

## Globalization's Watchdogs

By Mark Engler | May 26, 2006

When Bolivian President Evo Morales announced plans to nationalize his country's oil and natural gas resources in early May, he did more than lay out a promising path for development. He also provided an ideal opportunity to illustrate how large segments of the U.S. and British press have adopted roles as watchdogs for corporate globalization. Since Bolivia's energy exports go to Brazil and Argentina rather than the United States, and since the nationalization is unlikely to significantly alter the price of natural gas on international markets, the direct impact on our country is minimal. Yet in the weeks since Morales took action, we have been treated to a wealth of hysterical commentary.

As Condoleezza Rice criticized South American "demagoguery" and industry groups warned that Morales was "embarking on a dangerous path," the editorial pages charged to advance the front. The *Wall Street Journal* predictably led the way, calling "abrogation of contracts" the latest "Latin craze." It echoed *The Economist's* warning from London that "Bolivia may be moving backwards" and "its people are likely to grow even poorer."

These business-oriented publications actually sounded subdued compared to some rival dailies. The *Los Angeles Times* wrote, "Morales put his head in an oven this week and turned on the natural gas. There are only two likely outcomes: an explosion that ends his political career—or a slow suffocation for his people."

New York's *Newsday* also worked up a rabid editorial assault. There, columnist James Pinkerton derided Bolivia as "a country that is nationalizing, or, if you prefer, stealing, foreign-owned assets." The paper's editorial page then grouped Bolivia with Cuba and Venezuela in an "Axis of Idiocy" and asserted that "nationalization of major industries has proved to be a road to economic ruin in an era of globalization."

Given that little nationalization of major industries has occurred in this era of globalization, *Newsday* left readers wondering about how this idea has been "proven"—at least to anyone who wants evidence instead of just blind market ideology. Nor did the paper give any indication why an increasing number of Latin American

countries are inviting sure "failure" by bucking the policies of neoliberal globalization. For its part, the *Los Angeles Times* gave some insight by remarking, "It's true that [Bolivia's] resources have long been exploited by foreigners with little benefit to the indigenous population." But it nevertheless contended that "sending in the army to take over the gas fields isn't the answer to Bolivia's problems."

What the alarmist viewpoints lack most is context. In predicting economic disaster for a re-nationalized Bolivian energy sector, the editorials turn a blind eye to the two-decade disaster known as neoliberalism. In the 1980s Bolivia was on the cutting edge of the trend toward privatization, adhering to an International Monetary Fund (IMF)-recommended structural adjustment program. The pro-corporate reforms proved profitable for the multinational energy companies involved, but they utterly failed to benefit the Bolivian people. Today 64% of the population lives in poverty, with a majority of people scraping by on less than \$2 per day. A March 2006 report by the Center for Economic and Policy Research shows that, according to the IMF's own data, real per-capita gross domestic product (GDP) in Bolivia is lower now than it was 27 years ago.

Despite the general trend, there were some levelheaded voices in the media. These exceptions went far in debunking many of the Evo-bashers' doomsday scenarios. Usually a defender of "free trade" policies, The *New York Times* ran an op-ed entitled, "All Smoke, No Fire



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in Bolivia.” It noted that foreign energy companies will not be kicked out of Bolivia under Morales’ framework, but merely will have to cooperate with the state on less lucrative terms than before. While private partners will remain, Evo’s plan will increase state control of natural resources and force renegotiation of the suspect corporate contracts signed during privatization. As a result, a greater share of the proceeds from oil and gas will be redirected to benefit Bolivia’s poor. “The companies will still profit under the new rules,” commentator William Powers wrote. “They won’t see the huge profits they enjoyed under lax Bolivian control and the global rally in commodities prices, but they will make money.”

The London *Independent* observed, “Energy reserves are national assets which the state has a right to control and benefit from.” And even the stodgy *Financial Times*, while generally suspicious of Morales, conceded “there is nothing intrinsically wrong in trying to maximize royalties and taxes” from the use of a country’s natural resources.

Not all economists think that Evo’s wager was a bad one—and some think the gamble could pay off big. Especially galling for critics has been Joseph Stiglitz’s public show of support this week for Bolivia’s re-nationalization. After meeting with Morales on May 17, Stiglitz, a Nobel-prize winning economist and former chief economist at the World Bank, argued that Bolivia “felt all the pains [of neoliberal structural adjustment]

but has experienced no gains—it’s clear that it must have a change in its economic model.”

Stiglitz also contended that the sale of Bolivian hydrocarbons to private interests was illegal, since it was never approved by the country’s Congress. “When a person was robbed of a painting and then it is given back to him,” Stiglitz argued, “we don’t call it re-nationalization, but return of a property that was his to begin with.”

For all their professed concern about democratic reform, this is a point that the critics consistently miss. Morales was elected in a landslide on a platform vowing nationalization. That he actually kept a campaign promise may seem bizarre to the watchdogs of corporate globalization, but it’s something that should be lauded. With their commentaries filled with alarm, too few papers took note of a remarkable development: This time, when democracy and neoliberal economics collided, democracy won.

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*Mark Engler, a writer based in New York City, is an analyst with Foreign Policy In Focus ([www.fpif.org](http://www.fpif.org)). He can be reached via the web site <http://www.democracyuprising.com>. Research assistance provided by Kate Griffiths.*

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Published by Foreign Policy In Focus (FPiF), a joint project of the International Relations Center (IRC, online at [www.irc-online.org](http://www.irc-online.org)) and the Institute for Policy Studies (IPS, online at [www.ips-dc.org](http://www.ips-dc.org)). ©Creative Commons - some rights reserved.

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### Recommended citation:

Mark Engler, “Globalization’s Watchdogs” (Silver City, NM and Washington, DC: Foreign Policy In Focus, May 26, 2006).

### Web location:

<http://www.fpif.org/fpiftxt/3284>

### Production Information:

Writer: Mark Engler

Editor: John Gershman, IRC

Layout: Chellee Chase-Saiz, IRC

