Is Latin America Really Turning Left?

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A new series of social and national polarities in the Western Hemisphere has dominated political life over the past few years. At the beginning of the new millennium the national confrontation was between Cuba and the US/EU, and the social confrontations between the rural/indian and urban/unemployed movements and a continent-wide collection of neo-liberal regimes. This polarization resulted from the previous 25 years (between 1975-2000), the "Golden Age" of imperial pillage. Immense legal and illegal transfersof property, wealth, profits, interest and royalty payments flowed from Latin America to the US and the EU. The most lucrative public enterprises, valued at more than $350 billion dollars, were privatized without any of the constitutional niceties and eventually ended up in the hands of US, Spanish and other European multi-national corporations and banks. Presidential decrees by-passed congress and the electorate and dictated privileged place for foreign capital. Protests by Congress, the electorate, and national auditors were ignored.

The "Golden Age" of multinational capital coincided with the reign of kleptocratic electoral regimes hailed in European and North American political circles and echoed in the mass media as the era of "Democracy and Free Markets". The US/EU MNCs and Banks' plunder between 1975 and 2005 was worth over $950 billion dollars. Plunder without development inevitably led to a general socio-economic crisis and near collapse of the imperial-centered model of capitalist accumulation in Argentina (1998-2002), Ecuador (1996-2006) Bolivia (2002-2005), and Brazil (1998-2005). Beginning in the early 1990's extra-parliamentary socio-political movements emerged throughout most of Latin America and were accompanied by large-scale popular uprisings, deposing ten incumbent neo-liberal client "Presidents" installed under the patronage of the US/EU: Three in Ecuador and Argentina, two in Bolivia, one each in Venezuela and Brazil.

In retrospect, it is clear that the new wave of potentially revolutionary socio-political movements reached their pinnacle of power by 2002. With support, widespread legitimacy, facing a corrupt, discredited and internally divided bourgeois political class and crisis-ridden economies, the socio-political movements were in a strong position to initiate comprehensive structural changes, if they could transform social power into state power.

But the mass movements faltered, their leaders stopped at the gates of the Executive palace. Instead they looked upward toward new and recycled "center-left" electoral politicians to replace the old, discredited parties and leaders of the neo-liberal right. By 2003, the social movements began to ebb, as many leaders were co-opted by the new wave of self-described "center-left" politicians. The promises of "social transformations" were reduced to patronage, subsidies and orthodox macro-economic policies following the same neo-liberal dogma. Yet, in some countries, the mass struggles of the 1990's/2002 led to new political regimes, which were neither US clients nor free of neo-liberal influence,namely,Venezuela and Bolivia.

By 2006 a new configuration emerged in which national polarizations to a significant extent overshadowed social class divisions. The new international divide found the EU and the US on one side and Cuba, Venezuela and Bolivia on the other. This primary polarization finds expression in Latin America between, on the one hand, a “New Right” neo-liberal pole of ex-leftists and pseudo-populist Central and South American clients, and, on the other hand, of national-populists in Bolivia-Venezuela. In between are a large group of countries, which can move in either direction. The “New Right-Free Market” advocates include the Lula regime in Brazil, the outgoing President Fox in Mexico, five Central American regimes, the Vazquez government in Uruguay, the Uribe “State Terrorist” regime in Colombia, the Bachelet and soon-to-depart Toledo governments in Chile and Peru.

“In between” is the Kirchner government in Argentina reflecting a desire to deepen commercial ties with Venezuela, neutralize internal nationalist-populist pressures and promote a mixed national-foreign capitalist alliance with the US, EU and China. Ecuador, the Caribbean countries, Nicaragua and possibly Peru are sites of competition. Because of petroleum subsidies, the entire Caribbean (with the exception of the Dominican Republic) has refused to politically support the EU/US against Venezuela/Bolivia, even as they seek to promote market access to northern markets. Outside of Europe and North America, in the non-aligned movement, China, Russia, Iran and some of the Arab oil producing states have taken overtly or discretely the side of the Cuban-Venezuelan-Bolivian nationalist alliance.

Intersecting with the nationalist divisions are class polarizations, The strongest points of inflexion are found in Ecuador, Venezuela, Colombia, Costa Rico, Mexico, Bolivian Paraguay and more recently Brazil. In Ecuador, CONAIE has rebuilt its mass base (after the debacle of supporting pseudo-populist Gutierrez for president in 2002) and in alliance with mass urban trade unions has been effective in defeating the US-backed free trade agreement (ALCA) and canceling oil contracts with Occidental Petroleum, a US oil company. In Venezuela, there is a dual polarization: on the one hand between the working class and urban poor against the pro-US local landowners, business and media elite, and, on the other hand, within the broad spectrum of Chavez supporters, between wealthy state directors, elite bureaucrats, “national” business people and National Guard Generals and trade unions, landless farmers, urban slum-dwellers and underemployed “informal workers”. In Bolivia, the class contradictions remain mostly latent because of the ‘national polarization”, but find expression in the conflict between orthodox macro-economic policies of the Morales regime and the paltry pay increases given to low-paid educational, health and other public sector workers.

In countries where the polarization between Latin American nationalism and EU/US imperialism is strongest, the class struggle, at least temporarily, is subdued. In other words: the nationalist struggle subsumes the class struggle with the promise that greater national control will result in increased state resources and subsequently to redistributive measures.

In Brazil, class conflict has declined as a result of the subordination of the traditional trade union confederation (CUT) and to a certain extent, the MST (Rural Landless Workers Movement), to the neo-liberal Lula regime. Nevertheless, because of Lula’s savage reduction of public employees’ pensions and opposition to substantial wage and minimum wage increases, the trade unions representing public employees, metal workers and civil construction workers founded a new dynamic labor confederation CONLUTA in May (5-7) 2006. With over 2700 delegates from 22 states representing nearly 1.8 million workers, CONLUTA represents an alternative social pole for the tens of millions of Brazilian workers and poor abandoned by Lula’s embrace of bankers, agro-business and foreign MNCs.

CONLUTA has adopted a social-movement type of organization including employed and unemployed workers organizations, neighborhood and rural workers movements, students, women, ecology and landless workers organizations within its operating structure. Representation at the Congress was based on direct elections from democratic assemblies. The emergence of a new mass-based labor confederation represents the first major break within the neo-liberal “center-left” Lula regime. As such it portends a revitalization of working class politics and poses a real alternative to the receding power of the pro-regime confederation .

Realities and Myths of International Tensions

There are great many misunderstandings and confusion both on the Right and Left regarding the nature of the conflicts between Latin American nationalists and US/EU states and multi-national corporations. The first point of clarification is over the nature of the nationalist measures adopted by President Chavez of Venezuela and President Morales of Bolivia. Both regimes have not abolished most of the essential elements of capitalist production, namely private profits, foreign ownership, profit repatriation, market access or supply of gas, energy or other primary goods, nor have they outlawed future foreign investments.

In fact Venezuela’s huge Orinoco heavy oil fields, the richest reserves of oil in the world, are still owned by foreign capital. The controversy over President Chavez’ radical economic measures revolves around a tax and royalty increase from less than 15% to 33% – a rate which is still below what is paid by oil companies in Canada, the Middle East and Africa. What produced the stream of vitriolic froth from the US and British media (Wall Street Journal, Financial Times, etc) was not a comparative analysis of contemporary tax and royalty rates, but a retrospective comparison to the virtually tax-free past. In fact Chavez and Morales are merely modernizing and updating petrol-nation state relations to present world standards; in a sense they are normalizing regulatory relations in the face of exceptional or windfall profits, resulting from corrupt agreements with complicit state executive officials. The harsh reaction of the US and EU governments and their energy MNCs is a result of having become habituated to thinking that exceptional privileges were the norm of ‘capitalist development’ rather than the result of venal officials. As a result they resisted the normalization of capitalist relations in Venezuela and Bolivia in which state-private joint ventures and profit sharing , common to most other countries. It is not surprising that the president of Royal Dutch Shell, Jeroen van der Veer, advised his oil colleagues that the nationalist position of oil rich countries and their redrawing of contracts is a “new reality” that international energy companies have to accept. Van der Veer, the realist, puts the nationalist reforms in perspective: “In Venezuela we were one of the first to renegotiate. Under the circumstances we are quite satisfied we can work our future there. We have harmony with the government, which is very important. In Bolivia, I assume we will come to a solution” (Financial Times, May 13, 2006 page 9). Likewise Pan Andean Resources (PAR), an Irish gas and energy company stated it could successfully operate in Bolivia following Morales “nationalization” declaration. David Horgan, President of PAR, in justifying a joint venture in gas with the Bolivians, stated, “We don’t really care what precedents it (PAR’s gas agreement with the Bolivian state) sets. What the majors (big oil companies) see as a problem, we see as an opportunity” (Financial Times, May 13, 2006).

In fact in Bolivia on May 29, 2006, the Morales government announced the winning bid to the world’s biggest private mining companies competing to exploit state-owned Mutun with

40 billion tons of iron ore. The new terms of the Bolivian government as outlined by its principle ideologue, Vice President Linera, provides judicial and stable guarantees for all investments, in exchange for a profit sharing and joint management schemes. Clearly the big mining corporations are part of the "realist" school of reaping big profits of strategic high-prices raw materials in exchange for paying higher taxes and including Bolivian technocrats in their management team.

The major points of conflict are not capitalism's aversion to socialism, nor even private ownership versus nationalization of property, let alone social revolution leading to an egalitarian society. The major conflicts are over: 1) Increases in taxation, prices and royalty payments, 2) the conversion of firms to joint ventures, 3) representation on corporate boards of directors, 4) distribution of shareholdings between foreign appointed and state-appointed executives, 5) the legal right to revise contracts, 6) compensation payments for presumed assets and 7) management of distribution and export sales.

These proposed regulations and reforms may increase state reserves and influence but none of these points of conflict involve a revolutionary transformation of property or social relations of production. The proposed changes are reforms, which resonate with the policies undertaken by European social democratic parties between 1946 and the 1960s and by most of the world's oil producing countries in the 1970's, including Arab monarchies and Islamic and secular republics. In fact earlier political regimes in both Venezuela (1976) and Bolivia (1952 and 1968) took far more radical measures in nationalizing petroleum and other mining sectors.

Venezuela has increased royalty and tax payments of international petroleum companies because they were far below global levels. Except for a few smaller operations which refused the new rules of the game and were expropriated, none of the biggest firms were seized, nor were worker-employer relations altered in the (PVDSA) state firm or in any of the foreign companies. Their conventional vertical structures remain intact as many rank and file trade unionists complain. Over the past three years all the major US/EU petrol firms operating in Venezuela have been earning record profits exceeding their historical highs by several billion (Euros or dollars). Bolivarian revolutionary discourses notwithstanding, none of the oil majors has indicated any intention of abandoning lucrative arrangements with the Venezuelan state, despite the heated rhetorical ejaculations from Washington or Brussels.

The US and EU conflict with Venezuela is over politics and ideology as much as it is over the power and profits of their oil companies. They object that Venezuela's mixed economy, higher tax model will replace the de-regulated, low tax, privatization and denationalization model prevalent in Latin America since the 1970's and currently being promoted elsewhere (Libya, Iraq, Indonesia, Brazil and Mexico). The key problem is that President Chavez, operating from a strong national economic and political base, resulting from the added oil resources, has argued for greater regional integration – free of US/EU domination. This has angered Washington and Brussels, as they fear that greater Latin American integration may limit future market and investment penetration. In world politics Chavez' embrace and defense of self-determination of all nations, has put him in opposition to the US military intervention in Iraq, US/EU occupation of Afghanistan and their joint war threats against Iran. Chavez' position is in part due to US involvement in a failed military coup in his country in 2002.

In summary, the conflict is between democratically elected nationalist leaders supporting a mixed economy to finance social welfare against the US and EU empire building, interventionist policies intent on preserving the "Golden Age" of pillage of unregulated privatized economies and their privileged excessively low tax payments in exploiting energy resources.

The burgeoning international conflict between Bolivia-Brazil, Spain/Argentina and their backers in the US/EU follows a similar pattern to Venezuela's conflict with the US. First the attempt by the propagandists of the foreign oil corporations to picture President Morales as a "disciple" or "follower" of Chavez, and his nationalist policies as merely a genuflection to Chavez's projections of power. There is no basis for claims of external machinations. Opposition and general strikes occurred throughout Bolivia during the very privatization process in 1996, two years before Chavez was elected. Opposition to the private gas agreements intensified in 2003 via a popular uprising that overthrew the President (Sanchez de Losada) calling for the nationalization of gas and oil. In 2004 a referendum was approved by 80% of the electorate, which called for an increase in tax and royalty payments and state control. Unlike Venezuela, Morales faces intense pressure internally from all the trade unions and mass organizations to follow up his electoral promises. President Morales' entire socio-economic reform programs and the political stability and legitimacy of his regime depends on securing additional tax revenues from the MNCs. Given the fact that he inherited a very large budget deficit and a substantial foreign debt (which he feels obligated to pay) and is committed to an IMF style austerity program, his only solution is more oil and gas revenue. Most important of all, given that Morales was elected on the basis of "bringing dignity to the Indian people" he can not ignore the arrogance with which the petrol and gas companies defiantly shunted aside his initial proposals to negotiate new tax rates and joint ventures. With the financial and political backing of oil rich Venezuela, Morales declared the "nationalization" as a pressure tactic to force the companies to negotiate. Just as President Chavez' socio-economic policies were radicalized by the US supported military coup and executive elites oil lockout, Morales radicalized his tactics to secure economic concessions and serious negotiations from the gas and oil MNCs.

The goal of Morales is to negotiate in good faith and to secure some type of profit sharing and tax increases. Continued intransigence from oil and gas companies, an "all or nothing" policy could radicalize the electoral base of his regime. "Those who make reforms impossible, make revolution inevitable". Of course, Bolivia under Morales is very far from adopting a revolutionary anti-capitalist program. Even the increase in tax revenue to 82% is a "transitory" measure to be negotiated. Yet he has demonstrated a willingness to mobilize the state and extend its influence over the operations of the corporations. He has clearly established that the existing oil contracts are unconsititutional.

By the second week of May, the major gas and oil companies still failed to recognize that they have more to gain from negotiating with Morales than heating up the social movements. At most negotiations will likely result in an increase of tax and royalty revenues – probably to 50%. The purchase price of gas would rise modestly, and some sort of joint state-private management accords would be signed. The Brazilian and EU political leaders and energy executives could move from "confrontation" to "negotiations" and co-optation.Instead Morales' proposed joint ventures and mixed economy faces pressures from the IMF, Solbes, Spanish Finance Minister and Amorin, Brazil's Foreign Minister, to pay market value for any shares potentially bankrupting the state. Threats of judicial and diplomatic ruptures continue to be used to limit any effective state control over the gas enterprises. Meanwhile, Zapatero, Spanish Prime Minister and President Da Silva of Brazil, relying on negotiations, 'insider' pressure and state aid play the role of "good cop" in watering down even further Morales' reforms.

Whatever the overall settlement, the key will be in the details: More specifically in the specific operational procedures, control over information, production and commercialization processes, where it can be expected that the incumbents executives will do every thing possible to undermine effective state control. While political and economic polarizations at the international level intensifies, an internal crisis is building up within the US. The military debacle in Iraq has led to two-options: a withdrawal to rebuild imperial power and plans for a new aerial war against Iran, to reclaim imperial power. A coalition led by the major pro-Israel organizations, the civilian Pentagon militarists, the majority of the mass media and a minority of the general public support a military attack. In opposition stand a large proportion of retired military officials, leaders of the oil industry, the majority of Christin and Muslim organizations and a majority of the US public.

The multiple Middle East and South Asian wars and rising internal discontent with the costs of war have substantially weakened the capacity of the US to engage in a full-scale intervention in Latin America. Instead it is forced to rely on its Latin American client regimes and European "allies" to isolate and weaken the nationalist Chavez and Morales governments and to contain the rising popular and electoral opposition in Mexico, Nicaragua, Ecuador, Colombia, Peru and Brazil. The problem for Washington is that the current Latin American client-presidents are weak or on the way out of office. By the end of 2006, almost all of Washington's most servile client Presidents will be out of office. In some cases they will be replaced by political clones but in others the newly elected leaders may be less given to provoking conflict with their nationalist neighbors.

Contrary to the euphoria of the US and Western European left, the new nationalist governments and Cuba face serious internal challenges from their very own supporters. While successfully countering imperialist pressures and increasing their tax revenues from foreign capital, they have neglected to implement social reforms of the utmost urgency to their supporters. Both Venezuela and Cuba, despite government promises, lag far behind in meeting the huge housing and transport deficit, and the efforts to diversify their economies lag far behind goals particularly in agro-industries (sugar to ethanol and local food production in Cuba; meat, poultry, fish and grains in Venezuela), manufacturing (especially arms, durables, IT and electronics) and processing of minerals. Moreover in Venezuela there are large sectors, perhaps 50%, of the labor force with improved access to free social services but which are employed in the low-paid "informal sector".

In Bolivia, Morales has announced a land reform program, which will be based on expropriating underutilized land, excluding the large profitable productive agro-business estates in Santa Cruz's fertile plains. Instead he emphasizes distributing less fertile state lands far from markets and roads. The key to the success of agrarian reform will depend on the procedure of implementation and adjudication and the availability of credit and technical assistance. Moreover Morales's salary and incomes policy is only marginally better than his liberal predecessors: wage and salary increases for teachers and other public sector workers are less than 5% over the rate of inflation. His promise to double the minimum wage from $50 to $100 dollars a month has been repudiated in favor of a $6 dollar raise. In other words, if the international polarization is not backed by internal redistributive policies affecting wealth and assets of the very rich, both in Venezuela and Bolivia, strategically important popular sectors necessary for support in any serious international confrontations could be alienated. Grandiose international gestures, humanitarian solidarity and anti-imperialist policies are no substitute for deepening internal structural changes and meeting essential domestic demands for housing, jobs and higher salaries.

Class and Regional Polarization and Crisis in Bolivia

If, as we have argued, the emerging polarization in Latin America is between imperial-centered neo-liberal regimes and reformist nationalist populists, it follows that the successful resolution of this conflict depends in part on the premises of the reformist strategists their belief that socio-economic reforms are compatible with national capitalist development. In the case of President Morales, I would argue that his electoral-programmatic political strategy dictated his political and socio-economic analysis. The premises of Morales reform policies were dictated by several dubious premises: 1) the belief that "productive" capital can be separated from "unproductive" capital, and hence that a land reform confined to and affecting only "unexploited land" or "land without a socio-economic function" would not generate elite opposition and would be compatible with a multi-class electoral coalition. This has proven incorrect: the large "productive" landowners vehemently oppose the land reform and are supported by business and banking elites, especially in Santa Cruz, because they have diverse investment holdings which cross sectoral boundaries (including banks, industry, productive land for exports and unproductive lands held for speculation).

The second false premise of President Morales' reform strategy is based on a mistaken diagnosis of the "dichotomy" between foreign and national capital. President Morales believes that by "nationalizing" or more precisely converting foreign-owned petrol and gas companies into joint state-private enterprises, he could finance national capitalist development thus securing their support. This "analysis" totally underestimated the economic and political links between large and medium-sized enterprises and foreign-owned enterprises. Many Bolivian firms are suppliers, subcontractors and importers dependent on foreign markets, credit and financing from foreign MNCs and regimes. It is not surprising that both the political opposition in Congress and the major Bolivian business groups have opposed Morales national reforms despite the fact that they are the promised beneficiaries.

The third false premise of President Morales reformist-nationalist strategy is the idea that the so-called "center-left" regimes in Brazil, Argentina and Spain would be willing to negotiate and accept modifications in the exploitation contracts of their multi-nationals and accept modest increases in the prices of gas purchases. Morales overestimated the effectiveness of his "personal diplomacy" and ideological affinity with Lula in Brazil, Kirchner in Argentina and Zapatero in Spain and completely underestimated their powerful and durable ties to their MNCs. As a result, Lula's regime has rejected all of Morales' proposals, including his offer to negotiate a two-dollar increase in gas prices, let alone his proposal of a joint venture with Petrobras. Likewise Kirchner's regime in Argentina has postponed several meetings to discuss a similar price increase in gas, and his representative has set no new date to even discuss the proposal. Zapatero, backed by the IMF, has insisted that any Spanish holdings (REPSOL oil and gas, BBV) be fully and promptly compensated, an impossible task given Bolivia's budgetary constraints.

It is the greatest irony that while "center-left" Presidents Kirchner, Lula and Zapatero) reject Morales' proposals to increase Bolivia's tax revenues on their MNCs, the reactionary US Congress approved legislation to increase the government's share of oil profits by $20 billion dollars (Financial Times , May 20/21, 2006). Moreover while the US pays $6 dollars per thousand cubic feet of gas, Lula and Kirchner object to Morales' proposal to increase the price to $5 dollars per thousand cubic feet. With "friends of the Bolivian people" like these, who needs imperialists to exploit the poorest country in Latin America?

In summary, all of Morales' political assumptions were based on "imagined facts" which do not correspond to the economic and political realities in which they are projected. The absence of a serious empirical analysis of structural realities has resulted in imposing an electoral strategy based on a multi-class political alliance onto a class/imperial polarized world. Morales' reformist ideology "created" a illusory vision of the political world in which he would unite "productive capitalists", friendly center-left regimes, workers and peasants against "unproductive landowners" and corrupt MNCs, in pursuit of a mixed economy, a balanced budget and incremental social reforms.

The current impasse facing Morales,imposed by his unwilling "partners", poses a serious dilemma for his regime and his international allies (Venezuela and Cuba): If the reformist program is not viable, should he further dilute his "nationalist" agenda and retain the semblance of a "progressive regime" or should he radicalize his program, drawing on the support of his international allies in a deeper continental confrontation?