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Bolivian Gas Referendum in Doubt

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Category/Department: Bolivia
Published: 2004-03-26

Bolivia's Minister of Hydrocarbons and Mining Alvaro Rios has resigned and been replaced by an official from the first administration of former President Gonzalo Sanchez de Lozada (1993-1997, 2002-2003). Rios stepped down after legislators presented a demand for interpellation, or official questioning. The resignation throws the upcoming national referendum on hydrocarbons into doubt, complicating one of the most volatile issues in Bolivian national life.

Mass uprisings against plans to privatize the hydrocarbon industry and export gas to Mexico and the US through Chile led to the downfall of Sanchez de Lozada in October 2003 (see NotiSur, 2003-10-24). Human rights groups say that more than 70 died in the street battles prior to Sanchez de Lozada's exile.

Leaders from the Movimiento al Socialismo (MAS), a party led by indigenous legislator Evo Morales, objected to the export scheme because of its planned passage through Chile, with whom Bolivia has not had diplomatic relations for decades. Bolivia lost its access to the Pacific Ocean in a war with Chile in the 1880s and has since sought periodically to regain ocean access (see NotiSur, 2004-01-23).

MAS opposition also focused on Sanchez de Lozada's neoliberal economic plans for Bolivia, which included privatization of national resources and the construction of a liquid natural gas (LNG) pipeline to the Pacific traveling through Chilean territory. The "gas war" put the Pacific LNG project on hold and Morales, who came in a close second in elections against Sanchez de Lozada in 2002, has sworn to impede any export of gas through Chile.

Former Sanchez de Lozada official takes post

President Carlos Mesa named Antonio Aranibar Quiroga to the mining and hydrocarbons post. Aranibar was the foreign minister in Sanchez de Lozada's first government. Mining unions opposed Aranibar's appointment, considering him one of the agents who led to the loss of the national-production apparatus and a face from the past who represented neoliberal policies to international governments. He is a former president of the Movimiento Bolivia Libre (MBL), and Mesa praised his human qualities as he presented him.

Alvaro Rios, who had held the post only since the October revolt, expressed his dissatisfaction with the interpellation presented against him. He said that the criticisms of legislators were for policies put in place by previous governments and that the political attack was "irrational." Politicians and social groups accused him of having ties to multinational companies and, despite his plans to augment taxes on the hydrocarbons sector, accused him of being soft on those companies.
New petroleum tax law postponed

The Hydrocarbons Law, whose objective is to bring more resources into Bolivia, was put together in January by Rios and discussed with petroleum companies, but the final draft is not yet ready for the National Congress to consider. Aranibar is leading the process of coordinating the various state and private interests that have a stake in it, but agreements may be difficult to come by and the timeline for agreements keeps being set further and further back.

Foreign petroleum companies from the US and Europe are quietly pressuring the Mesa government to mitigate demands for nationalizing petroleum fields that Sanchez de Lozada conceded to the transnationals. The proposed bill includes a "complementary fossil-fuel tax" with sights on obtaining as much as a 32% contribution from the country's oil production. This tax, added to other fiscal obligations (royalties on exports) of 18%, would push up to 50% the total that the national coffers would receive of the income generated by the exploitation of Bolivian petroleum and natural gas.

The decline in oil investment from US$680 million in 1998 to US$40 million in 2003 reflects the collapse of the national energy industry, says Carlos Alberto Lopez, an energy consultant and former deputy minister. From 1996 to 2003, Bolivia took in around US$3.6 billion in foreign direct investment earmarked for developing its petroleum fields, particularly for natural gas, while the national annual budget for health, education, and other public services has been approximately US $500 million in the impoverished country of 8.7 million people. Yet Lopez argues that the amount invested in the energy sector is insufficient. He believes some US$4.4 billion dollars is needed to complete the preparation of the fields that hold an estimated 54 trillion cubic feet of natural gas, the second-largest reserves in South America, after Venezuela.

Natural-gas exports surpassed soy and soy derivatives as the nation's number one export in 2003, bringing in a record US$381 million. The national tax agency (Servicio de Impuestos Nacionales, SIN) said transnational petroleum companies currently owe Bolivia US$76 million from the 1997-2002 period. The companies shot back, saying they had brought US$2.7 billion into the national treasury during that time. The accusations took place in the hostile climate surrounding the tax-law negotiations.

Referendum still on hold President Mesa took office after the October revolt, promising Bolivians a referendum on the hydrocarbons industry. Yet the questions that will be on that referendum are still undefined, and the initial date of March 28 set for the referendum will soon pass. The referendum is supposed to be extensive and include questions about the reform of the Hydrocarbons Law, its financing, access to gas for home use, conversion of natural gas for use in vehicles, the strengthening of the national petroleum corporation, and the possibility of whether, in this context, the energy resources should be sold to foreign markets.

Analyst Martin Aguero of the Instituto de Estudios Bolivianos said the surprise resignation by Rios would complicate the referendum. Aguero said that "the issue of gas burns the hands, and Rios had
to leave because of pressure from political parties, principally from MAS," which was preparing a censure vote against him.

**Mexico facilities discussed**

In late February, prior to Rios' resignation, a Bolivian delegation traveled to Mexico to explore the sale of gas to that country. Rios led the delegation, along with several Cabinet ministers. The delegation visit, conducted before any deciding referendum came about, may have helped accelerate legislative dissatisfaction with Rios. When discussing the facility in Lazaro Cardenas, on the Pacific coast of the state of Michoacan, Rios made it a point to state that the facility was not necessarily for processing Bolivian resources and that the discussions were only about "prices and meeting certain conditions."

The Spanish-Argentine petroleum company Repsol YPF, which led the Pacific LNG project, has a long-term plan to build a gas plant in Mexico that could take in 30 million cubic meters daily starting in 2010. Rios said that the facility was not necessarily tied to Bolivia, adding, "Repsol has a great alternative, which is the gas of Bolivia, but it has other alternatives to bring in gas from other parts of the world."

Conversations between Mexico and Bolivia had been intensifying since December after Bolivia lost access to the US export project because of an agreement reached between US distributor Sempra and the Indonesian branch of British Petroleum (BP). Sempra became impatient with Bolivia's export problems and found another supplier in BP's Indonesian Tangguh project. Bolivia has also been working on fossil-fuel projects with Brazil and Argentina. It plans to build a US$1 billion pipeline to Argentina financed by the Argentine-Italian group Techint and the Argentine government.

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