

# Evo Morales and the fraud of “nationalization” in Bolivia

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22 May 2007

In a bombastic statement to the media earlier this month Bolivian President Evo Morales announced the concretization of his planned nationalization of the country’s oil and natural gas industries. These enterprises had been privatized at the end of the 1990s during the “neo-liberal turn” throughout Latin America. According to Morales, the Bolivian people are now resuming their role as the true owners of the natural wealth that exists in the subsoil of their country.

However, what Morales is really promoting in Bolivia is not nationalization (as it has been historically) of the foreign companies that have been operating in the country. Rather, what he is doing is in effect buying back enterprises that were state-owned before but had been privatized in the previous decade.

The fraud of these nationalizations trumpeted by Morales can be better understood by examining the example of the buying back of two Bolivian refineries that had been bought in the 1990s by the Brazilian state-owned oil company, Petrobras.

In 1996, on the basis of agreements for energy integration signed by the Brazilian and Bolivian governments, Petrobras Bolivia S.A. (PEB) officially was born as a corporation financed by Brazilian capital that had as its aim the extraction, refining and distribution of Bolivian natural gas to Brazil. In 1997, construction was begun on a gas pipeline between Bolivia and Brazil that cost a total of \$8 billion. The capital for this gigantic project came from PEB itself as well as from the Bolivian state-owned energy firm YPFB.

In 1999, Petrobras acquired the two biggest oil refineries in Bolivia: Guillermo Elder Bell, in Santa Cruz de La Sierra, and Gualberto Villarroel, in Cochabamba, creating a new company, Petrobras Bolivia Refinación. Since then, Petrobras has become the biggest company in Bolivia. Thus, in 2005, Petrobras Bolivia was responsible for 18 percent of Bolivia’s Gross Domestic Product (GDP) and for 24 percent of all the taxes collected in the country (*Agência O Globo*, May 10, 2007).

Petrobras produced 100 percent of the gasoline and 60 percent of the diesel fuel consumed in Bolivia. Since 2000, the company began as well to act as the principal distributor of fuel within Bolivia itself, creating a large network of gas stations under its own banner (close to one-quarter of the existing gas stations in the country).

Just months after his inauguration as president, on May Day, Evo Morales ordered the invasion of the Petrobras Bolivian refineries by the country’s army as a symbolic means of announcing to the world that Bolivia was, from that point on, resuming control of the country’s economy, breaking with more than a decade of submission to “savage capitalism.”

To make this “nationalist” announcement effective, the Bolivian government has been negotiating for a number of months with the Brazilian state-owned firm on the value of its Bolivian assets to be paid as compensation for the de-privatization of the two refineries controlled by Petrobras in Bolivia. In 1999, Petrobras had paid US\$104 million for the two refineries and since then invested some US\$30 million in improvements. Initially, Petrobras had sought US\$200 million for the two enterprises, but on May 10 the Brazilian government ceded to Bolivia’s offer and accepted a final price for the repurchase of the two installations of US\$112 million (close to 224 million reais).

The hollow character of the “nationalist turn” announced by Morales was made clearer by the presidential decree issued on May 13 in which the government authorized the Bolivian state-owned oil company YPFB to form partnerships with foreign capital—both public and private—to exploit new oil and natural gas reserves in Bolivia. On that day, Morales had already signed 44 new contracts with foreign oil companies. Despite the nationalist rhetoric, Morales used the occasion to reassure foreign firms that invest in the country that the new partnership agreements will include full juridical guarantees of their profit interests.

Since last year, YPFB has signed agreements with the Venezuelan state oil firm PDVSA to exploit large new reserves in Bolivia under a partnership dubbed Petroandina (with 51 percent of the capital from YPFB and 49 percent from PDVSA).

On May 10, *Agência Folha* revealed that Brazil’s Norberto Odebrecht group, the largest construction company in Latin America, is prepared to invest US\$1.5 billion in the construction of three petrochemical installations in Bolivia. According to *Folha*, negotiations have already begun between the company’s executives and the Bolivian government to reach an agreement setting up the partnership. Through

Braskem—Odebrecht's affiliate in Venezuela and one of the largest petrochemical enterprises in Latin America—the firm would construct in Bolivia two polythene plants and one ethylene, together capable of producing 5 million cubic meters of gas daily.

After announcing a satisfactory agreement for buying back the installations from Petrobras, Morales now wants to buy back the shares of the other big multinational companies operating in the country: Shell, Repsol and British Petroleum (BP). After concluding these negotiations, the Bolivian government asserts that it will gain total control over the exploitation of the hydrocarbon wealth beneath the country's soil, thus initiating a "new patriotic history," supposedly returning to the Bolivian people the "national sovereignty" that had been given away by previous neoliberal governments to foreign capital.

Fundamentally, what Morales is doing in Bolivia is the same thing that Hugo Chavez has been carrying out in Venezuela since assuming the presidency of that country in 1999: utilizing the enormous natural energy wealth to implement social aid programs and obtain the maximum popular support possible.

Bolivia is the poorest country in South America. According to the annual Statistics/2006 report issued by the Economic Commission for Latin America and the Caribbean (CEPAL), Bolivia currently has more than 60 percent of its population living below the poverty line (63.9 percent) and nearly 35 percent living in absolute poverty. In Latin America as a whole, poverty indices for 2005 encompassed close to 39.8 percent of the total population.

It was on the basis of an appeal to this vast impoverished majority that Evo Morales ran his election campaign and was victorious in the 2005 presidential contest. It is to this same poor electoral base that he is appealing with the bombastic announcements of the renationalization of the enterprises engaged in exploiting natural resources.

This appeal has gone hand in hand with the concentration of the entire administrative machinery of the state in the hands of the executive. Thus Morales, like Chavez in Venezuela, eliminated any opposition in parliament, managing to form a legislature that is completely subordinated to his government, dominated by his MAS (Movement towards Socialism), through which he first rose to national political prominence by promoting the defense of cocaine cultivation against government eradication efforts.

In this sense, the "socialism" of Evo Morales is directly linked to the strengthening of the state and the greater exploitation of the country's natural resources. This pseudo-socialism is based not on the independent power of the working class and does not involve a fundamental transformation of the country's economy. Rather than generating a greater amount of jobs for the local population, it is engaged in setting up high-technology enterprises in the country that use little in the way of unskilled labor.

In the final analysis, the government's program is being carried out in the interests of the world bourgeoisie. If, on the one hand, through the resumption of state control the government is buying back a controlling share in the companies operating in the country, on the other hand, it is handing out new guarantees to the multinational firms that their investments and interests will be protected under the new constitution.

In practice, what the Morales government is doing is nothing more than renegotiating the old contracts under a new form of legal protection. While buying back enterprises that had been under the total control of foreign capital, it is reprivatizing part of the shares of each one of them under the formula of "mixed capital."

In this process of redirecting capital, Petrobras ended up losing (even though the Brazilian state firm's Bolivian operations account for only 3 percent of its total operations), as will certainly other multinational firms like Shell, Repsol and BP. But capital itself is not losing, as in reality Morales is simply changing the composition of capital engaged in the exploitation of Bolivia's natural wealth, with the state becoming the direct manager of this new phase of capitalist exploitation of the country.

Capitalist groups that are less friendly to the state will leave (those that do not want to renegotiate previously established contracts that were very favorable to them, as was the case with Petrobras) and other capitalists will enter to become "partners" of the new "Morales socialism"—a copy of the nationalist "socialism of the twenty-first century" promoted by Hugo Chavez in Venezuela. Petrobras, Shell and others may go, but Odebrecht, PDVSA and others will take their place.

One thing is certain: it will not be the Bolivian people as a whole who will benefit from the pseudo-socialism in partnership with big capital. The staggering indices of poverty may perhaps be brought down by a few percentage points in Bolivia. But in the medium and long term, the pseudo-socialism of Morales will exhaust itself as a result of its own contradictions, while resolving none of the structural problems confronting the Bolivian population as a result of massive poverty and the looting of the country by international capital.



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