

# State, private, and cooperative miners: how informalization evolved in Bolivian mining sector

**Isamu Okada, GSID, Nagoya University**

**Oct 11, 2019**

**International Workshop: Resource Politics in Asia  
and Latin America, @CIRAS, Kyoto University**



# STATE VS PRIVATE OWNERSHIP

- Transnationals vs SOEs
- Resource nationalism in the 1970s
- Privatization in the 1990s
- Some countries maintained policy principle while the pendulum swung in others in the 2000s

## Related discussion

- Political vs economic reasons
- National strategy and political goals
- Interests in the marginal benefit produced by price fluctuation
- Production efficiency
- Compliance to shareholders/stakeholders

# THIRD PATH

- Categorically, there exists a third path in which individuals or groups other than SOEs or private corporations produce minerals.
- Definitional discussions
  - Small-scale mining?
  - Artisanal and small-scale mining (ASM)?
  - Informal?
  - “Extractive peasants” (Lahiri-Dutt 2018) propose to accept flexible manifestations but stressing them as moral agents
- I use the definition of ASMs ”Mining by individuals, groups, families or cooperatives with minimal or no mechanisation, often in the informal (illegal) sector of the market” (Hentschel, Hruschka, and Priester 2002: 4)

# ARTISANAL AND SMALL-SCALE PRODUCERS

- Revived scholarly attention during the last mining boom

- In general

ILO (1999), Hentschel, Hruschka, and Priester (2002), Hilson (2002; 2003), Sinding (2005), Seccatore et al. (2014), Lahiri-Dutt (2018)

- In sub-Saharan Africa

Banchirigah (2006), Hilson (2009), Siegel and Veiga (2009), Jønsson and Fold (2009), Perks (2013), Hilson, Hilson and Abu-Darko (2014), Hilson and McQuilken (2014); Kelly (2014), Bakia (2014), Tschakert (2016)

- In South America

Chaparro (2004), Fisher (2008), Güiza (2013), Milanez and de Oliveira (2013), Hennesy (2015), Dargent and Urteage (2016)

- In Asia

Lahiri-Dutt (2004), High (2012), Langston et al. (2015), Spiegel (2015), Verbrugge (2015a; 2015b; 2016; 2017)

# ASM: HOW THEY EVOLVE?

- Economic background
  - Production types
  - Mining price
  - High return by low skill (gold, diamonds, gems)
- Structural background
  - Privatization of state-owned companies
  - Weakened state regulation
  - Lack of alternative economy and unemployment
  - Ungovernability caused by insecurity
  - Lack of attention by policymakers, inaccessibility of information
- Agency

# ASM: WHAT CONSEQUENCES?

## Positive

- Employment and poverty alleviation
- Contribution to national revenues, foreign exchange earnings

## Negative

- Uncontrolled environmental costs
- Health risk
- Diffusion of HIV/AIDS

# ASM: CHALLENGES

- Legalization and formalization
  - State control on environmental damages and criminal activities
  - Local community development
  - Unregulated contact with investors with lower compliance requirements
- Lack of analytical framework (Lahiri-Dutt 2018)

# LIMITATION AND QUESTION

Most literature recognize ASMs as residuals of state and private enterprises. This standpoint was revisited only to the height that this marginal group merits “support” (Hilson and McQuilken 2014) or that they are “moral agents” (Lahiri-Dutt 2018).

There’s no imagination of ASMs as an actor in policymaking process with interest and power resources of their own.

I challenge this implicit assumption by illustrating the case of Bolivian mining cooperatives who are politically powerful and play a key role in policymaking.

If ASMs enjoy economic and political support, would they choose to formalize?

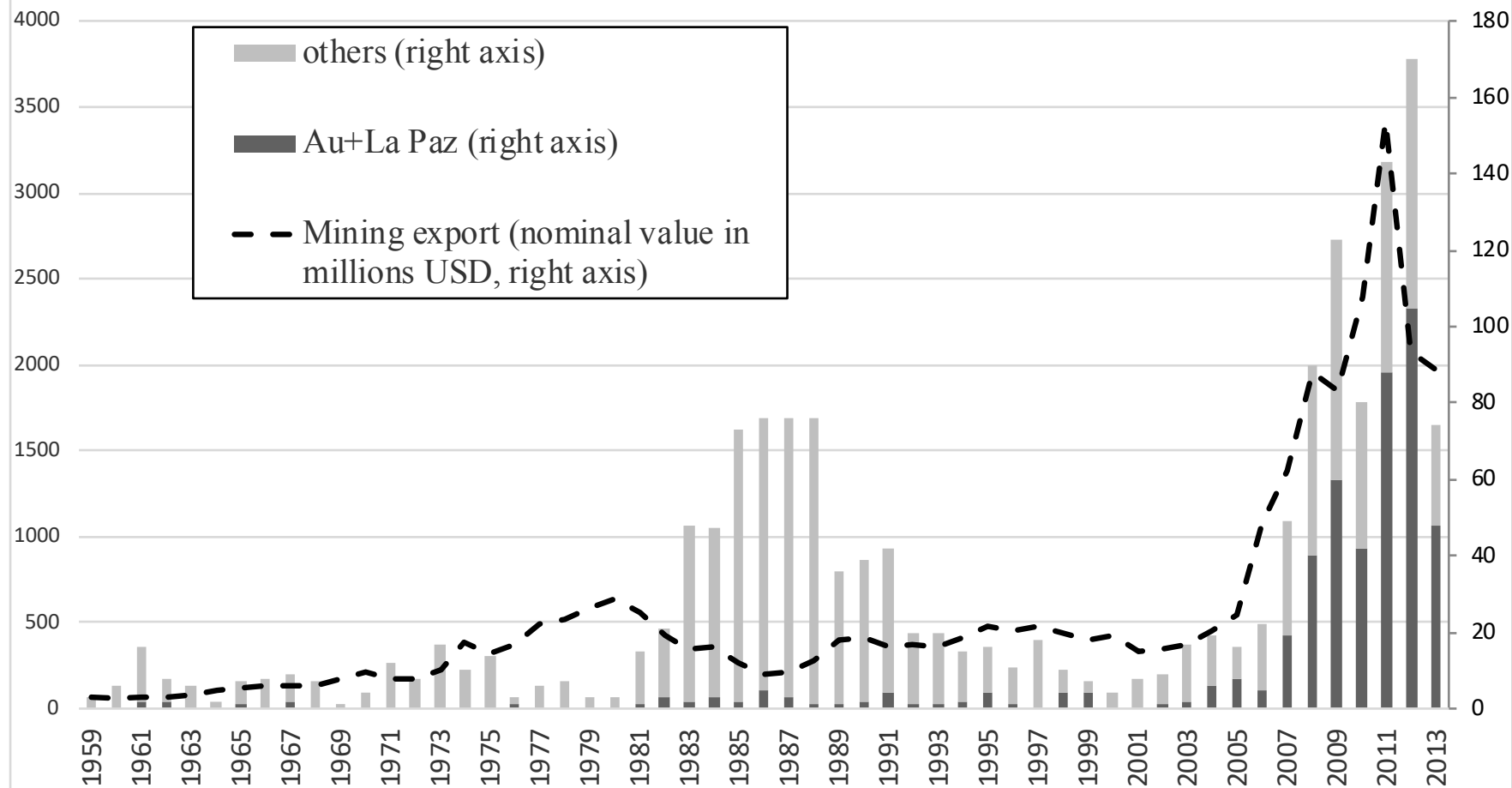
What logics promote the cooperation or confrontation between state, private company, and ASMs in the policymaking process?



# A BRIEF HISTORY OF MINING COOPERATIVES IN BOLIVIA

- The exploitation of indigenous people in silver mines during the colonial era left a culture of mineral theft called “jukeo”.
- The closure of state-owned mines in the 1930s gave birth to the first cooperative Palliris K’ajcha Libre.
- Bolivian revolution in 1952 nationalized the mines owned by tin barons.
- The state established legal recognition and protection to mining cooperatives in 1958.
- The debt crisis forced the Bolivian governments to privatize former state-owned mines in 1986.
- Evo Morales government proclaimed to revert the privatization since 2006.
- Mineral price hike in the 2000s increased the number of cooperatives, particularly of gold in the northern Amazon of La Paz department.

Figure 1 The registration of mining cooperatives and mining export



Source: author based on Espinoza (2010: 443), INE and the registry of the General Division of Mining Cooperatives, shared by Richard Canaviri

# STATE, PRIVATE, AND COOPERATIVES

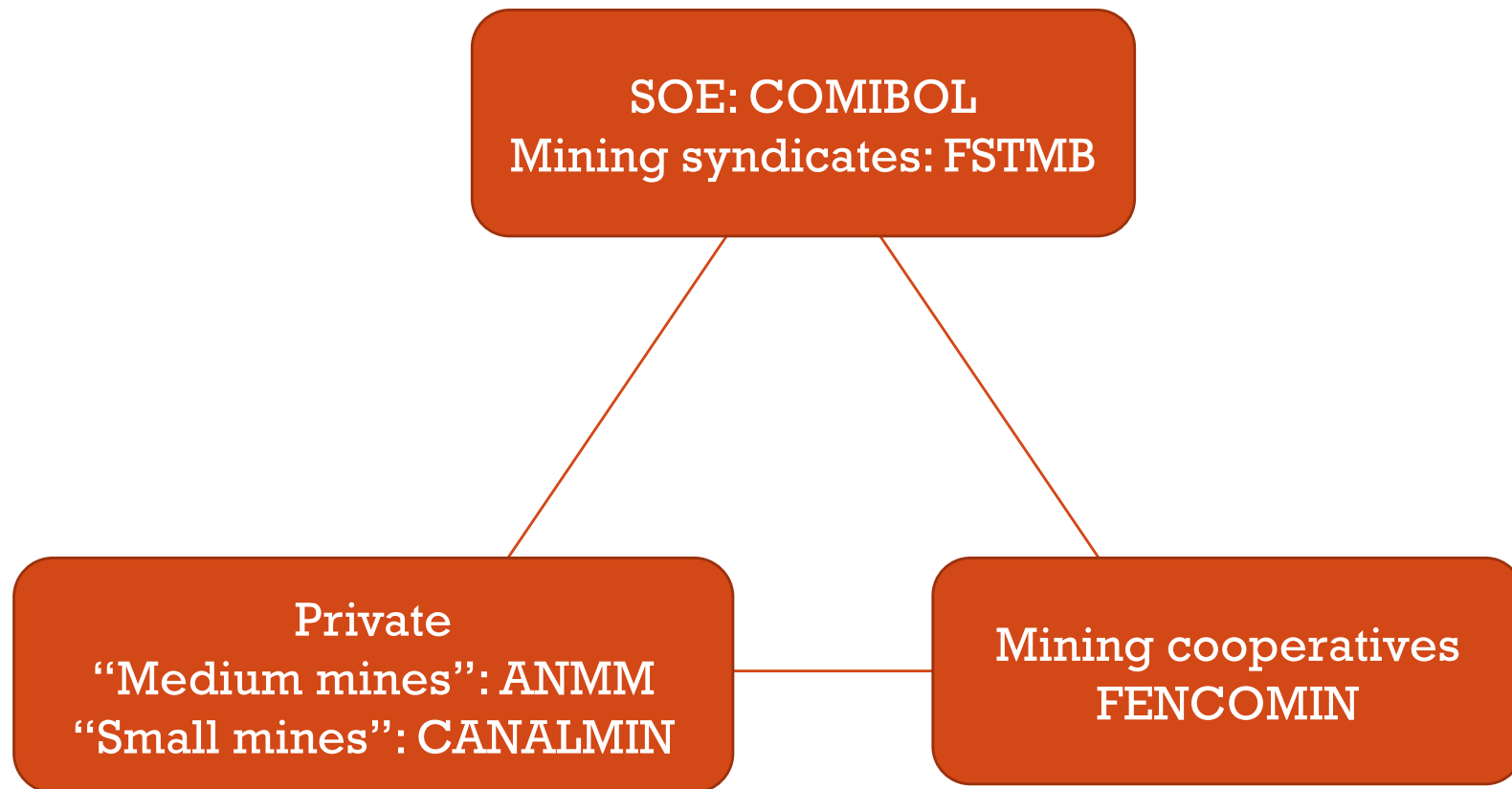
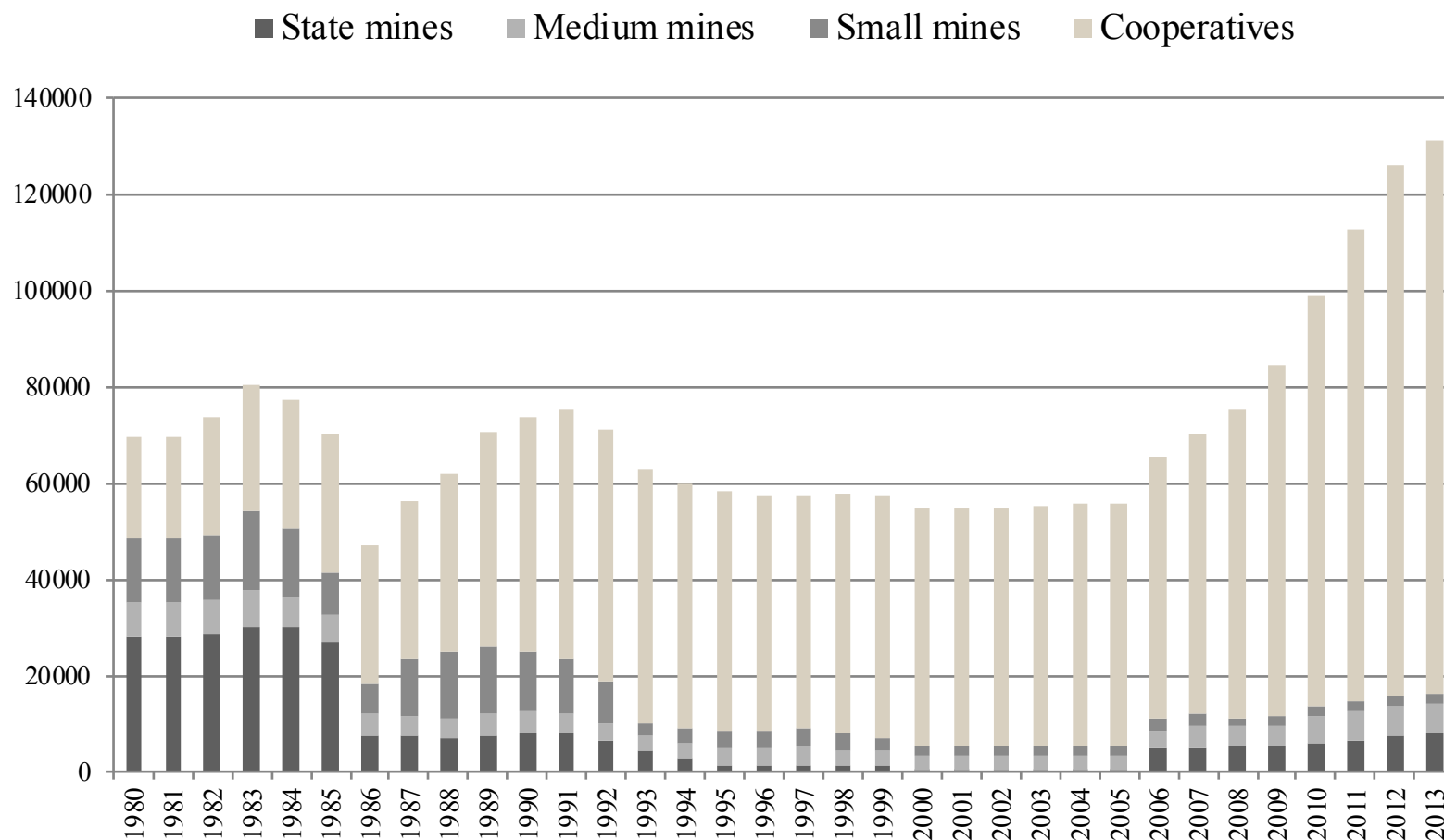
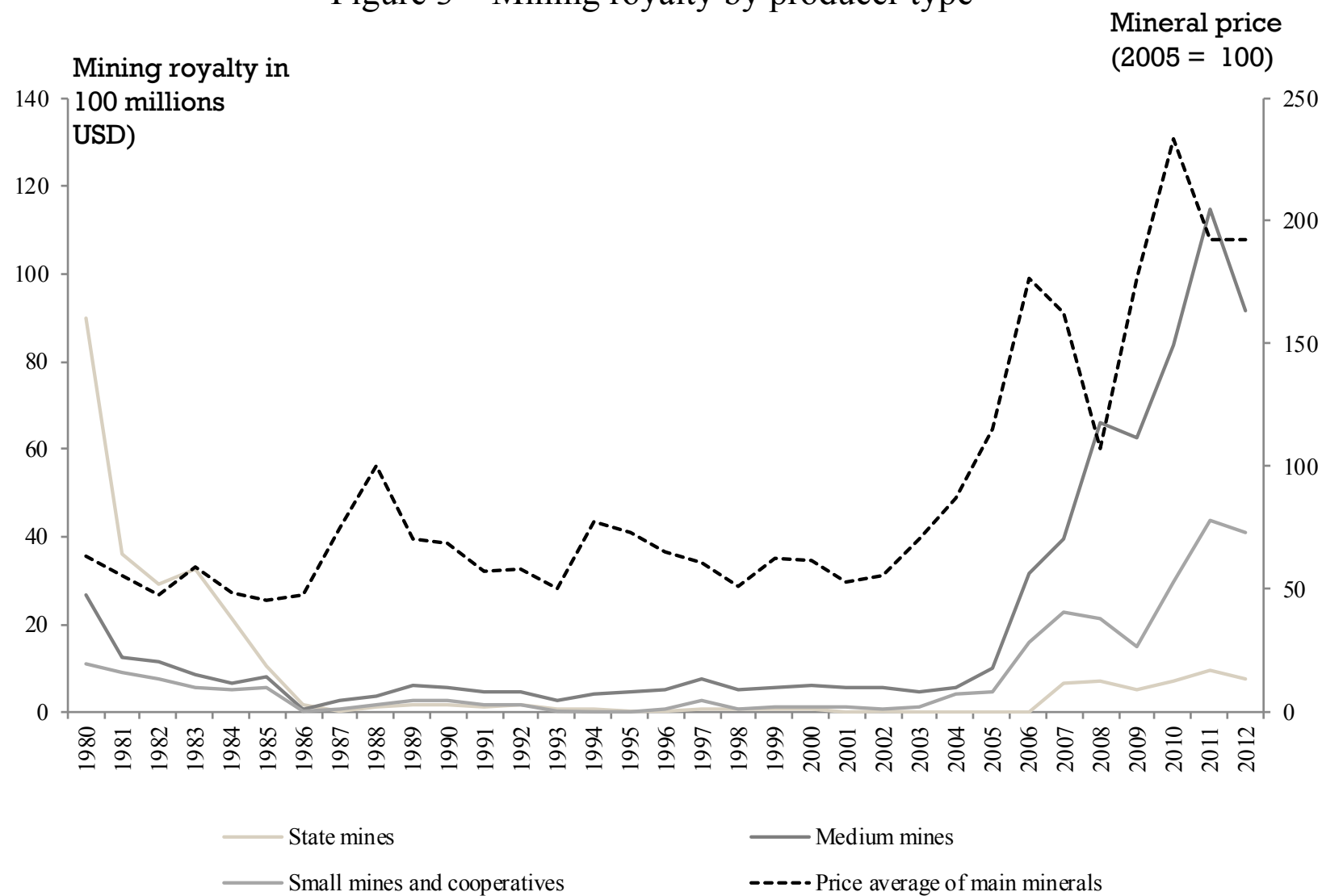


Figure 2 Labor force distribution in Bolivian mining sector



Source: author based on Ministerio de Minería y Metalúrgia (2014)

Figure 3 Mining royalty by producer type



Source: author based on Ministerio de Minería y Metalúrgia (2014) and IMF

# IN THE 2000s, MINING COOPERATIVES INCREASED DURING A BOOM, NOT DURING A BUST

## **General factors**

- Tax exemption
- Cheap labor supply
- The legacy of privatization in the 1990s

## **Bolivian factors**

- Pressure group capacity as a result of unionism tradition
- Gold boom with high cross-border mobility in Amazon

## **Subsequent reasons**

- Tax evasion resulted from ungovernability
- Backed by private investors who needed a protection from state expropriation

# POLITICAL POWER OF FENCOMIN

- FENCOMIN was founded in 1968.
- FENCOMIN monopolizes the official representation of all mining cooperatives, collect membership fees, select the executive boards via biannual national congress, and makes collective decisions for elections and manifestations.
- FENCOMIN has its own representatives in national and subnational legislative bodies as well as in the Mining Ministry.
- The president says "Desde el año 2005 las cooperativas mineras son aliadas, aliadas naturales de carácter incondicional de este proceso."


<https://www.paginasiete.bo/economia/2013/11/8/afirma-cooperativistas-aliados-naturales-5442.html>

# DIFFICULT FORMALIZATION

- Informality in the guise of formality
- While cooperatives are registered in state system and endowed with prerogatives in tax and royalties, mining cooperatives are effectively autonomous in making and changing laws governing them.
- All popularly elected presidents since the privatization in the 1980s have offered material supports to mining cooperatives.
- It was the means of cooptation i.e. gifts to buy electoral votes and material compensation after social conflicts.
- No state control on the commercialization process, labor and environmental protection, and tax collection.
- Recent expansion of gold extraction groups in remote Amazon area enjoys the umbrella protection of FENCOMIN in exchange of membership fee.



**Laws offering  
benefits to mining  
cooperatives**



|              |            |                      |
|--------------|------------|----------------------|
| 1997, Mar 19 | Law 1786   | G. Sánchez de Lozada |
| 2000, Sep 22 | D.S. 25910 | Hugo Banzer          |
| 2001, Sep 15 | D.S. 26313 | Jorge Quiroga        |
| 2001, Oct 17 | D.S. 26354 | Jorge Quiroga        |
| 2002, Oct 12 | D.S. 26812 | G. Sánchez de Lozada |
| 2003, Aug 14 | D.S. 27137 | G. Sánchez de Lozada |
| 2003, Sep 30 | D.S. 27192 | G. Sánchez de Lozada |
| 2003, Sep 30 | D.S. 27193 | G. Sánchez de Lozada |
| 2003, Oct 8  | D.S. 27205 | G. Sánchez de Lozada |
| 2003, Oct 8  | D.S. 27206 | G. Sánchez de Lozada |
| 2004, Jan 31 | D.S. 27334 | Carlos Mesa          |
| 2004, Feb 6  | D.S. 27358 | Carlos Mesa          |
| 2005, Dec 25 | D.S. 28536 | Eduardo Rodríguez V. |
| 2007, Mar 21 | Law 3620   | Evo Morales          |
| 2008, May 21 | D.S. 29578 | Evo Morales          |
| 2008, May 26 | Law 3866   | Evo Morales          |
| 2008, Oct 29 | D.S. 29769 | Evo Morales          |
| 2008, Dec 29 | Law 3994   | Evo Morales          |
| 2009, Apr 15 | Law 4019   | Evo Morales          |
| 2011, Nov 17 | Law 186    | Evo Morales          |
| 2015, Jun 10 | D.S. 2398  | Evo Morales          |

Source: author based on Espinoza (2010: 239-241) and la gaceta oficial

# MAJOR MINING CONFLICTS SINCE 2006

| Conflicted Issue  | Actors  | Period               |
|---|---|----------------------|
| Production rights in Cerro Posoconi, Huanuni  | FSTMB, el Sindicato Mixto de Trabajadores de Huanuni, <u>cooperatives</u>                       | October 2006         |
| Ownership of Mina Sayaquira   | Minera Barrosquira, mining workers of the company, <u>cooperativas and neighbor communities</u> | April-July 2011      |
| Production license of Mallku Khota  | South American Silver (Compañía Minera Mallku Khota), <u>neighbor communities</u>               | May-July 2012        |
| Production rights in Mina Colquiri  | Minera Colquiri (Synchi Wayra), FSTMB, <u>the cooperative 26 de febrero, FENCOMIN</u>           | June-October 2012    |
| Making of a new Mining Law 356  | <u>FENCOMIN</u> , FSTMB, Mining and Labor Ministries, COMIBOL, Canalmin, ANMM                   | July 2013 - May 2014 |
| Modification of Mining Law 356 and state direct purchase of minerals produced by cooperatives | <u>FENCOMIN</u> , the national government   | August 2016          |

Note: FSTMB = Federación Sindical de Trabajadores Mineros de Bolivia, FENCOMIN = Federación Nacional de Cooperativistas Mineros de Bolivia, COMIBOL = Corporación Minera de Bolivia, Canalmin = Cámara Nacional de Minería, ANMM = Asociación Nacional de Mineros Medianos.

Source: author

# IMPLICATIONS

- ASMs can be influential policymaking actors depending on power distribution.
- State, private companies and cooperatives essentially fight each other to win the lion's share of mining rent.
- Formalization is a difficult challenge when ASM consolidates its power while keeping its economic prerogatives.
- The retreat or absence of state fostered informalization and initiated its positive feedback.
- “Supports” to the marginalized sector are necessary, but political context might change the meaning.
- Does Bolivian case have any equivalents elsewhere? Elite capture by local informal leaders?

# REFERENCE

- Bakia, Mbianyor. 2014. “East Cameroon’s artisanal and small-scale mining bonanza: How long will it last?” *Futures* 62, 40-50.
- Banchirigah, Sadia M. 2006. “How have reforms fueled the expansion of artisanal mining: Evidence from sub-Saharan Africa.” *Resources Policy* 31, 165-171.
- Chaparro Ávila, Eduardo. 2004. “La pequeña minería y los nuevos desafíos de la gestión pública.” CEPAL working paper
- Dargent, Eduardo, and Madai Urteaga. 2016. “Respuesta estatal por presiones externas: los determinantes del fortalecimiento estatal frente al Boom del oro en el Perú.” *Revista de Ciencia Política* 36(3), 655-677.
- Espinoza Morales, Jorge. 2010. *Minería boliviana: su realidad*. La Paz, Plural.
- Fisher, Eleanor. 2008. “Artisanal gold mining at the margin of mineral resource governance: a case of Tanzania.” *Development Southern Africa* 25(2), 199-213.
- Güiza, Leonardo. 2013. “La pequeña minería en Colombia: una actividad no tan pequeña.” *Dyna* 181, 109-117.
- Hennessy, Logan. 2015. “Where There Is No Company: Indigenous Peoples, Sustainability, and the Challenges of Mid-Stream Mining Reforms in Guyana’s Small-Scale Gold Sector” *New Political Economy* 20(1), 126-153.
- High, Mette M. 2012. “The Cultural Logics of Illegality: Living Outside the Law in the Mongolian Gold Mines.” in *Democratic Mongolia: Social Relations, Health, Mobile Pastoralism, and Mining*. J. Dierkes (ed.). Pp. 249-270
- Hilson, Gavin. 2002. “Small-scale mining and its socio-economic impact in developing countries.” *Natural Resources Forum* 26, 3-13.

# REFERENCE

- Hilson, Gavin. 2003. *The Socio-Economic Impacts of Artisanal and Small-Scale Mining in Developing Countries*. Netherlands: AA Balkema Publishers.
- Hilson, Gavin. 2009. "Small-scale mining, poverty and economic development in sub-Saharan Africa: An overview" *Resources Policy* 34, 1-5.
- Hilson, Gavin, Abigail Hilson, and Eunice Adu-Darko. 2014. "Chinese participation in Ghana's informal gold mining economy: Drivers, implications and clarifications." *Journal of Rural Studies* 34, 292-303.
- Hilson, Gavin, and James McQuilken. 2014. "Four decades of support for artisanal and small-scale mining in sub-Saharan Africa: A critical review." *The Extractive Industry and Society* 1(1), 104-118.
- Hentschel, Thomas, Felix Fruschka, and Michael Priester. 2002. *Global Report on Artisanal and Small-Scale Mining*. MMSD Report 70.
- ILO. 1999. "Report for discussion at the Tripartite Meeting on Social and Labour Issues in Small-scale Mines. Geneva: ILO.
- Jønsson, Jesper Bosse and Niels Fold. 2009. "Handling uncertainty: Policy and organizational practices in Tanzania's small-scale gold mining sector." *Natural Resources Forum* 33, 211-220.
- Kelly, Jocelyn T.D. 2014. "'This mine has become our farmland': Critical perspectives on the coevolution of artisanal mining and conflict in the Democratic Republic of the Congo." *Resources Policy* 40, 100-108.
- Lahiri-Dutt, Kuntala. 2004. "Informality in mineral resource management in Asia: Raising questions relating to community economies and sustainable development." *Natural Resources Forum* 28, 123-132.
- Lahiri-Dutt, Kuntala. 2018. "Extractive peasants: reframing informal artisanal and small-scale mining debates" *Third World Quarterly* 39(8), 1561-1582
- Langston, James Douglas, et al. 2015. "Comparative development benefits from small and large scale mines in North Sulawesi, Indonesia." *The Extractive Industries and Society* 2(3), 434-444

# REFERENCE

- Milanez, Bruno, and Jose A.P. de Oliveira. 2013. "Innovation for sustainable development in artisanal mining: Advances in a cluster of opal mining in Brazil" *Resources Policy* 38, 427-434.
- Perks, Rachel. 2013. "Digging into the past: critical reflections on Rwanda's pursuit for a domestic mineral economy." *Journal of Eastern African Studies* 7(4), 732-750.
- Seccatore, Jacopo, et al. 2014. "An estimation of the artisanal small-scale production of gold in the world." *Science of the Total Environment* 496, 662-667.
- Spiegel, Samuel J. 2012. "Governance Institutions, Resource Regimes, and the Informal Mining Sector: Regulatory Complexities in Indonesia" *World Development* 40(1), 189-205.
- Siegel, Shefa, and Marcello M. Veiga. 2009. "Artisanal and small-scale mining as an extralegal economy: De Soto and the redefinition of "formalization"" *Resources Policy* 34, 51-56.
- Sinding, Knud. 2005. "The Dynamics of Artisanal and Small-Scale Mining Reform" *Natural Resource Forum* 29, 243-252.
- Tschakert, Petra. 2016. "Shifting Discourses of Vilification and the Taming of Unruly Mining Landscaps in Ghana" *World Development* 86, 123-132.
- Verbrugge, Boris. 2015a. "Undermining the State? Informal Mining and Trajectories of State Formation in Eastern Mindanao, Philippines." *Critical Asian Studies* 47(2), 177-199.
- Verbrugge, Boris. 2015b. "The Economic Logic of Persistent Informality: Artisanal and Small-Scale Mining in the Southern Philippines" *Development and Change* 46(5), 1023-1046.
- Verbrugge, Boris. 2016. "Voices from below: Artisanal- and small-scale mining as a product and catalyst of rural transformation" *Journal of Rural Studies* 47, 108-116.
- Verbrugge, Boris. 2017. "Toward a negotiated solution to conflicts between large-scale and small-scale miners? The Acupan contract mining project in the Philippines." *The Extractive Industries and Society* 4(2), pp.352-360.