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BOLIVIA: CORRUPTION AND ERRORS IN PETROLEUM CONTRACTS HINDERS NATIONALIZATION OF NATURAL GAS

Bolivian President Evo Morales has reacted angrily to revelations that there was corruption among members of his Movimiento al Socialismo (MAS) in the setup of contracts to extract the country's large natural-gas reserves. Legislators from the conservative opposition party Poder Democrático y Social (Podemos) have been raising significant criticisms regarding errors in natural-gas contracts arranged by the Morales administration. The controversy, which has bogged down the nationalization of Bolivia's natural-gas resources, led to the firing of the head of the state petroleum company.

YPFB president resigns

The head of Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), Bolivia's state petroleum company, barely lasted two months in the job. Manuel Morales Olivera resigned at the president's request because of the scandal regarding errors in renegotiated gas contracts with multinational corporations. On March 23, Hydrocarbons Minister Carlos Villegas administered the oath of office to Guillermo Aruquipa Copa, who will be the new head of YPFB. Villegas took over what is arguably the most important ministry in Bolivia during a previous controversy regarding the pace of gas nationalization (see [NotiSur, 2006-09-29](#)).

Morales assured citizens that the nationalization, a central facet of his presidency, "is a process that will continue," but he added that it was "convenient [to have] a change." There have now been firings or resignations of two ministers, three vice ministers, various superintendents, and three YPFB presidents since MAS came to power in early 2006 (see [NotiSur, 2006-02-03](#)).

Morales Olivera, no relation to the president, had to step down because the 44 renegotiated contracts, which submit companies to a new tax regime and YPFB supervision, have not yet been implemented, even though they were signed five months ago. Local press outlets also published photographs of YPFB employees drinking tropical drinks on Cuban beaches during a seminar, adding further scandal to drag down Morales Olivera's career. He had faced strong criticism from the opposition for having neither a university degree nor experience working in the petroleum sector before heading the YPFB. But, said Vice President Alvaro García Linera, he had family who helped him--he was the son of an influential MAS leader and brother to the director of national Customs.

His replacement, Aruquipa, was the vice minister of exploration and exploitation in the Hydrocarbons Ministry. Before taking office, he warned that delays in applying the new contracts would create significant and serious damage to the country, which has South America's second-largest natural-gas reserves after Venezuela. "I humbly ask that in the next week these projects be approved," Aruquipa said at his swearing in.

Morales said his government could have committed "errors," but he said the change in YPFB presidents was not because of corruption problems. "Never are we going to rob, never are we going to trick the Bolivian people," said Morales.

Opposition rails against contract errors

Podemos legislators attacked "basic errors" in the contracts throughout March, alleging corruption among MAS officials who negotiated them. On March 12, Morales

promised that those who sought bribes for contract negotiations with 12 companies like Brazil's Petrobras, Spain's Repsol YPF, and French TotalFinaElf would face jail.

Documentation of MAS officials seeking "avales," or guarantees, from companies led to purges within the party and angry speeches by the president. While Morales disavowed corruption as the cause for Morales Olivera's resignation, local media reported that the YPFB president was held culpable.

Speaking on Red Uno network on March 12, MAS party member and head of the House of Representatives Edmundo Novillo said Morales "reacted in a very angry manner, a very violent manner" to the errors in the contracts.

Morales said on March 19 that, "if it is true, those who sold avales will be those who will be tried." Documents allegedly showed MAS members demanding thousand-dollar sums from people who needed documentation and from those who wanted to take up public posts. Morales suspended several MAS leaders.

Lone tin smelter nationalized

Morales extended the nationalization of Bolivian resources to the country's only tin smelter. The ritual sacrifice of a snow-white llama symbolically marked Morales' nationalization of the tin smelter on Feb. 16.

An Aymara Indian shaman performed the traditional ceremony on the smelter's dirt floor as workers cheered and molten tin poured from the furnaces. The ritual was meant to bring good fortune to the plant.

Swiss mining giant Glencore International AG owned the Vinto plant until the week before and had threatened to seek compensation through international arbitration.

Morales says his government will not compensate Glencore for the Feb. 9 nationalization of the plant, on a high Andean plain 177 km southeast of the capital of La Paz. "If they want to go to arbitration, we are ready to face them," Morales said before the ceremony. "We have recovered for the people something that was once owned by the people."

Morales' government has deemed 2007 "the year of recovering our mineral resources." Until the 1970s, when Vinto was built, Bolivia exported mostly raw mineral ore, allowing other countries to reap the refining profits.

Bolivia privatized Vinto in 2000, and Morales has said that subsequent sales, including Glencore's 2004 purchase of the smelter, did not reflect the plant's full value.

While the nationalized smelter retained all but a handful of smelter employees, workers were divided regarding the change in management. Some rushed to greet "Companero Evo" as he toured the plant; others hung back and wondered about the future.

"Anywhere in the world they'll tell you the government can't be a good administrator," said employee Oscar Leyton. "But we'll just have to wait and see how they do it. If they screw up here, they'll screw up the whole country."

[Sources: Associated Press, 02/16/07; El Nuevo Herald (Miami), 03/08/07, 03/09/07; Los Tiempos (Bolivia), 03/05/07, 03/06/07, 03/12/07, 03/14/07, 03/16/07, 03/20/07; La Razon (Bolivia), 03/12/07, 03/14/07, 03/20/07; www.telesurtv.net, 03/11/07, 03/22/07; www.bbcmundo.com, 02/15/07, 02/16/07, 03/24/07; Bloomberg, 02/16/07, 03/12/07, 03/27/07]

