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LADB Staff

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Bolivia Votes "Yes" Vote on Gas Referendum

by LADB Staff

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The July 18 national referendum on Bolivia's hydrocarbons laws resulted in a "Yes" vote on all five ballot questions, apparently bolstering President Carlos Mesa and his government. Results gave a strong popular vote in favor of all five questions from the almost 3 million voters who came to the approximately 20,000 polling stations around the country.

A number of groups had called for a boycott of the vote, since it did not include the subject of nationalization of the gas industry. The vote is binding because the necessary 50% of voters turned out, and voting took place amid calm that surprised even members of the government.

Only one incident was reported: the head of the Organization of American States (OAS) observer mission, Moises Benamor, was hit with a stone when he tried to visit a voting station in El Alto, although he was not injured.

Mesa portrayed the referendum as a resounding triumph for his government, telling the daily newspaper La Nacion, "After the referendum, the state has recovered an important degree of legitimacy." "Without breaking entirely with the willingness to dialogue and seek out peaceful solutions, we can apply the imposition of the law more clearly than before," said Mesa. He also took the vote as an opportunity to dismiss movements critical of him, saying, "Regarding the radical social protests, it will now be easier to demonstrate their true lack of popular support and the artificiality of their movements."

"Yes" vote puts ball in Congressional court Mesa is now asking political leaders with parliamentary representation to put together proposals for a new hydrocarbons law that would reflect the July 18 vote. The Mesa administration plans to present Congress with a new version of the Ley de Hidrocarburos in August, a version that should include substantial reforms to the petroleum sector.

The five questions of the referendum were: 1. Do you agree that the current hydrocarbons law should be changed? 2. Do you agree that the Bolivian state should have rights to hydrocarbons once they reach the ground? 3. Do you agree that Yacimientos Petroliferos Fiscales Bolivianos (YFPB) [the oil company privatized under former President Gonzalo Sanchez de Lozada] should be re-established to control hydrocarbon production? 4. Do you agree that Bolivian gas should be used to regain useful or sovereign access to the Pacific? 5. Do you agree that Bolivian gas should be exported and that multinationals should pay 50% of projected profits for rights to exploit Bolivian gas, and that the government should invest those resources in health, education, and infrastructure?

The Corte Nacional Electoral (CNE) ratified the results during the week of July 26-30, reporting that Question 1 passed by 86.7% of the vote, Question 2 with 92.2%, Question 3 with 87.2%, Question 4 with 55%, and Question 5 with 62%. Some critics said the questions were overly ambiguous, and they anticipate that congressional wrangling regarding what the referendum vote mandates them
to do may be interminable. With an estimated 52 trillion cubic meters of natural gas, Bolivia has the second-largest deposits of natural gas in South America, surpassed only by Venezuela.

The advisor for the Camara Boliviana de Hidrocarburos (CBH), or Bolivian Hydrocarbons Chamber, said there is a fear among oil companies that the law that comes out of Congress could be "a monster" that would include nationalization or the annulment of contracts with businesses. Evo Morales of the Movimiento al Socialismo (MAS) has signaled that the 76 contracts in effect between the state and petroleum companies should be annulled to set up the new law. The uncertainty that existed prior to the referendum caused petroleum investments to fall from the US$680 million total of 1998 to US$120 million in 2003, according to Lopez.

President Mesa, referring to the widely discussed fears of the petroleum business community, said, "Our will is toward dialogue and debate on issues of common interest. The businesses have to understand that the referendum has been conclusive and its rules binding and obligatory, and that the scene has changed." Mesa said he guaranteed that there would be no expropriation, no confiscation, and that the companies would have guarantees of judicial and investment security.

Groups advocate referendum boycott

Some organizations and leaders asked Bolivians to stay away from the polls, upset that Mesa had not included nationalization of the hydrocarbons industry as an option on the referendum. Felipe Quispe of the Movimiento Indigena Pachakuti (MIP) was one prominent advocate for a boycott. He spent the morning of July 18 playing football, choosing the soccer field over the voting booth.

Forrest Hylton, a doctoral researcher of history in Bolivia, writes that, "For the opposition, nationalization is considered the only hope for a future that would break with past cycles of nonrenewable natural-resource extraction (silver, tin, rubber), which enriched a small number of creoles and foreigners at the expense of urban artisans and Andean peasant communities." Yet the turnout of about 60% of the voting population, an unusually high turnout for Latin American referenda, led most officials and media outlets to declare the "failure" of the boycott movement.

In Aymara districts like Achacachi and Warisata, many voters deposited blank ballots or wrote "nationalization" over the ballot questions, though a tally of how many did so nationwide is not yet available. Mesa proposes "gas for sea" deal About 58% of Bolivians supported using gas sales to Chile as a strategic tool for negotiating sovereign access to the ocean through Chilean territory, the fourth question on the ballot. Bolivia lost its access to the Pacific to Chile during the War of the Pacific (1879-1883) and has since maintained hostile relations with its western neighbor (see NotiSur, 2004-01-23).

Mesa, the day after the vote, called on Santiago to consider the offer of gas for ocean access, calling the trade "crucial" and saying he was "optimistic" that the two sides could reach a deal. Mesa told Chilean newspaper El Mercurio that Bolivia was not attempting to "blackmail" Chile but asked for an understanding that he could not negotiate gas sales before getting ocean access without
"betraying" the will of Bolivians. "I don't want Chile to believe that what I'm proposing is an effort at blackmail. That is to say, either give me ocean or I won't give you gas. Simply, the objective reality is that I would now be betraying the will of the Bolivian people if I negotiated gas [exports] without sea," said Mesa.

Chilean President Ricardo Lagos congratulated Mesa on his triumph during the vote, saying it "strengthened" Mesa's administration, but he has previously rejected his Bolivian counterpart's idea of putting ocean access on the negotiating table in exchange for gas deals. "The Chilean government is open to all types of conversations, and this is made clear by the number of times that I've met with Bolivian leaders," said Lagos. "The issue of exchanging one thing for another [ocean for gas] doesn't seem likely to me, but in any case we are ready to listen to whatever he has to say."

**Hydrocarbons business boosts Bolivian exports 38.6%**

The Instituto Nacional de Estadística (INE) reported that Bolivian exports had increased by 38.6% during the first six months of 2004, reaching a total of US$985.8 million. The results for the first half of the year represented a US$274.7 million increase when compared with the January-June period of 2003. The rise in exports was a result primarily of the 62.5% increase recorded in the hydrocarbons sector, with sales of US$358.8 million, compared with US$220.7 million one year ago. Mineral exports grew 33.7%, totaling US$148 million, and agricultural product and cattle sales went up 27.9%, reaching US$48.9 million. Of national products, combustibles led sales to foreign markets, going up 77.3%, followed by natural gas (57.9%) and soy or soy derivatives (40.9%), while gold and sugar sales experienced drops of 57% and 23.1%, respectively.

Bolivia plans to review gas-sale contracts it signed with Argentina with the aim of preparing the delivery of 6.5 million cubic meters daily, an aim agreed on by the presidents of the two countries on July 22. The president of YPFB, Jaime Barrenechea, said that it is not necessary to wait for passage of a new hydrocarbons law before increasing exports to its neighbor country, even though social and political groups are calling for the government to delay such an increase.

Currently, Argentina is receiving about 4 million cubic meters per day and is eagerly seeking a boost in its gas supply. The country has been experiencing an energy crisis since earlier this year, impacting the entire region's ability to deliver power (see NotiSur, 2004-04-30). Barrenechea says that contracts should be ready the week of July 28 and that the increased exports should go into effect immediately after the Ministry of Hydrocarbons and superintendent of the sector approve the operation.

The decision is the result of agreements Argentine President Nestor Kirchner and Bolivian President Mesa signed July 22 in the Bolivian city of Tarija. The two said Bolivia could ultimately export as much as 25 million cubic meters of gas per day. The current price at which Bolivia sells its gas to Argentina fluctuates between US$0.98 and US$1.37 per million British Thermal Units (BTU), depending on the richness of the composition of the hydrocarbon.

The MAS, the parliament's second-strongest force, called on Mesa to approve the new hydrocarbons law before authorizing the increase in volume of sales to Argentina. The Central Obrera Boliviana
(COB) also opposed the move, saying the exports could benefit Chile, a possibility that Argentine and Bolivian authorities deny.

Critics say Mesa is following the path of ex-President Gonzalo Sanchez de Lozada (1993-1997, 2002-2003) by selling off the national patrimony with inadequate popular backing.

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