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Bolivia Continues Nationalization Policy

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Category/Department: Bolivia
Published: 2013-04-19

In mid-February, the Bolivian government authorized a new nationalization, continuing the process that President Evo Morales has claimed is necessary and indispensable since he headed the organized coca growers long before becoming president. This time it was the turn of SABSA, which in 1997 had been given a 25-year contract to manage the country's 37 airports. SABSA is wholly owned by TBI, the company acquired in 2005 by Spanish-owned Abertis and AENA.

What at first glance might seem a minor matter—the nationalization of a company in a sector that is relatively insignificant, given the volume of international and domestic air traffic in a poor country—became, however, proof of the government's decision to leave no sector without a strong state presence and, at the same time, ratify the essence of a model that is gradually putting the country's economy on a sound footing.

Morales says that the decision was made long before Feb. 18, the day it was announced, but was delayed “for diplomatic reasons” that he did not explain. He said only that SABSA had failed to make promised investments. Between 1997 and 2011, it should have spent US$55 million on various projects but had spent only US$6 million. When he gave those figures, the president set diplomacy aside to say that "this was robbery, looting, because in that period SABSA's profits amounted to 2,164% of what it paid for the airport concession."

The government says that its nationalization policy, as part of careful macroeconomic management, explains the country's high growth rates, record level of hard-currency reserves, and improvements in poverty and inequality indices and is among the factors that have enabled Morales to form an urban-rural social coalition that has gradually dismantled the opposition of the rich, secessionist eastern region of the country (NotiSur, May 8, 2009, and Dec. 7, 2012).

Nationalizations boost economic figures

The numbers speak for themselves. Under Morales' leadership, GDP has more than doubled (from US$11.5 billion to US$24.6 billion), and per capita GDP went from US$1,200 to US$2,200. By the end of 2012, international reserves had reached a record US$13 billion, a testament to the fiscal prudence of Economy Minister Luis Arce Catacora. Inflation was 4.54% in 2012, and the Banco Central projects a rate of 4.8% this year, the lowest in South America. Between 2005 and 2010, the latest year for which reliable figures are available, poverty levels fell from 61.3% to 49% and extreme poverty from 38.5% to 28.4%. The benefits of the nationalizations increased the US$335 million that municipalities received in 2005 to US$1.7 billion in 2012—good numbers that have turned the country around.

The nationalization of SABSA confirms the government's commitment to control strategic areas of the economy, a process that, since 2006, has included some 20 businesses. On May 1 of that year—at the celebration of International Workers' Day—Morales announced the renationalization of the oil sector, the first of many, and he ordered foreign firms operating in the sector to either sign new contracts or leave the country (NotiSur, May 12, 2006, and Nov. 17, 2006).
At that moment, the government began to dismantle the policy of privatizations—"capitalization," as the establishment called it—begun by former President Gonzalo Sánchez de Lozada (1993-1997), a champion of neoliberalism (NotiSur, Nov. 3, 1994, July 13, 1995, and Aug. 31, 1995). Within six months, 11 multinationals had signed 44 contracts with the state-owned Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). The agreements reached included one establishing royalty payments of between 50% and 85% on the value of production.

Also in May 2006, the state retook control of the Huanuni tin mine, and in February 2007 it took over the Vinto smelter, both owned by the Swiss company Glencore (NotiSur, May 18, 2007).

In May 2008—in an event heavy with symbolism, again on International Worker's Day—the state took another step to control hydrocarbons with the nationalization of CLHB, a liquid gas logistics and storage company, until then managed by an association that included the German firm Oiltanking and Peru's Graña y Montero, and the pipeline company Transredes, owned by British-based Ashmore and Royal-Dutch Shell.

That same month, the government signed an agreement with the Spanish oil company Repsol, which enabled the state to regain majority control of Repsol subsidiary Andina. In the 1990s, Sánchez de Lozada had divided the national oil sector among four foreign firms, one of which was Andina. At about the same time, the Empresa Nacional de Telecomunicaciones (ENTEL) was nationalized, until then controlled by Italy's Telecom (NotiSur, Oct. 5, 1995).

Between Jan. 1 and May 1, 2009, the nationalization of the gas sector was completed, first with the takeover of the exploration and production company Chaco, owned by British Petroleum (BP) and Argentina's Bridas, followed by the nationalization of Air BP, the BP subsidiary that supplies fuel to all airports in the country.

**Power companies privatized to make rates more equitable**

The process continued in 2010, with the nationalization of four electricity generating companies: Corani, a subsidiary of the French GDP Suez, and Guaracachi, owned by Britain's Rurelec PLC, and the companies providing service in Cochabamba and Valle Hermoso (both controlled by The Bolivian Generating Group, Spain's Banco Bilbao Vizcaya Argentaria [BBVA], and the Swiss holding company Zurich).

In 2012—again on May 1—the shares of Red Eléctrica de España (REE) in the company Transportadora de Electricidad were nationalized, and the nationalization year ended on Dec. 29 with the state takeover of Spanish-owned Iberdrola's shares in two investment firms and two energy distribution companies that provided service in the western departments of La Paz and Oruro.

In announcing the Iberdrola nationalization, Morales called its companies "a real example of the private sector's for-profit administrations," adding, "We have been obliged to take this measure so that rates will be equitable for the nearly 3.5 million people in those departments and the quality of service uniform in both rural and urban areas." Until then, electricity rates were US$0.09 per kilowatt hour (kWh) in the cities and US$0.23 per kWh in rural areas.

The Bolivian Constitution (Constitución Política del Estado Plurinacional) bans any privatization or sale of state businesses. The government holds that, beyond upholding that prohibition, the nationalizations produced results that persuasively show their success.
In a public event on April 1 in Potosí—the southern city founded in the mid-16th century at the foot of Cerro Rico (called the "silver mountain" by the Spanish colonizers, who had discovered the world's largest silver mine, now depleted from irrational exploitation)—Vice President Álvaro García Linera spoke at length about the benefits of the nationalizations and gave the concrete example of what he called the recovery of YPFB. "In 2005, when our oil was still in private hands, the state treasury took in US$670 million in royalties. In 2012, with nationalization, the state received US$4.2 billion. This is the best proof of what nationalization means, to take the assets that belong to all of society. We recommend this to all countries: to nationalize their businesses, take control of their assets," he said.

As in very few countries, if any, in Bolivia Morales and García Linera divide their roles. The vice president is in charge of giving "master classes," or making speeches marked by a strongly didactic and ideological tone. That day in Potosí, García Linera said that, for Bolivia, the YPFB nationalization meant that, "in seven years, we have increased the state's revenues more than sixfold, and thanks to this we now have money to build roads and hospitals, improve education, pay social-assistance benefits, transfer resources to the municipalities and the local governments. [Before nationalization] all that money from our oil stayed in foreign hands."

The vice president said, "This is a blessing for the people. It is what allows them to control not only their riches but also the money that comes from the use of those riches."

Giving examples such as the oil sector, all government officials are extremely harsh when judging those who oppose nationalizations, especially opposition political leaders, whom García Linera calls, without mincing words, "crooks" who continue encouraging and protecting the plunder of the country.

"Whoever opposes nationalization is unpatriotic," said the vice president, adding that this policy of defending state assets "is aimed at two things: reasserting sovereignty of Bolivians' resources and generating income that sustains Bolivians' rights."

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