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Bolivia

Nationalization of Gas!

Bolivia's Historic May Day,

2006

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Monday, May 1, 2006, amidst celebrations and marches commemorating the day of the working class internationally, the Bolivian government nationalized the country's hydrocarbons sector (natural gas and oil). With presidential supreme decree 28701 - named Heroes of Chaco in memory of the overwhelmingly indigenous Bolivian soldiers who died in defense of oil reserves in Bolivia's Chaco War with Paraguay in the 1930s - Evo Morales reversed the privatization of hydrocarbons instituted in 1996 by then-president Gonzalo Sánchez de Lozada.

Speaking from the balcony of the presidential palace in La Paz, vice-president Álvaro García Linera addressed tens of thousands of supporters of the governing Movimiento al Socialismo (Movement Toward Socialism, MAS) in the early afternoon. He declared the measure, "the first nationalization of the 21st century....

[<https://www.internationalviewpoint.org/IMG/jpg/blnat1.jpg>]

After today the hydrocarbons will belong to all Bolivians. Never again will they be in the hands of transnational corporations. Today the country - la patria - stands up.... This is a patriotic and heroic decision that takes back our soul and dignity. But it will be a measure attacked by dinosaurs, conservatives, and traitors of the country."

Later that evening, addressing the same crowd, president Morales told those assembled how he couldn't think of a better gift to give the workers on May Day than the surprise announcement of the nationalization of the hydrocarbons sector.

In fact, it was never his gift to give. The workers, the informal indigenous proletariat of the massive slum of El Alto, the Aymara peasantry of the altiplano (high plateau), the miners, among so many others, demanded and won the nationalization of gas in their monumental street battles of October 2003 and May-June 2005.

As Edgar Patana, executive secretary of the Regional Workers' Central of El Alto (COR-El Alto) pointed out, "We are moved because the nationalization of hydrocarbons has been one of the fundamental demands of the mobilizations of October 2003 and May and June 2005. For us, it's homage to the fallen of October. [While numbers cited by different sources ranges quite dramatically, many agree that between 60 and 80 protesters were killed in the October 2003 "Gas War"]. It's an historic act that, hopefully, in the following months, will bring the country more revenue, to relieve unemployment, and make more jobs available...."

Bolivia's May Day

May Day promised to be fairly uneventful. MAS was elected on December 18, 2005 with an historic 54% of the popular vote. After starting to govern on January 22, 2006 the first three months of the administration showed minimal ideological coherence or political direction. The rhetoric of leading figures in the government changed with the direction of the wind, depending on the audience.

Many observers proclaimed the revolutionary potential of the administration, but this spoke more to their hopes and aspirations than to a sober, grounded analysis in the increasingly reformist history of the party since Morales's near-electoral victory in the 2002 elections.

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The MAS was largely a bystander in the historic mobilizations that ousted two neoliberal presidents in under two years: Gonzalo Sánchez de Lozada in October 2003 and Carlos Mesa Gisbert in June 2005. Worse, MAS tactically supported the Mesa regime for several months in 2004 and early 2005, before being tossed from that informal coalition.

The Morales administration proudly reminds Bolivians that in March this year it moved to schedule a Constituent Assembly to rebuild the foundations of the Bolivian state in the name of the poor indigenous majority. Apart from the nationalization of gas this had been a key demand of the popular social movements in recent years. They demanded the unmediated, direct participation of unions, social movement sectors, and indigenous nations in the Constituent Assembly process.

However, the Constituent Assembly envisioned by the MAS looks far more like an institutionalization and taming of revolutionary hopes through the formation of "social pacts" with elite forces, channeled through political parties and citizen groups.

Vice-president Álvaro García Linera, taking the old stagist line of the Bolivian Communist Party (PCB), believes that socialism is impossible for at least 50 to 100 years, and that the country first has to traverse through a stage of "Andean-Amazonian capitalism." The government repressed mobilizations by striking airline workers and their supporters in the city of Cochabamba in their first months in office, and reneged on a promise to increase the minimum wage by between 50 and 100%.

The administration furthermore quickly adopted the line that any part of the social movements that demanded autonomy from the MAS, refused cooptation, or criticized the government from the Left was "ultra-Leftist" by definition. The teachers, the healthcare workers, important indigenous radical Felipe Quispe, the Bolivian Workers Central (COB), and the airline workers and their supporters, such as the leading Cochabamba organizer Oscar Olivera, have all been hung with this label at various junctures.

Leading up to May Day the government announced that at the MAS-sponsored, celebratory festival in the Plaza Murillo in La Paz, Morales would deliver a speech which would include a raise in the minimum salary - if not one of 50 or 100%, perhaps at least of 15% - as well as the end to a certain piece of hated "labour flexibilization" legislation dating back to 1985, the start of the neoliberal period.

In opposition to the first three months of the new government, the COB announced a separate assembly in a different part of town for May Day, to be followed by a dissident March against the MAS-sponsored festivities. In past years the COB marches have been legendary, huge demonstrative outpourings of workers' strength in unity and numbers. This May Day, as foreshadowed by a failed strike action by the COB in La Paz two weeks ago, the alternative assembly was abysmally small and subsequent COB march quickly fizzled to an early death, just after noon.

[<https://www.internationalviewpoint.org/IMG/jpg/blnat4.jpg>]

Nonetheless, outside of the COB, and yet not obviously at one with the MAS-sponsored events, tens-of-thousands of proud workers, peasants, and indigenous marchers paraded through the streets of the capital. I walked past the coca-cola workers with their red union jackets, Che emblazoned on the left breasts. Factory workers, retirees, indigenous peasant groups from the altiplano, teachers, informal workers of a thousand varieties, and thousands upon thousands of disciplined marching women from various sectors, some in indigenous dress, others in jeans and union jackets. Restaurants and shops had their shutters closed. The only people working were the street vendors providing sustenance to the marching masses and journalists recording the events.

Signs of marchers read, "Death to Yankee Imperialism!" "Out with the Looting Transnational Corporations!" "The

Nationalization of Hydrocarbons Now!" "Glory to the Martyrs of Chicago Who Offered Their Lives for the 8 Hour Day!", among many, many others. Chants included "Death to the Cruceño Oligarchy" (in reference to the most reactionary sectors of the Bolivian capitalist class, rooted in the department of Santa Cruz), "Long Live May 1," and "Long Live Tupaj Katari" (in reference to the anti-colonial indigenous leader of the 1781 uprising against the Spaniards).

Just before noon, the Plaza Murillo, where the presidential palace is situated, was already full with tens of thousands of MAS supporters. Marchers had descended from El Alto, a three-hour march to the La Paz's city-center. Bands were on stage playing Andean music, and entire families were dancing in the streets. The blue-and-white colours of the MAS adorned the buildings of the Plaza and the banners of many in the crowd. Massive, multicoloured wiphala flags were waving as symbols of indigenous resistance, and Bolivian flags as hopeful nationalism. A life-size Che placard stood out in the center of the Plaza. Finally, symbolizing the recently signed Peoples' Trade Agreement (TCP) between Bolivia, Cuba, and Venezuela, thousands of smaller flags with one side Bolivian and the other Cuban or Venezuelan were being waved over the heads of the dancing crowds.

Whatever one's analysis of the MAS as a party, the aspirations and sentiments of this crowd were of anti-imperialist hope, indigenous pride, and popular sovereignty. The physical, political occupation of this urban space - the Plaza Murillo - by indigenous movements and the popular classes was in itself a measure of political victory, however limited and potentially compromised in its adherence to the MAS.

I reflected on this as I remembered a very different rally I attended in March 2005. In the months leading up to Mesa's forced resignation I went to a midnight, spontaneous pro-Mesa assembly of primarily middle-class protesters. As then-president Mesa stood on the balcony waving and blowing kisses, the crowd chanted for an "Iron Fist / Mano Dura! Death to Evo! Death to Abel! (in reference to a key leader of popular movements in El Alto, and now Minister of Water in the MAS administration).

On this May Day afternoon it gradually became apparent that Morales wouldn't be delivering his address to the Plaza Murillo any time soon.

Nationalization and Military Theatrics

In fact, Morales was in the Southeastern department of Tarija, home to the largest of Bolivia's gas deposits. More specifically, Morales was in the gas field of San Alberto, in Caraparí, Tarija, a field operated by the Brazilian state-owned gas giant, Petrobras. There, at 12:30pm, flanked by various key ministers and the heads of the police and the armed forces, an uncharacteristically nervous president, reading from the shaking notes which contained the text to Decree 28701, declared the nationalization of the hydrocarbons sector.

The theatrical flare to the day's events was nowhere more evident than in the participation of the armed forces. 56 gas installations throughout the country were occupied by the military simultaneously, as the president gave his speech from San Alberto. Troops accompanied government representatives to the offices of Petrobras in Cochabamba to announce the nationalization decree. A bewildered looking office manager, totally taken aback by the video cameras, the military, and the government officials, said he'd let his bosses know the news.

Large banners were immediately strung up outside gasfields, refineries, and various petroleum related offices and sites: "Nacionalizado: Propiedad de los Bolivianos / Nationalized: Property of Bolivians."

On the one hand, the deployment of the armed forces was perfectly practical in nature. Offices of transnational gas companies were occupied by the army and military police with instructions to circumvent the destruction or removal of documents that will be necessary in forthcoming audits and preparation for newly negotiated contracts in adherence to the nationalization decree. At the sites of natural gas deposits, the army's presence ensured that sabotage by any groups on the Right, opposed to nationalization, was averted before it started. At the same time, the militarized presence was meant to reassure Bolivians that gas and oil supplies would be accessible and the industry functioning as usual in the interim, even while fundamental change to its structure would begin immediately.

Beyond these practicalities, the role of the armed forces served two important symbolic, political functions. First, it took the historically-savvy Bolivian populace back to the two earlier episodes of nationalizing petroleum in the country's history, both under military regimes. In 1936, the American multinational Standard Oil was expropriated - later compensated - and the Bolivian state oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) created, all under General David Toro's watch. More recently, during the government of Alfredo Ovando Candia in 1969, pushed forward specifically by the socialist Minister of Petroleum and Mines, Marcelo Quiroga Santa Cruz, Gulf Oil was nationalized. Morales paid tribute to Quiroga Santa Cruz - who was assassinated in 1980 - during his evening speech to the masses in the Plaza Murillo.

The second symbolic role of the armed forces in May Day's nationalization was to indicate to the far right forces, primarily in the department of Santa Cruz, that a right-wing military coup against the Morales government is impossible. This was surely in Morales' mind as he stood next to the leader of the Armed Forces during his public declaration in Tarija, and when he praised the Armed Forces and the police for their patriotism in protecting the natural resources of Bolivia in his evening speech in La Paz.

What Does Nationalization Mean?

All the fine details of the process are not yet apparent, and probably won't be until months have passed. Still, we can safely say that nationalization means less than the expropriation without compensation of transnational gas companies demanded by the most radical of the social movements, and more than the weakest of the MAS proposals over the last two years (during the May-June 2005 protests the MAS famously called only for an increase in taxes for transnationals to 50%, while most other sectors in the streets called for 100% nationalization.)

Article 1 of the Heroes of Chaco decree asserts that, "The state reclaims the property, the possession and the total and absolute control of these resources." Article 2 states that, as of May 1, 2006, all petroleum companies that are currently active in the production of gas or petroleum within the national territory are obliged to hand over to the property of YPFB - the representative of the Bolivian state - the entire production of hydrocarbons. During the period of transition, according to Article 4, the largest gas deposits - those with average natural gas production in 2005 over 100 million cubic feet daily - will be subjected to the following tax regime: 82% of the value of what is produced will go to the state, and 18% to the gas company to recuperate costs and make a profit.

This measure will hit the two largest gasfields, San Alberto and San Antonio, currently owned and operated by Petrobras (Brazil), Repsol YPF (Spain), and, to a lesser degree, Total (France). The state will generate an additional \$320 million annually through this arrangement. The smaller camps will continue with the current tax regime of 50% to the company, 50% to the state.

The gas refineries of Gualberto Villarroel in Cochabamba, and Guillermo Elder Bell in Santa Cruz, owned and operated by Petrobras since 1999, will be brought under state control. The state will buy 51% of shares.

In a period of 60 days the debilitated YPFB is scheduled to be restructured such that it can assume the task of totally controlling the exploration, production, commercialization, transport, storage, and industrialization of hydrocarbons. In a period of 180 days, private companies operating in the sector in Bolivia will be obliged to sign new contracts with the state along the guidelines set out in the presidential decree. If they do not, they will no longer be permitted to operate in the country.

The Reaction

Petrobras (Brazil), Repsol (Spain), Total (France), and BG and BP of the UK are the major players in the natural gas sector in Bolivia. Petrobras and Repsol are by far the leading actors, controlling almost 70 percent of the gas reserves in Bolivia.

On the one hand the stakes are high for these companies. According to Jorge Alvarado, president of YPFB, even when they start to receive only 18% of the value of the gas being produced, these companies will enjoy 20-25% profit rates. But the days of super-profits are finished. On the other, the companies are so massive that their assets in Bolivia make up only a small portion of their overall asset base. This, in combination with the fact that the companies had already downgraded the value of Bolivian barrels given the Bolivian government's longstanding - if vague - calls for nationalization, meant that there was minimal reaction in their shares as the news of May Day's decree became public.

Nonetheless, the pundits and relevant players have hardly kept their silence. One Wall Street energy analyst told the Financial Times that "This sends a very negative signal to the oil and gas market. It is a signal of rising nationalisation that could spread from Bolivia and Venezuela to Mexico and as far as Kuwait."

For Petrobras President Jose Sergio Gabrielli, "These conditions make gas operations practically impossible in Bolivia." Meanwhile, today (Tuesday) Brazil's president Inácio Lula Da Silva convened an emergency cabinet meeting to discuss the measure taken by Bolivia's president. The president of Spain has demanded authentic negotiation where the interests of both sides - the capitalists and the masses - are taken into consideration. The Spanish government has expressed that the measures taken by the Bolivian government are worrying. Chairman of Repsol, Antoni Brufau, told an Argentine radio station that "The news is of great concern to us... it's a matter which has been taken right out of the logical business framework which should guide relations between the state and companies."

The Future

The depth and importance of May Day's nationalization will only reveal itself fully with the passage of time. State capitalist control of industry has hardly been a means of human liberation and egalitarianism in the past, in Bolivia or elsewhere. Nonetheless, this is a popular victory borne from the days of mass action in October 2003 and May-June 2005. It's the beginnings of a break with the "logical business framework." The degree to which this can be broken down more fully will not depend on gifts from the MAS administration, but rather the self-organized struggle of the popular classes and indigenous nations.

It will also depend on the extent to which the deepening of radicalism regionally in Latin America, and we hope internationally, can continue. Recognition of these possibilities and obstacles also places a heavy burden of responsibility on those in the international Left rooted in the advanced capitalist countries, to strengthen

anti-imperialism and forge new spaces for the Left at home.