



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

## **Bolivia Information Forum Bulletin** **No. 8, October 2007**

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## **1. Capitalía: An Unexpected Divisive Issue within the Assembly**

The issue of which city should be capital of Bolivia was not among those which most analysts had predicted would dominate the proceedings of the Constituent Assembly, nor – it might be argued – the most important question facing those rewriting the country's constitution. But for several weeks, progress in meeting the (already postponed) December deadline was held up by a stand-off between delegates from Chuquisaca and La Paz.

The so-called *capitalía* issue goes back to a civil war in 1899, when the victorious *paceño* liberals insisted that their city be the seat of government, rather than Sucre, the capital city of the department of Chuquisaca, in a fight where La Paz represented the new tin miners and Sucre, the old silver oligarchy. Since then Bolivia has effectively had two capitals, with the executive and legislature based in La Paz and the Supreme Court sitting in Sucre.

With their city selected to host the Constituent Assembly, leading politicians in Sucre saw an opportunity – largely overlooked by most other observers – to remedy a long-standing regional grievance. They have come to demand the *capitalía plena*, in other words that the executive and legislature should move back to this old colonial city, largely by-passed by the pattern of economic development in Bolivia over the last century.

The *capitalía* issue has also been seized upon by the conservative elite of Santa Cruz who have found an issue on which to divide the ruling Movimiento al Socialismo (MAS) and bring the Assembly proceedings to a halt. The Comité Pro Santa Cruz (Santa Cruz Civic Committee), in particular, a key nucleus of opposition to the Morales administration, has taken advantage of the issue to halt progress in hammering out a new constitutional text. The MAS members of the Assembly from Chuquisaca have joined with the opposition voices in demanding the *capitalía plena*.

Political opinion in La Paz, at the same time, is unwilling to concede an inch to the demands of Sucre, claiming that this is impractical and a deliberate distraction from the real issues facing the *constituyentes*. There have been large demonstrations of support for maintaining the status quo, including one in July estimated at between 1-2 million people, the biggest ever in Bolivia's history. The issue underscores once again the power of regionalism in Bolivian politics and its potential for frustrating the plans of central government.

Worried about the possibility of the Assembly running out of time and finding itself in an awkward predicament, the government first sought to remove the issue from the Assembly's agenda, provoking thereby a backlash from local interests in Sucre. In the face of escalating protests and violence, it then tried to mobilise its supporters in that part of Bolivia (mainly *campesinos*) to enable the Assembly to re-start its proceedings. Finally, it has tried to negotiate with other political parties to find a solution. Negotiations are currently under way amongst the different political groups involved to try to come to agreement on some of the thornier issues, to see if it is possible for the Assembly to complete its deliberations.

Clearly the issue brings out the profound differences that exist within the country, between those seeking change and those with interests to protect.

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## **2. Mining Policy: some Progress, some Obstacles**

From the very start of his government, Evo Morales highlighted the need to take natural resources back under state control. He moved quickly with oil and gas, but progress has been slower in the mining sector.

Until the recent boom in world mineral prices, the mining sector had been in the doldrums. The price of tin, Bolivia's economic mainstay for most of the last century, collapsed in the mid-1980s when tens of thousands of mine workers lost their jobs. The state-owned mining corporation, Comibol, became a virtual shell.

Successive governments sought to attract private investment in what was left of the mining industry. But in the face of resistance by the mineworkers, privatisation plans were thwarted. It was only under the Banzer government in the late 1990s that privatisation of the mines moved ahead. Contracts were signed that favoured investors and several mine owners made handsome profits. Chief among them was Gonzalo Sánchez de Lozada, twice president of Bolivia (1993-97 and 2002-3), whose personal fortune was based on mining.

The new government has moved forward on a number of fronts:

- Huanuni is Bolivia's biggest and most profitable tin mine and it is one of the few mines that managed to continue in production despite years of low prices. With the price of tin soaring (currently at over US\$7 per fine pound), Huanuni has again become a very attractive concern. Self-employed miners working in cooperatives, who far outnumbered the official workers in Huanuni, last year tried to take over the mine by force (see *BIF Bulletin 4*). In line with its policy of re-nationalising natural resources and creating jobs, the government ended up taking on the *cooperativistas* as state company employees. By so doing, it increased the payroll from 900 to 4500. This would appear to be an unviable situation, but the price of tin helped the company to make a profit of US\$8 million in the first half of 2007.
- Vinto is Bolivia's key tin smelting plant. Based in Oruro, it was acquired cheaply by Sánchez de Lozada, who then sold his interests in Comsur on to Glencore International, a Swiss firm, when he fled the country in October 2003. In February 2007, Vinto was returned to the state fold, part of a policy of controlling more of the tin production chain (see *BIF Bulletin 6*). However, Vinto has encountered problems in selling its tin on international markets; Glencore had sent out warnings to buyers of its dispute with the Bolivian state. Now it appears that sales will go ahead, since Glencore has clarified that it did not intend to prejudice sales, and the government has reaffirmed its intention to pay compensation to Glencore.

- Mutún, near Puerto Suárez in Santa Cruz on the border with Brazil, is the biggest iron ore deposit in the world. The Mesa government (2003-5) began the auction process for Mutún, but the Morales administration considered that these bidding terms did not square with its own policies. Following negotiations with the winning company, the Indian firm Jindal, a contract was signed in July 2007. This improved the terms for the Bolivian state. Jindal will work 50% of the deposit; investment will increase from US\$600 million to US\$2.1 billion; steel as well as iron will be produced in the area; and the smelting plant will be fired by natural gas, rather than through deforestation-producing carbon. Moreover, the firm will provide work to 6,000 people rather than the 1,000 originally proposed. The Empresa Siderúrgica del Mutún, a subsidiary of Comibol, will share in the profits, besides which Jindal will pay 5% of the value of gross production in royalties (distributed mainly to the Puerto Suárez region) and 25% of the company's profit in taxes. Production of steel is estimated to reach 1.73 million tons a year, with gross production of iron ore of 25 million tons. Income for the state should be around US\$200 million a year. The contract has been approved in the Chamber of Deputies, but awaits ratification in the Senate.
- Taxation of larger companies. The Chamber of Deputies has approved a law to re-establish the payment of royalties in the mining sector, to compensate for the use of a non-renewable natural resource (payable at 6% of gross production), and to raise profits tax for larger companies from 25% to 37%. The Senate has yet to approve this law. It is worth pointing out that in 2006, the value of minerals exported from Bolivia was approximately US\$1.1 billion, while fiscal income to the state amounted to a mere US\$70 million.
- Taxing cooperatives. *Cooperativistas* -- who number as many as 60,000 -- officially pay only ICM tax, an initial payment towards the tax due on profits. But since they never declare profits, they do not in fact pay taxes. Anxious not to antagonise this sector, the government has made it clear that tax changes will not affect them, only the larger companies. However, this has not stopped cooperatives coming out on the streets against government policy.
- San Cristóbal, a mine near Uyuni that dates back to colonial days, has made headlines for the way in which a whole village (and its vast stone colonial church) was relocated. San Cristóbal, which produces lead, silver and zinc, began to export in July. Apex Silver, the American-Japanese owners, have invested some US\$600 million in the venture. It is among the largest mining projects in Latin America, with 40,000 tons of mineralised earth being moved every day. Once processed, it is scheduled to produce 15.7 million ounces of silver, 166,000 tons of zinc, and 59,000 tons of lead each year.
- Tax breaks ended. The Chamber of Deputies has also approved a law whereby the state no longer pays back to mineral exporting firms the local taxes they have paid, which in the past has simply encouraged the export of minerals in unprocessed form. The idea is that this will increase the incentives for industrialisation of minerals within Bolivia. Again, this law is held up in the Senate.
- Ownership of reserves. President Morales has issued a decree that makes the state the owner of all mineral reserves. However, the decree makes clear that existing concessions awarded to mining companies and cooperatives will be respected.

Firms wanting to invest in the mining sector in future will now have to sign agreements either to pay rent or enter into joint ventures with Comibol.

As we have seen, many of the government's plans for reform in the mining sector have met with strong resistance in the opposition-controlled Senate. There have also been protests by mineworkers and *cooperativistas* (with money openly passing hands to orchestrate these). A key area where the Morales government has so far failed to move ahead -- particularly owing to resistance from the workers involved -- has been the return to the state of those mines that used to belong to Sánchez de Lozada (Porco, Colquiri and Bolívar). This is, as might be expected, a sensitive political issue...

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### **3. Santa Cruz and the banner of Autonomy**

Santa Cruz has become the main focus of opposition to the Morales government since it came to office. Along with the Beni, Pando and Tarija, it has spearheaded the notion of departmental devolution, which it wants vouchsafed in the new constitution. It wants greater control over taxation and government spending. It also wants to reverse the government's plans for agrarian reform. Some go even further and want to topple the elected government in La Paz. However, not everyone in Santa Cruz – as we shall see – shares the same agenda as those groups who have appropriated the department's civic institutions.

#### **The Autonomy Statute**

July 2, the first anniversary of the referendum held nationwide on devolution, saw the publication of Santa Cruz's proposals for autonomy. A year earlier, voters in each department had been asked if they would favour greater autonomy at departmental level, within the framework that the new Constitution would provide. Santa Cruz voted overwhelmingly in favour of departmental autonomy, the 'yes' campaign winning over 70% of votes cast.

The so-called 'Autonomy Statute', produced by the Provisional Autonomous Assembly -- bringing together the main civic and agro industrial institutions and others -- is an attack on centralism and the Bolivian state. Its language is xenophobic, and there is little sense of a shared history with the rest of the country. Speaking on July 2, Rubén Costas, the prefect of Santa Cruz, highlighted what he called the "beginning of the end of authoritarian centralism", adding that "today more than ever we are at loggerheads in a crude fight for power".

According to the document, powers devolved to the departmental level would include:

- Promotion of socio-economic development and planning of economic activity; independent use and control of central government funds
- Regulation and promotion of agriculture, animal raising and forestry

- Preservation of protected natural areas, ecosystems etc. and regulation of land use
- Approval of projects and concessions related to water
- Regulation, promotion and protection of culture, native languages, cultural patrimony ...
- Promotion and definition of the policies of foundations, associations, cooperatives and other NGOs
- Definition of local electoral law
- Regulation of internal migration, in particular migratory movements between departments
- Regulation of the role of police in the department, and maintenance of public order
- Determination of policies for education at every level, and approval of all teaching texts
- Election by the Departmental Assembly of its own Ombudsman
- Definition of procedures for appointment of local judicial authorities

Santa Cruz would therefore enjoy almost complete autonomy of the central government in key areas of policy. Its laws would be subject only to the Constitutional Tribunal at national level (to ensure that measures conformed to the constitution). A “Departmental Assembly” would be elected, and there would be three ‘levels’ of devolution: first at departmental level, then at provincial level (partly to bring recalcitrant provinces on board), and finally at municipal level. Participation of indigenous groups would be subsumed to this last level.

The way in which indigenous people are marginalised in this proposal sets it at odds with the government’s proposals for ‘indigenous’ autonomies. The document relegates indigenous cultures, which it refers to as ‘native communities’. This is a calculated insult to indigenous groupings that consider themselves *originarios*, the original inhabitants of these lands. Spanish would be the official language, and the Assembly would decide where ‘native languages’ could be taught and ‘predominantly’ used.

Not all *cruceños* signed up to these proposals. Carlos Valverde, a strong and influential critic of the government, was one of many people to question the Autonomy Statute. He believes that the statute seeks to break down Bolivia’s democratic institutional structures, since it proposes that if the country and the Constituent Assembly fail to approve these proposals, Santa Cruz will establish itself *de facto* an autonomous department. He also says that the regulation of migration between departments “is not democratic”. Furthermore, he argued that the proposal tars all *cruceños* with its brush, making them out to be racists.

Valverde sees the statute as a show of strength, and argues that the document should not be allowed to be put to a referendum, since it would deepen differences between the two sides (the government/Altiplano and civic committees/lowland departments).

### **Extremist road-map**

The Nación Camba, a shadowy organisation in Santa Cruz with a racist, extreme-right agenda, has issued a pamphlet that came to light at the beginning of September, in which it made clear its agenda for subverting the elected government and getting rid of President Evo Morales. It advocated the need to:

1. Provoke the failure of the Constituent Assembly by introducing the issue of *capitalía plena* for Sucre. This would lead to a stand-off between Chuquisaca with La Paz, and since the government would be inclined to support La Paz, the opposition would gain the support of Chuquisaca. The Unión Juvenil Cruceñista (UJC) would send its supporters to Sucre to this end.
2. Open another battle front against the government, by encouraging Potosí's civic committee to propose that the nationalised mining company, COMIBOL, and the Ministry of Mines be transferred to Potosí. This would re-open old rivalries between Potosí and Oruro. Tactically it would mean getting rid of the current president of the Potosí civic committee, since he was not party to their cause. The plan would seek to harness dissident self-employed miners (*cooperativistas*), university staff and private business leaders to its cause.
3. The movement for autonomy would involve calling for 'civic stoppages', creating thereby a climate of instability and the potential for street violence. This would produce victims, who "can be used as banners for the cause". All social groups could thus be drawn into confronting the government. The pamphlet referred to the use of 'our operators' within the universities, judicial system and among members of parliament. When the government eventually fell, the president would be replaced not by the vice-president but by the president of the Senate (a member of the opposition).
4. General elections would then be called. The best candidate would be, the article suggested, not the obvious candidates of the right, but "an Indian who can be of use to us, a puppet". It suggested the current mayor of Potosí, René Joaquino.

### **Civic strike**

The civic committees of six departments (Santa Cruz, Tarija, Beni, Pando, Cochabamba and Chuquisaca) called a strike on August 28 to protest against the vote taken in the Constituent Assembly that removed discussion of the *capitalía* issue from the agenda of the Assembly. This decision was taken because of the conflict that the issue was causing between Chuquisaca and La Paz, and the way it was preventing discussion of more fundamental issues relating to the new constitution.

Conflicts erupted in Santa Cruz between those who wanted to go to work and the armed vigilantes of the UJC. The UJC mobilised 2,000 people, who sacked shops, punctured vehicle tires and attacked people who refused to take part. The Santa Cruz Civic Committee obligingly paid up for the damage caused.

The civic committees of the six departments followed through on the August 28 stoppage with a further declaration of their demands on September 5:

- The new Constitution should be approved by a 2/3 majority
- Bolivia should be a 'unitarian republic', a single nation, in which land ownership should be regulated at departmental level and where the economy should be ruled by the market
- Further action should be taken in support of Chuquisaca against the 'illegal' resolution that removed the issue of *capitalía* from the Constituent Assembly agenda
- The government should stop its political persecution (of certain landowners)
- The government should change its economic policy and put a brake on inflation

## Dissident views

Not everyone in Santa Cruz supports the stance of the Civic Committee, the prefect or (still less) the UJC. July 2 also saw the publication of a press manifesto from *cruceño* intellectuals and members of the middle class. They criticised the way in which civic institutions had been taken over by 'people with hidden interests and intolerant attitudes' whose main objective was to protect their narrow economic interests and to pit one group in society against others. They also expressed the fear of the use of reprisals against those who refuse to toe the Civic Committee's line. They claimed that it is time "to listen to all of us, to respect our right to build a new Santa Cruz together". There are also popular organisations in Santa Cruz -- notably among indigenous groups, peasants and urban organisations -- which provide a counter-balance to the views of the Civic Committee and organisations linked to it. In view of the climate of increasing intolerance, these opposition groups know the risks they are running.

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## 4. Inflation ebbs in September

The inflation rate slowed considerably in September to a monthly 0.19%, enabling the government to parry consistent opposition and media criticism that inflation is getting out of control. Still, the inflation rate is well above that originally envisaged by the central bank. In the first three quarters, accumulated inflation came to 8.3%. Economic analysts and the media had previously begun to raise the spectre of hyperinflation that overwhelmed the UDP government of President Hernan Siles Zuazo in the early 1980s.

Up until August, monthly inflation had been on an upward trajectory. The reasons for this are several, but they include both conjunctural and more structural ones. One reason has been the increase in the price of wheat (a worldwide phenomenon) that Bolivia imports; bread is an important component in people's expenditure patterns. Also Bolivia has found itself importing inflation from some of its neighbours through the appreciation of the currencies like the Brazilian *real*.

As well as this, the economy has been receiving increased inflows of money, with income from petrol and gas exports high and remittances accounting for 25% of export income; at the same time, money raised from taxes on hydrocarbons has increased substantially and this is being channelled through departmental and municipal governments, amongst others.

However, the more structural problem the government faces is that, as a result of several years of growth, demand in the economy is pushing ahead of supply. This is particularly the case because of the relative lack of investment in the economy, both private and public.

The government has sought to mitigate some of these inflationary pressures. One way of trying to achieve this is by letting the *Boliviano* appreciate, if not against the *real*, against other currencies. This helps reduce inflation by lowering the local price of imports. Having maintained itself at over 8 *Bolivianos* to the US dollar for many years, the dollar is now trading at 7.71 *Bolivianos*. In large part, this reflects the recent fall in the dollar against most other currencies. The central bank has also been seeking to intervene on the foreign exchange markets to this end.

Other measures taken have included the importation of flour from Argentina, which has helped return the price back to its pre-hike levels, and combating speculation in street markets by putting in place stricter price controls.

Meanwhile an IMF mission evaluated the Bolivian economy and found 'very positive results' during the first half of 2007, with macroeconomic and fiscal stability, consistent monetary policies all providing good signs for investment. The mission did suggest that the government reduce the subsidy on hydrocarbons, but the government is unlikely to take on measures that would force overall price increases, affecting the poor hardest.

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## **5. UNITE the Union delegation to Bolivia**

Members of a delegation from *UNITE* visited Bolivia in August. They spent three days talking to political figures and people from social movements. Here, Steve Davison\* shares his impressions of the visit with *BIF Bulletin* and discusses the importance of the changes taking place there.

**“It reawakened our belief that progressive change is possible!”**

*UNITE the Union* has been an ardent supporter of the political changes that have recently swept across much of Latin America, as progressive left-wing governments have firmly been established within the region and a sense of optimism, excitement and opportunity is oozing from the working people of Latin America.

While *UNITE* and many other UK trade unions have focused their attentions on building links with comrades and trade unions in Venezuela and Cuba, Bolivia has unfortunately escaped many people's attention.

During discussions, our comrades from Cuba and Venezuela were keen to stress the importance of Bolivia and its president Evo Morales in creating the Bolivian revolution and contributing to the progression towards socialist governance in Latin America. They were concerned that the US may try to undermine and disrupt the situation in Bolivia in an attempt to destabilize the region as a whole.

In light of these discussions, *UNITE* decided to send a small delegation to Bolivia in order to develop and build links with trade unionists, politicians and labour movement activists there.

Our first impression of Bolivia was the sheer enthusiasm and sense of change that is currently taking place. From top to bottom, from its President Evo Morales through the politicians and down to its people, there is a buoyancy of political hope.

A good example is El Alto, a suburb of La Paz with approximately 1 million inhabitants, mostly migrants. The buzz of political activity was immense, with meetings taking place in every venue and on every street as the masses, 71% indigenous and previously excluded from the political process both at national and local levels, were busily encapsulated in the political discussions as they attempted to shape their own socialist future.

In a time when many right-wing governments from around the world, most notably in our own country and the US, are promoting the rhetoric of “**only one global economic model**”, based on privatisation, neo-liberalism and unaccountable capitalism, Bolivia, with help and in conjunction with Venezuela and Cuba, is attempting to create an alternative socialist economic model.

This “*Bolivarian economic model*” is based on decency, equality and fairness and is fundamentally underpinned by the ethos of collective responsibility, collective decision making, inclusive policies and collective benefits for all.

The stark contrast between the two economic models can not be demonstrated more clearly than by the recent developments over healthcare for the poor in America. While George Bush (4/10/07) uses his presidential veto to block legislation that would have given healthcare to 10 million of the poorest American children, Evo Morales, is continuing to re-nationalise his country’s natural commodities in order to redistribute its wealth more evenly, tackle illiteracy, eradicate malnutrition, deliver universal healthcare and end poverty.

However it is not only the US that is unsupportive of the new political direction of Bolivia. The internal right-wing oligarchy is also intent on disrupting the progress.

A clear indication of this is the oligarchy’s current attempts to undermine Morales’s initiative to establish a new constitution, which would allow him to make the necessary changes to deliver these wide spread social initiatives and policies.

In spite of this, confidence is high in Bolivia and people firmly believe that Morales and his supporters will eventually succeed with the new constitution, which will enable them finally to deliver the Bolivian socialist alternative.

We got the distinct and powerful impression that now they have been able to seize the political momentum from the neo-liberal right and are now in control of their own destiny, these people are not going to give it up easily.

Nevertheless, it needs to be recognised that many internal and external enemies of Morales will do anything to undermine and disrupt the progressive direction being taken in Bolivia. We as UK trade unionists can play a vital role in counteracting this attack, by

building our own solidarity links with the working people of Bolivia, raising awareness through our own organisation of the positive social direction of the country and by using our political influence in Westminster to ensure that Bolivia is given the right to self-determination, is treated in a fair and equitable way, and is allowed to carry on in its remarkable attempt to deliver a decent and bright future for its people.

Being in Bolivia certainly had a profound effect on the *UNITE* delegation. It reawakened our belief that progressive change is possible and that there is an alternative future to the one spouted by the right-wing governments and corporate companies.

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