Depoliticized and Repoliticized Minerals in Latin America

Barbara Hogenboom
Centre for Latin American Research and Documentation, Amsterdam, The Netherlands

ABSTRACT

Control over mineral wealth has become a highly politicized issue in Latin America, and the region-wide leftwards political shift of the 2000s has profoundly changed mineral policies. After the neoliberal development model of free markets, the state has recently taken a center stage position again, at least with regard to oil, gas, and metallic minerals. This article studies the nature and implications of the shift from neoliberal to post-neoliberal mineral policies in Latin America, using a political economy angle. It analyzes the policies and politics of neoliberal regimes in the 1980s and 1990s, the subsequent booming markets and rising Chinese influences, and the new mineral policies of some Leftist governments. Finally, it discusses political conflicts related to these new policies.

Keywords: Latin America, minerals, neoliberal policies, left regimes, politicization

Introduction

Minerals are highly political materials in Latin America nowadays.[1] This was again demonstrated in the Peruvian presidential elections of 2011, which was a very close call between Keiko Fujimori, the daughter of Peru's authoritarian and neoliberal president of the 1990s, and Ollanta Humala, an ex-military with a Center Left agenda to increase state control and taxes on the nation's key natural resources. The news that a politician who wanted to redistribute profits from Peru's copper, gold, silver, zinc, lead, iron ore, and petroleum might win the elections made its stock market very shaky. When the victory of Humala became known, stockholders reacted as if in shock and the country's stock market immediately plunged by 12.5 percent – its biggest decline ever. In the following days, however, stock prices partly recovered from this post-election panic.

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The quest for supremacy of the state over the market, and of politics over the economy, is a key coinciding characteristic of the various new democratic "Lefts" in Latin America. While neoliberal regimes attempted to depoliticize the governance of minerals, the issue has become extremely repoliticized in the past few years. The Leftist regimes aim at a more prominent role of the state in redistribution and in the economy's insertion into the regional and the global market. As the neoliberalized relations between the state, market, and civil society with regard to natural resources, such as minerals, but also land and water, gave cause to multiple mobilizations in the 1990s and 2000s, these resources became a spearhead in Latin America's post-Washington consensus development debate and the economic policy reforms.

The aim of this article is to analyze the nature and implications of the shift from neoliberal to post-neoliberal mineral policies in Latin America. From a political economy angle, the new mineral policies are arguably the most profound regional policy shifts of the past decade. Raising the state's control and the public sector's share in the extraction of oil, gas, and metals seemed fair to most Latin American citizens, and it was necessary to pay for the expansion of social programs, but evidently it required a series of reforms. While there was international pressure against such reforms, there were also beneficial external trends: The global commodity boom and the rise of China eased the implementation of post-neoliberal mineral policies and brought additional social and economic benefits.

This article starts with a discussion of the mineral policies of neoliberal regimes in Latin America in the 1980s and 1990s, and the political reactions to these policies. This is followed by an assessment of how the booming markets and increasing Chinese demand in the 2000s changed both the economic and political setting of the Latin American debates on how to use and govern mineral wealth. Then some key characteristics of the region's mineral policy shifts since the entry of Leftist governments are analyzed, focusing on the cases of Venezuela, Brazil, Bolivia, and Ecuador. Finally, this article discusses how the new politics entails shifts in the conflicts around mineral extraction, among other things, because although the state has won some "territory" over the market, it has generally only allowed for a limited expansion of the role of civil society in mineral politics. Interests of local communities and environmental concerns continue to be neglected.

Neoliberal Attempts to Depoliticize Mineral Policies

Since colonization, Latin America's role in the world system has gone through several phases, but it has always been determined by its mineral wealth and by its agricultural production (Cardoso & Faletto, 1979; Furtado, 1970; Galeano, 1973). After five centuries of exploitation and plunder, the region still holds important pockets of mineral resources. Latin America is the world's leading source of metals: iron ore (24 percent), copper (21 percent), gold (18 percent), nickel (17 percent), zinc (21 percent), bauxite (27 percent), as well as silver. It also holds major oil reserves: Venezuela has 80 billion barrels, Mexico and Brazil have about 12 billion barrels each, and Ecuador has 4.6 billion barrels. Although the manufacturing and service sectors have expanded, Latin America continues to economically depend on exporting this mineral wealth. This is most visible in the case of countries that are rich in one or a few particular resources. From 2000 to 2004, oil made up 83 percent of Venezuela's total exports; copper represented 45 percent of Chile's exports; nickel formed 33 percent of Cuba's exports; and gold, copper, and zinc made up 33 percent of those of Peru. Together with agricultural production, the extraction of oil, gas, and metals remains central to the region's exports. From 2008 to 2009, the exports of primary commodities accounted for 39 percent of the total in Latin America. In the early 1980s, this sector was even responsible for more than half (52 percent) of the region's exports, but after two decades of decline, this share went down to 27 percent in the late 1990s (Campodónico, 2008; CEPAL, 2010; UNCTAD, 2007, p. 87). As of 2000, this tendency reversed again as a result of booming world market prices, as we will see in the following section.

In the context of the region's extreme social, economic, and also political inequalities, conflicts over the concentrated pockets of mineral wealth have a long history, too. During the nineteenth century, Latin American states had been able to resist most of the popular revolutionary tendencies and continued to serve the interests of foreign companies and national economic elites. This changed in the twentieth century and many countries at some point nationalized part of their minerals and created large state companies to explore, extract, and/or refine them. This trend started with the nationalization of oil, first in Bolivia (1937) and then in Mexico (1938) and Venezuela (1943), and continued with other nationalizations

and/or the creation of state-owned companies: the public mining company Companhia Vale do Rio Doce was created in Brazil (1942), tin was nationalized in Bolivia (1952), Brazil's state-owned oil company PETROBRAS was created (1953), copper was nationalized in Peru (late 1960s) and in Chile (1971), and oil was again nationalized in Venezuela (1976). While these nationalizations would become part of the overall development model of import substitution industrialization (ISI), in most cases, they originated from labor struggles and popular resentment against foreign companies that were making huge profits while exploiting their workers and especially, in the case of oil drilling, polluting the environment. This is, for instance, clearly shown in the analysis that Myrna I. Santiago (2006) makes of the second generation of Mexican oil workers and their radical union politics:

> Relentless in their pressure against the companies and the government from 1936 to 1938, the oil workers were directly responsible for the culminating act of the Mexican Revolution: Lázaro Cárdenas' nationalization of foreign oil companies on March 18, 1938. After three decades of internal struggle against capital and the state, the oil workers achieved one of their goals: landing a fatal blow to one of the most powerful multinational conglomerates in the world. (Ibid., p. 292)

In the 1980s and 1990s, the tide turned and the Latin American governments profoundly restructured their economies, including the oil, gas, and mining sectors. The economic circumstances at this time worked against the policies of state ownership. Busting world market prices for minerals, the global economic crisis, and the region's debt crisis together made it costly to hold state-owned enterprises and make investments. As global neoliberalism triumphed ideologically, politically, and economically, civil society groups and political parties that aimed at a statal (and/or societal) counterweight against foreign capital's power were weakened. Meanwhile, a young generation of technocrats emerged that helped to implement new regulations favored by international financial institutions and national economic elites. The transformation of the private sector into a predominant force for economic development was the main objective of both international and national policies of liberalization, and this required a strongly reduced role of the state in the economy (Fernández Jilberto & Hogenboom, 2008a).

The neoliberal approach to the mining and energy sector implied a policy U-turn and the extractive industries were among the most

deeply reformed. Previously, oil and other minerals had been regarded as strategic materials and the central government regulated and taxed these resources more heavily than other commodities. Yet, under the Washington Consensus, to attract foreign direct investment in this sector, a rigorous dismantling of the established system was performed through the well-known combination of neoliberal policies: privatization, deregulation, and liberalization.

Whereas neoliberal reforms attempted to depoliticize mining policies, and presented extractive industries as a normal instead of a strategic sector, to many Latin American citizens there is something special about "their" minerals. Although there had been problems with large state-owned oil and mining companies, including bad management, corruption, debts, and low revenues, the historical nationalizations of minerals had been widely perceived and (later on) politically represented as a highlight of independent national development, sovereignty, anti-imperialism, and patriotism. An additional reason for the popular support for these public companies was that they provided for relatively well-paid and unionized jobs and cheap commodities (for example, low energy prices for the internal market). Therefore, the neoliberalization of minerals generally gave way to strong social reactions. Let us very briefly review three Latin American experiences.

In Venezuela, the so-called Oil Opening was the most important element of the neoliberal policies implemented by the second government of President Carlos Andrés Pérez (1989–1993) and the government of President Rafael Caldera (1993–1998). The state-owned oil company PDVSA was not privatized, but private companies (mostly multinationals) were allowed to become majority shareholder in joint ventures with PDVSA. These and other neoliberal policies, including a series of budget cuts, caused widespread popular discontent. In the beginning of 1989, the country witnessed a week of massive protests, known as *Caracazo*, and this was followed by years of both organized protests and spontaneous actions (Ellner, 2010).

In Bolivia, the first Sánchez de Lozada government (1993–1997) implemented a package of "second generation" reforms, including the new hydrocarbon legislation and the so-called capitalization policy. The latter was a variant of privatization that was applied to the hydrocarbon sector as well as other sectors, through which the state abandoned direct operations and instead assumed a regulatory role. While the state-owned gas and oil company YPFB was privatized, the new "Law on Hydrocarbons"

reduced taxes and fees on newly discovered reserves to approximately 30 percent. As Assies (2004) argues, the new system, which was extremely generous with private operators, would turn out to be a seedbed of civic discontent in South America's poorest country, especially when large new gas reserves were discovered. Consequently, in October 2003, after Sánchez de Lozada (during his second presidency in 2002–2003) had announced that his government intended to sell Bolivian liquid natural gas to the United States and Mexico (by way of Chile), a broad range of social movements took the streets. These sweeping protests, known as the gas war or *guerra de octubre*, lasted a month and in the end forced Sánchez de Lozada to flee the country.

In the case of Guatemala, the government decided to substantially lower mining royalties and grant mining companies free access to the large quantities of water they needed for their operations. To attract multinational corporations (MNCs) like Glamis Gold to its western highlands, the government also made major investments in territorial restructuring, using a market-rate loan from the World Bank. The fact that the government spent substantial public resources on attracting private investors at a time when many people were suffering from poverty and economic crisis, caused citizens' anger and protests. According to Eric Holz-Giménez (2008, pp. 29–30), "the citizens of Guatemala are paying the World Bank for the privilege of making foreign companies like Glamis Gold very rich."

Corporate investors in these sectors (mainly foreign oil and mining companies) reacted very positively to the policies that promoted private investment in exploration, exploitation, and commercialization. Next to privatization, there were a range of policies such as lower taxes, freeing of capital flows, and more labor flexibility that helped to attract new foreign direct investment. In addition, in order to further convince foreign companies to invest, these new policies were locked into fiscal stability clauses (for example, in Chile and Peru) and in bilateral investment treaties. Such treaties, among other things, offer foreign investors national treatment with respect to mining rights, and grant them the right to be compensated for future policies that would be less favorable to their investments.

By many citizens, however, the (re-)privatization of minerals was viewed as a loss of their nation's "crown jewels." It was perceived as unfair as this natural wealth should pertain to the nation and benefit the people instead of (foreign) corporations. Especially at the time of prolonged

economic crisis, high unemployment rates, and growing inequality, this policy fed public resentment. While orthodox theory, which was dominant in influencing policy makers regionally and globally at that time, claimed that state companies tend to be inefficient and corrupt, and that everyone would be better off with modern and competitive private companies, in reality privatization primarily caused economic concentration, increasingly rich elites, and greater inequality. This popular perception of the injustice of privatization showed, for instance, in the results of the civic plebiscite in 2007 in Brazil on Companhia Vale do Rio Doce (CVRD, or Vale), which is currently one of the world's largest mining companies. This plebiscite was organized by two of Brazil's largest social organizations – the movement of landless peasants, MST, and the central union confederation, CUT – together with 200 other organizations. Ten years after Vale's privatization, 94 percent of the 3.7 million respondents said they preferred a renationalization of the company. However, President Lula (2003–2010) hardly responded to these popular sentiments. As a metallurgic worker, Lula da Silva had been one of the founders of CUT, but as President of Brazil, he refused to reconsider Vale's status (*Americas Program Report*, November 26, 2007).

The way in which privatization of state companies was executed added to the dissatisfaction. The oftentimes non-transparent and corrupt privatization practices, and the subsequent weak over-sighted institutions that are supposed to prevent monopolies and cartels, increased the sense that the new policies mainly served the political elite and the "Big Business": MNCs and national economic groups that became the new corporate owners of privatized companies (Fernández Jilberto & Hogenboom, 2008b). Because of the historically low mineral prices at that time, the bargaining position of governments vis-à-vis MNCs was weak, and "some of the mining codes then adopted and some mining agreements negotiated may have been overgenerous to foreign investors" (UNCTAD, 2007, p. 161).

Besides the general policy influence of international financial institutions (IFIs) in the region-wide process of economic restructuring, governments of some of the home countries of these MNCs also actively supported the liberalization of the mining sector in Latin America. Joan Kuyek (2006, pp. 208–210) describes the ways in which the Government of Canada directly advanced the interests of Canadian mining companies in the region. In the 1990s, they controlled a quarter of the region's mining

investments and Toronto was the world's capital of mining finance. The Canadian government provided export credits for Canadian MNCs as well as development assistance projects for mining policy reforms in Latin American countries, such as Colombia's mining code of 2001 that paved the way for privatization but went against the interests of indigenous people. Meanwhile, Canada undermined international treaties for the protection of indigenous people's rights that might go against the interests of Canadian mining companies. The combined and coordinated political influence of the Canadian government and the economic influence of large Canadian mining companies makes one wonder about the extent to which – next to the Washington Consensus – Latin America's neoliberal mining policies were influenced by the "Toronto Consensus."

Since the 1990s there has been an increasing incidence of local protests against large private mining and oil projects, in particular those employed by multinational corporations. With respect to mining, the Observatory of Mining Conflicts in Latin America (OCMAL) registered 155 major socio-environmental conflicts in the region, particularly in Argentina, Brazil, Chile, Colombia, Mexico, and Peru.[2] Various stakeholders in local communities, including landowners, *campesinos*, indigenous groups, workers, and small-scale miners, have resisted new projects. In their eyes, extractive industries give a little (few jobs and development) but take and/or damage a lot (land, water, air). The mobilizations against extractive activities focus on land and water rights, territorial claims, and the notorious environmental record of extractive industries (Bebbington, 2007; North, Clark, & Patroni, 2006). While part of these local protests take place in marginalized areas and receive little external support or attention, other conflicts have become well-known, such as the resistance of farmers and other locals in Peru against gold mining in Tambogrande and in Yanacocha; the mobilization of Mayan communities against silver and gold mines in Guatemala; and various instances of indigenous resistance against extractive activities in the Amazon, including the long history of mobilization against the oil spills by Chevron/Texaco in Ecuador. Many of these local protests were linked to or identified with the rising indigenous movements (Yashar, 2005) and the increasing popular resistance to neoliberalism and globalization in Latin America (Harris, 2003), and vice versa. As a result, both local protests and national mobilizations against the neoliberal policies and practices of mining, and oil and gas extraction ended up in the core of allied social movement struggles for participatory politics and a post-neoliberal development model.

Booming Markets and Chinese Influences

In the 2000s, the Latin American Left made a surprising and region-wide political comeback. Starting with the electoral victories of Hugo Chávez in December 1998, and Lula da Silva in October 2002, the region experienced unprecedented electoral successes of the Left and Center Left.[3] While there are evidently important differences between these various Leftist regimes, they all seem to aim at combining deeper democracy and a larger role of the state in formulation of the social agenda as well as globalization of the economy while staying within the scope of capitalist development (Rodríguez-Garavito, Barrett, & Chavez, 2008). To a greater or lesser extent, their discourses, promises, and policies have centered on reinstalling the control of the state vis-à-vis foreign capital (MNCs) over the strategic sectors of minerals, and then channeling the additional public revenues to social programs. This approach to poverty alleviation, redistribution, and sovereignty has been supported by large segments of the population that had become highly frustrated by neoliberalization and the lack of "deep democracy."

Before examining in more detail the policies of Latin America's post-neoliberal political regimes, let us first look into the dynamics of the global economic surprise of the 2000s: the booming commodity markets. The rise of oil prices had already slowly begun in 1999, but in the mid-2000s the prices of both crude oil and metals moved up quickly. As Table 1 shows, these global price rises were so steep that in some years the average value of these commodities was more than three times as high as in 2000. As a result, revenues and profits increased and massive new

Table 1.
Indices of Prices of Primary Commodities, 2001–2010 (Index 2000 = 100)

	Minerals and metals	Crude petroleum
2001	89	84
2002	87	88
2003	98	102
2004	137	131
2005	173	184
2006	278	221
2007	313	250
2008	332	342
2009	232	221
2010	299	273

Source: United Nations, *World Economic Situation and Prospects 2011* (Statistical Annex).

investments were made in resource-rich countries. This global expansion of extraction was strongly felt in Latin America. Copper production, for instance, expanded rapidly and from 1999 to 2006, the revenues of the extracted copper increased 12 times in Chile, and even 46 times in Peru (Campodónico, 2008).

The high world market prices were due to the increased global demand, in which the rise of China – "the factory of the world" – was of particular importance. After three decades of high levels of economic growth and integration with the global economy, China has now become the second-largest economy in the world. And with its rapid growth and expanding export production, China is a major consumer of natural resources and commodities, including many which originate in Latin America. China has turned into the world's largest energy consumer and the main importer of several important commodities, such as iron ore. After years of low world market prices and investment levels, global production levels were not prepared for the increasing demand for minerals, which caused prices to rise highly. As Rhys Jenkins (2011) has calculated, this "China effect" on global prices for oil and metals was of even greater impact on Latin America's extra revenues from mineral exports than the direct effect of increased exports to China.

Within only a few years, China has become a major export destination for all resource-rich Latin American countries (CEPAL, 2008b). It is the main export destination of Brazil, Chile, and Peru, and the second for countries like Argentina and Venezuela. These intensified trade relations have gone hand in hand with intensified bilateral relations with China, and also a Chinese rapprochement to regional organizations, and some coordinated Sino-Latino initiatives toward international politics, such as the global trade policies of the World Trade Organization (cf. Fernández Jilberto & Hogenboom, 2010). With some countries, these trade relations have been deepened by the signing of a bilateral free trade agreement (FTA). Chile was the first in the region; the huge reserves of Chilean copper were a crucial element behind the China–Chile FTA that was signed in 2005 and went into effect in 2006. This was also in the case of Peru, which signed an FTA with China in 2009; the Chinese interest in valuable metals such as copper and iron ore was of key relevance. The third Latin American country that signed an FTA with China was Costa Rica (in March 2011).[4]

China's increasing demand for minerals and agro-commodities not only forced global market prices up and gave way to major expansion of

trade flows but it also pushed Chinese investments in Latin America's oil and mining. In 2005, for instance, a new Chinese consortium, Andes Petroleum Company, was formed to buy all the oil and gas assets that the US mining company EnCana held in Ecuador. By doing so, CNPC and Sinopec have become the owners of the most profitable oil block of Ecuador – Tarapoa. This investment trend has intensified since the global crisis that started in 2008, which has enabled the Chinese government, state-owned banks and MNCs (also mostly state-owned) to step up the expansion of China's own "global champions." In 2010, China invested massively in Brazil ($9.6 billion) and Argentina ($5.5 billion). In addition, China has provided large energy-backed loans to Brazil, Venezuela, and Ecuador. These loans serve three key interests: China can invest its vast financial reserves, it helps to solve its needs for energy security, and it serves Latin America's need for foreign capital. In 2009, when North American and European investments were low, the China Development Bank (CDB) and PETROBRAS agreed on a $10 billion loan. This credit is part of a Sino-Brazilian "loans-for-oil-deal" in which PETROBRAS will supply 200,000 barrels of oil per day to a subsidiary of Sinopec for 10 years. PETROBRAS will use part of this investment to develop the large pre-salt layer oil reserves that were recently discovered off the coast. In the case of Venezuela, total energy-backed loans value over $28 billion; this makes Venezuela the largest foreign borrower of the CDB (Downs, 2011, pp. 46–53). In the case of Ecuador, the CDB, PetroChina and China's Export-Import Bank have separately issued several loans since 2008. This has turned China into Ecuador's main creditor.

These new South–South relations are primarily about economic interests, but they may also be viewed as being part of the rising "Global South." Although the new relations between Latin America and China are not ideologically motivated, it is interesting to note that from very different backgrounds – neoliberal versus socialist – and through different processes, both currently favor a development model in which there is a reconciliation of the state and market. Furthermore, the new Global South, including emerging markets as well as underdeveloped countries, is increasingly important in international politics and in the global economy (Fernández Jilberto & Hogenboom, 2010). Although the US, Canadian, and European MNCs overall remain the key investors in Latin American oil and mining, other emerging countries are also expanding their investments in extraction in the region, too. Compared to Chinese investments, what MNCs from India do in Latin America may not seem impressive,

but they are gradually expanding. Moreover, the Brazilian companies Vale and PETROBRAS are also spreading their wings regionally and globally. Vale being the world's largest mining company, and oil giant PETROBRAS being the largest company in the region, they have both been investing heavily with the extended commodity boom.

More State Control and Revenues for Social Spending

The social mobilizations of the 1990s and the political changes of the 2000s in Latin America demonstrate that the (attempted) depoliticization of mining by neoliberal regimes was unsuccessful. As mineral resources and policies were a highly contended issue, they have been a spearhead in Latin America's new development debate. In most countries, a majority voted for parties and presidential candidates that favor greater state control over extractive industries and a higher share of mineral revenues for the public sector. An important characteristic of the elected Leftist regimes is their nonelite background and "bottom-up" political development. Presidents like Lula and Morales came from poor families and were leading a union that later created a political party. Most of the Leftist regimes succeeded in winning the elections due to their strong ties with social movements, their criticism of the limited depth of democracy under neoliberal regimes, and their proposals for more participatory politics.[5]

When in office, the Leftist regimes have indeed started and implemented some anti-neoliberal measures for the mineral sectors: after two decades of deregulation, liberalization, and privatization, new policies involved re-regulation (through reforms of legal codes, laws, and constitutions), "re-taxation," and sometimes also re-nationalizing. Under economic policy at least, extraction has been the most important field of reform by Leftist governments. Next to being a crucial economic sector, reforms were deemed necessary to create additional budgets for the expansion of social programs since in most countries the primary sector is the single main source of public sector revenues.[6] The high commodity prices thus came in handy: next to being very important for state revenues, it is probably economically and politically easier to enlarge the state's take in an era of booming business.

The first and most profound anti-neoliberal restructuring occurred in Venezuela, where Hugo Chávez claims to strive for a Bolivarian Revolution and for Socialism of the twenty-first century. President Chávez's new policies toward multinational oil corporations operating in

Venezuela were at first internationally viewed as radical, but later on other governments in the region started reforms to increase the public share of mineral revenues and enlarge state control in the extractive industries. In 2001, Venezuela adopted legislation on hydrocarbons that established a majority share for state-owned company PDVSA in oil extraction. In effect, 33 joint ventures with transnational corporations operating in the Orinoco basin had to be renegotiated. Somewhat surprisingly, only ENI and Total decided to end their investments, and Exxon-Mobil and ConocoPhillips protested against the government's decisions and made international complaints. Venezuela also raised the royalties for foreign oil companies from 1 percent to 30 percent, and taxes from 34 percent to 50 percent. In addition, Chávez made important changes to the PDVSA management, thereby increasing his control over the company. Through a presidential decree in 2007, the share of PDVSA in joint ventures in the Orinoco basin went further up to 78 percent.

This increase of the public share in oil revenues at the time of rising oil prices in the world market and high national economic growth rates resulted in a sharp increase of the central state's budget and social spending in Venezuela. Venezuela's poverty rate in the first half of 2007 was 28 percent, which was much lower than the pre-Chávez poverty rate of 44 percent. While this drop in poverty could be expected in the face of the very rapid economic growth from 2003 to 2007, the situation of the poor improved significantly beyond this measure of cash income due to the major new health care, education, and food programs for the poor, called *Misiones*. From 1998 to 2006, the central state's spending increased from 21 to 30 percent of the GDP, and its social spending from 8 to 14 percent of the GDP. To the latter we should add the social spending by PDVSA, which reached 7 percent of the GDP in 2006. With this included, real social spending per person in 2006 was three times higher than in 1998 (Weisbrot & Sandoval, 2008a).

In contrast, in Brazil, President Lula of the Workers Party PT opted for continuing most of his predecessor's economic policies, including mineral policies. In effect, Lula did not change the tax rules in the oil or metal mining sector, nor the status of companies like PETROBRAS and Vale. In 2008, Brazil's oil company PETROBRAS was the region's largest company based on revenues. Officially, PETROBRAS is state-owned, but in the 1990s it was partly privatized by selling bonds to private shareholders, and private investors nowadays hold 44 percent of the company (UNCTAD, 2007, p. 117). As mentioned above, in that same decade, Brazil's iron company

Vale was completely privatized, and although many Brazilians (especially from Lula's electorate) might have liked to see Vale and PETROBRAS renationalized, President Lula was unwilling to do so. On the other hand, more than other countries in the region, in the 1980s and 1990s Brazil combined liberalization strategies with industrial policies that stimulated productive linkages between MNCs and domestic firms, and this policy was by and large continued under Lula.[7] For instance, foreign oil companies operating in Brazil are legally required to purchase 40 percent of their investments from domestic firms, and Brazil has a minimum local content requirement for offshore and onshore projects of 30 percent and 70 percent, respectively (UNCTAD, 2007, p. 168).

Only in October 2008, after the discovery of new deep-sea oil reserves off Brazil's coast, President Lula announced reforms that would allow for putting the revenues from future deep-see oil drilling "in hands of the Brazilian people," in order to pay off "the debt with the poor since 500 years." Lula proposed the idea of a development fund, using the resources for education, health care, and technological development. Next to PETROBRAS, the public sector's control over these oil reserves and revenues should be protected by the creation of a new state company: Petrosal. In addition, and despite the overall continuity of Brazil's policies in the mineral sector under President Lula, social spending did increase substantially, in particular through the Fome Zero and Bolsa Familia programs. Together with the effects of the growing economy, Lula's presidency resulted in less poverty.

In Bolivia, hydrocarbons became strongly repoliticized in 2000 due to popular protests. The mass mobilizations in 2003 against reforms of gas policies (the "gas war" or *guerra de octubre*) forced President Gonzalo de los Sanchez to leave the presidential palace and paved the way for the election of Evo Morales of the Movimiento al Socialismo (MAS) in 2005. On May 1, 2006, President Morales announced new legislation on hydrocarbons that would increase the public sector's stake of profits in two of Bolivia's largest natural gas fields, from 18 to 82 percent, thereby turning the balance between public and private sector revenues upside down. The state-owned company YPFB would regain tasks it had had until privatization, and production-sharing contracts with multinational corporations would be turned into servicing contracts. Morales also announced a new development strategy, moving from purely extraction activities to additional production activities like refining. This is important

since large-scale extraction of minerals is capital-intensive (requiring major public and/or private resources) but labor-extensive, while it is rather the local refining activities that will raise the positive effects on local employment, revenues, and technological development.[8]

In practice however, Bolivia's new policies have been less radical than the images created in the media and political discourses, both by proponents and opponents. Morales' decree that raised the tax and royalty level for private gas companies was transitory (for six months), and mainly meant to force private companies to sign new contracts that are subject to the (pre-Morales) law of 2005. In the end, the companies have to pay around 50 percent tax and royalties, and also the new contracts tend to favor intensive extraction and export. According to Pablo Poveda (2010, p. 161), instead of recovering national sovereignty, "the transnational companies continue to control the hydrocarbons extraction in Bolivia, [and] the government's gain is limited to spending some extra fiscal income from natural gas exports on social assistance, such as bonuses for elderly and children." Also the negotiations over the concessions for iron mining in El Mutun and lithium mining in Uyuni have shown that implementing such new, pro-development mining policies is hard and time-consuming, especially at times of a global economic crisis.

Increasing social spending has been an important objective of Morales' policies on mineral extraction. The development plan of the MAS (*Bolivia Digna*) stresses the need of social programs that end poverty, exclusion, and marginalization. In 2008, the elected constitutional assembly formulated a new constitution that aims at redistribution and better living standards for Bolivia's poor majority as well as increasing the central government's power and granting indigenous people more control over the natural resources within their territories. Important social programs have been financed by the new direct tax on hydrocarbon profits: *Bono Juancito Pinto*, which provides a bonus to poor families who send their children to primary school, and *Renta Dignidad*, which provides a pension to poor elderly people (Hinojosa, 2009). While Bolivia's relatively decentralized distribution system of public mineral revenues grants the central government only part of these revenues, these cash grant programs paid by the new gas tax have contributed to poverty reduction.[9]

Under President Rafael Correa (since 2007), Ecuador has made some similar reforms in its mineral policies. In October 2007, Correa decreed to raise the state's share of windfall oil profits from 50 to 99 percent. In combination with the global oil boom and Ecuador's dollar economy,

state revenues expanded rapidly and allowed Correa, among other things, to double welfare payments to poor households, subsidize electricity for poor households, and make a range of (emergency) investments in education, health, micro-credits, etc. Furthermore, Correa's government issued a comprehensive development plan, which was for the first time since the 1980s. While these policies have been labeled by some as "petropopulism," President Correa has been able to secure major electoral support for his regime: with a referendum in January 2009, the new constitution was approved by 64 percent, and in April 2009, Rafael Correa, was re-elected as President. In 2010, the National Assembly approved legislation for servicing contracts in the oil sector, as a result of which all the contracts with MNCs operating in Ecuador had to be renegotiated. In this case, four out of nine companies did not come to a new agreement with the state, and therefore, ended their operations in the country. Even proponents of more state control on oil extraction have criticized the reform and renegotiation. One of them is Alberto Acosta, who initially was Minister of Energy and Mining under Correa, and the president of the National Constitutional Assembly that wrote the new Constitution, which holds some important parts on a new development model aiming at *sumak kawsay* (living well) and respecting the rights of indigenous peoples and the rights of nature. According to Acosta (2011), the reform and renegotiations of 2010 lacked transparency and democratic deliberation, and previous environmental damages caused by the companies were ignored. Like Chávez, Correa refers to Socialism of the twenty-first century, and Catherine Conaghan (2008) describes his rule as a plebiscitary presidency in which his decrees, charisma, and "playing the media" have rendered the National Congress irrelevant. Nevertheless, Correa has had a substantial electoral basis for more state control over the strategic oil sector.

In sum, the various Leftist regimes in Latin America have used new mineral policies to quickly deliver on three important political objectives, with higher commodity prices being of additional help. First, the new policies have provided extra resources to pay for expanding social expenditures. Although there are few direct (formal budgetary) links between revenues from the mineral sector and social spending, it is evident that the substantial additional income eased decisions to allocate more public funding to social policies. As a result, Leftist governments could rapidly deliver on their promises for more support and programs for the poor.

Second, the extra resources helped Latin American countries to pace up the paying off of debts to international financial institutions. A priority of all new Leftist governments in the region was to end the dependency on Washington-based institutions, in order to be liberated from their structural policy conditions, and interventions motivated by US interests.[10] With their increased revenues, the governments of Brazil and Argentina could decide to resolve their remaining IMF debts before the deadlines. Meanwhile, President Chávez used a share of Venezuela's large public oil revenues for regional support through the Bolivarian Alternative for the Americas (ALBA), and also by turning Venezuela into a new creditor and lender of last resort. Among other things, Venezuela provided a $2.3 billion credit to Argentina when that country paid off its remaining $9.8 billion debt to the IMF in 2005 (Weisbrot, 2007). The fact that the international financial crisis that started in 2008 did not start off another lost decade in the region, points at the generally healthy financial situation of Latin American countries, particularly when compared to the US and the European Union.

Third, the new mineral policies in Latin America have contributed to a post-neoliberal balance between public and private gains and control that became relatively soon and well accepted. There are several explanations for this. The mineral sector's increased profitability in the 2000s exposed more clearly that some of the neoliberal policies had been overgenerous to foreign investors. Simultaneously, booming markets rendered transnational corporations more willing to negotiate about higher taxes and greater state intervention. In the context of high global demand and prices, receiving a lower share of highly increased revenues was acceptable to the MNCs. The large majority has thus continued to operate under the new laws and tax systems, and there have been remarkably few complaints and disputes. This is probably also due to the fact that at least in the hydrocarbon sector, a large share of state control and ownership is not uncommon, with foreign direct investment even forbidden in extraction in some countries such as Mexico and Saudi Arabia. Furthermore, the newly negotiated deals were in practice less revolutionary than the images presented in the media, and remained profitable to the multinational corporations.

Taken together, through these three major shifts the new mineral policies were crucial in bringing an end to the Washington Consensus in Latin America. As José Antonio Ocampo (2005, p. 294) has noted, there were four profound problems with the Washington Consensus:

> …its narrow view of macroeconomic stability…its disregard for the role that policy interventions in the productive sector can play in inducing investment and accelerating growth; its tendency to uphold a hierarchical view of the relation between economic and social policies…and, finally, a tendency to forget that it is citizens who should choose what economic and social institutions they prefer.

With these last two problems, Ocampo stresses on the huge social and democratic deficit of the market democracies that had developed in Latin America in the 1980s and 1990s. In the 2000s, Leftist regimes aimed to deal with these problems by using revenues from mineral extraction for social expenditures, and by applying reforms to this strategic sector that should produce positive social effects in the medium- and long-term too. The popularity and continuous electoral support for presidents like Chávez, Morales, and Correa can be partly explained by the popular support for these policies.

Discussion: New Politics and Shifting Conflicts

Whereas Latin America's new mineral policies are more responsive to the preferences and needs of the majority of citizens than the neoliberal policies of the 1980s and 1990s, there continue to be many debates, tensions, and conflicts on extractive industries and mineral revenues. Some of this resistance came from political opponents, groups that feared for a loss of previous privileges or liberties, and/or groups that feared for populist (and corrupt) abuse of the additional revenues. Especially in Venezuela in 2002 and 2003, massive anti-Chávez mobilizations followed Chávez's increased control over PDVSA. In Bolivia, the new gas policies together with the new policies on ownership and distribution of land were a source of strong resentment among groups within the more developed *media luna* provinces, which caused serious political conflicts from 2006 to 2008.

Less expected under the new political and economic circumstances was the large number of mobilizations and protests held by communities and indigenous groups against mineral extraction. Throughout Latin America, local resistance by groups from civil society against oil drilling and mining projects in or near communities and territories has increased over the past few years. The resistance has also become increasingly visible as a result of transboundary cooperation and representation of local groups and transnational NGOs (via the Internet), and the growing number

of political conflicts and violent clashes that attract the media. Equally unexpected is the fact that the leftist governments of Morales in Bolivia and Correa in Ecuador have reacted almost as negatively and (at least verbally) aggressively to some of the local struggles for the protection of land, water, and biodiversity as the centrist government of Alan García (2006–2011) in Peru did, labeling such struggles anti-patriotic and illegal (Bebbington, 2009). These tendencies might seem counterintuitive. One could imagine that increased state control vis-à-vis MNCs over extractive industries and an end to the friendly neoliberal deals between political elites and "big business" would allow local groups to have better access to information, and would lead to more respect for formal rights of prior consultation and impact assessments. Similarly, one would expect that the activist (syndicalist) and indigenous roots of many of the leaders of the "New Left" would lead to a better understanding of local movements by the central government, and lead to more participatory approaches to solving problems and tension.

What explains this new local resistance under Leftist regimes, and the unwillingness of these governments to accommodate the local concerns for the negative environmental, economic, and social effects of mining and drilling? What we witness is a shift of conflicts as a result of the new political constellation that has come into being under the Leftist regimes. The broad alliance of popular resistance and social movements against neoliberal policies and continuing poverty and inequality that reached its height in the years before and after the turn of the century, and formed the basis for the electoral victories of the Leftist candidates, came to an end when the Left entered the presidential palace and their social programs brought some quick fixes to extreme poverty. Yet while this "institutionalization" of the Left resulted in a certain degree of national demobilization, the local discontent and mobilizations have not ceased. This is partly due to the massive expansion of mineral extraction throughout the region. The ongoing global commodity boom makes private companies as well as the state only more eager to explore oil wells and mines, start new extraction projects, and re-open pits that had been unprofitable in previous years.

The fact that extractive industries continue to be a political battleground is also related to the process of repoliticization itself, which has given way to new political expectations. In their political campaigns the Leftist leaders stressed on poverty eradication, political participation

and inclusion, and local democracy or autonomy of indigenous people. Furthermore, in countries like Venezuela, Bolivia, and Ecuador, important constitutional reforms have taken place and new participatory rules and institutions have been created. While these hold important emancipatory elements, there are in practice many obstacles to moving towards a more participatory and pluralist democracy (Schilling-Vacaflor, 2011). Indigenous groups, *campesinos*, and local communities that are negatively affected by mining and oil extraction, often do not find their new presidents open to their views and demands. President Correa has used particularly intimidating discursive attacks, speaking of "ecological infantilism" and "infantile indigenism" that impede mining.[11] Indeed, as Anthony Bebbington (2009, p. 19) states, "dissent shows no sign of going away."

Because of the new political and economic circumstances, local protests against mineral extraction have become nationally more isolated. With their new social programs funded by larger mineral rents, the Leftist governments have more legitimacy than their neoliberal predecessors. Furthermore, like Chávez, Morales and Correa have also sought and found ways to control (co-opt) or weaken organized civil society. Local organizations, thus, find less than before support from national social movements for their demands and their critical attitude against the government. This new national context is particularly intimidating for small and marginalized (indigenous) groups living in isolated areas, either in the Amazon (where most of the oil drilling takes place) or in the Andes (with its numerous metal mines).

In short, the repoliticization of minerals in Latin America is one of the most important contemporary developments. What has been achieved by the Leftist regimes in only a few years is impressive: more state control (vis-à-vis MNCs) and state sovereignty (vis-à-vis IFIs and other foreign interference), more public revenues, more social spending, and less poverty and inequality. Also, some small steps have been set towards turning mineral wealth into a basis for additional investments and development. Yet as the new mineral policies, helped by the global commodity boom, bring major social and economic benefits, the new regimes also prefer to keep this a highly centralized field of governance and to pose strict limits to local demands from civil society. In the new conflicts over mining and oil drilling, local communities again face closed doors and intimidations, and also repression. Considering the massive expansion of extractive

industries throughout the region and the general unwillingness to consider demands for environmental justice, the politicization of minerals is likely to deepen in the years to come.

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NOTES

1. The definition of minerals and extractive industries used in this article are borrowed from the UNCTAD's *World Investment Report 2007* (UNCTAD, 2007, p. 84). It defines minerals as "energy minerals (oil, gas, coal and uranium), metallic minerals, and non-metallic minerals (industrial and construction minerals and precious stones)" – of which oil, gas, and metals are the most important for our analysis – and extractive industries as "primary activities involved in the extraction on non-renewable resources."
2. See the observatory's Web site (www.olca.cl/ocmal/) which holds many details about each conflict.
3. There is a great variety in the shades of red (or pink) and some of the politicians proved to bring more continuity than change, but still the overall trend of the 2000s is impressive. The elections of Dilma Rousseff in Brazil (2010) and Ollanta Humala in Peru (2011) indicate that the political dominance of the Left in Latin America may continue in the current decade.
4. In the case of Costa Rica, minerals hardly play a role and rather other economic and diplomatic matters are at play. As regard to the latter, Costa Rica was the first Central American country to end diplomatic relations with Taiwan (in 2007), shortly after the FTA negotiations with China had started.
5. After gaining control over the central executive office, the Leftist regimes in Bolivia and Ecuador quickly started constitutional reforms by constitutional assemblies and their democratic approval via a referendum. However, it still

needs to be seen to which extent local communities and indigenous peoples have gained voice and influence regarding mining and oil projects. With increased central state's control over these strategic sectors, local claims for information, consultation, influence, or protection have in some instances lead to strong confrontations.

6. In Venezuela, oil revenues accounted for 66 percent of fiscal income in 2005 (after six years of Chávez's rule), but also in a country like Mexico the contribution of oil revenues was 37 percent in 2006, while in Chile copper revenues accounted for 33 percent (CEPAL, 2008a). The national systems for the government's collection of its share of the mining rents differ greatly. They include a mix of various types of taxation for private companies, and in several countries, some large state-owned companies as well. In Chile, for instance, state company Codelco generates 43 percent of the government's revenue from copper, while the rest comes from taxing the country's private mining sector, consisting of 10 large (transnational) companies (cf. Campodónico, 2008; UNCTAD, 2005, pp. 117–127).
7. Interestingly, in the case of Chile and Mexico, profound neoliberal restructuring went hand-in-hand with continuing the state-owned status of Chile's copper company Codelco and Mexico's oil company Pemex, and these companies continue to be a primary source of the government's budget.
8. From a developmental point of view, mineral sector policies should go far beyond securing public sector revenues. Developing countries need an overall development strategy in order to use nonrenewable mineral wealth to improve their present situation and ensure sustainable development through building "a diversified economy through investment in human capital, infrastructure and productive capital" (UNCTAD, 2007, p. 93). As the UNCTAD reports remind us, a country's mineral wealth "needs to be transformed into a broader industrial base. MNCs can be a driving force behind the emergence of independent suppliers and industrial clusters *only* if host countries are able to develop their *domestic* capabilities," requiring proactive policies and supporting institutions (UNCTAD, 2007, p. 141, italics added).
9. In this distribution model, about half of the mineral revenues flow to local prefectures, municipalities, and universities. This decentralized distribution does not correspond to the number of inhabitants, let alone the number of poor inhabitants, and highly favors some of the richer departments with a small population like Tarija and Pando at the cost of departments with many poor inhabitants like La Paz, and mining departments with a large population like Potosí and Oruro. For instance, in 2007 the per capita hydrocarbon

revenues in the gas-producing province Tarija were $491, and in the non-gas-producing province of Pando were $751, while those in La Paz with its large and poor population equaled $27 (Weisbrot & Sandoval, 2008b).

10. For instance, in 2005 Ecuador's then Minister of Economy, (current President) Rafael Correa, was replaced after pressure and threats of the IFIs, which opposed his plans for more public social spending through limits on foreign debt payments, and higher taxes on oil extraction. This reminds us of the long (and ongoing) history in which the Bretton Woods institutions have functioned as instruments of foreign intervention in Latin America, serving (among other things) the US interests of gaining access to Latin American primary commodities.
11. President Correa also tried to take away the legal status of the environmental organization Acción Ecológica in the context of the Yasuní conflict.

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Barbara Hogenboom is Senior Lecturer in Political Science at the Centre for Latin American Research and Documentation (CEDLA) in Amsterdam, The Netherlands. Her research interests include Latin

American policies and politics of mineral extraction and natural resource use, and the influence of China's rise on the region. She is the coordinator of a collaborative research project on Environmental Governance in Latin America and the Caribbean, funded by the European Commission (see www.engov.eu). Among her publications are various coedited volumes with Alex E. Fernández Jilberto, including *Latin America Facing China: South–South Relations beyond the Washington Consensus* (Berghahn Books, 2010), *Big Business and Economic Development: Conglomerates and Economic Groups in Developing Countries and Transition Economies* (Routledge, 2008), and two special issues of the *Journal of Developing Societies* on the "China effect" on South–South relations (2007). [email: b.b.hogenboom@cedla.nl]