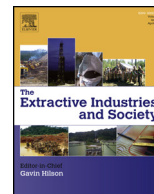




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Original article

The political economy of mining in Bolivia during the government of the Movement Towards Socialism (2006–2015)

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ABSTRACT

This paper presents a general assessment, in economic terms, of the main trends of Bolivia's mining industry during the Movement Towards Socialism (Movimiento al Socialismo, MAS) government over the past decade from three particular angles. First, it considers the debate about the end of neoliberal economic policies in the mining sector; secondly, it analyses the evolution of profits and wages during this period; and thirdly, it reviews the capture of rent in the context of the international division of labor. This is a primary-source research paper that draws from classical political economy and dependency theory. I argue that the MAS government's economic policies in the sector are fundamentally a continuation of the neoliberal economic model. During the last decade, the actual beneficiaries of the cycle of spectacular international metal prices were transnational corporations operating in the country, whilst wages in the sector were depressed and the state rent remained marginal.

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1. Introduction

The objective of this paper is to evaluate, in economic terms, the main trends of Bolivia's mining industry during the Movement Towards Socialism (Movimiento al Socialismo, MAS) government over the past decade. To this end, following an overview of these main developments, I will examine them from three different angles of analysis, namely: 1) I will look at these trends within the framework of the discussion about the end of the neoliberal economic policies in the sector considering that the MAS government has claimed for itself the embodiment, both economically and politically, of a rupture with the neoliberal economic model that prevailed in the country since 1985; 2) an approximation to the evolution of profits and wages in the sector in this period; and 3) a consideration of the capture of the mining rent and the distribution of the value created in the sector in the context of the international division of labor and the relations among transnational capital, Bolivian private capital and state capital. The intention here is to present a discussion which draws from classical political economy, particularly Marx's *Capital*, and the Latin American tradition of dependency theory.

This economic assessment of the mining sector is based largely on primary sources. The data used as the empirical foundations of the article have been drawn from a series of sources, principally: a)

official statistics, available online or collected in person at public institutions in La Paz, b) companies' financial statements and other reports, c) legislation, and d) a systematic monitoring of the national media.

2. A "mining country"

A few years ago, the Vice President of the State, Alvaro García Linera, while praising the economic performance of state enterprises during the MAS's terms in office, referred to the mining sector saying: "Today we export three times more in volume than in 2005 and this speaks of a mining country. Bolivia lives off its gas but also off mining and we are proud of it" (García Linera, 2012, p. 32).¹ Indeed, he is correct, Bolivia is a "mining country".

In the context of the spectacular levels of the prices of raw materials (including metals) during the last decade, propelled by the rapid expansion of the Chinese economy, mining production in the country marked record highs. In terms of value, domestic production, which had almost never surpassed US\$ 500 million between 1982 and 2004, reached that amount in the heat of the onset of the super cycle of prices in 2005, after which it continued to grow rapidly and meet new heights annually. In 2006, production levels reached an impressive US\$ 1,151 million, and peaked at the historic record of US\$ 4,156 million in 2012 (in 2014,

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¹ All the translations from Spanish are mine.

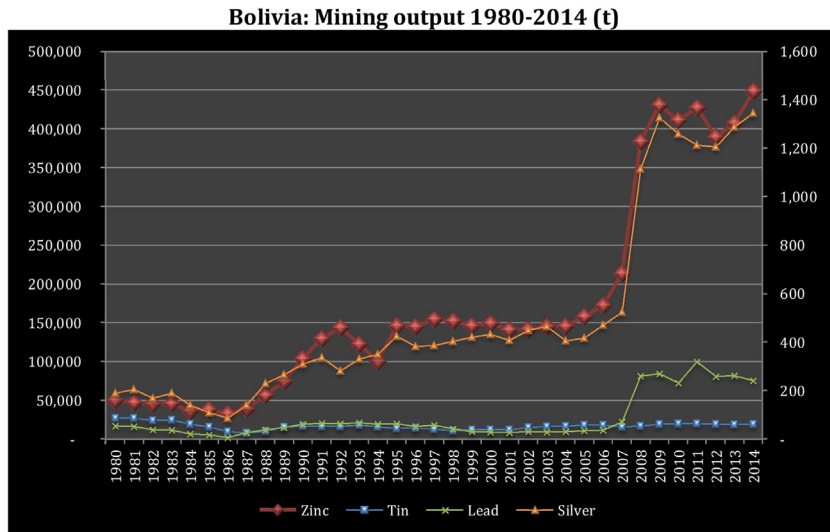


Fig. 1. Bolivia: Mining output 1980–2014 (t).

Note: The line for “silver” corresponds to the right vertical axis.

Source: Own elaboration based on data from the Ministry of Mining and Metallurgy (Estado Plurinacional de Bolivia. Ministerio de Minería y Metalurgia, 2016)

production value dipped to US\$ 3,599) (Estado Plurinacional de Bolivia. Ministerio de Minería y Metalurgia, 2016).

In terms of volume, the rise was also substantial (Fig. 1). In contrast to most of the twentieth century, Bolivia is no longer only a tin country but also an important world producer of, amongst other minerals, zinc, silver, gold and lead.² These constitute the bulk of the country's production in terms of both volume, and value. If between 1980 and 2005, zinc production had grown slowly from 50,000 metric tons (t) to 159,000, in just a matter of a couple of years, it jumped sharply to over 400,000, to reach the absolute historical peak of 449,000 t in 2014. Likewise, silver production, which in nearly 30 years had only augmented from 190 t (1980) to 525 t (2007), increased very rapidly to reach 1,326 t in 2009. In 2014, with 1,345 t, it also recorded a record high. In turn, the production of lead, which had slowly declined between 1980 and 2006 (from 17,000 t to 12,000), rose to 82,000 in 2008, and to the historical peak of 100,000 t in 2011 (in 2014 reached 76,000 t). Finally, the official gold production³ went from 6 t in 2010 to 28 t in 2012 (it had alternately increased and declined in past decades; in 1980, 1.6 t were produced).⁴

This dramatic increase in production meant that Bolivia acquired a certain importance in world production in the case of these metals. According to the US Geological Survey (USGS), in 2015, Bolivia was the world's seventh largest producer of silver and zinc and the eighth largest of lead (U.S. Geological Survey, 2016). These extraordinary production levels, never previously recorded in the history of the country, are in turn, as we will see, a historical

result of the neoliberal policies implemented and privatization of the mining sector.

3. From national private capitals to transnational capitals: the process of de-nationalization of the mines

The mining industry in Bolivia, since the second part of the past century, has been composed of three segments: 1) the state sector, 2) medium-scale private companies, and 3) small scale mining companies and mining cooperatives. The first was created in 1952 by the foundation of the Mining Corporation of Bolivia (COMIBOL) as a result of the nationalization of the three largest companies of the time –the large-scale mining sector-, while the latter two segments preexisted it. Since its inception and until 1985, COMIBOL was by far the largest mining producer in the country (Fig. 2) and the world's second largest producer of tin (Ayub and Hashimoto, 1985, p. 19). In 1954, it controlled 82% of the value of domestic mining production. After a process of steady decline due to economic and technical factors, combined with the dynamic activities of private, internal and external, interests against the state company, a sharp drop in production took place in 1986. Neoliberalism in Bolivia was imposed on the key political and economic sector and was inaugurated with the closure of several state-owned mines and the firing of more than twenty thousand miners. Among its main objectives: the complete privatization of the mines and the destruction of the movement of mine workers.⁵

The social collapse caused by the dismissal of mine workers was partially offloaded to the mining cooperatives where an important part of what were euphemistically named “relocated” workers and their families turned to in order to gain basic subsistence; others attempted to secure their subsistence by migrating to major cities or by moving to the coca-producing areas of Chapare and Yungas.

Neoliberalism initiated an era of dominance by the private sector, that is, medium-sized mining companies accompanied by cooperatives and small companies (Fig. 2). Eventually, this development would culminate with the complete privatization of the state mines in 2000, which, through a politically and legally

² Nevertheless, Bolivia is not as important as Chile or Peru for the world market.

³ Official statistics on the production and export of gold are not completely reliable. The reported increase in production appears to be the result of the combination of several factors: a) the government's efforts to regulate and formalize the gold production in the Amazon region; b) smuggling from Peru which is registered as Bolivian gold because of the formalization process carried out by the Peruvian authorities and lower royalties (the production reported from the neighboring region of Madre de Dios in Peru declined in the same years Bolivian production increased (see República del Perú. Ministerio de Energía y Minas, 2015: 54)); and possibly c) laundering of drug money.

⁴ For the reasons discussed below, the case of tin is different. In 1980, 27.5 thousand t were produced, which declined to 8.1 thousand in 1987. Since then, the levels of past decades were never achieved. In 2014, 19,800 t were recorded.

⁵ The five decades of history of the privatization process were analyzed by, among others, Solíz Rada (2004).

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