

# The New Extractivism of the 21st Century Ten Urgent Theses about Extractivism in Relation to Current South American Progressivism

By Eduardo Gudynas | January 21, 2010

So-called extractivism, which includes mineral and oil exploitation, has a long history in Latin America. Current exports have been nourished by extractivist activities. Extractivism has continued to play a key role in national economies. It has also occupied a place at the center of powerful struggles because of its economic, social, and environmental impacts.

A notable fact is that in spite of all the debates, and in spite of the growing evidence of its limited contribution to genuine national development, extractivism continues in good health. Exportation of minerals and petroleum is increasing its pace, and governments insist on framing it as the motor of economic growth. It is even more striking that this is continuing in progressive and leftist governments. At present, a number of them are actively promoting extractivism, doing it in a variety of very different ways, from reforms of rules to financial subsidies.

In this article, the styles of extractivism promoted by progressive governments are examined, and a series of theses are articulated about their most relevant characteristics and the challenges they represent, especially for social movements. There is a sense of urgency to these theses. The negative impacts of extractivism persist in progressive governments. In order to arrive at alternatives, we need a better understanding of the processes currently taking place.

It is postulated that there exists a progressive neo-extractivism, which has differences, in some cases substantial ones, with practices in traditional extractivism practiced in other countries and formerly in currently progressive Latin American countries. While in certain cases the differences are substantial, this new extractivism maintains a style of development based on the appropriation of Nature. This new extractivism feeds a hardly diversified framework, and as a provider of primary materials, it is very dependent on international involvement. If indeed the state plays a more active role, and gives extractivism a greater legitimacy because it redistributes some of the surplus to the population, it still repeats the negative environmental and social impacts of the old extractivism.

In this paper, the term extractivism is used in the broad sense to describe activities which remove great quantities of natural resources that are not then processed (or are done so in a limited fashion) and that leave a country as exports.

## The New South American Political Context

Not so long ago, the discussion on the Left always challenged conventional means of development, including extractivism. The dependence on exports was criticized, as were the roles of regional economies, working conditions, the enormous power of foreign businesses, a minimal state presence, and a weak system of taxes. The Left was accustomed to criticizing the typical extractive sectors like mining and oil. It demanded that neoliberal reforms be turned back to break with this dependency, to diversify production, to industrialize the primary materials, so on and so forth. In many cases, the political actors joined with social action groups in making these demands. Thus, from many different perspectives, it was assumed that once political groups from the new Left succeeded in occupying national governments, they would promote substantial changes in the extraction sectors.

In recent years, these progressive and leftist groups have succeeded in defeating the old governments. There have been successive electoral victories for parties, coalitions, and groups which define themselves as progressive, leftist, or new Left. These new governments now lead seven countries: Néstor Kirchner and Cristina Fernández de Kirchner in Argentina; Evo Morales in Bolivia; Rafael Correa in Ecuador; Luis Inacio Lula da Silva in Brazil; Tabaré Vázquez in Uruguay; and Hugo Chavez in



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Venezuela. We can add Michele Bachelet of Chile to this group, but not Fernando Lugo in Paraguay yet as he still finds himself at the initial stages of his administration. Remaining under conservative or right-wing governments are Peru (Alan García) and Colombia (Alvaro Uribe). Thus, approximately 80% of the population and a little more than three-fourths of the territory of South America can be found under the control of progressive governments.

These governments are very different from each other, and in fact there are notable differences within each one. But outside of these differences, they share their criticism of the market reductionism, use other forms of state activism, and posit the fight against poverty as one of their priorities.

## Contemporary Extractivism

In spite of the substantial change that the arrival of progressivism represents, in all the countries in which it has occurred, classic extractivist practices have been maintained, and even extended. The pioneer case occurred in Chile where after the end of the military dictatorship, the successive governments of the Concertación por la Democracia maintained the basic architecture of the mining sector, and encouraged its expansion using private businesses as a starting point. Furthermore, efforts at productive diversification have not had much success (see Folchi, 2003 for example).

Thus, presented as the [first thesis](#) is the idea that in spite of the profound political shift to the Left on the South American continent, the extractivist sectors maintain their importance and are one of the pillars of the strategies of present development in all the countries, from Hugo Chavez's Venezuela to the moderate Lula de Silva's Brazil (Table 1).

It is possible to assert that this is part of an inertia which has its roots in previous administrations, and that it would be naïve to change course. This position doesn't take into account empirical evidence, which already shows that progressive governments haven't even tried to change classic extractivism, but rather they maintain it. For example, the new governments of Brazil and Venezuela favor even more exploration and exploitation of hydrocarbons, and in Bolivia, measures have been taken in the same direction, although with contradictory results.

Furthermore, remarkably, these governments also promote new extractive sectors: this is the case with mining in Correa's administration in Ecuador, the support of new iron and lithium mining in Bolivia, the strong state advocacy in promoting the growth of mining in Brazil and Argentina, and, at the same time, the Uruguayan Left participates in prospecting for oil off its coast.

Under Lula da Silva, Brazil is converting itself into a mining power: it is estimated that by the year 2013, this country will double the production of aluminum and triple that of copper, opening new mines and processors (USGS, 2008). At the beginning of the administration of the Workers Party and its allies in 2003, the production of copper was 264 million tons. It grew to 370 million tons in 2008 (IBRAM, 2009). Exports from mining and quarrying which exceeded 6 billion dollars in 2003 climbed to more than 21 billion dollars in 2007 (CEPAL, 2009).

Argentina under the Kirchner governments continues along the same road, actively promoting mining, especially in the Andean zone, including, recently, the joint promotion with Chile of the mega-development Pascua which makes it the second biggest producer of gold on the continent.

One also ought to point out that, especially in Argentina, Brazil, and Uruguay, a substantial change in agriculture has taken place, orienting it toward monoculture for exportation. These new practices represent an agricultural extractivism. One sees this, especially in the cultivation of soy based on varieties of transgenics, and in the great use of machinery and of chemical herbicides, the use of little or no processing, and exportation of the produce as a commodity. These are practices which have expanded and been strengthened with the blessing and support of the administrations of Kirchner, Lula da Silva, and Vázquez. Something similar is happening with forest monocultures, which cover large amounts of land, and which are cut down to make cellulose paste.

At the same time extractive sectors make up a large proportion of exports and of the national economy, a good portion of these same countries face low levels of human development, a high incidence of poverty, and limitations in access to food, as happens in Bolivia and Ecuador.

Table I. Exportation of primary goods, hydrocarbons, and minerals in the principal extractive economies of South America. Percentages of total exports. Data of CEPAL (2009).

Country	Primary products/ total exports	Hydrocarbons/ total exports	Minerals and derivatives/ total exports
Venezuela	92.7	89.7	0.4
Bolivia	91.9	46.1	24.8
Ecuador	91.3	59.2	-
Chile	89.6	1.2	60.7
Peru	87.4	7.8	55.1
Colombia	60.8	24.3	19.4
Brasil	51.7	10.0	6.6

## A New Type of Extractivism

Current extractivism is not identical to that which was seen under conservative governments. Progressive governments have introduced a variety of changes. For example, the MAS government in Bolivia came out with changes in the tax system and the system of royalties for businesses, and in the renegotiation of contracts, and thus Bolivia has become a state which now constitutes a key actor in confronting these sectors. Something similar happens in various sectors in all the countries, where we have to recognize that the prominence of the government and measures taken concerning the extractive sectors have changed.

So the [second thesis](#) maintains that under progressive governments, a new style of extractivism has developed, bearing a progressive stamp. It is important to recognize this fact in order to avoid falling into one of two extremes which would result in an inadequate analysis. On the one hand, one cannot maintain that the governments of the Left haven't done anything and that the systems of management of sectors like mining and petroleum are the same as they were in 1980s or 1990s. But on the other hand, neither can one defend a hopeful position which would suggest that these new governments have substantially modified the extractive sector, and that they are ameliorating their social and environmental impacts through a transition to another kind of development which does not depend on the exportation of primary materials such as copper and petroleum.

If one accepts this situation, the key issue is to characterize in the best possible manner the attributes of this progressive neo-extractivism. This is an urgent task, as much from the point of view of the new role of the state in

these sectors and its political implications—partisan, as from the point of view of civil society.

## The Role of the State

Conventional extractivism, especially that of the 1980s and 1990s, was characterized by the limited role of the state and the transferring of the management of businesses, and the relationship among the participants to the market. The mining and petroleum businesses enjoyed the liberalization of capital flows (both in receiving investments and in taking profits), and flexibility and reduction of labor, environmental, and territorial regulations. As a result, transnational corporations expanded in these countries.

Under this minimalist state, licenses and titles were granted in exchange for access to a resource, and these decisions hinged on various factors, from the state receiving part of the income generated, to obtaining political support, or to cases of simple corruption. Thus, the rules of access and concession were opaque, their application discretionary, and they were part of a network of political-business favors.

In neo-extractivism, the state is much more active, with rules that are much clearer (regardless of whether they are good or not), and not necessarily oriented to serve “friends” of political power. In some cases, the new governments renegotiated contracts, increased taxes, and boosted the role of state businesses. Conceivably it was in Bolivia that there were substantial changes, since by 2006 the administration of Evo Morales had imposed the renegotiation of contracts with petroleum businesses, raised taxes 50%, and tried to boost the state petroleum business, YPF. In Venezuela, the Chavez administration has undone many of the privatization measures of previous governments which led to private enterprises holding a majority share of PDVSA (the state petroleum firm), and private companies having ties with state businesses in other countries (like China, India, and Russia). Ecuador is following the same route. For example, the Correa government has adjusted the tax system and has thrown out new petroleum contracts. In Brazil, a new regulatory system for the sector is being discussed, including the idea of creating a new kind of state agency to handle petroleum resources.

Therefore, a more active role for the state in making both direct and indirect interventions in the extraction sector is presented as the [third thesis](#).

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The path taken is different from country to country. For example, the government's role is more prominent in Venezuela and less so in Chile and Brazil. In some cases it is very direct, involving state businesses; in others, it manifests itself through supports and subsidies (for example in Brazil, through actions of the state bank of development, BNDES).

## **International Involvement, World Trade, and Capital Flow**

Current progressive governments present as one of their successes the exportation of primary materials, and they gamble on increasing them, seeking foreign investments to promote them. These two factors, exportation and investment, have become the two key pillars of the economic strategies of progressivism.

While the old extractivism pointed toward “exports” or “the world market,” the progressive governments have replaced that discourse with one that points to “globalization” and “competition.” The change is not a minor one, now that the contemporary use of the concept of “globalization” involves a broader and more complex merging of ideas, including aspects of classical commerce (such as exports) as much as new rules over the flows of capital, the broadening of the concept of commodities, the extension of the rights of property, and government purchases, etc. Meanwhile, all this is expressed in a denser global commercial institutionalism than in the past, which rests above all on the World Trade Organization (WTO) and international commercial agreements.

Thus, the progressive governments accept this new global commercial institutionalism and move according to its rules. At the same time, this signifies an acceptance of a subordinate role in global markets, where South American nations are the recipients of a price which depends strongly on intermediaries and international commercial brokers and their domestic decisions. These decisions respond to commercial opportunities. In effect, changes in international prices or export opportunities play key roles in national decisions about production.

This commercial subordination implies acceptance of the rules of the liberalization of capital, and in practice results in a dirty competition among South American countries to attract foreign investment. It could be argued that the progressive governments have no other option than to accept these global commercial and financial rules. In part, it is true that an abrupt and total rupture

with this framework would be exceedingly costly, and possibly not feasible. But on the other hand, it is also certain that there is much more leeway (as the separation from the IMF managed in different ways by Argentina, Brazil, Uruguay, and Venezuela, or the Ecuadorian and Venezuelan efforts through other financial structures demonstrates).

It shouldn't be forgotten that the transition from international commercial relations supported only in a multilateral treaty (the general agreement over commerce and tariffs, GATT) to a formal institutionalism (WTO) and its various agreements (GATT and the agreements on services and intellectual property) took place at the beginning of the 1990s under the former Latin American governments. But not all the new progressive administrations have questioned this commercial framework. On the contrary, some of them have embraced it, including with appeals for greater global commercial liberalization (the clearest examples of this are Argentina and Brazil).

It is important to realize that previous South American governments also supported international institutions which sought alternative roads for global commerce. From 1965 to the beginning of the 1990s, governments had faith in and supported UNCTAD (United Nations Conference on Trade and Development) in order to promote south-south commerce, to contribute to an improvement in the terms of exchange in the face of industrialized countries, and to generate other commercial regulations. At the same time, the Common Fund for Commodities (CFC) which came into effect in 1989 and covered various farming and mining products, pointed to the development of new markets and the alleviation of poverty, was funded by UNCTAD. UNCTAD and CFC created the International Commodity Bodies (ICBs), with the purpose of regulating markets and global commerce, among other things. Tasks included dealing with products from the extractive sectors: ICSG (International Copper Study Group) dealt with copper; ILZSG (International Lead and Zinc Study Group) with lead and zinc; and the INSG (International Nickel Study Group) with nickel.

This history makes clear that the progressive governments have various institutional global and commercial alternatives to draw from. For example, they could revitalize the role of UNCTAD in the face of the WTO, or inject new energy in the ICBs. The surprising thing is that it hasn't happened. On the contrary, the administration of Lula da Silva, for example, in the hands of an active chancellor, Celso Amorim, has stopped strengthening the

WTO (by, for example, promoting his own candidate to head it, and more recently, declarations in favor of reactivation of the Doha Round.)

These factors make it possible to present as a fourth thesis the notion that neo-extractivism is functional for commercial globalization—it will finance and maintain the international subordination of South America.

Meanwhile, extractivism for export advances, as much in classic products provided by mining and petroleum as in the new type of agriculture and forestry. For example, the exports provided by mining and quarrying in the countries of the enlarged Mercosur (Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay), increased from 20 billion dollars in 2004 to more than 46 billion in 2007 (CEPAL, 2009).

The case of Argentina is illustrative. Between 2003 and 2006 under the presidency of Néstor Kirchner, the number of mining projects grew about 800% and accumulated investments increased about 490% (Gutman, 2007). The most favorable mining regulations from previous years were preserved including royalties that almost reached 3%, exemptions from tariffs, and other advantageous guarantees, free transfer of profits, weak controls, etc.

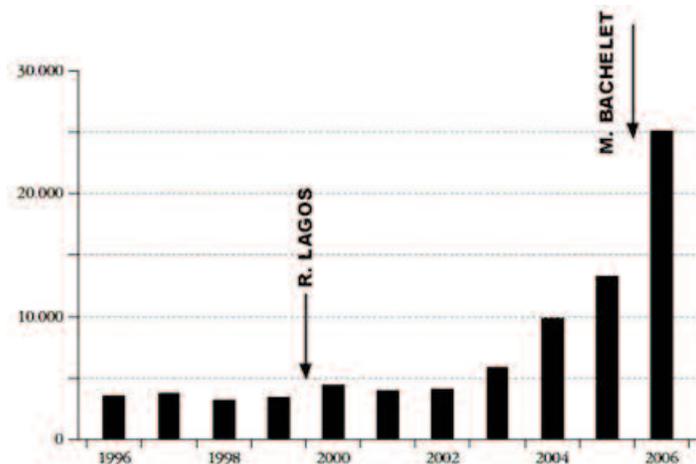


Figure 1. Profits sent outside of Chile by foreign businesses. Millions of dollars; the beginning of [the governments of] R. Lagos and M. Bachelet are indicated. Based on data from the Central Bank of Chile, reproduced from “For a progressive and citizen option,” Santiago de Chile.

The flow of capitals has also increased. For example, in Chile, the profits sent outside the country by foreign businesses passed from \$4,438,000,000 at the beginning of R. Lagos’s government to more than 13 billion dollars at

the end of his term, and from there it continued to grow under Michele Bachelet to more than 25 billion dollars (see Fig. 1). In an analogous manner, in Brazil the mining industry enjoys exemptions from taxes (they don’t pay the Circulation Tax on Merchandise) and the royalties and stocks of the Financial Contribution for Mining Exploration which go to municipalities are low (1% to 3% of the liquid revenues), the calculations being made for them by the companies themselves (dos Reis Pereira, 2009).

## Deterritorialization and Territorial Fragmentation

The advance of the exploitation of minerals, oil, and monoculture for exportation unleashes profound territorial impacts. In many cases they represent the arrival of contingents of operators and technicians and their teams, in remote areas, some of which are inhabited by rural communities or indigenous pueblos. The extractivists create production enclaves which are connected by transportation corridors or energy with other areas of the country, and which are oriented toward the ports of exportation. Their activities are protected in many cases by the state itself, including with police or military protection.

Many of these enclaves are yet one more ingredient in a process of geographic fragmentation, especially in Andean and Amazon zones. While within the enclaves a strong state presence is felt, they are surrounded by broad “deterritorialized” regions where the state can’t guarantee its presence in an adequate and homogeneous manner. For instance, there are limitations in the protection of the rights of citizens, health services, and the administration of justice. In many of the areas inhabited by citizens, the state is weak or absent, while it is active and present in a few sites supporting and protecting extractive activities.

In the extractive enclaves many tensions and contradictions are unleashed. In some cases, the government assigns blocks of exploration and exploitation which ignore pre-existing territorial borders recognized by indigenous pueblos or communities of campesinos. In other cases, these enclaves signify the opening of remote zones or the advance of the farming frontier, and with this, the entrance of furtive hunters, the illegal cutting down of forests, and the traffic in drugs or contraband. Thus security deteriorates and violence increases. At the same time, extractive enclaves require networks of

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connectivity which permit the arrival of consumables and equipment, and the departure of exportable products. This of course results in further problems. Some large businesses require major works of construction in infrastructure or energy (including hydroelectric dams or the provision of gas), which yet again generate further territorial impacts.

These processes have a long history and have not changed significantly under the progressive governments. Thus, the [fifth thesis](#) says that territorial fragmentation in deterritorialized areas persists under the new extractivism, generating a network of enclaves and their connections to global markets which exacerbate territorial tensions. The territorial configuration, the participating actors, and their forms of relationship and institutions are modified resulting in the disintegration of communities. (Bebbington and Hinojosa Valencia, 2007).

On grand geographical scales, in almost all the cases, neo-extractivism is supported in the Initiative for the Integration of Regional South American Infrastructure (IIRSA). Furthermore, this extractivism shapes and determines plans for territorial distribution and the designation of protected areas, including promises of agrarian reform and land distribution.

For example, the Lula government did not fulfill its goals to dedicate land for farmers and agricultural reform, the latifundios were not disposed of, and the area conceded is very small (hardly 30% of the official goals). Furthermore, the new government plan abandoned these objectives, and substituted them for the regulation of land property. The Comisión Pastoral de La Tierra indicated that this paltry “agrarian reform” is marked by two principal conditions: it won’t take place inside the lands dedicated to agroindustry, and it will only go forward in a way that “helps” agribusinesses. One concludes that agrarian reform on the part of the Workers Party and its allies is tied to the expansion of agribusinesses (de Oliveira, 2009). These and other examples indicate that there is in progress a territorial arrangement in fact where one of the determining factors is the interests of the extractive sectors.

## **Property and Productive Processes**

With the old form of extractivism, there was competition for ownership of resources. The previous governments awarded its property, or generated norms of ceding and

accessing resources like mining and petroleum, which in practice was very similar to ceding ownership over them. This resulted in a strong transnationalization of the extractive sectors and a smaller and smaller role for state businesses.

In neo-extractivism, as we saw above, the state is predominant, and thus, a tightening up of controls over access to resources, and in almost all cases it is determined that they are the property of the state. At the same time, state businesses have been resuscitated or created (for example the empowerment in Bolivia of the YPFB [Bolivian Fiscal Oil Fields], and the creation of a state entity for gas and energy, ENARSA, in Argentina).

But it may be that the states, like the state businesses, are aiming for commercial success, and thus they continue business strategies based on competition, cost reduction, and profitability. In this manner, the performance of state businesses (like PDVSA of Venezuela), mixed businesses (like Petrobrás de Brasil), or private businesses (like Repsol YPF in Argentina) increasingly resemble the familiar practices of the old transnational businesses like Exxon or British Petroleum. The social and environmental performance of state petroleum businesses is poor and very dubious. For example, one can remember that this has happened with the practices of Petrobrás in the Andean countries, while in Uruguay, the state company ANCAP continues to be very backward in environmental matters. In other words, in those cases in which extractive activity is in the hands of state companies, conventional business practices are followed.

Therefore, as the [sixth thesis](#), it is postulated that under progressive governments it is especially important to recognize that, except for the ownership of the resources, the rules and functions of productive processes oriented to enhance competition, increase profits according to classic criteria of efficiency including the externalization of social and environmental impacts, are repeated.

Not only that, the true state capacity is debatable because of the contracts of association, societies, or “joint ventures” with private corporations which generate a privatization in fact of the productive processes, as is happening at the moment in Bolivia.

The implications of this are very important. Among them, let us emphasize that, in addition to the debate over ownership of the resources and means of production, there ought to be a much more profound discussion of the structure and dynamics of productive processes,

those in state hands as well as in the hands of other actors. These productive processes determine social and environmental impacts, and commercial and economic relationships.

## Social-environmental Impacts and Citizen Conflicts

The enclaves of extractivists have been at the center of much polemic because of their severe social and environmental impacts. These include everything from accentuating local inequalities to cases of contamination and loss of biodiversity. The empirical evidence which has accumulated in recent years is varied and robust and makes it clear that the conventional way of doing things is causing the externalization of social and environmental problems.

One of the most important issues for the new Left is the lack of substantial improvements in leadership regarding these impacts, especially in the environmental area where one could even say that things have regressed in some countries. In effect, in all the progressive governments, signs of resistance can be seen in the face of environmental questions. For example, one can enumerate the following in Argentina: a law was vetoed that would protect the Andean glaciers for the sake of mining businesses, and in particular, the exploitation of gold in Pascua Lama; in Brazil the direction is toward a “flexibilization” of regulation and environmental permits; in Bolivia, environmental regulations were dismembered and although recently environmental management has been organized in a new ministry, its weakness persists; and in Uruguay the Frente Amplio government continues with its practice of awarding environmental permits to attract investments in cellulose and paper.

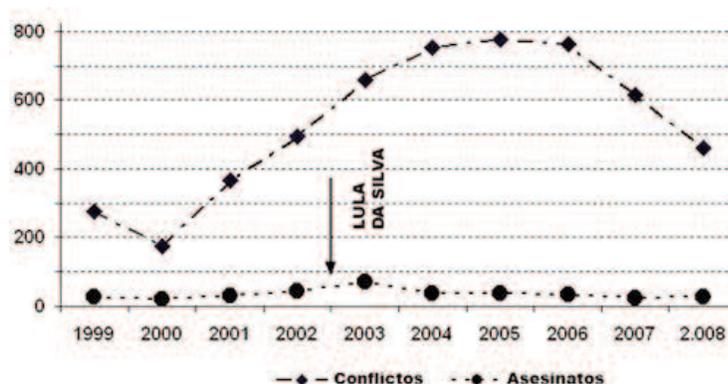
Consequently, it is proposed as the seventh thesis that neo-extractivism is perpetuated, and in some cases, its social and environmental impacts have increased, and that actions to confront them and to deal with them are still ineffective and even, on occasion have been weakened.

Under the progressive governments the debate over social, environmental, and territorial effects is more opaque. Regarding environmental concerns on various occasions their very existence has been denied or minimized, and in other cases environmental effects of extractivism have not only been denied but also presented as different kinds of issues, for example, as struggles

over economic interests, as confrontations in matters of territorial planning, or expressions of hidden agendas of political parties (see for example the cases in Argentina in Svampa and Antonelli, 2009 and Rodríguez Pardo, 2009). But these impacts have been presented as impacts that ought to be accepted as “sacrifices” for the greater benefit of the whole nation. For example, in Chavez’s Venezuela, it should be accepted that the state of Zulia has been converted into a “zone of sacrifice for petroleum exploration” (García-Gaudilla, 2009).

Regarding the social dimension, social conflicts unleashed by extractivism exist in all the countries under progressive governments: there is opposition to mining and denunciation of petroleum contamination in Venezuela, Ecuador, and Bolivia; there are protests against mining exploitation in Argentina and Chile; there are denunciations of the monoculture of soy and forest products in Argentina, Bolivia, Brazil, and Uruguay, etc. The governments reject these protests, refusing to recognize their causes, or minimizing them. Sometimes protest leaders are accused of harboring other interests, and furthermore, there is no lack of people claiming that they accept these impacts in exchange for the greater good of the whole nation. On the other hand, indigenous groups and campesinos are attacked with accusations of “impeding” development and “generating damages throughout the country” (Bebbington, 2009).

Even in countries which supposedly enjoyed the tranquility of not having such conflicts, a close examination shows another picture. For example, in Brazil, during Lula da Silva’s first term, rural conflicts increased substantially, and if they have fallen off in the second term, they nonetheless continue at a high rate (Fig. 2). This is owing to factors such as bad working conditions, slave labor, and violence against indigenous people, all of which occur especially in the Amazon, much of which is tied directly to neo-extractivism.



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Figure 2. Occurrence of conflicts and assassinations in rural Brazil. The beginning of Lula da Silva's term in office is indicated. Created by the author based on data from the Comisión Pastoral de la Tierra de Brasil.

The situation can be aggravated, given the way that investment is attracted, and the social and especially environmental demands. As examples, one can enumerate the approval of the exploitation of potassium in Mendoza, Argentina; the new mining undertakings in Bolivia (cases compiled in Morales and Ribera Arismendi, 2008); the impunity with which environmental infractions were committed and the "acceleration" of environmental process in Brazil (Barreto et. al., 2009), and the peculiar manner of awarding environmental permits in Uruguay in a sequential way. Similarly, the eagerness to expand extractive activities presses in on large protected areas, with interested parties trying to free them up for mineral or petroleum exploitation (as was discussed in Bolivia, Brazil, Ecuador, and Venezuela). The example of the exploitation of iron in El Mutun, in Bolivia, illustrates these complexities, since the state has tried to promote it in spite of its environmental impacts (Morales and Ribera Arisendi, 2008), even awarding a variety of advantages, including an energy subsidy, to foreign investors. These and other cases exemplify and indicate the fact that the progressive governments subsidize and support neo-extractivism, with facilities for investors, roadways, energy, the forgiving of taxes, etc.

## Surpluses and Political Legitimacy

In classical extractivism, the imposition of taxes, tariffs, and licenses was reduced, and thus the collection of surpluses by the state was limited and depended on the trickle-down effect. In neo-extractivism, one sees a substantial change in some governments: the state is much more active in capturing surpluses. There are a number of factors permitting this, for instance the imposition of much higher taxes in some cases, or in a direct way, by means of a state business which continues the exploitation undertaken by the private sector.

This is one of the possibly most distinctive aspects of neo-extractivism, especially in Bolivia, Ecuador, and Venezuela. Its consequences go far beyond the economic terrain, since they involve at least two additional areas. The consequences reflect an active role on the part of the state, with which the governments have many options and tools for capturing part of the wealth that the extractive sectors generate. In addition, the progressive

governments use this income in a variety of ways. Among them, they emphasize the financing of different social plans, many of them oriented to the poorest sectors. This generates a situation which establishes a link between enterprises like mining and hydrocarbonism and the financing of government assistance plans. This connection is at times direct (as with the Direct Tax on Hydrocarbons, IDH, in Bolivia), and at others is indirect and is managed by state agencies of social assistance. Among the social programs one finds, for example, Bolsa Familia in Brazil, Chile Solidario, Juancito Pinto in Bolivia, Panes in Uruguay, and the Programa Familias de Argentina (see Gudynas et. al., 2008). In general, these programs focus on assistance programs; in some cases, they make direct payments in cash with certain obligations on the part of the beneficiary attached. All of them have significant social legitimacy and have a powerful political role. One of their key attributes is that they can be used to prove that governments are leftist.

One sees, then, a peculiar relationship in that the state seeks to capture surpluses from extractivism, and then uses part of them in these social programs, managing to use this social legitimacy to defend its extractive activities. In other words, although these governments can be said to have distanced themselves from the classical Left by their support of conventional extractivism, they return to the Left and manage to justify themselves as progressives because of their social programs. At the same time, these social activities need increasing financing, and thus these same governments become dependent on extractivism to capture financial resources. This becomes one of the factors explaining the support of these activities and the persistent search for foreign investment.

So we propose as the [eighth thesis](#), that under a policy of neo-extractivism, the state captures a bigger portion of the surplus, a part of which is destined for social programs which generate legitimacy, as much for the governments as for the extractivist industries, and this contributes to the pacification of local social demands.

Progressive social programs, like those enumerated above, include activities which, among other things, compensate for some of the negative consequences of extractivist strategies that these same governments encourage and promote. They moderate social demands and calm social protest. In the case of Brazil, evidence is already accumulating documenting these effects. De Oliveira (2009) demonstrates the paradoxical situation where, although the Lula government abandoned the goals of

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agricultural reform, the number of people involved in protests is falling. In his analysis, this “ebbing of mass movements and the flow of government financial resources channeled for the purpose of compensation policies (packages of aid of all kinds and styles, etc.), is pacifying those who fought strongly for agricultural reform over the last 30 years. Everything indicates that these two processes are interwoven” (de Oliveira, 2009).

As a consequence of this new situation, those arguments put forth in discussions of extractivism change, and the debate over how to use the surpluses provided by extractivism becomes relevant. In place of discussing, for example, the benefits or damages of mining exploitation, or if this exploitation really serves development, or how one might manage the environmental impacts, we have discussions over who should appropriate a part of these financial resources, or what the percentage should be for various parties. In this manner, claims for greater percentages, or claims for where they should go are generated (if they should be used to construct schools, health clinics, or a new building for the city, for example).

Distorted territorial demands exist, where, for instance, a local community claims an ancestral right over a territory as a means of assuring a bigger share of the profits. A good part of these discussions and their light and shadow are understandable since many local communities have suffered the negative impacts of extractivism for decades without seeing any direct benefits. Thus, it is understandable that they make demands for a bigger portion of the money it generates. But the problem is that there are no profound discussions of neo-extractivism outside of the ones over the income generated. The Left, it seems, has turned its back on the possibility of debating other aspects, and so legitimizes and reinforces the present situation.

In some cases, conflicts arise between different local groups, and between them and the state, disputing different amounts of the surpluses gained from extractivism. On the one hand, this reinforces the role of the state as arbiter in these arguments since it is the state that will decide ultimately how the public moneys will be used. It will be able to reward some communities or local leaders, with financial aid, but it can also deny these benefits to other groups, thus controlling and channeling social demands.

On the other hand, there are also cases where the importance of extractivist businesses is reinforced. Some large transnational mining and petroleum industries negotiate

directly with local groups and construct health centers or schools, and thus end up replacing the state. The problem continues, and at times is made worse when it is undertaken by state businesses.

By going down these paths, the discussions over extractivism are distorted, displaced by arguments about how to use the surpluses, leaving in second place a critical analysis over the role extractivist industries play in the strategies of development.

There is no questioning of the validity of extractivism as it is currently practiced, nor are the basic problems of inequality which accompany it addressed. Underneath the progressive talk of a recovery of state power, the debate rests on fundamental issues.

Where social compensation programs don't exist, or function badly, the social protests against extractivism are much more intense. This differentiates progressive governments from those of conservatives (for example Peru under Alan García), where the conflicts against mining are much more intense (Bebbington 2007, and Scurrah, 2008) under progressive governments where these programs are much more effective and extensive, social protest diminishes, as happens in Brazil and Uruguay.

But one case in particular can be seen in Argentina, where the administrations of N. Kirchner and C. F. de Kirchner maintain the most effective social programs in urban centers, but more limited ones in rural settings. For this reason, one sees protests against mining and soy cultivation. Rural Argentinean protest is an example of this dynamic. A wide range of rural participants is drawn together, from small farmers to grand hacendados and agroindustry representatives against an increase in taxes on the exportation of grain (especially soy) (Barsky and Davila, 2008, describe the conflict).

In the context of the present analysis, it should be pointed out that the administrations of Néstor Kirchner as much as those of his wife intensely promoted an agricultural neo-extractivism based on the expansion of the monocultivation of soy grown for export. The increase of these exports was a primary source of income (necessary given that this country continues in a state of default and its financial resources are limited). Although the Kirchner governments maintained social programs and subsidies especially in urban zones, they were more ineffective in attending to small farmers (only one part of the revenues

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were returned to the farming sector). A few agroindustri-  
al businesses captured the bulk of them.

Thus when the government of C. F. de Kirchner raised  
the taxes on grain, people in rural areas immediately  
reacted against them, and an alliance was born, some-  
thing unthinkable before, between small and large farm-  
ers.

These groups didn't direct themselves against the style of  
agricultural development based on monocultivation, but  
rather they fought to retain a bigger proportion of their  
earnings; at the same time the government neither pro-  
moted nor debated an alternative form for rural develop-  
ment, but insisted on increasing the pressure to collect  
taxes on what was called "extraordinary income"  
(Gudynas, 2008). We see, then, a fight for the capture of  
the excess between a progressive government and a  
broad social spectrum, as much progressive as conserva-  
tive.

Social protests of this sort didn't break out in Brazil or  
Uruguay in spite of the fact that in those countries, too,  
there exists a heavy burden of monocultivated soy. This  
is owing not only to the fact that there is less imposition  
of taxes, but also because the state has different pro-  
grams of assistance for small farmers, and is more effi-  
cient in attending to them, so that the government gains  
more legitimacy for itself, and for its style of develop-  
ment.

## **Neo-extractivism, Poverty, and Development**

We begin by remembering that in the former political  
contexts, current progressives and leftists denounced  
extractivism as contributing to the generation of poverty  
and enclave economies were seen as something nega-  
tive. Thus, people sought alternatives for escaping from  
these conditions. Under the progressive governments, lit-  
tle by little a new discourse is hardening in which extrac-  
tivism now becomes a necessary condition for combat-  
ing poverty. There is a reversion to that old relationship.  
Where in the past there was opposition to extractivism,  
at present, it is seen as a positive and has become a con-  
dition necessary for development and the fight against  
poverty.

It is said that on final balance, extractivism will prove to  
be positive; in some cases, while it may be admitted that  
it could have negative social and environmental impacts,

that will be followed by echoing the ideas that these are  
manageable or can be compensated for, or that in the  
end, they have to be accepted in light of the general ben-  
efit for the whole nation. At the same time, the deposits  
of minerals and petroleum or the fertility of the soils are  
seen as riches which can't be wasted. It appears a matter  
of necessity and urgency.

A good example of this type of defense can be seen with  
President Correa of Ecuador. "We will not back out of the  
Law on Mining, because responsible development of  
mining is fundamental to the progress of the country. We  
can't sit like beggars on the sack of gold," he affirmed on  
January 15, 2009. In this way, the progressive govern-  
ments accept the present manner of development as  
indispensable although with room for improvement and  
adjustment, since these riches can't be squandered. And  
these progressive leaders go a step further: they present  
themselves as the only ones who can handle extractivism  
efficiently in the future, who can adequately redistribute  
the wealth it generates. It could be said that many of  
these governments actually assert that their mission is to  
achieve a new efficiency in extractivism and with it to  
gain more money.

So we postulate as the [ninth thesis](#) that neo-extractivism  
is accepted as one of the fundamental motors of eco-  
nomic growth and a key contributor to the battle against  
poverty on a national scale. It is assumed that part of this  
growth will generate benefits which will fall to the rest of  
society ("drip" or "trickle"). The state, now more domi-  
nant, should encourage and guide this outpouring.

One of the implications of this logic is that this reduction-  
ist vision is not questioned, rather its equation of eco-  
nomic growth with development is accepted, and thus, at  
least for now, an alternative vision for development has  
not been generated. Although Bolivian and Ecuadorian  
discussions about the "good life" have this potential, the  
governments and many other social actors appear to  
steer toward instrumental issues. In the Bolivian case, the  
situation is still more tense owing to the fact that, sur-  
prisingly, the new constitution indicates in various arti-  
cles that one of the purposes of the state is the "industri-  
alization" of natural resources.

At the same time, the idea of trickling down has also  
been raised recently in a peculiar way: progressivism  
doesn't challenge it, but rather signals that by itself it  
isn't enough to elevate the quality of life. But the state  
doesn't question its value, and it is accepted as a funda-  
mental contribution. But it is the state that ought to

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promote it, guide it, and administer it. In some cases it appears that the state would not have problems with the trickling down in itself, but rather the problem it has is that it the trickling down is realized in an inadequate, almost spontaneous manner when it is in the hands of the market. The progressive governments defend its more active administration. Neo-extractivism is functional from this stance, and this can be seen, for example, in the positions of the secretary of Mining in Argentina, who gathers foreign investors together to take advantage of the “comparative advantages” and the high international prices in order to “scatter” the assumed profits in provinces with a weak economy (Ferreira, 2009).

These types of factors mean that changes to extractivism come to be understood as more changes of the style of development to that favored by progressivism, to the extent that such changes might be seen as necessary and even urgent. Many of the components of the old tricks of the mining and petroleum businesses who years ago offered “progress,” “jobs,” and “well being” for the country and the local communities, reappears now in other clothes, with other emphases, and with a greater role for the state.

For example, in progressive Brazil, the mining businesses take advantage of the collaboration, of the submission of the state, of the precarious conditions in which the majority of the population of the city live and put up with, and they appeal to an argument about “the arrival of development and progress” which, thanks to the support of local and regional politicians, obtain the business conditions favorable for their implantation and domination, according to the investigators of the Comisión Pastoral de la Tierra, Reis Pereira et. al (2009). The state becomes functional with extractivism. Continuing with the Brazilian example, it should be added that the executive power presented a legal project in 2009 concerning productive businesses inside indigenous lands, which stipulates that whether or not these communities accept them or reject them, the rationale of these laws is based on converting the indigenous people into “associates” of the mining businesses.

Bebbington (2009) points in the same direction that the present analysis follows, warning that in these matters the present governments in Bolivia and Ecuador resemble the Peruvian administration of Alan García. These governments tell the indigenous groups and activists that they ought to stop resisting extractivist projects, and,

convinced of the benefits of extractivism, these people are displaced to sacrifice some of their rights as citizens.

These and other examples show that this neo-extractivism is reshaping the discussion about development to one that argues that local communities should accept the sacrifices of its impacts as a means of achieving supposed national goals. In exchange they are offered an array of means of compensation such as might be found in programs focused on social assistance, and they are converted into “associates” of the businesses.

This array of conditions is so broad that the critics against extractivism can easily be branded as against national development or progress, and they can be labeled as childish or dreamers, and even as dangerous. These condemnations have come from the mouths of Correa, Morales, and Lula de Silva. A sufficient example can be found in the statements this past July of President Evo Morales when he criticized indigenous groups and campesinos who opposed the petroleum industry and mines. Morales said that there is an opposition of the “neoliberals” and some NGOs which is disorienting the Bolivian pueblo. “Some NGOs called for an ‘Amazon without petroleum’ (...) that is to say that there is no gas or petroleum for Bolivians. Then how is Bolivia going to live if some NGOs say the Amazon is without petroleum?” He went much further, and complained that to “some union or indigenous movement leaders oppose us and then we don’t get environmental licenses easy so that there could be more wells and more oil...” (Econoticias Bolivia, July 14, 2009).

This explains much of progressivism’s resistance to and criticism of certain citizens organizations, especially those which question these styles of development. There is more tolerance of NGOs who convert themselves into executive arms of state-sponsored social action (by means of financial agreements with the state), in a sort of third-party provider arrangement, while those who persist in independent stances, especially if they are critical, are challenged, controlled, or even shut down.

## **Neo-extractivism Under the Myth of Progress**

The different lines of argument which are provisionally presented in this essay end up coming together in a [tenth thesis](#): neo-extractivism is a new ingredient in the contemporary South American version of development. This version is heir to the classical ideas of modernity,

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and as such it keeps its faith with material progress, but it is a contemporary hybrid which results from the cultural political conditions unique to South America.

In effect, the idea of continuing progress, based on technology, and nourished by the riches of Nature, has been a classic expression of modernity. The new Latin American Left is heir to these ideas, but has reconfigured them because of a variety of factors which emerge from the antecedents of its own political struggles, the effects on it of the fall of actual socialisms, the demands of populist sectors and indigenous pueblos, and even the effects of the neoliberal reforms.

It is the result of a new mix, in which there are as many old as new ingredients, and the old components, although very old, have hardly been subordinated. Consequently the old and the new extractivism share some common aspects, although the emphases are different, and each one possesses some of its own attributes. This in turn explains some coincidences as regards extractivism in such different governments as those of Rafael Correa and Alan García.

The South American Left is not going to renounce the classical attachment to economic growth based on the appropriation of natural resources. Extractivism plays an important role in this new situation, since the Left doesn't reject it, but rather, it seeks to strengthen it since it is one of the motors for assuring economic growth and the financial maintenance of the state itself. While the old extractivism had to cope with the imbalances of international commercial exchange, neo-extractivism believes that high prices are an opportunity which they can't afford not to take advantage of.

But at the same time, as this new extractivism contributes to financing social programs which are essential to the new governments' definitions of themselves as progressive, they achieve an unexpected political legitimacy. Criticism of neo-extractivism would imply not only questioning the old idea of progress, but also questioning one of the pillars of the social programs, and thus one of the justifications governments have for calling themselves progressive. For this reason, challenges are rejected or ignored by these new governments.

While debates around the old extractivism include challenging transnational businesses, the unequal terms of exchange, and the commercial subordination of Latin America to role as provider of primary materials, under neo-extractivism, there is a functional shift toward

globalization. Progressive governments like Lula da Silva's consider that in the present state of global economic crisis, exportation of primary materials will be their salvation. They desire to deepen their role as a provider of primary materials, and they claim that they are liberalizing global commerce even more. This discourse about the international sphere is almost the opposite of that of the classic Latin American Left during a good part of the 20th century. Instead, at present, neo-extractivism is entwined with globalization, where exports of extractive origin are converted into the newly privileged means of economic growth.

Progressivism would represent a form of nationalism regarding resources, according to the words of Bebbington (2009), where extraction is not itself questioned, but rather whether or not it is under private and foreign control. These governments move to take state control over these resources, although they end up reproducing the same productive processes, similar relations of power, and the same social and environmental impacts.

## **Preliminary Conclusions and Challenges for Civil Society**

Throughout this present essay, a series of ideas and arguments about the permanence of extractivism in South America has been offered. The central idea that has driven this is that extractivism today under progressive and leftist governments is not the same as what took place in previous decades. In the case of progressive governments, a new sort of extractivism has arisen. In characterizing it, one can observe as many old components as new ones, but at the same time this mixing is singular, with its own features, such as the role given the state and the new sources of political and social legitimacy.

The recognition of the unique identity of this progressive style of extractivism requires a rigorous and measured approach. It is important to understand that neo-extractivism cannot be understood as a neoliberal strategy similar to those seen in previous decades, but neither can it be interpreted as a promising alternative, which automatically improves the quality of life and citizen autonomy. It is evident that present progressivism offers in many cases substantial improvements over conservative regimes; the regime of Rafael Correa, for example, is not the same as that of Alan García. But as is left clear in the present essay that limitations, resistances, and contradictions persist, and therefore one can't analyze the present

1	The importance of extractivist sectors as a relevant pillar of the styles of development.
2	South American progressivism is generating a new type of extractivism, as much because of its components as because of the combination of old and new attributes.
3	The state is seen to have a larger presence and a more active role, with both direct and indirect actions.
4	Neo-extractivism serves a subordinate and functional role in inserting itself into commercial and financial globalization.
5	Territorial fragmentation continues to advance, with relegated areas and extractive enclaves associated with global markets.
6	Beyond the ownership of resources, rules and the functioning of productive processes are displaced by competition, efficiency, maximization of profits, and externalization of impacts.
7	Social and environmental impacts in extractive sectors continue, and in some cases have been aggravated.
8	The state captures (or tries to capture) a greater proportion of the surplus generated by the extractive sectors, and a part of these resources finances social programs, with which the state gains new sources of social legitimization.
9	There are some contradictions inherent in extractionism that have come to be seen as indispensable for combating poverty and promoting development.
10	Neo-extractivism is a part of South America's own contemporary version of development, which maintains the myth of progress under a new hybridization of culture and politics.

Table 2. Summary of the preliminary theses which characterize the neo-extractivism of the progressive governments of South America.

South American Left with the old paradigms. Neo-extractivism is not a retreat to the past obsession with the market, but neither does it exemplify a socialist paradise, since many tensions and contradictions persist.

To ignore the impacts of neo-extractivism or to silence the analyses out of partisan sympathy is an unwise road to take, especially in academic and militant social settings. To take advantage of this lack of clarity is to reject insidiously all the actions of the governing Left and to follow another mistaken path. It is true that under neo-extractivism many impacts persist, especially social and environmental aspects. But in spite of this, it can't be maintained that this represents in reality a neoliberalism or a "savage capitalism," as for example García-Gaudilla (2009) maintained Chavismo in Venezuela is.

Without doubt, the theses presented throughout the text are preliminary elaborations and require more exhaustive work. It is essential to continue to deepen the characterization of the new styles of development of South American progressivism, since it is from them that present social tensions and environmental impacts develop, and thus a better understanding is essential for offering alternatives. The work is also urgent, since the social and environmental effects continue to progress in many places.

Meanwhile, in the context of the present global crisis, various progressive governments look to intensify the extractivist style as an economic way out.

It is necessary to recover independence in this effort in order to move this kind of analysis forward, and to

understand new sources of social legitimization of extractivist practices. Although conditions have changed, this independent role has not lost its validity nor does it lack value, and this work continues to be as necessary now as in the past.

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*Translated by Esther Buddenhagen for the Americas Program.*

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## The Americas Program

“A New World of Citizen Action, Analysis, and Policy Options”

### Recommended citation:

Eduardo Gudynas, “The New Extractivism of the 21st Century: Ten Urgent Theses about Extractivism in Relation to Current South American Progressivism,” Americas Program Report (Washington, DC: Center for International Policy, January 21, 2010).

### Web location:

<http://americas.irc-online.org/am/6653>

### Production Information:

Author(s): Eduardo Gudynas

Translator(s): Esther Buddenhagen

Editor(s): Michael Collins

Production: Chellee Chase-Saiz