# Bolivia: class tensions rise as Morales bows to landowners, energy transnationals

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**30 September 2006**

Political tensions are boiling in the eastern lowland regions of Bolivia. The natural gas-rich departments of Santa Cruz, Tarija, Beni and Pando—dominated by Bolivia's landed aristocracy, agribusiness and gas interests—are threatening secession in the muted language of a desire for greater regional autonomy.

The region's longstanding opposition to any type of land reform or resource nationalization has grown increasingly venomous since June 3 when President Evo Morales—without affecting private property rights in the least—awarded titles to 24,864 square kilometers (9,600 square miles) of government land to landless peasants. Like the increasingly empty promise to nationalize natural gas resources made on May 1, Morales's handout was marketed to his desperately impoverished constituency. It was presented as the first phase of an aggressive plan to redistribute privately owned tracts of land to millions of landless peasants.

Despite the toothless character of the land grant, Morales's actions raised the ire of the massive agribusiness interests that dominate the eastern lowlands—misleadingly referred to as "farmers" in the press. The "farmers" have argued that the surrounding lands will likely be deforested by the peasantry, which will cause a decline in productivity. Primarily, they are concerned that the beneficiaries of the land grants—predominately impoverished indigenous farmers from the western highlands—will change the political composition of the region and may ultimately carry out their own, expanded program of land redistribution, with or without Morales or his MAS party.

Soon after the grant, agribusiness interest groups issued a statement condemning Morales's "ideological approach" and accusing him of allowing "foreign influence" to dictate national policy, pointing out that the Bolivian government was consulting with Venezuela's National Land Institute. More reactionary sections of the landed elite in Santa Cruz responded to the June 3 grants by threatening to form armed "self-defense" forces. Morales responded by condemning the private armed forces as illegal, while seeking to placate his opponents by promising to consider their calls for autonomy.

On his election in January, Morales called for a redrafting of the constitution by an elected assembly. Since June, MAS has campaigned to control the assembly and redraft the constitution according to its program. The assembly formally began discussions on August 6 but quickly deadlocked on the number of votes required to ratify the final draft of the constitution.

MAS secured a 60 percent majority in the assembly—a significantly smaller margin than had been anticipated before it was elected. The party has since proposed that the final draft be ratified by a simple majority, which would allow it decisive influence over the finished product. This attempt to circumvent the two-thirds majority for constitutional ratification has further provoked the anger of the economically powerful eastern regions.

Santa Cruz and its representatives in the Constitutional Assembly—principally the right-wing "Podemos" party—now demand that land reform be carried out by their own regional administration, and that it only be used to benefit landless, local peasants. Essentially, they wish to govern the redistribution of their own land. Constitutional ratification by a simple majority would effectively eliminate their efforts to legally bury the much-needed land reforms. Meanwhile, violent clashes over land have increased, and isolated land occupations have been carried out by organized groups of landless peasants working independently of MAS. Ninety percent of Bolivia's land is held by 50,000 families.

On Friday, September 8, opposition leaders in the eastern regions staged a 24-hour governmental shutdown in four of Bolivia's nine departments—Santa Cruz, Tarija, Beni and Pando. The regional ruling elite imposed a strike from above by shutting down transportation and commerce. Predictably, regional leaders exempted natural gas exports from the shutdown. The "strike" had greatest effect in Santa Cruz—the country's largest and most developed economy, possessing the lion's share of natural gas and producing about one-third of Bolivia's wealth.

Morales alleged that the shutdown was the work of several opposition party politicians and regional interest groups operating in conjunction with oil and gas transnationals. By September 20, counterdemonstrations and road blockades were carried out in Santa Cruz in protest over the opposition's efforts to stall land redistribution.

The eastern provinces that border Brazil include South America's biggest natural gas reserves, after Venezuela, yet

Bolivia remains South America's poorest country. Well over a third of the population suffers from malnutrition, according to the Untied Nations, with the population of the western highlands suffering the worst of it.

Not only rich in gas, the eastern lowlands contain most of the country's prime agricultural land and hold most of Bolivia's population, with three out of every four Bolivians living in the region. Without the natural wealth of this region, any effort at land reform or gas nationalization would be impossible.

In his first 100 days in office, Morales saw his public approval rating drop from 80 percent to close to 60 percent. In response to growing pressure from below, he announced with great fanfare that he would nationalize Bolivia's hydrocarbons industry on May 1.

Upon making the announcement, Morales made a show of sending security forces to occupy 56 gas fields operated by consortia led by Spain's Repsol YPF and British Petroleum. While Repsol has a significant stake in Bolivia's gas market, it is an insignificant player compared to Brazilian exporter Petrobras.

Petrobras is not only the Bolivian government's largest source of income—via tax receipts on natural gas profits—but it also refines 90 percent of all of Bolivian oil, controlling key resources, such as gasoline reserves. In March, Petrobras rescinded plans to invest $5 billion in the development of Bolivia's gas infrastructure because of uncertainty over the government's policies, but it has otherwise continued its business operations unobstructed.

Since the 1990s, Brazil has supplemented hydroelectric power with natural gas. Nearly half of Brazil's natural gas needs are supplied by Bolivia via a 2,000-mile pipeline whose construction was funded mainly by Petrobras. To a lesser extent, the economies of Argentina and Chile also rely on Bolivian natural gas. While Petrobras has discovered gas deposits within Brazil that experts say could reduce its dependence on Bolivian gas, creating the infrastructure needed for its extraction will be expensive and time-consuming.

In his May 1 speech, Morales declared triumphantly, "The time has come, the awaited day, a historic day in which Bolivia retakes absolute control of our natural resources.... The looting by foreign companies has ended." He then called for 82 percent of gas profits to be surrendered by any company producing more than 100 million cubic feet of natural gas daily, giving all companies six months to agree to the terms or be kicked out of Bolivia.

Despite months of revolutionary posturing by Morales following the announcement, foreign firms have easily continued to work around the nationalization decree, profits intact. While Morales was busy declaring his home a national monument and creating a stamp to commemorate his presidency, his minister of hydrocarbons, Andrés Soliz Rada, announced that the state entity charged with carrying out the gas nationalization, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), was unable to continue without a multimillion-dollar investment in infrastructure, according to the Chilean newspaper El Mercurio. In August, the La Paz daily La Razon announced Morales's approval rating had once again dropped, this time by 7 points to a low of 61 percent.

The government finally began negotiations with Petrobras on September 5, which, like the constitutional assembly, quickly deadlocked. On September 13, La Paz made its first serious move to nationalize gas with a decree by the minister of hydrocarbons Soliz that the government would determine the amount of profit foreign corporations would be permitted to retain from their Bolivian operations.

The announcement provoked an immediate response from Petrobras and its largest shareholder, the Brazilian government. Brazilian President Luiz Inácio Lula da Silva, bristled at the decree, calling it "extreme" and "unilateral." Petrobras immediately threatened to terminate all investment in Bolivia if the order were enforced.

The next day, Bolivia's Vice President Alvaro Garcia Linera dutifully rolled over for Petrobras, announcing the government would suspend the decree put forward by Soliz. The capitulation prompted Soliz and three others to resign their government posts, according to La Razon.

By September 19, Bloomberg reported that Morales had guaranteed the right of foreign investors to earn profits in Bolivia. Vice President Garcia Linera is currently in Washington, D.C., meeting with the US Congress and State Department to discuss trade issues.

From day one, Morales and the MAS leadership have been under tremendous pressure to make good on the promises that won them support at the polls from Bolivia's majority poor and indigenous population: land reform, gas nationalization and an increase social investment. Despite his populist showmanship, there are growing indications that those who elected him are growing increasingly skeptical that he will fulfill on his pledges.

Given his rapid surrender to pressure from Brazil on the gas issue, it seems likely that Morales will eventually cave in to the separatist threats by the ruling sectors based in Santa Cruz by selling out any real plan for land reform. However, by pandering to this landed elite, Morales runs the risk of being ousted—like successive presidents before him—by a revolt of Bolivia's increasingly desperate masses of workers and poor.