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## **BOLIVIA: MASSIVE PROTESTS AFTER CONGRESS PASSES HYDROCARBONS LAW**

Bolivian President Carlos Mesa refused to promulgate a Hydrocarbons Law that Congress sent him on May 6, leaving it up to Senate president Hormando Vaca Diez to sign the bill. The law failed to satisfy indigenous and labor sectors that wanted either a larger increase in the tax and royalties charged to corporations for hydrocarbons or the complete nationalization of hydrocarbon resources, as well as petroleum corporations that have contracts with Bolivia and business organizations within the country. Mass protests paralyzed the capital while a cartel of petroleum companies froze investments in Bolivia.

### **Congress signs law with new 32% tax**

A measure increasing taxes on foreign oil companies became law May 17 without the support of President Mesa and with the opposition of thousands of street protesters who wanted the industry nationalized. Mesa refused to approve the bill, saying it damaged national unity and strongly discouraged much needed foreign investment in Bolivia.

The new law maintains an 18% royalty currently paid by the oil companies operating in Bolivia and it establishes a separate 32% tax. Bolivian voters approved a referendum last year calling for the creation of a Hydrocarbons Law (see [NotiSur, 2004-07-30](#)), but the law has been held up in Congress for nearly ten months as battles concerning specifics took place. Some parts of the leftist opposition boycotted the referendum because it did not present nationalization of hydrocarbons as an option and many voters wrote "nacionalizacion" on their ballots.

Some opponents wanted much higher taxes than what was passed this month, while thousands of demonstrators who took to the streets the night before Vaca Diez signed the bill demanded straight nationalization of the entire oil industry.

Vaca Diez signed the bill, passed by Congress on May 6, into law a little more than a week after Mesa refused to sign or veto it. The Constitution requires the Senate leader to enact measures in such circumstances.

Presidential Chief of Staff Jose Galindo said Mesa acted "according to his conscience" because he does not agree with the measure. Many political sectors criticized Mesa's "indecision" after Congress delivered the law to him. The president asked for ten days to consider the new legislation, but protests from multiple sectors forced him to express his unwillingness to promulgate it much earlier.

### **Businesses have six months to renew contracts**

Several foreign companies operate in Bolivia, including British Petroleum, British Gas, Repsol from Spain, Total from France, and Petrobras from Brazil. Companies have characterized the law as "confiscatory" and say that tripling the taxes they will have to pay violates contracts the companies signed in the 1990s with businessman President Gonzalo Sanchez de Lozada (1993-

1997, 2002-2003). Petrobras, Brazil's state oil company, threatened to stop a key packet of investment projects including planned gas lines.

Raul Kieffer, head of the Camara Boliviana de Hidrocarburos (CBH), said after the law was passed, "There will be no more petroleum exploration." Kieffer did add, however, that companies would not walk away from a country where they had already invested US\$3.5 billion.

The investment freeze is disappointing to neighboring countries like Argentina, who are undergoing a regional energy crisis and gas shortage (see [NotiSur, 2004-04-30](#)). Access to Bolivia's estimated 54 trillion cubic feet of natural gas, the continent's second-largest reserve after Venezuela, is something that resource-hungry neighbors are avidly seeking.

The businesses have six months to draw up new contracts and reassociate themselves with the state company Yacimientos Petroliferos Fiscales Bolivianos (YPFB). The companies are now likely to pressure Mesa to give them more favorable terms as he discharges his obligation to "implement" the new law.

Companies also are looking into lawsuits against Bolivia, a threat that President Mesa has repeatedly cited as something that keeps him from promoting the high royalty rates that opposition figures seek.

### **Opposition divided: Nationalization versus higher royalties**

Congressman Evo Morales of the Movimiento al Socialismo (MAS), the country's most prominent opposition figure, demanded the royalty and tax be raised even higher than 50% and has urged Mesa to order the occupation of the oil fields. Morales' call to send troops to occupy the oil installations is based on claims that the contracts between the foreign companies and the government are invalid because they lack congressional approval.

Jaime Solares, head of the Central Obrera Boliviana (COB), the nation's largest labor federation, called for a more radical position, demanding the nationalization of the oil industry. Solares threatened to "close Congress" unless legislators agreed. He said, "The Congress should be shut for having betrayed the people. Carlos Mesa should also resign."

Morales' rhetoric was more conciliatory. "We are not asking for the close of the Congress of the republic, because it is the symbol of democracy," he said.

Solares and Morales had previously signed an "anti-oligarchic" pact as well as a unity pact, but their relationship began to break apart as the two accused each other of ties to military officers who sought to promote a coup against Mesa.

Labor and indigenous leaders have accused Morales of paying too much attention to MAS needs in Congress and losing touch with his grassroots base.

Although the division within opposition sectors may be diluting the political strength of Mesa's opponents on the left, labor and indigenous leaders were able to mobilize tens of thousands to march on the capital where days of standoffs between police and protestors convulsed the city.

Protests over energy policies have harried successive Bolivian governments in recent years. A plan to export natural gas triggered bloody street protests that toppled Mesa's predecessor, former President Sanchez de Lozada, in October 2003 (see [NotiSur, 2003-10-24](#)).

Police lobbed tear gas at protestors as they blockaded the capital or attempted to move toward federal buildings. Authorities also used armored vehicles equipped with water cannons to drive back marchers. Some miners set off sticks of dynamite in the streets of the capital. On May 19, police showed reporters a stash of 4,500 dynamite sticks they had seized in the radicalized neighboring city of El Alto. Authorities claimed the supply was to be sold on the black market.

### **Rumors of coup circulate**

Armed forces' statements indicated that the military would not support an effort to remove Mesa and that it would "support democracy" in Bolivia. The military is likely to be a key determinant in Bolivian politics with Mesa nearly powerless, the opposition forces of the left divided, and large-scale protests rocking the country.

Mesa said he would not respond to pressures to resign and that he would serve out his term until 2007.

Adding to the multiparty pressure against Mesa's government were separatist threats from wealthy eastern provinces, home of most of the country's natural resources. Civic sectors that have been seeking greater autonomy from the government in La Paz threatened to set up "de facto" autonomy if the Mesa administration and the National Congress did not move forward on their demands for a referendum.

Army commander Gen. Marcelo Antezana said on May 24 that his institution does not oppose greater autonomy for the regions but rejects "the division of our country." He dismissed reports that the continued political tension might lead to a coup, saying the military maintains "a policy of respect for constitutional order."

[Sources: El Deber (Bolivia), 05/10/05; Folha de Sao Paulo (Brazil), 05/17/05; BBC News, 05/16/05, 05/18/05; El Pais (Uruguay), Inter Press Service, The Miami Herald, 05/18/05; The Economist (London), 05/19/05; Counterpunch.org, 05/09/05, 05/20/05; The New York Times, 05/17/05, 05/23/05; Clarin (Argentina), 05/17-19/05, 05/23/05; El Comercio (Peru), 05/23/05; Associated Press, 05/16-18/05, 05/24/05; El Diario (Bolivia), La Razon (Bolivia), Los Tiempos (Bolivia), Opinion (Bolivia), 05/04-06/05, 05/09-13/05, 05/16-20/05, 05/23-25/05; El Mercurio (Chile), 05/11/05, 05/16-19/05, 05/23-25/05; El Nuevo Herald (Miami), 05/13/05, 05/16-20/05, 05/23-25/05; Democracynow.org, 05/25/05]