



BOLIVIA INFORMATION FORUM

Bolivia Information Forum Bulletin

Special Edition, 1 December 2007

Nearly two years have passed since the election landslide that brought Evo Morales to power in Bolivia. Morales promised to provide a new deal for the downtrodden in Bolivia, particularly its indigenous peoples of which he is one. The achievements of these two years have been substantial, notwithstanding the attempts of the conservative opposition to frustrate progress. The Bolivia Information Forum (BIF), a non-partisan organisation established in the UK to provide information on and support to Bolivia, produces a regular bulletin that analyses developments there. This is a special edition of the BIF Bulletin, summarising some of the achievements of Morales' government as well as some of the obstacles it has had to contend with. To receive the bulletin regularly, or to get involved, visit the BIF website, www.boliviainfoforum.org.uk or email enquiries@boliviainfoforum.org.uk.

1. The Constituent Assembly. Last weekend, after interminable delay, the Constituent Assembly finally began voting on the terms of the new constitution. It did so following a boycott by the main right-wing opposition parties and amid scenes of violent anti-government demonstrations on the streets of Sucre, the city where the Assembly is being held. Following months of fruitless negotiations and prevarications on the part of its opponents, and faced by a December 14 deadline, the ruling *Movimiento al Socialismo* (MAS) finally decided to dispense with its opponents' presence and press ahead with its commitment to provide Bolivia with a new constitution.

This had been one of Evo Morales' key commitments in 2005 when he was elected president with 54% of the vote. The need for constitutional reform had been pressed for years by the various social movements which supported his candidacy. A new constitution would give new legal rights and means of redress to the country's poor and indigenous majority. It would also pave the way for further institutional changes to consolidate the new disposition and to ensure that such changes would be lasting.

Elections took place for members of the Constituent Assembly in July 2006, in which the MAS emerged victorious, with more than half the seats in the new Assembly. The Assembly began its work in August 2006 amid high hopes for the future. It was given twelve months in which to produce a new constitution whose text would then be submitted to the people in a referendum.

But almost immediately, the conservative rump in the Assembly (led by the *Podemos* party) found a way to halt the proceedings, arguing that a two-thirds majority was required to approve each and every article of the new constitution. If accepted, this would have given Morales' opponents an effective veto. The parties of the right had no interest in seeing Evo's plans implemented, not least because these would challenge the long-held privileges of a small elite. With little progress made by the following June, an extension to the deadline was agreed until December 14.

When the Assembly reconvened in August, it faced new difficulties. Urged on by the right-wing Civic Committee of Santa Cruz (see below), its counterpart in Sucre began to revive Sucre's old claim to be capital of Bolivia. Sucre had been Bolivia's capital until 1899, since when the executive and Congress have sat in La Paz with the judiciary based in Sucre. So it was that an arcane dispute, which most Bolivians consider an issue of secondary importance, became the next obstacle to progress. Faced with physical threats to the security of its members, the plenum of the Assembly could not be convened.



Upheavals at the end of November in Sucre tend to hide the fact that a series of important political agreements have been reached involving 14 of the 16 different parties represented in the Assembly. The main absentee from these discussions was *Podemos*, the second largest force after the MAS. These were the main areas of agreement:

- Bolivia is a unitary state, composed of different nations, that recognises the right of free determination and self government on the part of indigenous peoples
- The state is responsible for the social welfare of the population, and recognises community organisation as playing a role in this; society is responsible for oversight of government administration
- The Bolivian state is a secular one
- Democracy is seen as a process involving widespread participation in addition to involvement in elections
- Natural resources are the property of the Bolivian people, and are administered by the state; property can be held by private and collective interests, as can land
- The state plays an important role in economic development and planning
- The economy brings together three main actors: the state, community enterprise and the private sector
- The state is decentralised to departmental, regional/provincial levels, to indigenous-*campesino* groupings and to municipalities; elected local government bodies at departmental level will legislate for their department, though the details of their competences are not yet clear. Controls and balances will be provided by the state at national level.

It was only on November 24, with some three weeks to go before the deadline expired, that the government determined to jump-start the Assembly by removing it to a secure environment and forcing the pace of decision making. A day later, the outline of the new constitution was approved by almost all those present. As well as including many of the points listed above, the outline announced included the removal of the bar to immediate re-election on the part of the president and vice-president. This would bring Bolivia into harmony with the majority of Latin American countries.

2. 'Nationalisation' of oil and gas. As well as pushing ahead with constitutional reform, the Morales government was quick to honour promises made in the elections and before to reformulate the privatisation policies of the Sánchez de Lozada governments (1993-97 and 2002-03). Among other things, Sánchez de Lozada, a wealthy mineowner, had privatised Bolivia's oil and gas industry, agreeing lucrative contracts with large foreign companies, including Petrobras (Brazil), Repsol (Spain), Total (France) and BG (United Kingdom). The demand to reverse this was one of the key demands that led to Sánchez de Lozada's ousting as president in October 2003.

Having sent the troops into the gas fields on May 1, 2006, the Morales government proceeded to announce that foreign investors would be given six months to sign new contracts with the Bolivian authorities under which they would renounce claims to ownership and enter into service agreements with the government. Meanwhile, the depleted state company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), would resume its functions in the industry. At the same time, the Morales administration promised to renegotiate contracts with Bolivia's two main gas customers – Brazil and Argentina - to raise the amounts they would pay for Bolivian gas.

At the end of October 2006, just as the six-month deadline expired, all the foreign companies involved signalled their willingness to sign new contracts which, among other things, greatly increased the amount of tax they would pay to the government. Meanwhile Argentina had signed a new agreement to buy more Bolivian gas at a substantially higher price. And even though Brazil was unwilling to renegotiate its contract with Bolivia, it ended up raising the price of some of the gas it buys.

The main question mark then posed was whether the companies would begin to invest more in Bolivian gas fields, enabling Bolivia to keep production levels ahead of sales commitments. Through much of 2007, the gas companies made little more than verbal promises to raise investment. However, over the last month, the situation has changed, particularly with respect to Petrobras, much the biggest investor. Energy shortages in Brazil and the realisation that Brazilian gas supplies will not meet the shortfall for several years is forcing Petrobras to announce substantial new investment in Bolivia.

As well as reasserting national control over the oil and gas industry, the Morales government has greatly increased the tax revenues it receives from gas exploitation. This is being channelled into regional development through local government. It has also enabled the Bolivian government – for the first time in living memory – to announce a fiscal surplus. With the increase in the volumes exported and with higher rates of taxation, Bolivia is beginning to be able to finance some of its own development needs.

3. The Jindal contract and the development of iron ore. Congress has finally approved the contracts for the development of the giant Mutún iron ore deposit on the frontier with Brazil. The deal with Jindal, an Indian iron and steel company, shows that the Morales government is keen to count on foreign investment when the terms are good for Bolivia.

Mutún, near Puerto Suárez in Santa Cruz, is the biggest iron ore deposit in the world. When the government of Evo Morales came to power in January 2005, it called for the bidding procedures for Mutún to be revised to allow greater state involvement. Jindal won the bidding, and after extensive negotiations, contracts were signed in July 2007. The terms include an increase in taxes, which are now being applied to all mining companies.

Jindal will work 50% of the deposit; investment will reach US\$ 2.1 billion; steel and iron will be produced locally by the state firm Empresa Siderúrgica del Mutún (ESM). The smelting plant will be fired by natural gas rather than carbon, as initially proposed, and which would have led to serious deforestation. The firm will now provide work to 6,000 people rather than the 1,000 originally proposed.

The ESM will share in the profits, besides which Jindal will pay 5% of the value of gross production in royalties, to be distributed mainly to the Puerto Suárez region plus 25% of the company's profits 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 about US\$ 200 million a year.

Whilst this contract, with its obvious benefits for the country, was approved in the House of Deputies, the Senate, controlled by the opposition, had refused to discuss the law. Recent negotiations between the MAS and the opposition have led to the approval of the contract as recommended, approval of a second law (formally to establish ESM with local participation on the board), and approval of tax increases in the mining sector. The people of Puerto Suárez have lobbied hard and have been instrumental in the success of the negotiations.

4. Social policies. Increased income from taxation on oil and gas (and now also from mining) has been distributed both to local government (municipal and departmental levels) and to the population directly. These are some of the measures taken in social policy:

- Access to basic services has been made cheaper for those least able to pay, with 25% electricity price cuts affecting about half a million homes; telephone calls are now charged by the second, reducing the cost of calls.
- The minimum wage has been raised twice, with health workers and teachers winning better pay awards. By contrast, the pay received by the president, ministers, members of parliament and judiciary has been cut, allowing for new health and teaching posts to be opened. Pensions have been increased, especially for poor pensioners.

- Healthcare reforms, still to be approved by the Senate, include free healthcare for all under the age of 21.
- In 2006, children in primary schools received some US\$25 each, a move being repeated this year. The '*Bono Juancito Pinto*' has led to a 10% increase in school matriculation. This has benefited young girls from rural areas in particular.
- The government has presented legislation (again held up in the Senate) that uses the money from gas to provide a monthly pension to those over 60. Protest marches arrived in La Paz last week to lobby the Senate.
- Initial land distribution measures have benefited over 35,000 families. Changes to the land reform law now mean that where land use is not fulfilling certain economic and social criteria, it can be returned to the state for redistribution to landless families.

5. Santa Cruz and the opposition. Santa Cruz has emerged as the main nucleus of virulent opposition to the Morales government and its policies. As we have seen above, the main opposition to the Constituent Assembly has come from the civic committee in Santa Cruz, the *Comité Pro-Santa Cruz*. The *Comité Pro Santa Cruz* is an organisation that brings together the major business interests in this region, one which has seen spectacular growth in recent decades. As well as urban interests, it represents large-scale landowners in an area that was never affected by agrarian reform in the 1950s and 1960s.

The *Comité Pro-Santa Cruz* has always adopted a strident free-market ideology which has frequently clashed with the policies of governments in La Paz, especially those of a left-of-centre orientation. It is also linked (albeit informally) with racist-inspired organisations, like the *Unión Juvenil Cruceñista* (UJC) which seek to maintain Santa Cruz 'white', resisting the tide of migration of indigenous peoples from other parts of Bolivia. The head of the *Comité Pro-Santa Cruz*, Branco Marinkovic, whose family came from Croatia and who is a major landowner, has become one of the Morales government's most fervent critics.

In recent years, the political elite of Santa Cruz have striven to achieve a greater degree of autonomy from La Paz. It wants more of the money it generates – chiefly from agroindustry and hydrocarbons (oil and gas) – to stay in Santa Cruz. This view is echoed elsewhere, notably in Tarija, south of Santa Cruz towards Argentina. Most of the gas discoveries of recent years have been in Tarija, where demands for autonomy have become as strident as in Santa Cruz. Two other lowland departments where agribusiness is widespread – Beni and Pando, northwards from Santa Cruz – also have made common cause with Santa Cruz and Tarija.

The election of prefects, which took place for the first time in 2005, has provided the opposition with an important foothold. Traditionally these were executive appointees at the departmental level, but their election has given them an added profile. In the 2005 elections, the MAS candidates for prefects won in only three out of nine departments. At the same time, the increase in tax revenues has provided prefects with more resources than they ever had before. As well as Santa Cruz, Tarija, Beni and Pando, the prefects of Cochabamba and Chuquisaca (Sucre) have jumped on the opposition bandwagon. The other principal spheres of influence for the opposition are in the Senate (where the government lacks a majority) and in the media (which are almost universally anti-Morales).

However, not everyone in Santa Cruz (or elsewhere in the lowlands) sympathises with the civic committees and prefects. There was strong support for the MAS in the 2005 presidential elections and the 2006 Constituent Assembly elections both in Santa Cruz and Tarija. Large numbers, including urban workers, peasant farmers, indigenous peoples and immigrants from other parts of the country all backed the MAS, challenging the notion that the elites speak for all. Such political variance reflects the diversity of economic interests within departments like Santa Cruz.