



# BOLIVIA INFORMATION FORUM

## Bolivia Information Forum Bulletin No. 2, May 2006

This second number of the Bolivia Bulletin focuses on two issues: the nationalisation of the gas industry, announced on May 1, and the upcoming Constituent Assembly elections. We seek to provide some background for these two key developments. In other respects, the new government has not been idle during its first 100 days in office. It has sought to bring austerity to the public sector by capping top salaries (including the president's). It has tried to tackle corruption, notably in Lloyd Aéreo Boliviano, the interprovincial bus companies and the Servicio Nacional de Caminos. It has begun campaigns to provide identity documents to the *indocumentados* and spearhead a literacy campaign, both with Venezuelan help. It has revoked existing legislation (Art 55 of DS 21060) that abolished labour stability. It has raised (modestly) teachers' and health workers' salaries. To be expected: (i) a development plan (ii) policy on the mining sector, and (iii) land redistribution measures (in Santa Cruz and the lowlands).

### The nationalisation of oil and gas

May 1, 2006, a hundred days since Evo Morales took over as president of Bolivia, will no doubt be a date that Bolivians will remember for many years. Morales, with troops deployed to the main wellheads, announced from San Alberto that from now on the hydrocarbons industry will be under national control.

Among the specific measures announced were:

- The state company, Yacimientos Petrolíferos Fiscales de Bolivia (YPFB) will take control over the whole production chain, including marketing.
- The conducting of audits of those energy companies operating in Bolivia, with a view to defining levels of investment carried out and setting conditions for new contracts.
- Foreign investors will be reduced to the role of service providers for YPFB.
- They are given 180 days to sign new contracts, or otherwise leave the country.
- The raising of the tax rate to 82% in the case of Bolivia's two most productive fields, San Alberto and San Antonio.

- The government will take a 51% share in privatised companies, giving them operational control.

The announcement took all by surprise, investors and the Bolivian public alike. It followed close on the heels of a visit by Morales to Havana, where he met up with Cuba's Fidel Castro and Venezuela's Hugo Chávez. The purpose of the visit to Cuba was to sign the ALBA trade agreement between Bolivia, Venezuela and Cuba. This is designed as an alternative to the US-backed Free Trade Agreement of the Americas (FTAA)

Since May 1, Morales, the minister for economic development and planning, Carlos Villegas, and the minister for hydrocarbons, Andrés Soliz Rada, have made clear Bolivia's intention to raise the price of the gas it sells to Argentina and Brazil. Brazil is by far the most important market, and Bolivia meets three quarters of the gas needs of São Paulo and 100% in some other southern Brazilian states. Currently gas is sold to Brazil for US\$3.60 per million British Thermal Units (BTUs), and Morales wants to raise this by US\$2

### **Enthusiastic domestic response**

The response in Bolivia to the announcement was almost entirely positive. For most, the government is keeping promises made during the election campaign to honour the so-called 'October Agenda'. This was a list of demands that finally brought down the Sánchez de Lozada government in October 2003. Perhaps predictably, those least enthusiastic are those linked to the industry itself in Santa Cruz and Tarija, where support for the government is lukewarm.

What was meant by 'nationalisation' was never very clear during the election campaign. However, Morales has gone well beyond what most people (indeed

even many of his close advisors) had imagined. He appears to have gone for a bold policy, gambling that key firms (like Petrobras) have little alternative but accept the new terms and in the expectation that Venezuela will be willing to make up any shortfall in technical and financial backing. He may also have calculated that high prices of gas in the current world market make it attractive to continue; certainly they give more power to the producers of gas at the expense of consumers.

There is no doubt that the move will firm up public support for the government and the ruling Movimiento Al Socialismo (MAS) in the build-up to the Constituyente elections (see below). It will help deflect criticism from the left within the Central Obrera Boliviana (COB) that the government is reformist and incapable of implementing lasting change.

### **Guarded international response**

The immediate international response proved surprisingly muted. Investor companies, clearly taken off their guard by the announcement, maintained a cautious posture, concerned not further to inflame the situation. Petrobras, the largest investor, said it was studying the possibility of taking legal reprisals against Bolivia, but was not more explicit.

For their part, the governments of Brazil and Spain (home to Repsol-YPF) issued statements suggesting that Bolivia was within its rights to nationalise its energy industry if that was what it wanted to do. President Luis Inácio Lula da Silva (Lula) has been widely criticised in Brazil for being too forbearing towards Bolivia and not sticking up for Brazil's commercial interests.

The immediate consequence of the announcement was the convening of a summit meeting at the Argentine river port of Puerto Iguazu. Present were

Presidents Morales, Chávez, Lula (from Brazil) and Kirchner (from Argentina). The main fear for Argentina and Brazil is that the move would either lead to an increase in prices or to an eventual shut-off in supplies. Morales made it clear that Bolivia had no intention of cutting supplies, but thereafter made it clear that Bolivia will be looking for a substantial price increase. The presidents took advantage of the opportunity to come to an agreement on the building of the *Gasoducto del Sur*, where Venezuela and Bolivia will supply gas to the Southern Cone and Brazil by 2015.

The nationalisation move is of profound importance to the future of hydrocarbons

in Bolivia, which has Latin America's second largest proven reserves of natural gas. There is a fear that, in the medium term at least, investors will not wish to enter into future contracts with Bolivia. Lack of capital and know-how could hobble the development of the country's gas potential. However, if existing investors decide to leave the country, Bolivia believes that others will be eager to take their place. And so long as Chávez is president of Venezuela, there seems a strong likelihood that PDVSA, the Venezuelan state oil company, will help out where needed.

## **Towards the Constituent Assembly (and reforms for greater regional autonomy)**

**Elections to a Constituent Assembly are due to take place on July 2. The need for constitutional changes to transform the workings of Bolivia's political system has long been identified. The road to July 2 has been long and tortuous, but now it seems to be happening. Expectations about the prospects for change are very high. In what follows we trace the events leading up to the elections, the ways in which these will be organised, and some of the issues likely to dominate the Assembly's agenda.**

### **Early warnings, 2000 onwards**

Responding to increasing popular protest (the Water War in Cochabamba and protests by coca producers in 2000 and 2001), voices were increasingly heard that called for changes in the constitution. They came particularly from people involved in the legal profession. Two of these, René Blatmann and Alberto Costa Obregón, both stood as candidates for president in the June 2002 national elections on tickets that sought the establishment of a Constituent Assembly to spearhead constitutional reform.

At the same time, in May 2002, lowland

indigenous groups launched a march across the country from Santa Cruz to La Paz. They protested at measures to increase the amount of land that cattle owners should be allowed per cow (*carga animal*) and at concessions to timber companies of jungle forest. Both affected their habitat, territory and welfare. They demanded a Constituent Assembly too, therefore raising more political demands. When they finally reached La Paz, they were joined by large numbers of community leaders from the Altiplano and valleys belonging to the Consejo Nacional de Ayllus y Markas del Gollasuyo (CONAMAQ)

Fifteen months later, in October 2003,

popular protest exploded again, forcing President Sánchez de Lozada to stand down. The main demands were nationalisation of Bolivia's gas resources, changes to the gas law, and the calling of a national Constituent Assembly. The new president, Carlos Mesa, promised to carry out these demands, later known as the 'October Agenda'.

### Changes to the law

Several legal changes in 2004 made possible the calling of a Constituent Assembly. In February, amendments were made to the constitution enabling a Constituent Assembly to rewrite the constitution. This required the approval of a special law establishing the rules for the process (*Ley de Convocatoria*). In July, a law was passed enabling citizens associations and groups of indigenous people to stand as candidates in all elections, thus opening up the arena of representation to others than political parties (*Ley de Agrupaciones Ciudadanas y Pueblos Indígenas*).

President Mesa finally reached an agreement with Congress in August to call elections to a Constituent Assembly in November 2004. The idea was that the Assembly would meet in the second half of 2005 and first half of 2006. However, Congress dragged its feet, failing to pass the law to call elections.

### Indigenous groups deliberate

During 2004, indigenous groups from the eastern lowlands and indigenous-*campesino* groups from the highlands met frequently to discuss how they would participate. In a meeting in Camiri in Santa Cruz in September 2004, these organisations,<sup>1</sup> signed an agreement as

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<sup>1</sup> They included: CONAMAQ (national organisation of Ayllus), CSUTCB (national *campesino* organisation), CSCB (*colonizadores*), FNMCB-Bartolina Sisa

the 'Pacto de Unidad'. This proposed that:

- The law convening the Constituent Assembly should reflect the predominantly indigenous character of the population.
- Three people should be elected for 68 local constituencies (including a man, a woman and an indigenous person), with two people elected for each department, and 20 at the national level
- Recognition of ten special constituencies representing indigenous minorities (particularly from the lowlands, as well as others such as the Urus and Afro-Bolivians). There would be a further 16 representing nations from the highlands, where voting would take place according to *usos y costumbres* (local custom).

The Pacto de Unidad also outlined key issues to be addressed:

- The nature of the state (inclusive and plurinational).
- Reform of the three branches of the state to ensure greater independence and transparency.
- Recovery of national independence and sovereignty.
- Participatory democracy at all levels. Legal pluralism, giving a role to communal justice.
- Respect for individual and collective human rights.
- Territorial reorganisation, recognising indigenous and departmental autonomy.

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(women's *campesino* organisation), *Coordinadora de Pueblos Etnicos de Santa Cruz* (CPESC), lowland federations of Guaraní and Moxos (APG and *Central Pueblos Etnicos Mojeños*), the landless (MST)

- A new macroeconomic model.
- A new model for managing natural resources, based on sovereignty, sustainability and the fair distribution of land.

### **Santa Cruz and the movement for greater regional autonomy**

Finally, 2004 saw the development of the pro-autonomy movement, based particularly in Santa Cruz, but also in Tarija (both important producers of petrol and gas). As early as April 2004, Mesa came out in support of proposals by the so-called *media luna* (lowland departments which form a half moon shape) for greater departmental autonomy and the direct election of prefects (departmental leaders hitherto appointed by the president).

The first large demonstration in Santa Cruz in favour of greater autonomy took place in June 2004. This was called by the *Comité Pro Santa Cruz*, the civic committee composed mainly of representatives of elite economic interest groups (landed interests, particularly soya producers, cattle owners, and others, such as the media). The so-called 'June Agenda' raised a series of issues very different to those of the earlier October Agenda.

A series of strikes and stoppages in January 2005 in Santa Cruz, initially in response to an increase of the price of diesel (used in agricultural activities), erupted into a full-blown autonomy movement. Such demands were made clear in a large *Cabildo Abierto*. Specific demands included:

- The election of prefects the following June.
- The holding of the referendum on autonomy prior to the Constituent Assembly.

Santa Cruz went ahead with setting up an *Asamblea pre-Autonómica*. However,

popular civil society organisations from the *Bloque Oriente* and indigenous groups strongly criticised the *cruceño* civic movement for trying to put obstacles in the way of the Constituent Assembly. They argued that the issue of greater autonomy should be considered within the framework of the Constituent Assembly. The Catholic Church also questioned the civic movement, asking who would benefit from the move to greater autonomy.

In the end, the *Comité Cívico* managed to extract a promise from the government for prefects to be elected and the holding of a referendum prior to the Assembly.

### **Delaying tactics**

For much of 2004 and into 2005, Congress prevaricated, failing to approve the call for elections to the Constituent Assembly. Both sides – the supporters of the Assembly and the Santa Cruz lobby for the Referendum on autonomy – brought pressure to bear.

In the case of Santa Cruz, demands were made to carry out the referendum on 12<sup>th</sup> August. If not, they threatened to go it alone. Those in favour of the Constituent Assembly mobilised during the latter part of May and June 2005, bringing the country to a halt around the issue of gas nationalisation. Mesa, rather than Congress, finally called for elections to a Constituent Assembly and the holding of the referendum on October 16. However, shortly afterwards he was forced to resign, replaced by Eduardo Rodríguez Veltzé, head of the Supreme Court.

Rodríguez met similar problems in Congress, which failed to decide on the sequencing of general elections, the referendum, the election of prefects and the call for elections to the Constituent Assembly. Rodríguez himself made a well-argued case for general elections and elections of prefects for 4<sup>th</sup>

December, with election of Constituent Assembly members and the Referendum in July 2006, the proposal that was finally put into practice.

Problems over the distribution of seats between departments delayed the elections until December 18, a little later than originally suggested. Evo Morales was elected with 54% of the vote, and prefects were elected for the first time.

### **Progress under Morales**

Evo Morales was bound to comply with Rodríguez's timetable, but he also sought to honour promises made in previous years, particularly during the election campaign, to push ahead with the Constituent Assembly. A bill convening the Assembly was sent to Congress on February 7, 2006, two weeks after he took office.

Agreement on a law proved elusive. A joint parliamentary committee discussed these proposals and others (some 24 in all), but without being able to agree on all parts of the law. A debate in the full Congress on March 1 highlighted difficulties in achieving consensus. A series of further discussions were therefore held between party leaders to see if agreement could be reached. A two-thirds majority in Congress was required. It became clear that there would be no agreement without a deal on the exact text and date of the referendum.

### **Election of members**

A marathon session of the joint houses of Congress finally approved the new laws. Much of the credit for this went to Alvaro García Linera, the vice-president, whose responsibilities include the presidency of Congress.

- The elections of Constituent members will take place on 2<sup>nd</sup>

July and the referendum will be held on the same day. The Assembly will be installed in Sucre, the capital, on 6<sup>th</sup> August, Bolivia's national day, and sit for one year.

- Voting will be based on two types of constituency: three people each will be elected for local constituencies (now 70, making a total of 210 members) and five people at departmental level (9 x 5 = 45 people), making a total of 255.
- The winning group in local constituencies will get two members and the runner up one. In departmental seats, the first two posts will go to the winner, and one each to those arriving second, third and fourth.
- To guarantee the participation of women, it was decided that where the first candidate is a man the second must be a woman, and vice-versa (*alternancia*)
- The question posed in the referendum will ask people if they agree to greater departmental autonomy, to be introduced after the approval of the new constitution, and within the framework it establishes.<sup>2</sup>

It has been a tremendous success (and relief) that the Assembly is finally due to

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<sup>2</sup> The text reads: "*Está Ud. de acuerdo, en el marco de la unidad nacional, en dar a la Asamblea Constituyente el mandato vinculante para establecer un régimen de autonomía departamental, aplicable inmediatamente después de la promulgación de la nueva CPE en los departamentos donde este referéndum tenga mayoría, de manera que sus autoridades sean elegidas directamente por los ciudadanos y reciban del Estado Nacional competencias ejecutivas, atribuciones normativas administrativas y los recursos económico-financieros que les asigne la nueva Constitución Política del Estado y las leyes?*"

happen, and that both demands (the Constituent Assembly and the referendum) have been met and are not mutually exclusive. Given the constraints of time and legal limitations, it was not possible to carry out a referendum based on civil society organisations. Indigenous people will participate either under existing political groupings or as members of indigenous groupings, along with others in local constituencies. Given this situation, it was decided that votes based on population distribution (i.e. constituencies) provided the fairest way to include as many people as possible.

An illuminating debate took place recently on the issue of women's representation. Those belonging to the right-wing opposition (from PODEMOS), mainly middle-class women and professionals, argued in favour of giving women a special quota (30% previously), to ensure that women's voices are heard in the Assembly. Those belonging to the MAS, on the other hand, in their traditional dress, argued that they had had to work their way up through union ranks and had gained the right to take part. They said they didn't need a quota to make their voices heard.

### **Candidates for the Assembly**

Since the new government took over, the Congress has changed substantially. Nine out of ten members are new faces. The December 2005 elections effectively buried many traditional parties, including General Hugo Banzer's ADN, the MIR of Jaime Paz, and smaller parties like the UCS. Of the traditional parties, only the MNR managed to maintain a minimal presence, with 6.46% of the vote. Many of those in the new Congress come from an indigenous background or represent popular civil society organisations.

Those standing as candidates to the Assembly show similar characteristics. The majority are representatives of their

organisations or are people known mainly within their constituency. Candidates to local constituency posts for the MAS have been elected at local level after discussions and negotiations amongst the various different popular organisations operating there. In many regions, citizens' associations have been set up specifically to field candidates in the elections.

Social organisations apart, there are a few intellectuals standing who have not taken part in party politics before: Jorge Lazarte, political analyst and ex advisor to President Rodríguez, Raúl Prada (sociologist), Carlos Romero (specialist in land issues), José Antonio Quiroga (editor) are among them. Three rectors of national universities (in La Paz, Santa Cruz and Oruro) are also standing, and so is human rights activist, Loyola Guzmán.

One of the few well-known politicians to stand is Samuel Doria Medina, presidential candidate for Unidad Nacional in the last elections (who came third). Some parties, obliged by the electoral law to stand to avoid being disqualified for failing to stand twice in a row, are returning to the electoral arena. They include ADN and MIR Bolivia Libre. Santa Cruz in particular has several regional groupings and people linked to the mayor of Potosí, René Joaquina, are also standing.

### **Key issues**

The electoral campaign officially started on May 1, and candidates and groupings will no doubt soon be sharing their programmes or proposals with the electorate. Many foundations and NGOs have been active for several years now, explaining what the process will entail, comparing the Bolivian experience of constitutional reform with that of other countries.

Now it is time for more concrete proposals to begin to emerge. Key issues are likely to include:

- The kind of economic model that people recognise and the role of the State.
- Questions of inclusion, possibly involving a shift in power and a redistribution of resources among the population.
- Reform to political boundaries, which could take place along the lines of departments and/or municipalities, or indigenous territory.
- Access to resources on the part of the state and their use to benefit of the wider population.
- The role of the state and its three powers, in view of the control exercised by the executive in running the country, and the need for a new system of representation and for greater participation in decision making.
- Perhaps most important will be the way in which decision making within the Assembly is shared among the community as a whole, involving genuine public participation. The final results, which will never make everyone happy, may bring a real transformation. However, the changes may end up being less fundamental. A great deal of expectation is being placed on the process and the way in which it brings real change to people's lives.

## The feminist agenda

The feminist group *Mujeres Creando* has been amongst the first to articulate some of the demands they want recognised in the Constituent Assembly, painting their proposals on walls and hoardings throughout the city of La Paz.

*Evo: no iré a tu Constituyente de costilla  
Yo soy Eva entera y verdadera*

*Refundar el país quiere decir:*

- *igual salario para igual trabajo*
- *tener un Estado laico*

*Ni Dios, ni amo, ni marido, ni partido*

*Refundar el país quiere decir:*

- *erradicar el acoso sexual de ministerios, parlamento y palacio*
- *que ningún hombre tenga el derecho de prostituir a ninguna mujer*
- *que la negligencia médica es delito*

*El poncho y la corbata  
es machismo que ata*

*Refundar el país quiere decir:*

- *tener educación sexual feminista en escuelas y colegios*
- *no perder el nombre de nuestras madres y dejar de ser propiedad de otro*
- *no morir por aborto y ser dueñas de decidir sobre nuestro cuerpo*
- *dejar de ser inquilinas en las tierras de padres y maridos y ser dueñas de nuestro trabajo*
- *no tener que irnos del país como parias muertas de hambre*