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

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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

IEP Instituto de Estudios Peruanos
CEPEA CENTRO PERUANO DE ESTUDIOS SOCIALES

HUANUCABAMBA
SÍ AL AGRO
NO A LA MINERÍA
SÍ AL ECOTURISMO
LA SANGRE
DERRAMADA
JAMAS SERA
OLVIDADA
la mina
contamina
al medio
ambiente

Minería y Desarrollo en el Perú
con especial referencia al
proyecto Río Blanco, Piura



IEP Instituto de Estudios Peruanos



FDI in Peru, Ecuador and Bolivia, 1989-1999 (%)

Country/ Region	Average FDI/GDP		FDI Average annual growth rate		FDI in Primary Sectors (percentage of GDP)	
	1989-93	1994-98	1989-93	1994-98	Average 1990-95	Average 1996-99
Bolivia	1.01	6.70	124.22	60.93	1.8	5.8
Ecuador	1.61	3.28	55.60	11.81	1.9	3.1
Peru	0.46	4.17	84.73	-11.23	0.3	0.3
Andean countries	1.12	3.38	30.38	14.49	1.0	2.1
LAC	0.95	2.42	18.11	21.96	0.9	1.3

Mining Economies ?

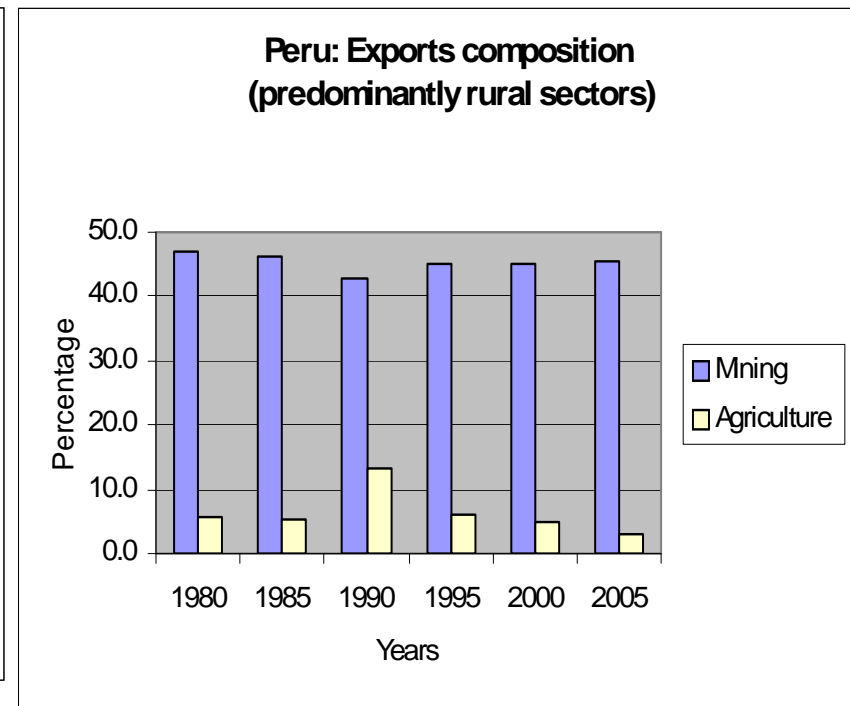
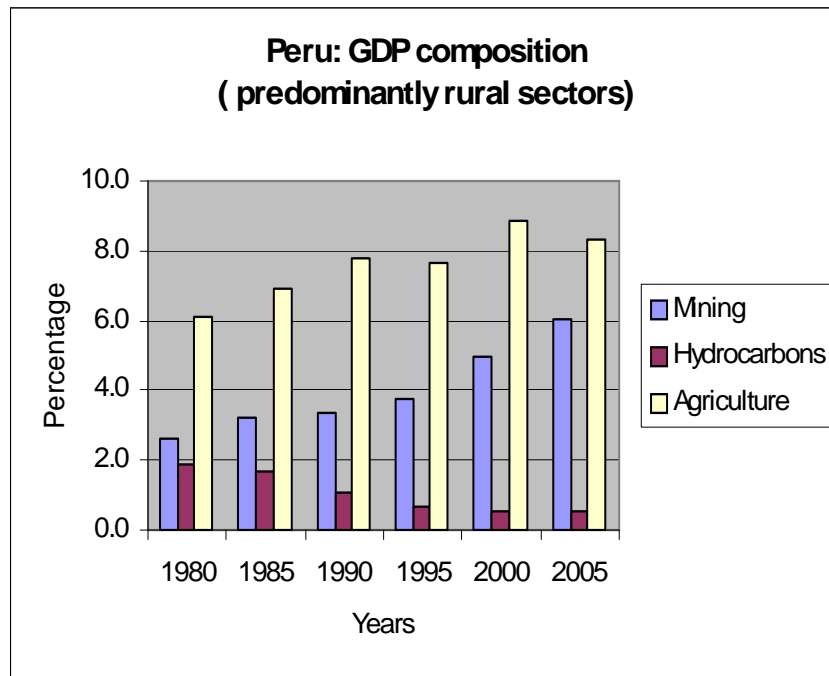
Argument pro-mining:

- 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

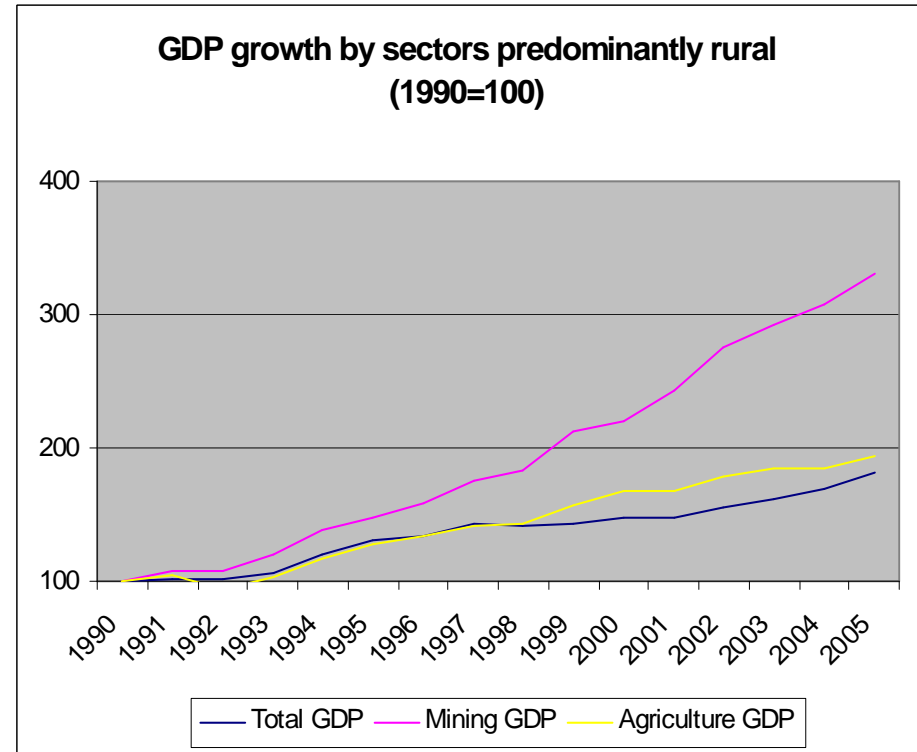
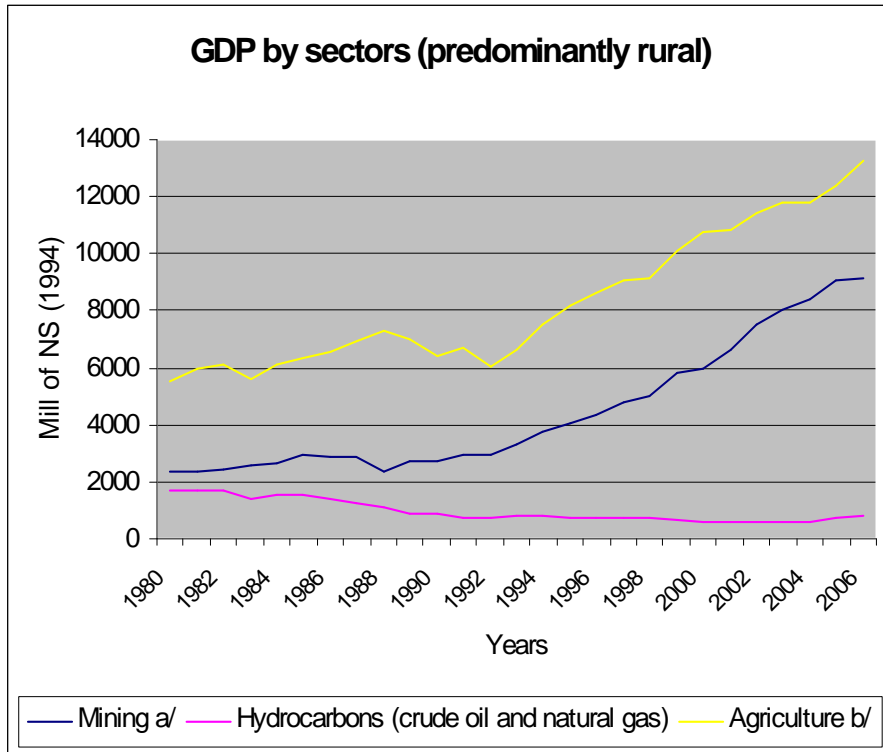
Argument against mining:

- 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*

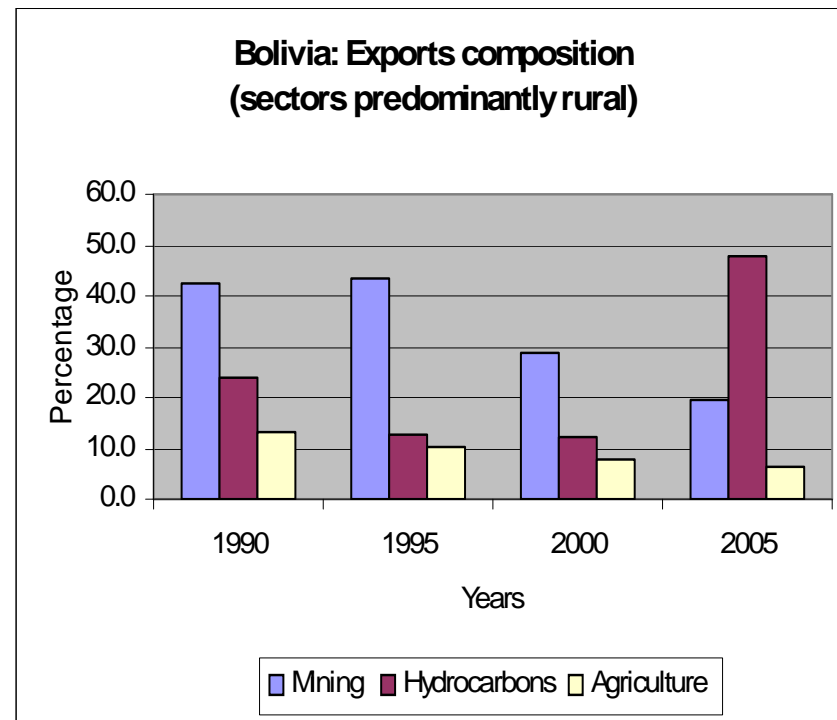
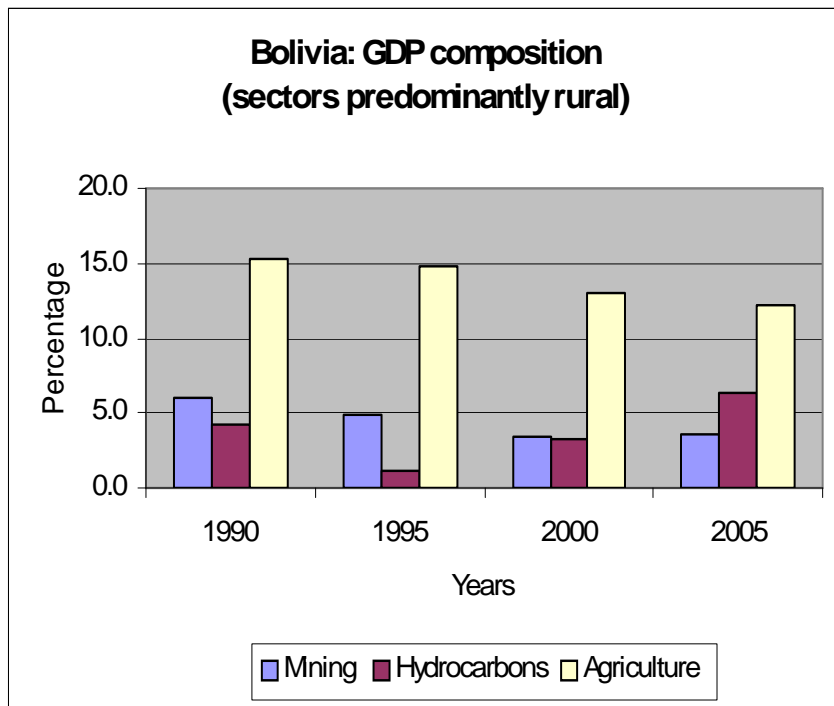
Macroeconomic view - Peru



Macroeconomic view - Peru

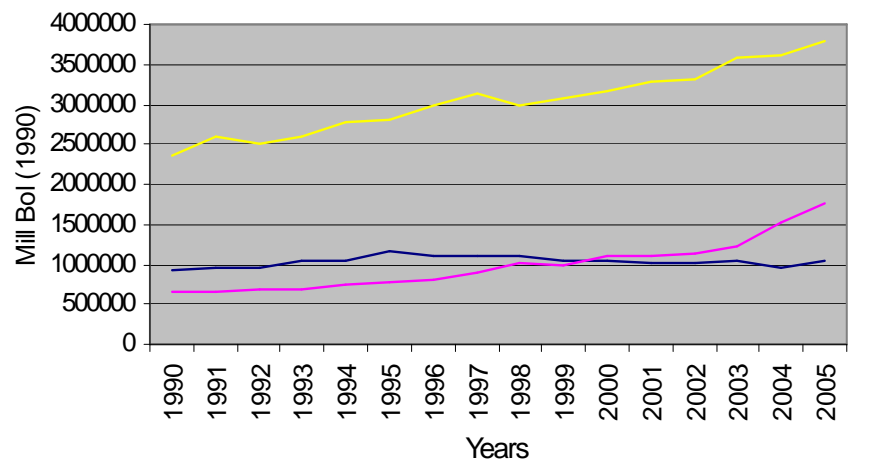


Macroeconomic view - Bolivia



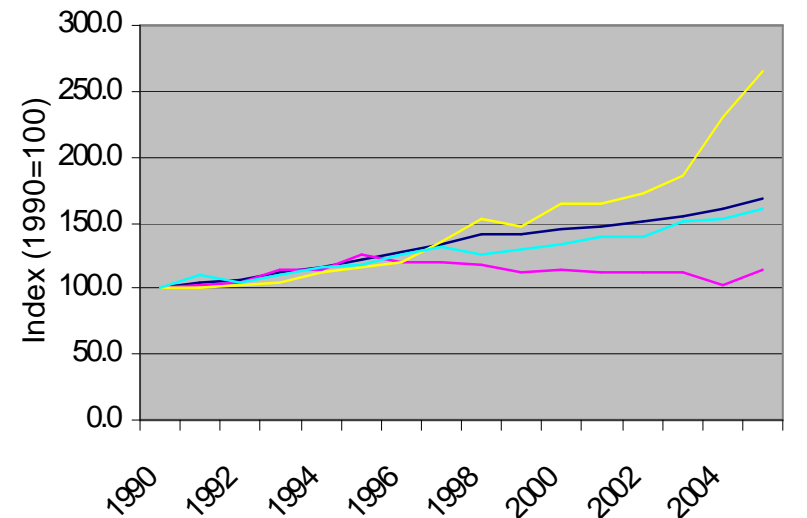
Macroeconomic view - Bolivia

GDP by sectors (predominantly rural)



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

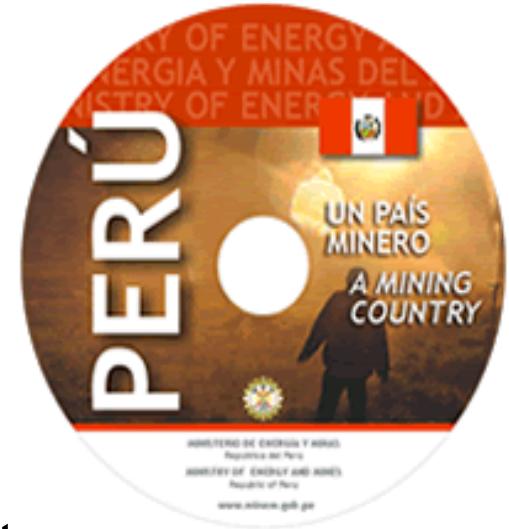
GDP growth by sectors (predominantly rural)



— 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)



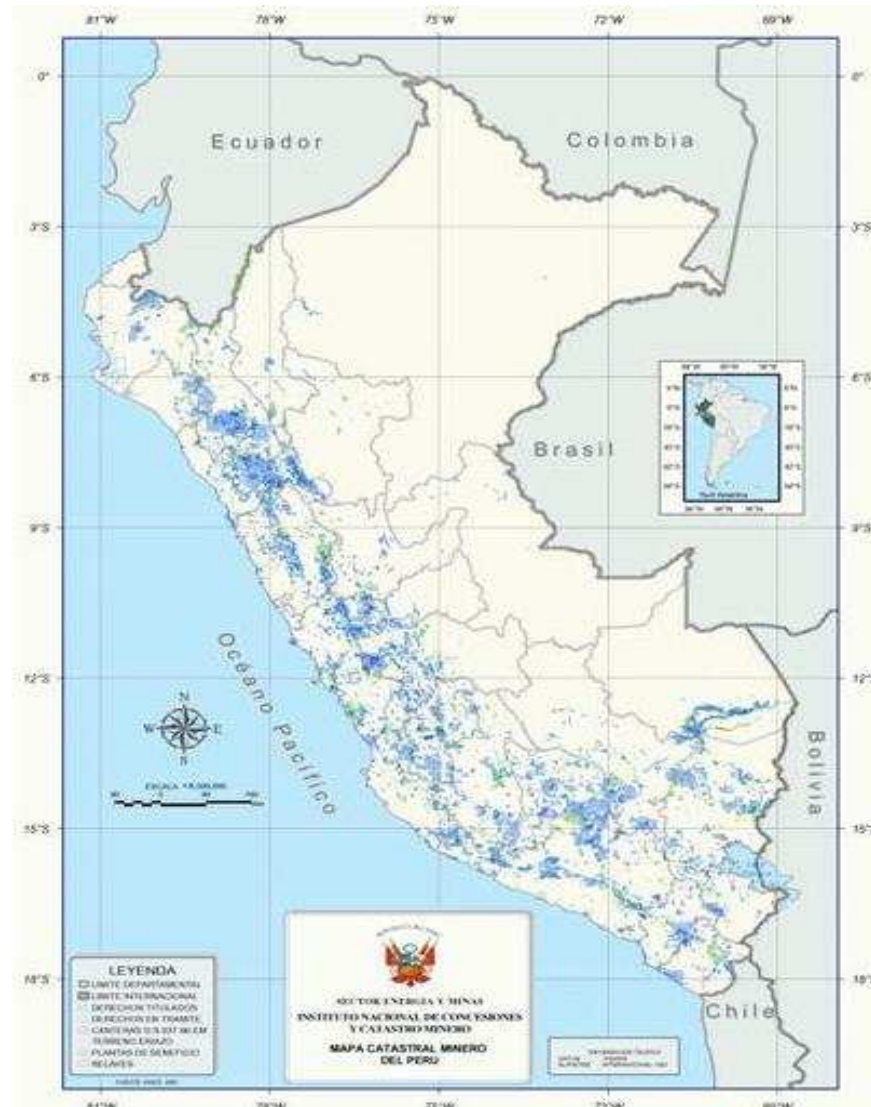
Impacts on people and societies

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

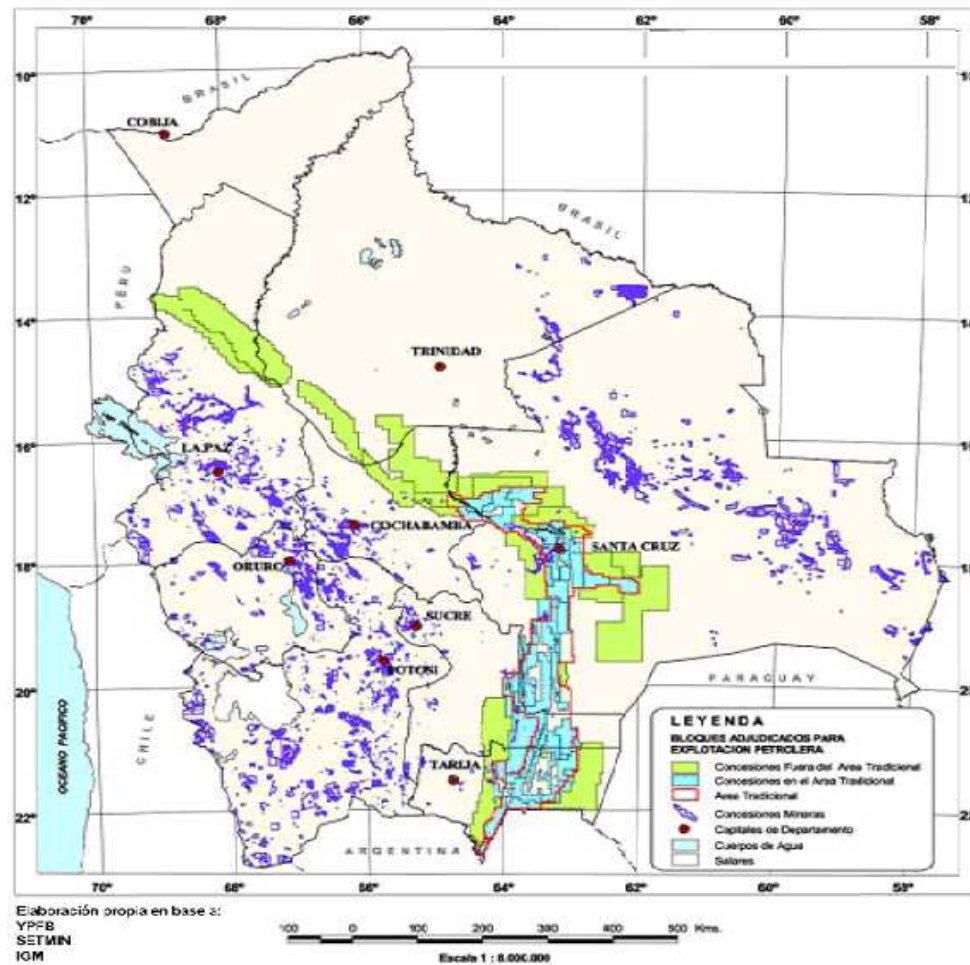
“Each time that mining expands at an accelerated pace, it produces struggles over the control of resources on which its development relies” (Cooperacion)

Territorial impacts

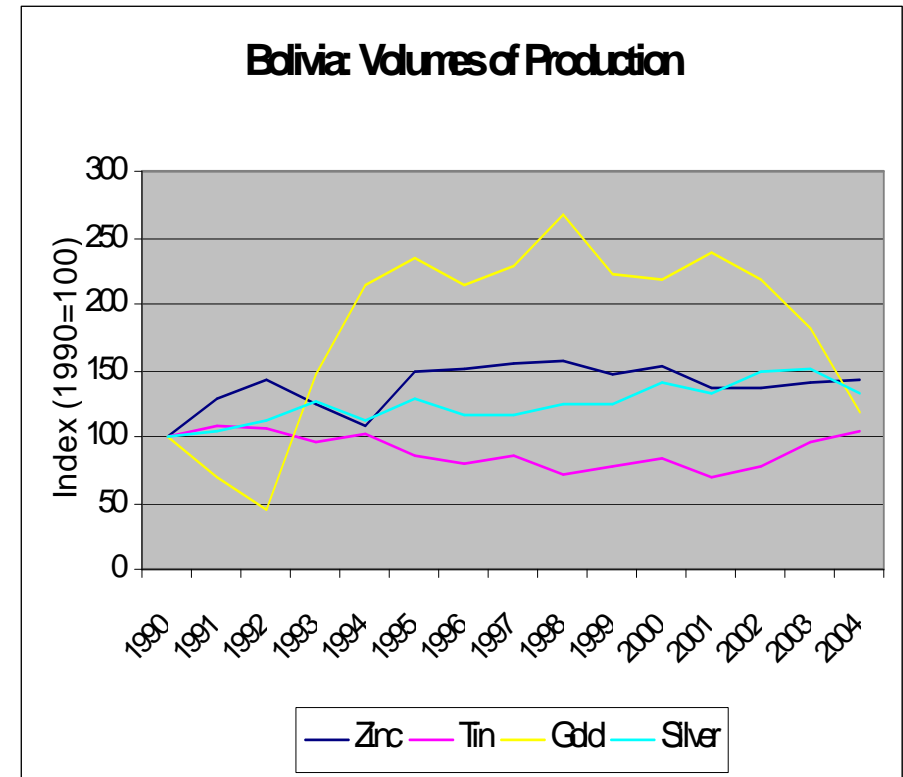
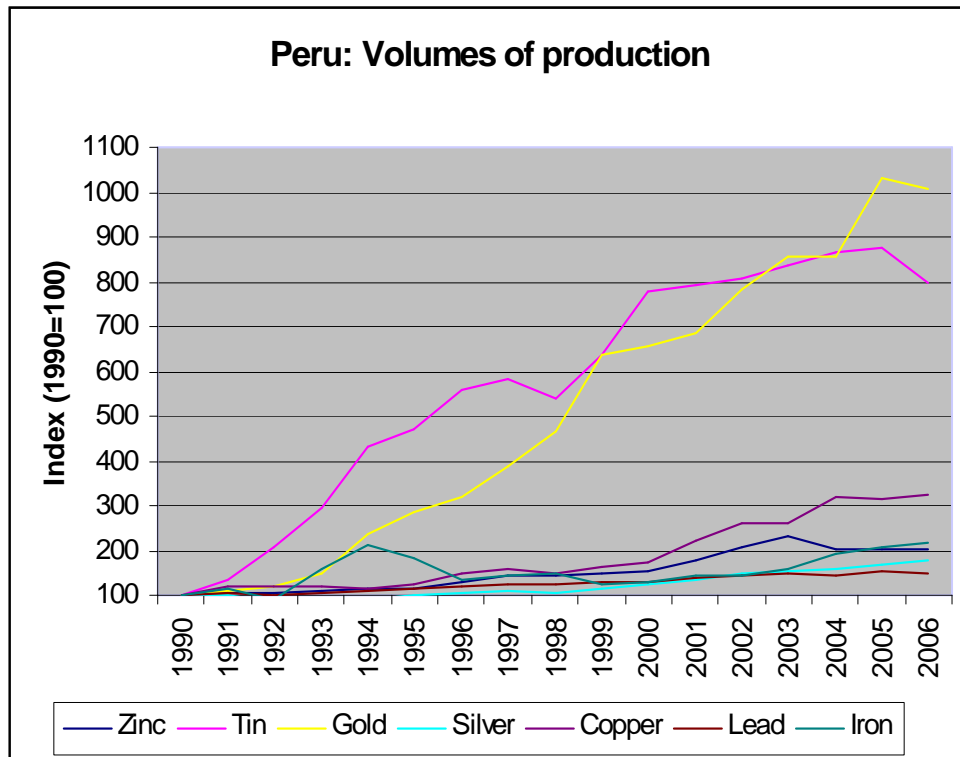
Mineral and hydrocarbons concessions in Peru



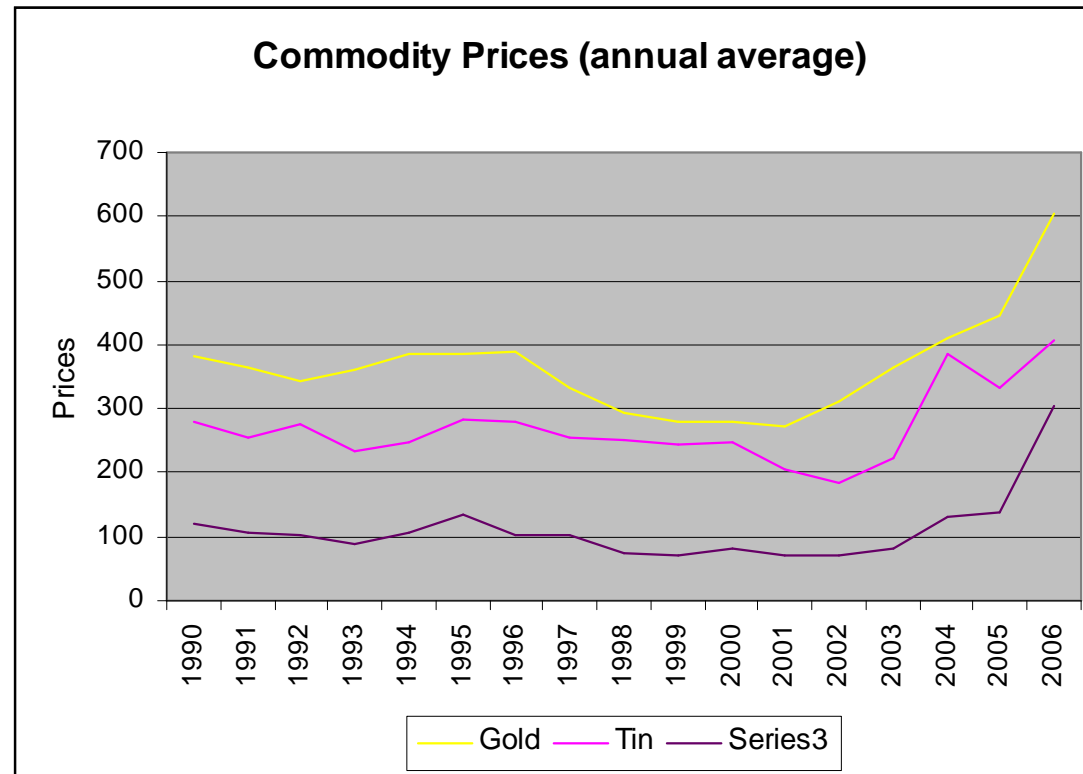
Mineral and hydrocarbons concessions in Bolivia (2001)



A sustained growth strategy?



Mining boom



Impacts on development

Benefits

- **Increase of the sector's contribution to the economy**

PBI 1970: 2.7% 2006: 6.6%

Exports 1950: 21% 2006: 62%

Taxes 1998: 4% 2006: 21%

Corporate tax 1998: 8% 2006: 46%

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

Investments: US\$ 8900 milliards (1992 – 2006)

 US\$ 12000 milliards of prospective investment (2007 – 2011)

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 beneficiaires 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

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