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FEATURED Q&A

Part II: Will the Increasingly Polarized Bolivia Stick Together?

Q After months of often-violent conflict in his country, Bolivian President Evo Morales earlier this month established a commission to forge a "national pact" between his government and opposition leaders. How will the commission address tensions over a new draft constitution, opposition demands for autonomy, and other points of dispute? Will the increasingly polarized Bolivia stick together? At what cost?

A **Guest Comment: Ivan Rebolledo:** "Unfortunately, the so-called National Unity Pact discussion came to a sudden halt last Friday after President Morales imposed a plan to cut money that provinces get from natural gas exports by 30 percent and use the savings to fund social programs supported by MAS. This surprising step shocked political rivals, especially after two weeks of intense negotiations. Prior to the president's decision, both sides had been negotiating on how to incorporate some of the provinces' autonomy demands into the new Constitution and fairly divide revenue from gas exports—which was a herculean task to begin with. The governor of Santa Cruz has publicly said that his province would not accept nor abide by the proposed constitutional reforms. During the first meeting between the president and the governors (which was televised), the nation witnessed President Morales patiently lis-

tening to the governors and some governors being forceful with the president. The government said it was willing to consider making some modifications to the text of the draft Constitution. The day after that first meeting and based on press reports, the government changed its mind. Therefore, negotiations between both sides will be very difficult if not impossible—since they need to respond to their social and political constituencies. One thing is certain: if these negotiations do not start up again we are definitely looking at a bleak future, including referendums on the

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PHOTO OF THE DAY



Bolivian President Evo Morales.

Photo: ABL.

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NEWS BRIEFS

Latin American Markets Rise on Surprise US Interest Rate Cut

Latin American markets partially rebounded Tuesday from losses the day before after the US Federal Reserve announced a surprise interest rate cut aimed at averting a US recession. Stock and currency markets in Brazil, Mexico, Colombia, and elsewhere in the region posted gains following the Fed's announcement it was slashing its key federal funds rate three quarters of a percentage point to 3.5 percent, its lowest level since September 2005.

Venezuelan Opposition Demands Chavez Take a Drug Test

Venezuela's opposition is demanding President Hugo Chavez take a drug test after he said he chews coca leaves to boost his energy, Reuters reported on Tuesday. "We are going to ask that the president of the Republic take a toxicological exam, as would any baseball or football player," opposition politician Antonio Ledezma, of the Brave People's Alliance party, was quoted as saying. Chavez said earlier this month that Bolivian President Evo Morales sends him coca paste.

Rice to Take US Lawmakers to Colombia to Build Support for FTA

To build congressional support for a proposed US free trade agreement with Colombia, US Secretary of State Condoleezza Rice will lead a group of US lawmakers to the Andean nation on Thursday and Friday, Reuters reported. The State Department said Rice and the delegation will meet with Colombian government officials, trade union leaders, and private sector representatives, and they will also discuss regional security issues.

Economic News**PRI Official: Party Open to All Ideas for Reforming Energy Sector**

Mexico's opposition PRI party, whose support is key to passing legislation, is open to all ideas for reforming the country's energy sector, PRI Secretary General Jesus Murillo said Tuesday, according to



Murillo

Photo: Mexican Senate.

Reuters. "We are completely open today to any proposal," Murillo was quoted as saying in an interview. "We are ready to work with anyone that comes up with a good proposal ... Everything can be debated." The government of President Felipe Calderon is working with lawmakers to pass energy reform legislation within the next 2-3 months that would boost investment in Mexico's oil sector and stem a decline in production

open to "strategic alliances" with private companies as long as "they don't get converted into a way to modify the country's ownership of Pemex." Calderon would need the PRI's full support to get the two-thirds congressional majority needed for amending the Constitution and overcoming opposition from the leftist PRD party. [Editor's note: look for related Q&A in this week's issue of the *Latin America Energy Advisor*.]

Venezuelan Troops Sent to Border with Colombia to Halt Smuggling

Venezuela has dispatched National Guard troops to its Colombian border to stop food from being smuggled out of the country, Reuters reported Tuesday, citing a Venezuelan general. "The border with Colombia has been reinforced with 1,200 National Guard troops to prevent the illegal removal of food to [Colombia]," General Luis Motta was quoted as saying late on Monday. Motta added that the deployment was not meant to be viewed

“We are completely open today to any proposal.”

— Jesus Murillo

and reserves in recent years. PRI Sen. Francisco Labastida, head of the Senate's energy commission, said Tuesday he expected a draft bill to be ready for debate in Congress in April. Lawmakers are divided on what kind of reforms to consider, with some advocating modest changes that would grant state-owned oil monopoly **Pemex** more autonomy, while others want to allow Pemex to enter into partnerships with private companies, particularly for deepwater exploration, a reform some say would require a change to Mexico's Constitution. Pemex, which hands over about half of its revenues to the federal government, currently lacks the resources and the technological know-how for deepwater exploration and production, and experts say that to increase output legal prohibitions against private investment in Mexico's oil sector need to be changed. Murillo said that the PRI was

as a military operation against Colombia, despite an ongoing diplomatic spat between the two countries. Venezuelan President Hugo Chavez has been struggling to address food shortages, which he blames on higher food demand among the poor, and on businesses hoarding and smuggling food to neighboring Colombia, where sellers can get a better price. Businesses blame the shortages on government price controls. Chavez ordered the military to crack down on food smuggling last weekend, and he has also threatened to seize farms and milk plants that sell their milk abroad rather than at home. To further address shortages, the government launched a new state food distributor on Monday to boost the supply of staples like chicken and eggs. Chavez and Colombian President Alvaro Uribe have been in a row in recent weeks over Chavez's role in negotiating the release of Colombians

held hostage by the FARC rebel group. Diplomatic tensions, however, have stopped short of a disruption in economic ties, as the two countries are each other's biggest trading partner.

Company News

Mexico Launches Probe of Telmex's Market Power

Mexico's Federal Competition Commission (CFC) has begun an investigation of Mexico's fixed-line telephone market to determine whether **Telmex**, the country's biggest fixed-line operator, has too much market power, a Commission official said Tuesday, according to Bloomberg News. Angel Lopez Hoher, who heads the CFC's information committee, said the investigation would be formally announced soon. CFC President Eduardo Perez Motta said in October the Commission would launch separate investigations into the dominance of Telmex and its mobile affiliate, **Telcel**. It is the second time in six years that the CFC has investigated the market dominance of Telmex, which has 90 percent of all fixed lines in Mexico. In 2001, the CFC declared Telmex to be dominant in areas such as local, long-distance, and international services, opening the way for possible restrictions. However, in 2005 after a long legal battle a court threw out the CFC's ruling, saying there was insufficient proof against Telmex. Perez Motta has said that Telmex's dominance justifies the application of asymmetrical regulations to level the playing field against its competitors as they move toward providing "triple-play" services—voice, Internet, and video. On Monday, Mexico's cable television operators took out full-page ads in the country's two biggest newspapers calling on President Felipe Calderon to impose special regulations on Telmex and Telcel, and to reject Telmex's request to offer video service, according to Bloomberg News. Both Telmex and Telcel, a unit of regional mobile giant **America Movil**, are controlled by Mexican billionaire Carlos Slim. The two companies are rivals throughout Latin America of Spanish telecom giant **Telefonica**.

Subscriber Notice

The Woodrow Wilson International Center for Scholars, the Inter-American Dialogue, and the Initiative for Inclusive Security to Host a Discussion on

Addressing Security Challenges in Colombia

with

Nancy Patricia Gutiérrez
President of Colombia's Senate

Marta Lucía Ramírez
Colombian Senator

María Isabel Nieto
Deputy Minister of the Interior

Thursday, January 24, 2008
8:30-10:00 am

Inter-American Dialogue
1211 Connecticut Avenue NW, Suite 510
Washington, DC

RSVP to meetings@thedialogue.org Please include your name and affiliation.

Featured Q&A

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future mandates of the president and governors, as well as many others."

A Guest Comment: Phillip McLean: "News of the end of Bolivia as a unified state has been around for a long time. The debate over whether Sucre or La Paz should be the capital caused a civil war at the end of the 19th century, and an article in *Time* magazine suggesting the country should be broken up caused riots in the 1950s. The country's daunting geography sharply defined regional cultural differences. As recently as the 1970s, the *cambas* (lowland farmers around the then-small city of Santa Cruz) had a visceral dislike for the *collas* (the highland population, especially the Aymara Indians of the altiplano). At that time, at the edge of the city a statue of Christ the Redeemer with his hands held high was said by *cruceños* to mean '*hasta*

aquí y no más'—up to here and no farther. That forlorn statue now stands well within the limits of a city of over a million people. Clearly it didn't do its assigned job. Political observers estimate that 60 to 70 percent of Santa Cruz is now *colla*. Bolivians increasingly shed traditional ways and go to other parts of the country looking for economic opportunity. Evo Morales represents two reoccurring Bolivian goals: a dignified role for indigenous communities and protection against foreign exploitation of the country's natural wealth. Bolivia will survive—but how well depends on Evo's willingness to compromise his vision, which looks to the past, with the future sought by so many of his fellow citizens."

A Guest Comment: John Crabtree: "The New Year brought a degree of distension to Bolivia, with the govern-

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Featured Q&A*Continued from page 3*

ment and opposition agreeing to establish commissions to look at key disagreements between them. Before Christmas, the government and opposition had been on a collision course that threatened open secession by eastern departments. Establishing commissions may not resolve the points at issue, including the legality of the new Constitution, giving autonomy to those departments demanding them, and using departmental revenues to fund a pensions system. But agreement on a 'national pact' will defer open conflict, at least for the short run. The government argues that, having won a landslide victory in the 2005 elections, it has a clear mandate to overhaul the country's institutions. It claims the opposition parties deliberately sought to sabotage the work of the Constituent Assembly. Opposition leaders, including the heads of regional civic committees, say that the government failed to follow legal procedures and has chosen to ignore the results of a 2006 referendum that required the granting of autonomy. The battle is likely to be rejoined this year, with neither side prepared to give much away to the other. The confrontation could turn violent. The government is hoping that a series of planned referendums, including a recall referendum for both president and prefects, will reduce tensions. Few Bolivians want their country torn apart, and secession is unlikely to prosper."

A Guest Comment: Oscar Bazoberry Chali: "It is clear Bolivia will stay together in the future, although its continuity as a state in South America does not mean it will have resolved all its internal problems and particular way of relating to the world. Beyond the political problem, there are structural dimensions to the crisis the country is experiencing—today a resource-rich crisis in a state whose income was always scarce and now, thanks to hydrocarbon prices, has at least doubled the value of its exports. Migration to neighboring countries like Brazil and Argentina, northward to the

United States, and in recent years even to the other side of the ocean, mainly Spain, touches every region and a good part of their social sectors. Poverty persists and none of Bolivia's regions have the ability on their own to address the challenges of a globalized world that demands bigger and more timely answers from their leaders every day. Unfortunately, like in 1985 when leftist president Hernan Siles Suazo's constitutional mandate ended early because it became impossible to govern Bolivia, the ideological and technical debate has again given way to political debate ... To remove debate from the Constituent Assembly and parliament is a big step backwards. Institutions like universities and sectors like urban youth, which were considered pillars of democracy, could today determine the outcome of this power dispute. Unlike the past, today they have shown their intolerance against the indigenous farmers' movement, going as far as public and unacceptable protests. The opposition to Morales has emerged and capitalized on these movements, which in the short term gives them a veto power, [but] in the long term will become the agent of their own limitations."

Ivan Rebolledo is Managing Partner of TerraNova Strategic Partners LLC and President of the Bolivian-American Chamber of Commerce.

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Editor's note: see Part I of the above Q&A in yesterday's issue of the Advisor.

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