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Bolivian President Boosts His Business Credentials Ahead of Reelection Referendum

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This week, when Bolivians gather in front of the palace of government in La Paz and in public squares in the country’s nine departments to celebrate the start of the Evo Morales presidency exactly 10 years ago (NotiSur, Feb. 3, 2006), the popular leader will take the opportunity to revisit the many changes that have taken hold over the past decade.

A month later, on Feb. 21, citizens will be called on to vote in a yes-or-no referendum on whether to amend the Constitution to allow heads of state a second reelection. Polls favor the “yes” option, raising the possibility that Morales and his vice president, Álvaro García Linera, will compete in the 2019 election and, provided their current level of support holds up, win (NotiSur, July 31, 2015). In that case, they would continue to lead the country until 2025, when Bolivia celebrates its bicentennial.

Morales and García Linera owe their popularity, most analysts agree, to their transparent approach to governance and to socio-economic indicators that show improved balance in how the country’s resources are allocated. When they came to power in 2006, nearly two-thirds of the population lived in poverty. More than 37% were extremely poor. Public investment stood at just US$629 million. The Gross Domestic Product (GDP) was approximately US$9 billion. And the country’s natural resources were in the hands of large multinationals. Ten years later, the incidence of extreme poverty is down by more than half, to 17.3%. In late 2008, the government, based on benchmarks established by the United Nations Educational, Scientific and Cultural Organization (UNESCO), declared the country to be “free of illiteracy.” And in 2006, the state assumed control of natural resources, though it still welcomes private investment in the production of those materials.

Also during that 10-year span, public investment rose from US$629 million to US$24.5 billion. GDP grew four-fold—to approximately US$34 billion. The minimum monthly salary rose 380%, from US $64 to US$240. In 2005, the top 10% of the income bracket earned 128 times as much as the bottom 10%. As of last year, the differential had dropped to 38 times. Authorities hope it will fall even further—to 25 by 2020. The goal is one of various outlined in the Morales administration’s Agenda Patriótica 2016-2020, which also calls for extending access to healthy drinking water from 92% of the population now to 95% in 2020, and access to natural gas from 25% now to 50%. All of those figures have been validated by international bodies such as UNESCO, the United Nations Children’s Fund (UNICEF), the Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP) and the Inter-American Development Bank (IDB).

Contending with corruption
Still, it hasn’t all been easy sailing for the Morales government. Corruption continues to be a problem despite an apparent willingness on the part of the administration to address the issue face-on. In early December, García Linera reported evidence of large-scale corruption in none other than the Fondo de Desarrollo Indígena (FDI), a key government initiative aimed at helping indigenous
groups, which represent approximately 62% of the Bolivian population, including Morales himself and many of his Cabinet members.

The graft involves hundreds of millions of dollars that were siphoned off into nearly 1,000 private bank accounts. The account holders are indigenous, as are the 12 high-level people who have been jailed so far. Overall, there are 253 indigenous people under investigation. The FDI was created in 2005 to fund social and production-oriented development projects that benefit indigenous groups and campesino communities. It operates under the Ministry of Rural Development and is financed with a 5% cut of the state’s oil-industry earnings.

By taking the initiative on the FDI scandal, the administration was able to offset any would-be attacks by the opposition. It even went so far as to offer details of the investigation, distinguishing itself, in that sense, from past right-wing governments that, according to García Linera, hid information and protected the people responsible for acts of corruption and other crimes so that they could flee.

The vice president backed up his claim with a number of examples, starting with former President Gonzalo Sánchez de Lozada (1993-1997 and 2002-2003) and his former collaborator, Carlos Sánchez Berzain, who he said fled to the US after 40 people died and hundreds were injured from a government crackdown on protests in 2003. García Linera also mentioned the former head of the failed airline Aerosur, Humberto Roca, who he said escaped to the US with US$80 million; the former prefect of the department of Cochabamba, Manfred Reyes Villa, who fled to the US with US $4 million, according to García Linera; former Senator Roger Pinto, who “caused US$6 million worth of damage”; the former prefect of Pando, Leopoldo Fernández, who García Linera said stole US$9 million; and the former prefect of La Paz, José Luis Paredes, who took refuge in the US, and where, according to García Linera, he arrived with US$5 million.

**Inviting investors**

Much of Morales’ success on the economic front stems from his decision to nationalize the energy sector. But he has also made an effort to encourage private investment (NotiSur, Nov. 13, 2015). In early November, Morales took advantage of a trip to France—where he was awarded an honorary doctorate from the Université de Pau et des Pays de l’Adour (UPPA)—to make stops in Germany, Italy and Spain. In all four countries he met with business leaders, inviting them to invest in Bolivia so as to develop its potential and contribute to a kind of rebooting of the country’s economic policies.

 Barely a week after his return to Bolivia, Morales already had something to show for his efforts: a commitment by Spanish oil giant Repsol to boost investments in Bolivia and extend its partnership with the country until at least 2050. During a Nov. 17 appearance with Repsol president Antonio Brufau, Morales said the Spanish firm plans to invest an additional US$1.1 billion to increase production in the Campo Margarita gas fields, the largest in the country, with a current output of roughly 19.2 million cubic meters of gas per day, equivalent to approximately 31% of the national total.

The Repsol announcement may have been the most obvious achievement of his European tour, but Morales also made headway on other deals, including ones that could extend well beyond his time as head of the government. In Paris, the president struck an accord with the Agence Française de Développement (AFD), a public development agency dedicated to fighting poverty.
in Southern Hemisphere countries, and met with representatives of the French oil company Total, which tentatively agreed to invest US$1 billion over the next three years in hydrocarbon extraction. British Gas is also a major investor in the sector. And in Germany, Morales signed a US$106-million deal with Siemens to buy 14 gas turbines and 11 steam turbines. “Because we were able to negotiate directly with the German multinational, the money we thought we’d need to generate 450 megawatts will actually get us 700 megawatts, with no further investment required,” he said.

Embracing education

Determined to establish Bolivia as a major world center for energy, the Morales administration also signed a US$7-billion loan deal last year with China. The money is to be spent on infrastructure, transportation and electricity production. The agreement not only confirms China’s growing presence in South America, but also makes China Bolivia’s top creditor, ahead of the IDB and the World Bank. “China is an important strategic partner,” Morales said.

As significant as that relationship may be, it did not prevent Bolivia last month from terminating a contract with the Chinese firm CAMC Engineering, which failed to meet established deadlines on a railroad it was constructing in the central part of the country. Ten months earlier—and for the same reason—the government canceled a contract with the state-run China Railway, which had been working on a different stretch of the railroad project.

The government’s new economic push, which is being done with an eye on the Feb. 21 referendum, is not limited to hydrocarbons and electricity alone. With Russian technology, Bolivia will begin construction in March on a US$300-million nuclear energy research and development center that is slated for competition in 2020. “It will offer health services and be used for research purposes by public and private universities,” Morales said.

By insisting on the fact that private education will also benefit from the program, the president recalled that his nationalization of the energy sector and passage of accompanying legislation such as the direct hydrocarbons tax have provided departments, municipalities and universities, both public and private, with the money they need to better distribute resources and increase spending on scientific research.

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