



# BOLIVIA INFORMATION FORUM

## Bolivia Information Forum Bulletin

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# Towards the recall referendum

August 10 promises to be a pivotal point for the government of the Movimiento al Socialismo (MAS). On that day, Bolivians will go to the polls in a recall referendum. President Evo Morales, Vice-president Alvaro García Linera, and eight departmental prefects will submit their fate to the voters. In the ninth department, Chuquisaca, the recent election of a new prefect (see below) averted the need for a recall vote. The chances of Evo and Alvaro being forced to resign are slim, but this may not be the case for some of the prefects.

The recall referendum became law in May, when the opposition Podemos party, which has a small majority in the Senate, finally ratified a government bill introducing the recall referendum. This had been passed last December in the Chamber of Deputies, where the MAS has a majority of seats, but passage of the bill was subsequently blocked in the Senate.

The opposition's change of tack in supporting the bill appeared to reflect growing confidence that, in the wake of the Santa Cruz referendum on autonomies (see below), it could oust Morales in a recall referendum. But almost immediately, opposition leaders realised the magnitude of the mistake they had committed. So too did Morales who wasted no time in promulgating the new referendum and setting August 10 as the date for this to be held.

**Given Evo's popularity ratings, it is almost impossible that he would be forced to resign.**

The referendum obliges executive authorities at the national and departmental levels to put their jobs on the line. According to the legislation, for an executive authority to be recalled, they must receive more 'no' votes than the number of votes by which that authority was elected. So in the case of Morales and García Linera, that would mean more than 54% of the population voting 'no', since that was the majority by which they were elected to office in the December 2005 elections.

Given Evo's popularity ratings, it is almost impossible that he would be forced to resign. Indeed he has the chance of boosting his popularity over the 54% mark. Were he to achieve this, it would be an important reaffirmation of his legitimacy and that of the MAS government. The MAS is already campaigning hard to this end.

However, some of the opposition prefects may well fail to make the grade and be re-elected. Since some were voted in with 35-45% of the vote, they will have to obtain 55-65% of the vote to stay in post. Most at risk are José Luis Paredes, prefect of the department of La Paz, who was elected for Podemos in 2005 and Manfred Reyes Villa, who was elected for his own grouping in Cochabamba. The MAS scored poorly in the 2005 prefectural elections, winning in only three of nine departments (Oruro, Potosi and Chuquisaca). With its focus on the national elections, it failed to select strong candidates in many places.

**However, some of the opposition prefects may well fail to make the grade and be re-elected.**

In the eastern 'media luna' departments (Santa Cruz, Beni, Pando, Tarija), however, it seems likely that most incumbent opposition prefects will be returned to office. In each case, they have used the demand for greater regional autonomy as the drum to rally pro-regionalist opinion.

Though the opposition seems divided on the issue, there are moves under way to change the law as it stands, putting all the prefects at least on the same starting block of needing to achieve 50% + 1.

## **Autonomy referendums**

Four departmental referendums have been held (Santa Cruz, Beni, Pando and Tarija). These were held to approve 'statutes of autonomy', documents drawn up by elite-based civic committees in each department. The statutes vary slightly between one department and another, but their objective was to rally local opinion against the autonomy provisions in the new draft constitu-

tion. The opposition – both Podemos and anti-government civic committees in the ‘media luna’ – have made no secret of their designs to scupper the draft constitution passed by the Constituent Assembly last December in a session boycotted by opposition assembly members.

In each case, the referendums were condemned as illegal by the government since they contravened the existing constitution. However, the civic committees held them regardless, ignoring pleas from the Organization of American States and a number of other Latin American governments to continue a process of dialogue with the authorities in La Paz.

## The opposition have made no secret of their designs to scupper the draft constitution

Unsurprisingly, the ‘yes’ option won more votes than the ‘no’. However, taking into account widespread abstention – the government called on people to abstain because the referendums were illegal – the ‘yes’ margin represented a minority of those who legally registered to vote. Adding together those who voted ‘no’, those whose ballots were null or void, and those who stayed away from the polls, the margin of the ‘yes’ victory was much less striking than a count of the ‘yes’ percentage of valid votes cast (see separate article on the results from Santa Cruz and Tarija).

### The opposition’s uglier side

Notwithstanding this electoral activity, the right-wing opposition has revealed its uglier aspect in a number of violent, racist attacks in recent weeks. The most striking of these took place in Sucre on May 24. Peasants, who had travelled to Sucre to receive ambulances for their communities from Morales, were beaten up, stripped and forced to burn their ponchos, the MAS flag and the *wiphala* (the indigenous flag) in the main square. Among the applauding onlookers were prominent members of the local civic committee. Morales was obliged to suspend his visit to Sucre.

Such tactics show the growing influence of the Unión Juvenil Cruceñista (UJC), the proto-fascist organisation that operates under the auspices of the civic committee, the Comité Pro-Santa Cruz. The UJC were out in force in MAS-supporting districts of Santa Cruz city during the referendum on autonomies on May 4, intimidating people into registering a ‘yes’ vote. Similarly, they were ac-

tive in other departmental capitals during the holding of the autonomy referendums.

### Election of prefect in Chuquisaca

The reason why no recall referendum will be held in Chuquisaca is that a new prefect, Sabina Cuéllar, was voted in on June 29. This was a defeat for the MAS in an area where it had previously enjoyed strong support. This reflects the successful tactics of the opposition in demanding the restoration of Sucre’s former status as the full capital of Bolivia, as well as banging the autonomy drum as they are doing elsewhere. The civic committee managed to recruit Cuéllar as its candidate, a former MAS supporter with a long background in Chuquisaca peasant politics. The vacancy came about because the former MAS prefect, David Sánchez, had been run out of town during the riots over the constitution at the end of last year. He eventually resigned his post from exile in Peru.

If the prefects of the ‘media luna’ are returned with strong majorities, this will further push them towards adopting intransigent positions.

### Looking ahead

Assuming that Evo Morales and Alvaro García Linera are confirmed in office on August 10, and if they increase the proportion of the vote, this will provide the MAS government with an important fillip. It seems likely that they would use the opportunity to push ahead with ratification of the new constitutional text. In order to be ratified, the text needs to be submitted to a referendum. This might happen towards the end of the year or at the beginning of 2009.

However, this will not resolve the problem of autonomies and the determination of the opposition to defy (and destabilise) the Morales government. If the prefects of the ‘media luna’ departments are returned with strong majorities, this will further push them towards adopting intransigent positions. The opposition will also continue to capitalise on any dissatisfaction caused by rising prices of basic consumption items, particularly food.

# Autonomy referendums: votes for, against and abstention rates

The figures produced by the departmental electoral courts (CDEs) of Santa Cruz and Tarija show how a large proportion of the electorate abstained from voting in the recent referendums on departmental autonomies. The Morales government, which refused to acknowledge the legality of the referendums, appealed for people to abstain rather than vote 'yes' or 'no'. Normally in Bolivian elections abstention levels are low (10-15%) since voting is obligatory, so the difference suggests considerable backing for the government position.

## Santa Cruz

For the department of Santa Cruz as a whole, the total 'yes' vote was 51.1% of registered voters, with abstentions at 37.9%, and 8.6% voting 'no'.

Breaking this down into geographical areas, the results were as follows:

Place/region	Yes	Abstention	No
Santa Cruz city	55%	33%	9%
Northern provinces	40%	52%	6%
Vallegrande and valleys to SW	41%	41%	13%
E. Chiquitanía (border Brazil)	62%	28%	8%
W. Chiquitanía (northwest)	28%	65%	5%
Chaco (south)	36%	50%	10%

The areas where the abstention rate was higher than the 'yes' vote included the northern provinces (areas colonised by migrants from the highlands as a result of government organised migration programmes and of spontaneous migration in the 1960s-70s); the western Chiquitanía (Guarayos, with its well-organised indigenous population); and the Chaco Province (with its well-organised Guaraní indigenous population and the town of Camiri which wants to achieve more benefits for itself from oil and gas production). In the Vallegrande area (mainly peasant

producers) the 'yes' vote and the abstention levels were much the same, though some decided to vote 'no' instead of abstain. In the eastern Chiquitanía, on the border with Brazil -- an area of predominantly large landowners -- the 'yes' vote was high.

The majority of the electoral population is concentrated in the city of Santa Cruz, and it is there that the 'yes' vote attracted most support, with 55% of registered voters supporting the autonomy statutes. However, there too there were differences between the levels of support from one constituency to another: the four outlying constituencies in the city, which include the large urban settlement, known as Plan 3000, saw higher levels of abstention and 'no' voting. There the 'yes' vote was 49% of all registered voters.

## Tarija

By no means all in Tarija showed themselves in favour of the proposals on autonomy. There is a well-organised campesino movement in the department which broadly supports the government. There are also sub-regions with their own grievances about rule from the city of Tarija, such as the eastern Chaco region where most of Bolivia's natural gas wealth is located. In most places other than Tarija city, levels of abstention were higher than the proportion of those voting 'yes':

Place/region	Yes	Abstention
Tarija (city)	45.85%	38.24%
Gran Chaco	36.95%	46%
Yacuiba	36.04%	45.88%
Carapari	35.05%	46.81%
Villamontes	40.22%	47%

Both the figures for Tarija and Santa Cruz show the importance of the urban population in determining electoral outcomes. They also suggest that the much-vaunted 85% figures in favour of the 'yes' vote (in these two departments at least) need to be taken with a pinch of salt.

# Inflation, food prices: not just an economic issue<sup>1</sup>

## The global picture

A recent World Bank study points to a 140% increase in food prices worldwide since 2002, which the Bank attributes mainly to biofuels production. The FAO, for its part, shows large increases particularly in the price of cereals over the last year (wheat up 130%, rice 74%, and maize 53%). Whilst the incentives given in the United States by the Bush administration to biofuels production (to the detriment of food production) is clearly one factor, there are also others:

- The neglect of small farmers and food production in favour of large-scale production of cash crops for export, along with the undercutting of prices with the import of cheap foodstuffs. This has been exacerbated by the introduction of free trade agreements (FTAs).
- Large increases in the prices of petrol and diesel (and fertilisers too), with knock-on effects in the price of foodstuffs.
- Increased demand from countries with high levels of growth, such as China, India and Vietnam.
- Recent droughts in countries producing cereals, such as Australia and the Ukraine.

**It is the poorest countries, and the poor generally, that are most affected.**

It is the poorest countries, and the poor generally, that are most affected. They spend proportionately more of their income on food. The IMF, amongst other organisations, has called for temporary subsidies and other policies to help people cope with the crisis. In Latin America, the countries most affected are Venezuela, Nicaragua and Bolivia, though many countries are experiencing higher levels of inflation than expected.

## Situation in Bolivia

Inflation shot up from 3.9% in 2006 to 11.7% in 2007. The latest figures, for the first half of 2008,

put inflation at 8.8%. Regional variations show that areas affected by the boom in mining have higher levels of inflation, where higher incomes translate into higher demand for food. Foods most affected by inflation include bread, wheat, rice, maize, meat (beef and chicken), potatoes and some vegetables (eg tomatoes).

So far, protests at the grass-roots level have been muted. Shortages of cooking gas mean long queues and there have been instances of people blocking streets. Market traders have on occasions refused to buy chicken because of the prices being charged by producers. In Cochabamba, there was a march organised by factory workers and neighbourhood committees for 'Bread, Jobs and Housing'. The workers' organisation, the Central Obrera Boliviana (COB), is demanding salary increases over and above the 10% limit agreed by the government, and teachers have also been on strike to this end. Local newspapers have been stoking the fires of discontent with respect to inflation.

**Shortages of cooking gas mean long queues and there have been instances of people blocking streets.**

## Contributory factors to food inflation:

There are some long-standing reasons for the rise in food prices:

- Food production has tended to be neglected since the introduction of adjustment measures back in 1985. The neoliberal model of development has encouraged monoculture and the use of chemicals, while the liberalisation of imports has undermined local production. State bodies involved in food production were privatised at the time and credit previously made available to peasant food producers disappeared making it difficult for them to buy the necessary inputs. The quality of soils has deteriorated in many places. A reduc-

tion in the flocks of sheep owned by families also means there is less natural fertiliser available to help production.

- The area of land used for food production fell from 70% in 1986 to 52% in 2005. Cash crops (many for export) rose from 13% to 47% of cultivable land over the same period. This situation seems now to have reached a limit, and land is returning to food production.
- Areas producing wheat have fallen substantially over recent decades with little incentive to compete with imported wheat (particularly donated wheat).
- Production of crops and livestock has been affected by a succession of natural disasters in 2006, 2007 and 2008, with serious flooding in the lowlands and droughts, frosts and flash hailstorms in the highlands.

Biofuels production has yet to take off in Bolivia, partly because soya (produced widely in the lowlands) is fetching such a good price. However, agribusiness interests in Santa Cruz are looking into the possibility of growing more sugar cane for biofuels production.

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Other more recent factors have helped push up prices in Bolivia:

- Smuggling of foodstuffs (as well as petrol, diesel and cooking gas) to neighbouring countries, where prices are higher. A canister of cooking gas in Bolivia costs US\$ 3.13, whilst the price in Peru is US\$16.67 and in Argentina US\$87. Flour, rice, chicken, beef and cooking oil are some of the foods being sold more profitably abroad.
- Producers of meat and cooking oil are deliberately restricting supply by stockpiling produce. The shortages created have pushed up prices, thereby contributing to political unrest.

### Government measures:

The government has taken a variety of measures to stem inflation:

- Maintaining subsidies on petrol, diesel and cooking gas, the price of which has not increased since 2004. Whilst the cost of the

subsidies grows with the international price of petrol, these costs are not being passed onto the consumer. Nor are they being passed on to large agroindustrial concerns in the eastern lowlands, the main beneficiaries of cheap diesel.

- Giving the state a more important role in the production of basic foodstuffs. A body (EMAPA) has been set up to provide credit and incentives to small producers (wheat, rice, maize etc.) EMAPA is currently selling rice from the first assisted harvest direct to the consumer at controlled prices. Funding is being made available for projects that encourage cereals and vegetable production. In the Abapó-Izozog region of Santa Cruz, the armed forces are involved in large-scale wheat production.
- Providing vulnerable sectors of the popula-

## The issue of inflation is closely related to political struggles taking place in Bolivia

tion with allowances, for example, through the *Juancito Pinto* and *Renta Dignidad* programmes to the benefit of school children and the elderly respectively (see BIF Bulletin No. 9). There is also a 'zero malnutrition' programme in schools, aimed at those under six.

- Importing or buying foodstuffs locally to sell directly to consumers at cost price. Faced with the shortages from meat producers, the Ministry of Rural Development has acquired meat directly from smaller producers to fill the gap. Purchases of wheat and rice from Argentina have been sold at subsidised prices in Bolivia.
- Temporarily suspending export licences for basic foodstuffs. Cooking oil was being sold by producers at double the price on the domestic as on the export market.
- Using the military to try to stop smuggling to neighbouring countries.
- Introducing price controls in markets to stop speculation; providing information on prices people should pay; and having municipal officials check the weights used and prices charged in markets.
- Using the devaluation of the dollar against the boliviano to reduce the amount of money in circulation, both from export revenues and remittances.

### Issues behind the scenes:

The issue of inflation is closely related to political

struggles taking place in Bolivia:

Land reform. The government of Evo Morales has made it clear that it wants to put idle land to use, and by so doing to increase production of food. It is currently trying to implement a land reform in the eastern lowlands by which idle land in the hands of large landowners would be transferred to the landless. This is a policy that underlies the determination of opposition landowners to thwart the government at every turn. Large-scale producers of goods like chicken have been urged by landowners' organisations (such as the Cámara Agropecuaria del Oriente, CAO) deliberately to raise their prices. Chicken producers, however, have now decided to enter into a process of on-going negotiation with the government over the prices they charge.

The media. The newspapers and television play an important part in generating political malaise among the population. Their focus on inflation as an issue has compounded uncertainty. However, while people are clearly worried by price increases, this has yet to translate itself into large-scale demonstrations against the government.

The military. The armed forces have acquired a new role as protagonists of economic development, as opposed to their more conventional defence and law-enforcement roles.

<sup>1</sup>*With thanks to Julio Prudencio, María Arce and Roxana Liendo for their important contributions to this article.*

## Nationalisation of Transredes, transporter of oil and gas

On May 1 2008 the Bolivian government nationalised Transredes, along with other firms involved in the extraction, transport and storage of oil and gas. The issue has raised quite a lot of controversy, and it is important to consider the Bolivian case on this matter.

Almost at the start of his period in government, Gonzalo Sánchez de Lozada signed an agreement in 1994 with Enron to build the gas pipeline between Santa Cruz and Sao Paulo; the agreement was plagued by a number of irregularities, and was implemented without the agreement of the national hydrocarbons firm, YPFB. Later Petrobras had to step in with funding when Enron failed to carry out the promised investment; Bolivia paid Petrobras in kind with gas once the pipeline was up and running. In 1996, Transredes, a company whose main shareholders were Enron and Royal Dutch Shell, won the bid for capitalisation (the Bolivian variant of privatisation) of the transshipment of oil and gas within Bolivia, with the specific responsibility of building the gas pipeline to Brazil. Transredes held 50% of shares in the pipeline, the Bolivian state 33%, and other private shareholders 17%. Transredes was therefore the major beneficiary of the investment as well as owner of the pipeline.

Enron was declared bankrupt in 2001. The process of clarifying the company's affairs took until 2006 to complete. Meanwhile, Prisma, which

handled Enron's overseas assets, was in turn taken over by Ashmore Energy International, with offices in the Cayman Islands and Texas. This is part of the Ashmore Group plc.

In May 2006, Bolivia nationalised its hydrocarbons industry. The first step was renegotiation of contracts between multinational investors and the Bolivian state, leading to increased revenues for the state and the re-establishment of Bolivian ownership of the oil and gas produced locally. It was also made clear then that the government was seeking majority control (50%+1) of the companies that had been capitalised back in the 1990s, including Transredes.

On April 1 this year, the government published a decree calling for firms involved in the capitalisation process to sell part of their shares, so that the state could achieve majority control.

A month later, on May 1, the government nationalised the capitalised firms Chaco, Andina and Transredes, allowing a period of one month to finalise agreements. In some cases, agreements had already been reached, enabling the state to acquire the majority of shares, for example, in Andina-Repsol. In the case of Transredes, the state bought up 14% of shares from those held by private investors. It needed 2.66% to achieve overall control. However, Transredes did not want to sell up.

So on 1 June 2008, the government took over Transredes' shares, promising to pay the sum of US\$ 243 million.

The process of discussion and negotiation with Transredes has been fraught with tensions:

- Transredes brought up the issue of arbitration at different points, though Bolivia no longer takes part in the arbitration process of the International Center for Settlement of Investment Disputes (ICSID), part of the World Bank, and it is not clear how this situation will develop in the medium term.
- Transredes' reputation in Bolivia was stained by a large oil spill in the Desaguadero River (between Lake Titicaca south towards Oruro and Lake Poopó) in 2000; the disaster affected 127 *campesino* communities, their lands and livestock.

- Only under pressure from the Morales government did the company pay compensation to the families affected.
- Relations reached a low point in February 2007, when the company shut off the valves controlling transportation of gas, without justification and expressly against the orders of President Morales.

Relations deteriorated further following allegations of Transredes involving itself in support of the autonomy movements in the eastern lowland departments and providing financial support to pro-autonomy demonstrations. Probably, the last straw so far as Morales was concerned came when Transredes handed over finished extensions to the gas pipeline - running from Villamontes to Tarija - to the prefect of Tarija, Mario Cossío (a prime supporter of autonomy) instead of to the national government and its representatives.

## Some coca-data from Bolivia

The United Nations Office on Drugs and Crime (UNODC) publishes annual data on coca and cocaine productions. It recently produced its report for 2007. According to UNODC:

- The total area planted with coca in Bolivia increased by 5% in 2007 to 28,900 hectares, distributed more or less equally between the Chapare and Yungas. This compares with a 16% increase overall in the three Andean countries that produce coca (Bolivia, Colombia and Peru), and a 27% increase in Colombia.
- Bolivia accounts for just under 16% of coca acreages worldwide. The area cultivated in Bolivia fell from 45,000 hectares in 1997 to a low of 19,900 hectares in 2001. In 2004, it had risen again to 27,700 hectares.
- The Yungas now contributes just over two-thirds of coca output, with the Chapare most of the rest. Coca eradication programmes have been concentrated in the Chapare.
- Yields rose very slightly in the Yungas, but remained unaltered in the Chapare.
- Prices for coca and cocaine were also up, encouraging farmers to plant and further reducing the attractions of substituting coca for other crops. While average market

prices for coca leaf for the country as a whole were up 5%, the average price paid for Chapare leaves rose 19%.

- The value of coca production in Bolivia, US\$214 million, represented 13% of the total value of output in the agricultural sector.
- Eradication of coca bushes rose 24% from 5,070 hectares to 6,269, more than in either Peru or Colombia, according to government figures. Seizures of cocaine increased by 29% to 18 metric tons. Aerial spraying of coca, used widely in Colombia, is prohibited by law in Bolivia.

These figures are not necessarily very accurate, and quantifying activity in a largely illegal sector remains difficult for obvious reasons. The Morales government has put the emphasis on trying to stop middle-level intermediaries involved in the production of *pasta básica* (the processed, concentrated paste from which cocaine is manufactured) and trafficking, rather than on eradicating coca as such. Peasant producers are legally allowed to cultivate a small plot of coca for their own livelihoods.

To access the UNODC's latest report on coca and cocaine, see:

[http://www.unodc.org/documents/crop-monitoring/Andean\\_report\\_2008.pdf](http://www.unodc.org/documents/crop-monitoring/Andean_report_2008.pdf)