

Bolivia's Referendum about More than Gas

By Ronald Bruce St John | August 30, 2004

President Carlos Mesa won a stunning political victory last month when Bolivian voters overwhelmingly approved a five-point referendum, endorsing his plans to develop Bolivia's gas reserves. Surrounded by energy-hungry neighbors, Bolivia's reserves are estimated at more than 50 trillion cubic feet, about as much as Kuwait and second only to Venezuela on the continent. They are valued at approximately \$70 billion.

With an approval rating of 70%, Mesa campaigned heavily in support of the referendum, arguing Bolivians should choose polls over protests. Rejecting radical calls to resume street riots in which nearly 60 people died fighting gas export plans last October, the Bolivian electorate gave the president up to 92% support for five separate but related proposals. With more than half the eligible voters going to the polls, the results of the referendum constitute a vote of confidence for Mesa.

Critical Issues

But the referendum was about more than gas. The electoral campaign coalesced core political issues that have dominated Bolivian politics for many years. They include democracy, race, regionalism, and free-market reforms. All of these issues have broader, hemisphere-wide implications.

The current "crisis of democracy" in Latin America can be overstated. Analysts tend to focus on isolated incidents, like the lynching of a town mayor in highland Peru, or the overthrow of six heads of state in recent times. With the exception of Haiti, all of the ousted leaders were replaced peacefully via constitutional means. And the army was notably absent in each instance. Bolivia is often described today as a "fragile democracy." Yet, President Mesa, an independent journalist and historian, successfully executed a nationwide referendum involving the most volatile of issues and won a strong vote of confidence in the process.

Gas Issue Fuels Nationalism

Mesa took office last October after President Gonzalo Sánchez de Lozada was ousted in a bloodless coup. Sánchez de Lozada's plans to export gas, Bolivia's most important resource, through neighboring Chile, its historic enemy, fuelled nascent nationalism. It also sparked widespread opposition to the liberal economic policies favored by him and many Latin American leaders over the past decade.

The free-market policies aggressively pursued up and down the west coast of South America in the 1990s

attracted foreign investment and generated new tax revenues, but the benefits did not trickle down to the poor. Disillusionment reached the extreme in Argentina and Venezuela but contributed to political instability throughout the region. Orthodox macroeconomic policies have been relatively successful in Peru, but President Alejandro Toledo's popularity has bounced in and out of single digits for most of his term. In this milieu, the average Bolivian citizen was left to ask why, under Sánchez de Lozada's plan, private companies and not the Bolivian treasury appeared to benefit most from gas exports.

The mounting economic discontent stoked ever-present nationalist fires in Bolivia. Since the end of the War of the Pacific (1879-1883), when Chile occupied Bolivia's entire sea coast, the question of regaining a Pacific port has been a central issue in Bolivian politics. It has been used—and misused—repeatedly by Bolivian politicians currying popular support. The suggestion that Bolivia was going to export its precious gas through Chilean ports, without in the process gaining sovereign access to the sea, was something Bolivian nationalists could not accept.

After taking office, President Mesa kept the seaport issue on the front burner in a series of bilateral, regional, and international initiatives, none of which impressed the Chileans. At the same time, he recognized any agreement to export Bolivian gas through Chile, which did not include sovereign Bolivian access to the sea, was a non-starter.

A July editorial in *El Diario*, a respected La Paz newspaper, captured the public mood in the headline, "Nada con Chile sin una salida al mar," (Nothing for Chile without an exit to the sea). Later in the same week, a senior Bolivian diplomat made an even stronger case, stating emphatically that Bolivia would never sell "a single molecule of gas" to Chile.

Regionalism and Race

Within Bolivia, the debate over gas reserves aggravated long-standing issues of regionalism, which have divided the western highlands and the gas-rich east and south for decades. Plans to exploit the reserves pitted the needs of

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the impoverished, largely Indian population of the Andean plains against the desires of the well-established, lighter-skinned business elite in the eastern and southern lowlands. Business leaders are determined to see the reserves developed and exported with some in the eastern city of Santa Cruz favoring greater autonomy from La Paz, if not secession from the republic. In turn, many indigenous leaders favor nationalization, an option Mesa left off the referendum. Seeking consensus, President Mesa has entertained, even promoted, regional reforms while constantly reminding the separate regions of Bolivia they constitute one nation.

Race is also an element of the political equation in Bolivia, South America's poorest nation, as it has been in both Ecuador and Peru in recent years. Tension between the poor Indian majority and the ruling elite, compounded by the failure of free-market economics, has produced simmering social tensions throughout the region. In Bolivia, there is talk in some local councils of forming an indigenous nation, reaching across the Andean highlands into Chile and Peru.

Radical Indian leaders largely engineered the October 2003 protests, ousting President Sánchez de Lozada, and they also threatened to sabotage the July 2004 referendum. Expecting violent street demonstrations, police later reported only a few minor incidents in the highland region, mainly between La Paz and Lake Titicaca. Nevertheless, the Indian majority remains skeptical the referendum results will translate into higher incomes and increased social spending.

Next Steps

Issues related to the development of natural gas reserves both unite and divide the nations of the hemisphere. Hugo Chávez, Venezuelan head of state and *bête noire* of the Bush administration, advocates creation of a regional energy cartel to stand up to Europe and the United States. Argentina and Chile dispute broken contracts. Bolivia refuses to sell Argentina gas without guarantees it will not end up in Chile.

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Immediately after the referendum, Bolivia inked a 10-year supply agreement with Argentina, including construction of a 932-mile, \$1 billion pipeline. Bolivia also concluded a joint venture agreement with Peru to export gas to Mexico through Peru. And Brazil wants to build a petrochemical complex and thermoelectric plant near the Bolivian town of Puerto Suarez. Chile no longer figures in any Bolivian plan.

One Small Victory

President Mesa had a big win in the July referendum, but it is only a small victory in a long struggle. Much remains to be done before Bolivia begins to pump gas from the ground, beginning with congressional approval of a new oil and gas law. Off to a good start, Mesa is leading Bolivia down the right path. He must now translate a strong popular mandate into workable laws, acceptable both to domestic constituencies and foreign investors. In so doing, he would be wise to remember the referendum was about much more than gas.

(Ronald Bruce St John, an analyst for Foreign Policy in Focus, has published widely on Latin American issues. Author of The Foreign Policy of Peru (Lynne Rienner, 1992) and La política exterior del Perú (Lima, 1999), he is now completing a book on Bolivian foreign policy.)

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