Bolivia’s Hydrocarbon and Economic Reforms: Achievements and Challenges

Program Agenda

Summary of October 18 Bolivian Hydrocarbon Event

On Thursday, October 18, 2007, the GW Center for Latin American Issues (CLAI), the GW Latin American and Hemispheric Studies Program, and the Washington Office on Latin America (WOLA) hosted a lecture entitled “Bolivia’s Hydrocarbon and Economic Reforms: Achievements and Challenges.” Some 85 guests from the GW community and other Washington-area institutions came to hear Carlos Villegas Quiroga, Bolivia’s Minister of Hydrocarbons, and Mario Gustavo Gúzman, Bolivia’s ambassador to the United States. The program, conducted entirely in Spanish, was recorded by the Bolivian television show En Directo.

Dr. James Ferrer, Director of the Center for Latin American Issues, welcomed the attendees. Ms. Coletta Youngers, Senior Fellow at WOLA lauded the nationalization of Bolivia’s natural gas industry, noting that in some polls as much as 80–90% of the country favors nationalization. Kevin Healy, Director of the Inter-American Foundation and Adjunct Professor in GW’s Latin American and Hemispheric Studies Program, spoke briefly about the proliferation of social movements in Bolivia and presented the Ambassador and Minister to the audience.

Ambassador Guzmán spoke about the importance of the resignation of Gonzalo Sánchez de Lozada in 2003, calling the event important for democracy, particularly given the atrocities committed in the final weeks of his administration. The Ambassador spoke hopefully about a new era in Bolivia, led by the nationalization of hydrocarbons and a new strategy in the drug war that emphasizes non-violent means. He reaffirmed the closeness in relations with the
United States, but asserted a new identity for Bolivia and the hope that the United States would come to understand this.

Minister Villegas outlined his view of the nationalization in Bolivia, describing it as part of a larger project in Bolivia for social inclusion, lowering of inequalities, and popular participation in political processes. He described control of natural resources as the sovereign right of the Bolivian state, and averred that 50% of the revenues would be directly transferred to the Bolivian public. He said that all 12 major international companies operating in Bolivia have accepted the new rules of the game and signed operational agreements with the government. They will now operate under Bolivian law, including the new hydrocarbon law, and subject to arbitration in Bolivia with Bolivian arbitrators. The Minister went on to cite dramatically increased revenues since nationalization.

Minister Villegas detailed plans for growth in the Bolivian hydrocarbon industry, saying that Bolivia aspires to be the top provider of natural gas in South America, starting with sales in Argentina and Brazil and expanding to Chile and Uruguay. The production goal is 80 million m³, up from the current level of 40 million m³. In order to achieve these goals, Bolivia is seeking to encourage increased investment over the next five years, and particularly investment that includes exploration agreements. According to Villegas, there should be plenty of investor confidence, given the judicial protection provided to firms and the support for the operational agreements in the executive and legislative branches and in the Constituent Assembly. He believes investment from Argentina should be sufficient to construct an extensive Bolivia-Argentina natural gas pipeline. The Minister also discussed Bolivia’s desire to move away from primary product dependence by building a fertilizer plant and a petrochemical plant to begin producing secondary products for domestic consumption and for export.
Minister Villegas concluded by citing President Morales’ belief that nationalization is worth nothing unless it delivers benefits to the people. He said that even now it is important to redouble efforts toward spreading the natural gas wealth to the majority of Bolivians, and specifically toward education and health. The session closed with an engaging round of questions by the audience for both speakers. Several dozen guests lingered after the session to continue the discussion one-on-one with the speakers.

[Editor’s Note: The views expressed at this event do not necessarily reflect those of The Center for Latin American Issues or of The George Washington University School of Business.]