

Between extractivism and good living: An analysis of the Bolivian indigenous proposal

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From extractivism to neo extractivism and the good living:

At the beginning of the new century the demand for raw materials worldwide has increased substantively. This characteristic may be due, among others, to the growth experienced by the economy of the People's Republic of China. With this growth, there has been a new extractive race in Latin America and therefore a new reconfiguration of dependence of these economies on the world system. This phenomenon has been increased in economies traditionally exporting raw materials such as the Bolivian economy, which has been inserted into international dynamics through the export of raw materials.

Due to the experience of the region, the debates around extractivism and the new neo extractive current have been taking place in all areas, economic, political and social. It can be said that the term extractivism is born within the Latin American discussion and specifically in the south of the continent. Above all, there is an effort by Acosta, Gudynas and Svampa to specify the extractive processes and their frameworks. Thus, for Acosta (2011) the extractivism refers "... to those activities that remove large volumes of natural resources that are not processed (or that are limited), especially for export. Extractivism is not limited to minerals or oil. There is also agrarian, forestry and even fishing extractivism" (Acosta, 2011: 85). The important thing is to emphasize that the extractivism and the neo extractivism is not an exclusive feature of the intensive activity in mining and hydrocarbons. For example, in the eastern part of Bolivia we can speak of a kind of agricultural extractivism, due to the high exploitation of the land in large areas of soybean.

In the same line of Acosta, Gudynas (2015) considers that there are different types of intensity in the extraction and destination of natural resources. Thus, the extractivism would be related to the intensive extraction of minerals, hydrocarbons and export monocultures, in addition, this extraction is directly linked to export. Svampa (2011), in addition to the above, establishes that extractivism refers to a degree of processing of raw materials of a null nature. Likewise for Burchardt (2015), who, taking up Berry 1999 and Gudynas 2013, considers that "The extractive economies focus on the exploitation and international commercialization of non-renewable raw materials, or seasonal renewal" (Burchardt, 2015: 183).

The dependence of these extractive economies, brings with it many perverse effects, among them, one of the most important is that they work "... with an enclave logic: that is, without an integrating proposal of these primary-exporting activities with the rest of the economy and society. Its productive apparatus, consequently, is subject to the vicissitudes of the world market" (Acosta, 2011: 90). This, in turn, generates a duality in the economies; On the one hand we find those subsistence economies that must coexist with the big industry of the sector in vogue.

It should be noted that all the characteristics given by the aforementioned researchers refer to the extractive model, emphasizing intensive exploitation and its linkage with the outside,

through the export of these resources. However, they leave aside an element that we consider important to retake; that is to say, just as extractivism refers to the extraction of resources, it also constrains an extraction of the configuration of the social, of the political dynamics, as well as the reconfiguration of the territory. In addition to incorporating these elements, it is necessary to say that extractive processes are carried out in a context of strong transnational presence and privatization of natural resources, "... sheltered by conservative governments, where ... market reforms and the reduction of the State prevailed" (Gudynas, 2015: 103). More precisely, this extractive model is accompanied by so-called stabilization packages in Latin America, which were subsumed in the neoliberal model.

Regarding the neo-extractive process, we can mention that this term is in the middle of the debate of the so-called progressive governments of southern Latin America. That is, in addition to having the characteristic features of extractivism, this model incorporates an active participation of the State, which is in a predisposition to renegotiate contracts with transnationals and develop a reconfiguration of property rights over the main natural resources that sustains the economy of the countries. In turn, the State has a greater margin of action to redistribute the bonanza resulting from improvements in contracts, the increase in international prices and the increase in production volumes. (Svampa 2013, Gudynas 2015).

The Bolivian case:

The first half of the eighties represented for Bolivia one of the most ominous periods of its economic history. External shocks (debt crisis and falling commodity prices) affected the national economy leading to macroeconomic instability, the most notable effect of which was hyperinflation in 1985 (11,000%). With this economic crisis, it became the end of the development model, which had prevailed in the country since the National Revolution (1952). The fall of tin production (main support of the Bolivian economy), put an end to the mining era, giving way to the deepening of the exploitation and export of Gas, turning the latter into the core of the energy matrix and establishing the starting point of the extractive model (1985-2005), accompanied by the so-called neoliberal policies, registered within the New Economic Policy (NPE).

The 85's stabilization program not only included "... tools for macroeconomic liberalization, but also for the liberalization of external trade, for administrative and tax reforms, and for the deregulation and privatization of the domestic market." (Morales & Sachs, 1987: 24).

In retrospect, it can be said that the measures of adjustment bluntly stopped the Bolivian hyperinflation "the notable rupture of hyperinflation did not take more than a week after the beginning of the program. Inflation fell from a rate of more than 50.0 percent per month to almost immediate price stability (Morales & Sachs, 1987: 25). And although the goal of cooling the economy was achieved, this was given according to Klein (2010) at the expense of an increase in poverty and unemployment and a fall in real wages, elements that would mark much of the neoliberal extractive development mode. In turn, this cycle was marked by major institutional reforms. Among the most important we can rescue: The independence of the Central Bank of Bolivia (1985), the reforms to the Political Constitution of the State (CPE). In 1994, the multi-ethnic and pluricultural nature of the Bolivians was recognized, the capitalization of public enterprises was established through Law No. 1544 (1994), Hydrocarbons Law No. 1689 (1996), Pension Reform, Popular Participation (1994) and the Educational reform.

The most questioned reforms were those of the capitalization process and that of the pension reform, both measures provoked a discontent in the collective imagination. Several authors consider that the capitalization generated a loss in the control over natural resources

and over state enterprises. In other words, the extractive model was deepened with the absence of the State over the control of natural resources belonging to the nation, and this was left as a regulatory and little participatory agent in the national economy. It was decided to encourage private investment, to avoid, in terms of the ideologues of the model, the growth of the state bureaucracy and the problems of corruption that ensued with it. The accumulation of capital was given by surplus from hydrocarbons (mainly gas) and it was the State that regulated this process, without having control over natural resources. That is, hydrocarbons, and mainly gas, were important to capitalize them and thus boost the economy through direct foreign investment.

There was a kind of mixed economy, which was made up of 50% of shares in the hands of the capitalization companies (foreign companies), 48% in the hands of the administration of the AFPs (Spanish company) and 2% of the shares were awarded to the workers of these companies. According to the analysis of Requema (1996) and the CEDIB, the workers sold their shares to the capitalization companies, who would now obtain control of more than 50% of the shares and therefore a majority in the board.

The hydrocarbons were under private control until 2005, the year in which the new hydrocarbons law No. 3058 was approved during the government of President Carlos Mesa (2003-2005). This law comes as a product of the claims of the gas war (2003), which demanded the recovery of natural resources through a binding referendum, which was held on July 18, 2004, becoming the first referendum on hydrocarbons in Bolivia.

We could say that the neoextractive model was born with the gas war (2003), whose main claim was the need for the State to take control of hydrocarbons again. The war of the Gas caused the clash of civilians with police and even the Armed Forces, leaving as balance hundreds of wounded and close to a hundred dead. This episode concludes with the departure of the then-president Gonzalo Sánchez de Lozada, who resigned on October 13, 2003, putting an end to the extractive-neoliberal model prevailing for more than two decades in the country.

On January 22, 2006, the elected President Juan Evo Morales Ayma took oath in the Government Palace, who in the electoral elections of December 2005, won the presidential chair with 54% of the votes, becoming the first indigenous president, in a country whose indigenous population reaches 62%.

The conditions of the international context for this cycle were different from the previous one. Since 2002, there has been an expansion in the prices of raw materials, which has led to producer countries increasing production volumes. As of 2004, Bolivia entered the exporting race, especially hydrocarbons, which took a fundamental role in public finances. In the Bolivian case, the modification of the hydrocarbons law in 2005 and the process of improving contracts in 2006, meant not only a great participation of the State in the control of hydrocarbons, but also greater tax revenues for royalties for the nation, which allowed the government in turn, to have greater margin of management of social policy.

In the neo extractive model, the nationalization decree regains control over hydrocarbons through the management of 50% plus 1 of the shares, thus taking majority in the board and therefore commanding the baton of the decisions of the entire hydrocarbon chain (exploration, exploitation, commercialization and transportation of hydrocarbons). An improvement is made in the contracts, but 100% of the shares are not taken, nor the absolute control of the sector; rather, it operates again within the logic of a mixed economy (Morales, 2010). This situation leads authors such as Lazerna (2008), Morales (2010), Machicado (2010) and Zegada (2010) to affirm that there was no nationalization, but a recovery of the control of the shares of the companies capitalized in the previous one. model. In other words, there is a reconfiguration of property rights, as a control, of the prevalence of the private sector to the State.

Over time, the increase in hydrocarbon revenues has been very noticeable; national accounts show that the average income in the extractive period is 2,904.87 million bolivianos. These revenues have increased significantly reaching an average in the extractive cycle of 16,939.56 million Bolivianos, with the most significant peak in the 2014 management.

When looking at the tax structure of the hydrocarbon sector, it is clear that the difference in income is marked by both the HDI, the improvement in contracts with private companies as a result of nationalization and international prices for hydrocarbons.

We observe that in the neo extractive model, the generation of higher revenues, product of the Direct Tax on Hydrocarbons (IDH) that according to Supreme Decree No. 28899, should be used to improve the living conditions of the Bolivian population, has allowed an expansion of public social investment financed with internal resources. In 2014, according to data from the budget ministry and fiscal accounting, 81.67% of public social investment in Bolivia came from internal resources, funds from the National General Treasury (TGN), co-participation funds, the IDH and of resources and oil patents. This is how new social assistance programs are designed (Bono Juancito Pinto) and continuity - with a change of name and amount - to existing programs (Renta dignidad and the Juana Azurduy Bonus). These transfers pursue the objective of reducing poverty and inequality in Bolivia. When observing the poverty gap, which allows to see the depth and incidence, and taking as a baseline the year 1999, we observed that the poverty gap at the national level was reduced by 52.8% by 2014. In the urban sector, the poverty gap in the six years of the extractive cycle (of which data are available) it experienced a growth of 2.92%, while in the extractive cycle, a reduction of 53.94% was observed. However, the most significant reduction is in the poverty gap at rural level, we have that between 1999 and 2005 there is a reduction of 8.55%. While in the extractive neo-cycle, this reduction was more forceful, showing a contraction of 43.78% between 2005 and 2014.

Poverty reduction has been consolidated in the neo extractive cycle thanks to the application of active social policies, such as the increase of the minimum wage, the creation of employment and the increase of transfers. For example, the national minimum wage has increased clearly in the extractive period, reaching an average of 820.49 bolivianos between 2006 and 2014. This wage has been tripled, with respect to the average of the minimum wage between 1991 and 2005. Having a average annual growth rate of 13.45% in 19 years of the extractive cycle and an average annual growth of 14.14% in 8 years of the neo extractive cycle. Another variable that has been praised by international organizations such as ECLAC is the reduction of unemployment. From a rate of 8.1% of urban open unemployment, it went to 4.4% in 2015.

Regarding inequality, it is notable that the country has been narrowing the gap slowly and gradually. In the extractive period, inequality increased after 1994 and lasted for a decade. As of 2006, a reduction in inequality is seen, reducing the index average of this period by 14.09% with respect to the previous period. The reduction of inequality is also observable in the income ratio of the richest 10% and the poorest 10% nationwide. The last year of the neoliberal cycle (2005), the richest 10% concentrated 128 times more income than the poorest 10%. For 2014, this gap contracted 42 times.

According to the report of the UNDP (2016), between 1990 and 2015 Bolivia rose 4 places in the Human Development Index, a rise that was due to the increase in income, however it is still classified within the countries with average human development, occupying the year 2015 ranked 118 out of 188 countries.

Bolivia during the neo extractivism has increased spending on education of 123.1% and on health of 111.2%. The efforts that are made, especially in the educational field, have managed to place Bolivia in the second place in South America with better evaluation in quality primary education, this according to the Global Competitiveness Report 2014-2015,

where 144 countries are evaluated and Bolivia is ranked number 75. This achievement, according to the report, is largely due to the application of active social policies such as the Juancito Pinto bond and the greater investment in educational infrastructure.

Regarding the macroeconomic variables, although the difference in GDP growth during the neo-developmental cycle is not significantly higher than the previous cycle, on average it is observed that Bolivia grew two percentage units more than the average of the neoliberal cycle. During the extractive cycle (1985-2005) the country grew by an average of 2.98% each year, while in the 8 years of the extractive model this growth was 4.76%.

Both the gross fixed capital formation (GFCF) and the investment coefficient allow us to see the impact of the capitalization and nationalization policies in the two cycles. Regarding the variable GFCF, the variation has not been so radical, in both periods it seems to have a similar behavior. We can see that it reaches one of the highest peaks in 1998 after the capitalization process. We also observe the evolution of the investment coefficient, which had a decelerated behavior in the first stage of the neoliberal cycle, going from 16.07% in 1985 to 10.85% in 1989. For the second moment of the neoliberal cycle, a rebound of the coefficient was seen investment, reaching significant levels after the capitalization process, reaching in 1998 at 23.57%, a figure which was not achieved in the neo-developmental cycle, being 2014 the year where a higher investment coefficient was experienced with 20.95% .

To see a clearer distinction between the prevalence of the market and the State in these cycles, we can observe the behavior of the GFCF in its two components, both in the private and in the public part. It is very clear that private GFCF reached much higher levels in the neoliberal model. Having its most important peaks in 1989-time when smaller state companies were sold-and the years 1997 and 1998, consecutive years to the capitalization of the main companies. In turn, in the case of Gross Public Capital Formation during the neo extractive cycle, a greater trend is seen, reaching its most important point one year after the 2006 hydrocarbon nationalization process.

If we talk about the theory of the curse of natural resources, in its most rigid version, the abundance of resources would bring with it a slower growth of the economy nestled at a higher inflation, excessive current expenditure and greater indebtedness. During the neo extractive cycle, the Bolivian economy seems to be a paradox of this theory, since it presents favorable results in both economic variables and social variables.

The Bolivian case seems to be closer to the positions of those who consider that efficient institutional management can ensure responsible management of natural resource revenues. In this case, the fact that the State has control of property rights led the Bolivian economy to have successful economic and social results. However, something that does not escape the Bolivian case in this cycle, is the dependence that is generated to the export of natural resources, since the attempts of diversification have been failed and the economy is exposed to the dependence of the context international price of raw materials, becoming a weak and dependent economy. The recent drops in oil prices do not seem to affect the Bolivian economy, which according to ECLAC, will be one of the economies that will grow the most in Latin America in 2017, due to the fact that Bolivia has an important financial cushion, but the The concern is even when this support will guarantee that active social policies and public investment continue to be carried out.

The PND National Development Program (2006 and 2015), aims to invest oil income in the non-traditional sector of the economy (industry), however the data seems to show us that the accumulation of capital is sustained in the reproduction and intensification of the rent of hydrocarbons, an element that gives continuity to the Bolivian primary export development pattern. Although several attempts have been made to consolidate the first step towards industrialization, it can be considered that the biggest failed attempt to diversify and industrialize the country's economy has been the case of the industrialization of iron in the

Mutún hill in eastern Bolivia, which represented a loss of 22.5 million dollars. The other major industrialization project is that of lithium and since 2008 Bolivia has embarked on the task of industrialization in an autonomous and sovereign manner, with the goal of producing at first lithium carbonate and potassium chloride, and in a future enter the market with lithium-ion batteries. This project has a delay of more than four years due to administrative delays. So it is expected that by 2020, the pilot plants can generate the quantity needed. However, it should be noted that turning lithium implies a socio-environmental degradation of the world's largest salt flat, due to the type of brine extraction that requires large amounts of water and that would affect nearby communities.

When one observes Bolivian economic history, it seems that it can not depart from an enclave economy subject to the exploitation of natural resources (silver, tin, gas and now in view of lithium). The deepening of its extractive nature goes beyond changes in property rights and with them the action of the State. The Bolivian extractive model gives us guidelines that despite the presence of living well in the political constitution of the State, the economy continues to be understood as a closed system whose natural resources are unlimited, this is demonstrated in Supreme Decree 2366, of May 20, 2015, which authorizes the development of hydrocarbon activities in protected natural areas of the country. According to CEDIB studies, since 2007 the area destined to the hydrocarbon sector has multiplied its extension eight times, the report indicates that five of the 22 protected areas are the most affected; among them are: Madidi, Aguara Güe, Tariquía, Iñaño, Pílon Lajas and Manuripi.

As noted above, the social variables within the neo extractive model are quite favorable, however these seem to be highly related to the favorable context of the price of raw materials. This leads us to question the sustainability of these variables over time, and worries about starting to observe a slowdown in the economy; to observe a 2014 growth rate of 6.24% at a rate of 4.3% in 2016, likewise the country has experienced a deficit in the trade balance since 2015; after having reported a surplus balance, since the beginning of the neo extractive model.

Although the neo extractive model shows interesting advances in social matters, it seems that the Bolivian economy is condemned to hold on to a pattern of primary export development, which makes it dependent on international demand for raw materials and conditions social programs to international context.

In conclusión

Throughout the outline, an attempt was made to show that the main difference between neo extractivism and extractivism lies in the presence of the State as an actor that exercises control over the property rights of natural resources. This allows the design of an active social policy, that is to say the exploitation of natural resources, they become the engine of the development of these economies.

In the Bolivian case, we could observe that a deepening of the primarization of the economy is taking place, with a reconfiguration of the territory, of the political space and of the social space. This neo extractive process forces us to look again at Latin America and rethink the new processes of dependency and development that have been brewing from the neo extractive model. It requires us to think if another alternative beyond private and state property is possible, forces us to look at ecological macroeconomics and ecological economics as a starting point for the analysis of Latin American development.

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