Mining economies, mining countries: what mining delivers for development in Andean countries?

Leonith Hinojosa

University of Manchester

(SAS - London, Dec. 7th 2007)
Preliminaries

• Andean countries are by excellence ‘mining countries’
  → Absolute and relative advantages in mining resources
  → Historical development based on commodities exports
  → Political forces (economic elites, unions)

• *Since late 1980s, neoliberal policies target mining as a financial national strategy*
  → Particular domestic policies to attract and facilitate entry of MNCs
  → Improved macroeconomic and political stability
  → Ratification of international agreements on private investments

• Outcome: high and sustained *growth* but also no significant reduction of poverty – *rural poverty* –

• Mining boom since 2004
Minería, Movimientos Sociales y Respuestas Campesinas

Una ecología política de transformaciones territoriales

Anthony Bebbington
Editor

Minería y Desarrollo en el Perú con especial referencia al proyecto Río Blanco, Piura
## FDI in Peru, Ecuador and Bolivia, 1989-1999 (%)

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Average FDI/GDP</th>
<th>FDI Average annual growth rate</th>
<th>FDI in Primary Sectors (percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>1.01</td>
<td>6.70</td>
<td>124.22</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1.61</td>
<td>3.28</td>
<td>55.60</td>
</tr>
<tr>
<td>Peru</td>
<td>0.46</td>
<td>4.17</td>
<td>84.73</td>
</tr>
<tr>
<td>Andean countries</td>
<td>1.12</td>
<td>3.38</td>
<td>30.38</td>
</tr>
<tr>
<td>LAC</td>
<td>0.95</td>
<td>2.42</td>
<td>18.11</td>
</tr>
</tbody>
</table>
Mining Economies?

Argument pro-mining:
- Crucial sector of the national economy
- Financial national strategy
- Technological benefits of large scale mining (the ‘new mining’)  
- The ‘resource curse’ thesis is reversible under some conditions

Argument against mining:
- No matter the technological improvements, the ‘new mining’ is environmentally damaging
- Mining produces a non-inclusive type of development
- Economic and political conditions are more favourable to the resource curse
- After the prices boom, highly unequal distribution

- Mining competes with agriculture in the rural territory
Macroeconomic view - Peru

Peru: GDP composition (predominantly rural sectors)

Percentage


Years

Peru: Exports composition (predominantly rural sectors)

Percentage


Years
Macroeconomic view - Peru

GDP by sectors (predominantly rural)

GDP growth by sectors predominantly rural
(1990=100)
Macroeconomic view - Bolivia

Bolivia: GDP composition
(sectors predominantly rural)

Bolivia: Exports composition
(sectors predominantly rural)
Macroeconomic view - Bolivia

GDP by sectors (predominantly rural)

- Mining
- Hydrocarbons (crude oil and natural gas)
- Agriculture

GDP growth by sectors (predominantly rural)

- Total GDP
- Mining GDP
- Hydrocarbons GDP
- Agriculture GDP
Mining Countries?

- Impacts on people and societies
  → Livelihoods
  → Income and wealth (creation & distribution)

- Territorial impacts
  → Access & control of resources
  → Redefinition of the rural territory

- Development strategy
  → Conflicts (labor, environmental & socio-environmental, political)
Impacts on people and societies

- Winners & losers
- Included & excluded
- the dynamics of neoliberalism have threatened the viability of much small and medium farm agriculture

“Each time that mining expands at an accelerated pace, it produces struggles over the control of resources on which its development relies” (Cooperaccion)
Territorial impacts
Mineral and hydrocarbons concessions in Peru
Mineral and hydrocarbons concessions in Bolivia (2001)
A sustained growth strategy?

Peru: Volumes of production

Bolivia: Volumes of Production
Mining boom
Impacts on development
Benefits

- Increase of the sector’s contribution to the economy

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>2006</th>
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<tbody>
<tr>
<td>PBI</td>
<td>2.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Exports</td>
<td>21%</td>
<td>62%</td>
</tr>
<tr>
<td>Taxes</td>
<td>4%</td>
<td>21%</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>8%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Lima stock market: 31% of market capitalization, 61% of IGBVL, 78% of ISBVL.

Investments:

Canon and royalties:
- Canon: 1996 - June 2007 more than N.S/. 9000 milliards
- Royalties: 2005 – 2006 more than N.S/. 600 milliards transferred to regions

*(Consortio Minero Horizonte)*
Impacts on development
Benefits

- 18 regions with mining activity
- 20 regions with exploratory activities and projects
- 5801 concessions
- 95 thousands direct jobs
- 400 thousands indirect jobs
- US$ 1,400 MM purchases in domestic markets

CSR:
Between 2001-2005, mining supported:
- 900 Km of new main roads
- 1700 Km secondary roads and pathways benefiting to 500 thousands people
- 764 health campaigns (300 thousands people)
- Books and educational material (100 thousands students)
- 15 thousands hours of training to school teachers (9000 teachers)
- 155 thousands beneficiaries of 315 km of electricity lines

(Sociedad Nacional de Minería)
Impacts on development
Costs

- Emergence of socio-environmental conflicts
- Increasing social discontent, polarization and eventually violence

A phenomenon non-exclusive to the Andes, but spread all over the world
Impacts on development

Perception of threats

• Concessions: expansion over rural (and semi-urban territories)
  • Instability
  • Fear

• Mining expansion challenges the capability of rural people to control patterns of change in their lived environments
  • Fragile environments

• State absence and bias
  • Weak citizenship of rural population
  • Fractures within the state (central vs local government)
Unresolved issues

- Scarcity and poverty of non-mining resources in rural areas: land and water
- The ‘marketization’ of the rural territory
- Institutional land issues
- Whose knowledge counts?

- Alternatives?
  “The rural territory as the base of combined rural-urban livelihoods”
Concluding remarks

• Socio-environmental conflicts reflect the struggles for an inclusive type of development

• Factors: Neoliberal dynamics, ‘new’ actors, institutional structures

• Internationalization and transnationalization
  - shared concern about the environment
  - shared concern about poverty and exclusion
  - corporations and CSR
  - the learning curve of mining companies
  - civil society networks

• The environment as an instrument to claim for economic and social rights
Thank you

www.manchester.ac.uk/sed/research/andes

Leonith.hinojosa@manchester.ac.uk