

A WELL OF HYPOCRISY

One man uses gas and oil money to help the poor.
The other uses it to buy guns. Guess who gets vilified

Civilisation has a new enemy. He is a former coca grower called Evo Morales, who is currently the president of Bolivia. Yesterday he stood before the European parliament to explain why he had sent troops to regain control of his country's gas and oil fields. Bolivia's resources, he says, have been "looted by foreign companies", and he is reclaiming them for the benefit of his people. Last week he told the summit of Latin American and European leaders in Vienna that the corporations which have been extracting the country's fossil fuels would not be compensated for these seizures.

You can probably guess how this has gone down. Tony Blair urged him to use his power responsibly, which is like Mark Oaten lecturing the Pope on sexual continence. Condoleezza Rice accused him of "demagoguery". The Economist announced that Bolivia was "moving backwards". The Times, in a marvellously haughty leader, called Morales "petulant", "xenophobic" and "capricious" and labelled his seizure of the gas fields "a gesture as childish as it eye-catching".

Never mind that the privatisation of Bolivia's gas and oil in the 1990s was almost certainly illegal, as it took place without the consent of Congress(6). Never mind that – until now – its natural wealth has only impoverished its people(7). Never mind that Morales had promised to regain national control of Bolivia's natural resources before he became president, and that the policy has massive support among Bolivians. It can't be long before Donald Rumsfeld calls him the new Hitler and Bush makes another speech about freedom and democracy being threatened by freedom and democracy.

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This huffing and puffing is dressed up as concern for the people of Bolivia. The Financial Times fretted about the potential for “mismanagement and corruption”. The Economist warned that while the government “may get richer, its people are likely to grow even poorer.” The Times lamented that Morales had “set back Bolivia’s development by ten years or so. ... the most vulnerable groups will find that an economic lifeline is soon removed from their reach.” All this is humbug.

Four days before Evo Morales seized the gas fields – on May 1st – an even bigger expropriation took place in an even poorer country: the African republic of Chad. When the Chadian government reasserted control over its oil revenues, not only did it ensure that an intended lifeline for the poor really was removed from their reach, but it also brought the World Bank’s claims to be using oil as a social welfare programme crashing down in flames. So how did all those bold critics of Evo Morales respond? They didn’t. The whole hypocritical horde of them looked the other way.

The World Bank decided to fund Chad’s massive oil scheme in 2000, after extracting a promise from the government of Idriss Deby – which has a terrible human rights record – that the profits would be used for the benefit of the country’s people. Deby’s administration passed a law allocating 85% of the government’s oil revenues to education, health and development and placing 10% of them “in trust for future generations”. This, the Bank said, amounted to “an unprecedented system of safeguards to ensure that these revenues would be used to finance development in Chad.”

Without the World Bank, the project could not have gone ahead. It was asked to participate by Exxon, the leading partner in the project, to provide insurance against political risk. The Bank’s different lending arms stumped up a total of \$333 million, and the European Investment Bank threw in another \$120m. The oil companies (Exxon, Petronas and Chevron) started drilling 300 wells in the south of the country, and building a pipeline to a port in Cameroon, which opened in 2003.

Environmentalists predicted that the pipeline would damage the rainforests of Cameroon and displace the indigenous people who lived there; that the oil companies would consume much of Chad’s scarce water and that an influx of oil workers would be accompanied by an influx of AIDS. They also argued that subsidising oil companies in the name of social welfare was a radical reinterpretation of the Bank’s mandate. As long ago as 1997, the Environmental Defense Fund warned that the government of Chad would not keep its promises to use the money for alleviating poverty. In 1999, researchers from Harvard law school examined the law the government had passed, and predicted that the authorities “have little intention of allowing it to affect local practice.”

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In 2000, the oil companies gave the government of Chad a “signing bonus” of \$4.5m, which it immediately spent on arms. Then, at the beginning of 2006, it simply tore up the law it had passed in 1998. It redefined the development budget to include security, seized the fund set aside for future generations, and diverted 30% of the total revenues into “general spending”, which, in Chad, is another term for guns. The World Bank, embarrassed by the fulfillment of all the predictions its critics had made, froze the revenues the government had deposited in London and suspended the remainder of its loans. The Chadian government responded by warning that it would simply shut down the oil wells. The corporations ran to daddy (the US government) and, on April 27th, the Bank caved in. Its new agreement with Chad entitles Deby to pretty well everything he has already taken.

The World Bank’s attempts to save face are almost funny. Last year it said that the scheme was “a pioneering and collaborative effort ... to demonstrate that large-scale crude oil projects can significantly improve prospects for sustainable long-term development”. In other words, it was a model for oil-producing countries to follow. Now it tells us that the project in Chad was “less a model for all oil-producing countries than a unique solution to a unique challenge”. But however much it wriggles, it cannot disguise the fact that the government’s reassertion of control is a disaster both for the Bank and for the impoverished people it claimed to be helping. Since the project began, Chad has fallen from 167th to 173rd on the UN’s Human Development Index, and life expectancy there has dropped from 44.7 to 43.6 years. If, by contrast, Morales does as he has promised and uses the extra revenues from Bolivia’s gas fields in the same way as Hugo Chavez has used the money from Venezuela’s oil, the result is likely to be a major improvement in his people’s welfare.

So on the one hand you have a man who has kept his promises by regaining control over the money from the hydrocarbon industry, in order to use it to help the poor. On the other you have a man who has broken his promises by regaining control over the money from the hydrocarbon industry, in order to buy guns. The first man is vilified as irresponsible, childish and capricious. The second man is left to get on with it. Why? Well Deby’s actions don’t hurt the oil companies. Morales’s do. When Blair and Rice and the Times and all the other apologists for undemocratic power say “the people”, they mean the corporations. The reason they hate Morales is that when he says “the people” he means the people.