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# **Stiglitz: Those Who Must Be Compensated Are the Bolivians, Not the Companies**

- English -

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## **Description :**

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La Paz, 18 of May. Joseph Stiglitz, a 2001 winner of the Nobel Prize in economics, today described the recent nationalization of hydrocarbons in Bolivia as a process of "*return of a property*" that already belonged to the Bolivian government and considered it "*necessary*" that Bolivia should receive a "*just compensation*" for its natural resources.

In contrast, from Washington, the International Monetary Fund (the IMF) warned the "*far-reaching economic consequences*" after the decision by Bolivian President Evo Morales, from whom it demanded compensations, and said that what happened could discourage foreign investors, according to news agencies.

"*The decision of the Bolivian government to nationalize the hydrocarbon sector has ample potential economic consequences,*" emphasized the spokesman of the international financial organization, Mahsood Ahmed. This &mdash; combined with the manner in which Bolivia negotiates with the affected companies &mdash; will be a key factor, said Ahmed

"*I understand that, depending on the ways in which the Bolivian government puts this decision in practice, it could have an impact on the availability of private local and foreign capitals for investment in that important sector of the economy of Bolivia,*" the IMF official elaborated in his first meeting with the press.

The IMF, which sent a mission of experts to Bolivia to examine the evolution of its economy, invites the government, according to Ahmed, to open negotiations in the next six months with the foreign companies and, in certain cases, with the foreign governments, on the modalities of nationalization in practice.

Those conversations would have to turn, according to the IMF spokesman, on the compensations for the nationalized goods, the nature of new contracts, and a possible rise in the prices of export towards Brazil and Argentina, the main partners of Bolivia. "*For us, it is important that those negotiations lead to a mutual agreement,*" concluded Ahmed.

But US economist and former Vice President of the World Bank Joseph Stiglitz emphasized that the failure of the neoliberal model imposed by the Washington Consensus that set out to reduce the role of the State in national economies to the minimum is evident, and underscored that Bolivia, once one of the best students of the neoliberal model, "*felt all the pains (of its application) but has experienced no gains &mdash; it's clear that it must have a change in its economic model.*"

In this context, Stiglitz did not wish to characterize the new energy policy of Evo Morales as nationalization, but would call it the "*recovery*" of Bolivia's resources, or the "*return to Bolivia of a property that already was hers.*" Further, he indicated that Bolivia should receive a just value for the exploitation of its natural resources.

"*When a person was robbed of a painting and then it is given back to him, we don't call it renationalization, but return of a property that was his to begin with,*" explained Stiglitz. In the same way, he questioned the existing contracts

between the State of Bolivia and petro multinationals, highlighting that "*in reality, there was no sale, since it was not made in accordance with laws or approval of the Congress &mdash; where there is no property to be nationalized, there can't be nationalization.*"

That means that it was necessary to change the previous conditions "*one way or another,*" added Stiglitz.

However, Stiglitz said that there are other questions on the matter: the first is if the investors receive a compensation appropriate for their investments, "*and the government has said that, yes, there will be one*"; and the second is that the value that Bolivia should receive for the exploitation of its natural resources is accumulating in favor of the Bolivian people, "*and the government has declared that's the way it will be.*"

Former World Bank Vice President turned one of the major critics of the international financial organizations, Stiglitz mentioned that the Bolivian government needs to carry out programs for the development of hydrocarbons, minerals, and gas, as well as taking care of investment and promotion of education and health.

Regarding free trade agreements, Stiglitz commented that such treaties "*are not good*" because they are going to undermine the productive structure of countries; "*they are not right for developing countries &mdash; it is not a negotiation, it is rather an imposition.*"

These treaties can be very costly for national sovereignty. In the case of Mexico, noted Stiglitz, the economic unevenness between this country and the United States became greater after the signing of the Free Trade Agreement. He considered it necessary to take the cost-benefit equation into account. Not having a free trade agreement is better than having a poorly designed one, maintained the Nobel laureate.

Last night, the US economist and Columbia Business School professor met with President Evo Morales and various officials, and today he received honorary doctorates from the Mayor de San Andrés (UMSA) and Pública de El Alto (UPEA) Universities.

Meanwhile, Spain designated Bernardino León, Secretary of State for Foreign and Ibero-American Affairs, this Thursday as its negotiator with the government of Bolivia; he will work with Repsol-YPF, a company affected by the nationalization of hydrocarbons in the Andean country, from which the Spanish government again demanded legal safeguards.

In Brasilia, Marco Aurelio García, the Brazilian President's advisor on international affairs, affirmed that "*the climate of confidence*" between Brazil and Bolivia "*was reestablished*" after the impact caused by the nationalization of hydrocarbons that affected the Brazilian state enterprise Petrobras.

*Post-scriptum :*

Source : [La Jornada \(Mexique\), 19 May 2006](#)

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