *campesino* population is facing, with generally small plots which they own as individuals

and families. The logic of landholding is therefore different.

Some *campesino* organisations see the large tracts of land granted to indigenous groups as unfair treatment compared to what they have received. The disparity is particularly evident where peasants have settled on the perimeter of TIOCs.

The extension of indigenous landholding also raises issues of governance. TIOCs are governed by the communities that inhabit them, with the indigenous organisations and their authorities being responsible for deciding how to use the land and renewable natural resources on it. They therefore enjoy an important degree of autonomy. This can create conflicts with the state where interests differ. The TIPNIS dispute is one such example (see BIF Bulletin No. 20). Further disputes of this sort are highly likely. Rethinking land policy would therefore be one way of pre-empting such disputes.

#### **Redistribution: some successes/emblematic cases**

Another route would be to redistribute land held beyond the current legal limit by large landowners in the eastern lowlands. During its first period in office, the government promised substantial redistribution at the expense of large landowners.

In the process of *saneamiento*, the government has so far seized over 10 million hectares of land from landowners or businesses that failed to show legal rights to their property or were unable to show that the land was being productively used. In some cases landowners were allowed to stay, but had their areas of land reduced.

Emblematic cases where large landowners have been targeted include that of Ronald Larssen, a US citizen whose ranch was seized and redistributed after the government deemed that indigenous people were working in a situation of debt-servitude. His land was given to the Guarani people who live and work there. Land held illegally by the former head of the Comité Pro Santa Cruz, Branko Marinkovic, has also been seized by the state.

The department of Pando has also seen an important transformation. Indigenous peasants who were working as Brazil nut collectors in conditions of debt bondage were awarded the land they worked on after 2.3 million hectares that had been controlled by a few hundred landowners was seized by the INRA.

#### **Unfinished business – large landowners in Santa Cruz**

Since 2011, the process of land titling and redistribution has slowed. A referendum held in January 2009 (at the same time as the referendum on the constitution) limited individual landowning at 5,000 hectares, but this was not made retroactive. This had the effect of legitimising large extensions of land already accumulated, subject to compliance with rules governing social and economic use. Landowners are also able to dodge the 5,000 hectares limit by dividing holdings between family members and business partners.

There are some 5 million hectares of the best agricultural land in Santa Cruz which are presently in the hands of large landowners. In many cases this land was accumulated through political favours during the dictatorships in the 1970s and 80s. There are also a growing number of foreign landowners (particularly Brazilians, Argentines and Mennonites) who have purchased land cheaply in Santa Cruz. According to some estimates, there are some 1.5 million hectares of this land that is not serving the economic and social function which could be subject to repossession and redistribution.

As Juan Carlos Rojas argues, the MAS government appears to have softened its approach to large landowning in the last few years. It was indeed suggested at the Social Summit in Cochabamba last December that the verification of the economic and social function of land in the east would take place every five (as opposed to two) years. Some see this as the result of an understanding between the MAS government and agribusiness interests, given the importance of the latter in providing for the country's food needs. It may also be the case that the economic elites of Santa Cruz see collaboration with the government as a more propitious approach than the sort of conflict that broke out in 2008. By responding to such overtures, the government has isolated groups like the Comité Pro Santa Cruz. But those who stand to lose are the potential beneficiaries of land reform, the *campesinos* of the *minifundios*, first amongst them.

# Agrarian transformation in Bolivia at risk

By Juan Carlos Rojas Calizaya, Director of the National Institute for Agrarian Reform (INRA), 2006-2011

The National Development Plan 2006-2010 set out economic policies designed to “contribute to the shaping of the productive matrix in order to change the exclusionary nature of the primary export model”. The model is made up of two sectors: those producing a strategic surplus and those that generate employment and income. Agricultural development was classified as being within the ‘employment and income generating sector’. Among the tasks that needed to be addressed were resolving inequality in land distribution, its excessive fragmentation, land degradation and the destruction of biodiversity. The plan considered these as underlying causes leading to subsistence livelihoods among wide sectors of the indigenous peasant population in Bolivia.

**In terms of landholding, the National Development Plan formalised longstanding indigenous and peasant demands. These had been voiced in previous years by marches to La Paz.**

The Plan proposed the structural transformation of agriculture. This would involve as a priority the titling of 56 million hectares of land and the distribution of a further 20 million hectares to the indigenous peasant population. The plan also envisages the establishment of a system of land administration, a land registry, a land tax system, and greater equity in land distribution. It advocates policies to revive community capacities on new settlements, both communities and territories, supporting collective land management.

In terms of landholding, the National Development Plan formalised longstanding indigenous and peasant demands. These had been voiced in previous years by marches to La Paz. They included the demand for territory as well as the push for a constituent assembly. On 28 November 2006 the *Ley de Reconducción Comunitaria de la*

*Reforma Agraria* (Law 3545) was promulgated, defining, in specific terms agrarian policy as one of structural transformation in agriculture, bringing about a rapid and massive redistribution of land and providing [the beneficiaries] with legal security. Land would be redistributed primarily to indigenous peoples and *campesinos* on the basis of a revision of land titles for medium and large rural properties where the requirement that land is used for social or economic purposes is not being upheld.

**There are clear signs that not only has the process of agricultural transformation stalled, but that there is the risk of it being reversed.**

Since then many important things have been achieved. The political deadlock with the departments of the *media luna* has been resolved; the new constitution was approved (in 2009) establishing a plurinational Bolivia; and elections in 2009 were won with a close to 2/3 majority of the votes. Up until 2010, the results were eloquent in agriculture: 55 million hectares of land were surveyed and titled (51.5% of the national territory). Of these, 21 million were titled as indigenous TCOs (in the lowlands) and TCOs in the highlands. 7 million hectares were given as collective or individual titles to *campesinos*. 21 million were declared as state land (*tierras fiscales*), and 6 million awarded to medium and large businesses. It's important to note that these figures are cumulative; of the 55 million, 9.3 million hectares related to previous governments (since 1996) and 45.7 million hectares to the government of Evo Morales.

As for the *tierras fiscales*, it was the first time in Bolivia's history that these were put under state control. Of the 21 million hectares of land certified as such, 15.2 million enjoy legal protection (protected areas, forest concessions etc.) and 5.9 million were made available for distribution. Up until 2010 1.3 million hectares were distributed for 190 communities with 8,300 families as beneficiaries, which means that there were then 4.6 million hectares available for distribution.

Between 2006 and 2009, 31.5 million hectares

were surveyed and titled, of which 15.7 were awarded to indigenous communities and *campesinos*. Of the total 31.5 million, 10.8 million were made available from land taken over because of the failure of its owners to comply with the economic and social function. Of this, 3.94 million hectares were subsequently redistributed to indigenous and peasant families and communities, benefitting 56,679 families. The number of beneficiaries has increased since then. Of a total of 153,566 beneficiaries between 2006 and 2009 15.5% were single women and 57.21% were titles given jointly to women and men. This constitutes an unprecedented advance in the recognition of property rights in favour of women. For land where titles are held collectively - which is the case for the largest extensions of land - verification is needed to see whether or not this right is being upheld.

Such changes in landholding are at risk, however. Progress in land surveying has reduced to such an extent that the current total land surveyed and titled is 62.8 million hectares, an advance of just 7.8 million in the last year and a half. At this pace it will be impossible to meet the target of 108 million hectares set for November 2013, by Law 3545. While the total amount of *tierras fiscales* has increased to 23.3 million hectares with 6.1 million hectares available for distribution, the amount of state land actually distributed in this period was just 100,000 hectares. The increase in the number of conflicts over land and the increase in land invasions would not be happening if the state was making land available for distribution.

There are clear signs that not only has the process of agricultural transformation stalled, but that there is the risk of it being reversed. They include the presence of representatives of large private landholders in spheres of policy making; the strong push being made by sectors of the *campesinos* against collective indigenous lands; and official complicity in the occupation of *tierras fiscales*.

If the government agrees to proposals made by the business community that there should be a halt in the process of verification as to whether land is fulfilling the economic and social function for medium-sized and large properties, it will be giving in to practices of slash and burn used illegally on the pretext that food is being produced. Also at risk are the collective rights afforded to indigenous territories, under the argument that their populations are very small and that illegal settlements are acceptable and even that they should be promoted. This sort of regression would be equivalent to what took place in the wake of the national revolution when the state ended up doing exactly the opposite of what it promised in agrarian reform.

# Use and misuse of commodity rents

When Evo Morales first took office in 2006, it was with the commitment to use Bolivia's wealth from extractive industries – chiefly hydrocarbons and mining – to the benefit of the poor who formed the majority of the population. The 'gas war' of 2003, which led to the overthrow of Gonzalo Sánchez de Lozada as president, was – amongst other things – a protest against a model of development which privileged foreign consumers (in this case those of the United States) over the interests of ordinary Bolivians. The October Agenda that stemmed from the 'gas war' sought to establish different priorities.

Six years on, how much has the Morales administration managed to do in improving the management of extractive rents? The answer is mixed.

Firstly, partly as a result of policy (increasing the taxes paid by companies in the hydrocarbons and mining sectors and also increasing the prices paid by Argentina and Brazil for Bolivian gas) and partly as a result of the increase in commodity prices for gas and minerals, the quantum of rents has increased sharply. Although this has tailed off in the last twelve months, Bolivia is receiving far more for its exports of these commodities than previously. The impact of industrialisation of gas and minerals – still incipient – should further increase the foreign exchange earned from these.

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Secondly, policies have been introduced to channel at least some of the fiscal earnings from these commodities into pro-poor policies. Although they represent a fairly small slice of these, money spent on *bonos* for vulnerable populations – the elderly, school children and nursing mothers – represent an important benefit. They are valued by the recipients. At the same time, the government has made strong efforts to distribute natural gas supplies to domestic consumers, particularly in the

main cities. Consumers pay much less for piped gas than they do for bottled gas.

Thirdly, the government has sought to increase the flow of money generated by the direct tax on hydrocarbons (IDH) through to local government (regional authorities and municipalities) and to universities. Much of this is currently being spent on improving infrastructure, particularly the inter-regional road system. This should generate increased efficiencies in transport in a country whose road system has been historically highly deficient, and thus help reduce prices.

## **At the same time, however, the ability of state authorities (whether at the national, departmental or municipal level) to spend the money at their disposal is sadly lacking.**

At the same time, however, the ability of state authorities (whether at the national, departmental or municipal level) to spend the money at their disposal is sadly lacking. Probably the most glaring example here is the department of Tarija, the department which accounts for around 80% of gas production and which consequently (through the system of royalties) receives by far the most money on a per capita basis.

The annual budget between 2001 and 2004 averaged Bs. 500 million. In the period between 2005 and 2010, it averaged Bs. 2.2 billion. In 2011, the budget was Bs. 3.17 billion, and in 2012 it was expected to reach Bs. 3.8 billion. The royalties paid to Tarija in the 20 years between 1974 and 1994 totalled \$140 million, an average of \$7 million a year. In 2012, by contrast, the royalties paid were expected to be of the order of \$500 million. According to a top official in the regional government (*gubernación*), the amount of the budget that it was unable to spend was Bs. 350 million in 2009, Bs. 840 million in 2010 and Bs. 940 million in 2011.



The problem of under-spending is evident in other parts of the country too. It has been made worse, according to the Tarija official, by the strict anti-corruption legislation introduced by the Morales administration at the national level. This, he says, has created disincentives for local officials to spend money unless the paperwork is 100% correct. Other sources point to highly wasteful public spending on projects of doubtful longer-term utility and a fierce dispute for resources between different groups. In Tarija, under the governorship of Mario Cossío, a strident opponent of the Morales administration, there was a sharp increase in public spending which led to poor investments and increased corruption, in the opinion of a local analyst. Cossío's decision to go into self-imposed exile in 2010 amid charges of corruption and graft has not led to much of an improvement. The government of Lino Condori, an ally of the Morales government, does not seem to have coped much better with a greatly increased budget.

Again in the case of Tarija, the capital city of the same name has traditionally received the benefit of most regional spending. This has changed in recent years. Today, three municipalities in the Chaco – Yacuiba, Villamontes and Caraparí share 45% of the total departmental royalties (owing to the creation of an autonomous region in the Chaco), although between them they constitute a relatively small proportion of the population. Of these, Caraparí has only around 10,000 inhabitants. These municipalities face even more serious problems in spending the money available to them. According to one source, Caraparí has the highest income per capita of any municipality in Latin America.

But this is not just a problem in Tarija; wherever you look internationally dependence on commodities like gas and minerals tends to create distortions in the use of public funds. Only in a very few countries, where the state is sufficiently strong and democratically managed, is this not a problem. In Bolivia, where the state has long been weak and highly prone to capture by individual and corporate interests, this has been a structural problem. Efforts are being made to improve aspects of state administration and to use funds available for productive purposes (e.g. the Prosol scheme in Tarija which focuses on productive development in the peasant sector). Still there is a long way to go before the rents available from commodity production are distributed in a fair and equitable fashion.

# Coca production down as Bolivia seeks UK support to lift ban on coca chewing

The latest figures from the United Nations, published in late September, give the lie to the idea - propagated by the US administration - that Bolivia is failing 'demonstrably' to play its part in the 'war on drugs'. The US authorities are looking to Britain to spurn Bolivia's attempt to re-join the UN drugs convention with a reservation to legalise coca-chewing, as Foreign Minister David Choquehuanca prepares to visit London next month to explain the Bolivian position.

The figures from the United Nations Office on Drugs and Crime (UNODC) state that cultivation of coca - measured in hectares planted with the bush - was down by around 12% in 2011. The data for 2011 follow several years in which the areas estimated have been stagnant, or have increased only marginally.

The UN figures are probably the most reliable, although measuring coca and cocaine production is fraught with methodological problems. Even if they are prone to statistical difficulties, at least the methods used are consistent between one year and another. They therefore indicate trends, though should not be taken as Gospel.

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The US administration figures are the other main source. These are issued on an annual basis by the White House. Here again, the figures for Bolivia - released a few days before the UN ones - show a sharp drop in 2011. In spite of these, the Administration continues to lump Bolivia together with Myanmar (Burma) and Venezuela as the countries that are most egregiously non-compliant with policies to reduce drug production worldwide.

The US stance suggests that the claim has little to do with reality, and everything to do with countries which oppose US policies. In 2008, the Bolivian government threw out the US ambassador for his alleged role in stirring up discontent in Santa Cruz against the Morales government. As coca

production has slowed in Bolivia, it has increased substantially in neighbouring Peru which receives no such accolades from Washington, underlining the fact that the US stance on Bolivia is driven by political considerations.

The 2011 UN figures show that:

- Areas planted with coca fell to 27,200 hectares in 2011, from 31,000 in 2010.
- Areas eradicated increased 28% to 10,500 hectares on the 2010 figure, which was also up substantially on 2009.
- Estimated production of coca was down to 48,100 tons from 55,000 tons in 2010.

**Choquehuanca's visit to London in mid-October is a bid to explain to the Bolivian position to the British authorities. There is widespread sympathy for the Bolivian position, but the UK government has yet to state its stance.**

These latest figures come at a poignant moment as Bolivia is campaigning internationally to be excepted from the sections of the 1961 UN Single Convention on Narcotic Drugs which prohibit *acullico* (coca chewing). Bolivia argues that the ban, instigated by the United States, is inappropriate since the *acullico* has been a widespread cultural practice in the country since time immemorial, and that coca itself is not a narcotic.

To this end, Choquehuanca's visit to London in mid-October is a bid to explain to the Bolivian position to the British authorities. There is widespread sympathy for the Bolivian position, but the UK government has yet to state its stance. Will London support this eminently reasonable change to the international law on narcotics, or will it kowtow to Washington?

# Interview: Ing. Ronald Casso, General Manager of Boliviana de Aviación – BoA

*Boliviana de Aviación (BoA), the state-run Bolivian airline, was launched in March 2009. It is now Bolivia's leading airline for domestic flights, taking 80% of internal passengers. It has flights to Sao Paulo and Buenos Aires and will soon add Madrid and Miami to its international destinations. It has benefitted from the demise of Aerosur, a private airline which was declared bankrupt earlier this year. It has helped refute the argument that state companies are uncompetitive. The BIF spoke to BoA's General Manager, Ronald Casso:*

**BIF: Could you tell us about the state of the business at the close of 2011 and what your projections are for this year?**

**Casso:** Things have gone well for us, and we have been able to close 2011 having made a profit. Regarding 2012, what we are able to say up to now is that we are in a much better position than in previous years. Obviously, because of the decrease in competition, we have greatly increased our occupancy level which is an important indicator of the use of flights. Today we are talking about an average flight occupancy level of close to 80%. This is very attractive for an airline, above all for a domestic airline like us.

**We've received instructions from the government that we should always prioritise the ethnic market. That's to say, that we should always go to a country where there is a significant Bolivian population.**

In financial terms, it is a healthy business. It doesn't have any liabilities and it doesn't owe money to anyone. It doesn't have any taxes, or salaries, insurance or anything of that sort outstanding. It has been able to maintain a very good relationship with the lessor of the aircraft, and from that we have been able to reduce our costs.

**BIF: We are aware that BoA is planning flights to Madrid and Miami. Could you tell us more about these plans and what sort of competitive environment you envisage for these new routes?**

**Casso:** There is a very large Bolivian population living in Spain and also in neighbouring countries

in Europe that has a movement of approximately 50,000 to 60,000 passengers per year in recent years. This has been growing at an annual rate of 12 to 15%. So it's a market which isn't a big market compared with, say, Sao Paulo or Buenos Aires, but it's a market which is important and regular. Apart from that, we, as a state company, have obligations to our countrymen living overseas. We've received instructions from the government that we should always prioritise the ethnic market. That's to say, that we should always go to a country where there is a significant Bolivian population. This has happened with Brazil and Argentina where we are connecting up that ethnic market.

**A few years ago, there was a shift, so to speak, of certain social strata towards the services considered [previously] to be for the middle classes or privileged class in Bolivia**

**BIF: Could you give us more details about the flights?**

**Casso:** Of course, we aim to also be commercially attractive, not to have a high tariff so that the market comes to us. But it also an expensive route [Madrid], so it's not possible to make large reductions. Of course we can't take risks or offer prices that are too low. With Miami it's similar with the difference being that the paperwork with the American authorities takes longer, so obviously it will take more time.

**BIF: We would like to ask about the demographics of the passengers on BoA flights and in general in Bolivia – how have these changed?**

**Casso:** Well, there is a social phenomenon associated with this process, that must be recognised. The president [Morales] said on one occasion that the airports have changed colour and that is what has happened. A few years ago, there was a shift, so to speak, of certain social strata towards the services considered [previously] to be for the middle classes or privileged class in Bolivia. And this is because Bolivian society has evolved economically, without a doubt. But there

are also people who are from humble backgrounds, who have lots of money, who have become rich through their own hard work. Previously, such people didn't feel that planes were for them. It wasn't a problem of purchasing power, of income, it was a problem of not feeling that it was for them. They didn't feel right [taking planes]. All those people today take the plane. It's very gratifying to see on a flight, any flight, people wearing traditional clothes without it being in any way unusual. A great diversity of people, reflecting this country's make-up, is [now] flying.

So the presence of a company with the philosophy of BoA helps a lot – not BoA as a brand, but the philosophy that has been applied, so that people understand that it is a means of transport, it is not something elite, it is not distinguished, just transport that is a little more expensive but that has its advantages and that's all.

**BIF: There have been talks of a new buyer to revive Aerosur. What type of competitive environment do you envisage if Aerosur enters the market again, and how will you respond?**

**Casso:** Well, we wouldn't need to do anything other than return to the situation we were in six or seven months ago. We have already competed for a time and I don't think things would change in that sense. Of course, in this case we would be in a better position because we have established ourselves in the market, we have accommodated ourselves. A new airline entering the market would need to reverse that in order to establish itself in the market. It would face a double challenge because the announcement that it is returning doesn't mean that the passengers will return. As far as BoA is concerned, we are in a much better position than before, much stronger, and obviously in these weeks [since Aerosur's collapse] we have been able to take advantage of this market situation, capturing a market that wasn't ours. We have become known, and are sure that we can offer a quality of service that makes people come back to us. So we will continue to perfect our operations to increase our market share.