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Resource Nationalism and Lithium Extraction in Bolivia: Evaluating Policy Shifts and Continuities under Evo Morales and Luis Arce

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Abstract: ***Resource nationalism in Bolivia, particularly on lithium extraction, has undergone significant shifts under the leadership of Evo Morales and Luis Arce. This paper aims to evaluate these policy changes and continuities, focusing on Morales's third term (2015-2019) and Arce's current administration (2020-present). The objective is to analyze how Bolivia's approach to lithium, a critical resource for global green technologies, reflects broader socio-economic and political dynamics under both politicians. Methodologically, this study employs a qualitative analysis of policy documents, interviews with key stakeholders, and a review of existing literature on Bolivia's resource nationalism. By using a political ecology framework, the research examines the implications of state-led lithium industrialisation on local communities and the environment. The scope of the paper includes an exploration of nationalisation efforts started under Morales, the establishment of Yacimientos de Litio Bolivianos (YLB), and recent partnerships with foreign entities during Arce's tenure. It also addresses the socio-ecological impacts of lithium extractions and the challenges posed by global demand. This research looks to contribute to the understanding of Bolivia's evolving resource governance in the context of its aspirations for economic development and environmental sustainability.***

Keywords: Resource Nationalism, Green technologies, political ecology, environmental sustainability.

1. Background

As the world shifts away from fossil fuels, the global economy in the post-pandemic era will rely more heavily on a single resource: lithium. Bolivia, one of South America's less affluent countries, holds the largest lithium reserves. Bolivia is home to significant lithium reserves, primarily found in the Salar de Uyuni, which is considered part of the "lithium triangle" alongside Chile and Argentina. Bolivia has the largest lithium reserves in the world. Around 23 million tons are in the southern region of the country. Known as the Uyuni, the salt flat forms a triangle of large reserves with Argentina (which has 17 million tons) and Chile (with another 9.3 million tons).

Lithium extraction in Bolivia is focused on the Uyuni salt flat in the southwest of the country, which is part of the Andean plateau. This plateau also covers parts of Argentina and Chile and is often referred to as the 'lithium triangle', as it boasts abundant lithium deposits, which are primarily found in the brine of the salt flats. The Uyuni salt flat is the largest in the world, covering an expansive 10,500 km2s. The region is characterised by cold temperatures, high altitudes, intense solar radiation, saline soils, and an arid climate, which pose challenges for local agriculture (primarily focused on quinoa and potatoes). The region is also rich in metals and minerals (silver, zinc, lead, tin, and copper, as well as lithium), with extensive mining activities serving as the primary source of employment and economic sustenance for the local population since colonial times (Perreault, 2017a; 2017b)

The Bolivian government has historically viewed lithium as a strategic resource for national development. The nationalisation of key industries, including lithium, began under Morales in 2006, with the establishment of Yacimientos de Litio Bolivianos (YLB) in 2017 to oversee lithium production. This move was part of a broader agenda to ensure that natural resources help the Bolivian people rather than foreign corporations. Despite the political upheaval, Morales had laid the groundwork for lithium extraction that stresses heavy state control and resource nationalism. In Bolivia, the idea of permitting foreign companies to extract the mineral-resources, especially lithium, been regarded as the white-gold or white petroleum, has always been a polarising issue, with the local inhabitants and the indigenous of the regions where the salt flats and the extraction sites are located have historically been opposing it. But foreign investors have had elevated expectations from Luis Arce, given his technocratic approach to the extraction of natural resources reserves with international openness. In a future-oriented battery-powered world, lithium may replace oil and appear as one of the most important commodities on the planet. That prospect is driving Bolivia and its multifold landscape, the political, economic, socio-cultural and the ecological dimensions, to keep lithium under absolute state control. Luis Arce, serving as the president of Bolivia since 2020, had previously served as minister of economy and public finance from 2006 to 2019 have made continued efforts to further realise the national aspiration by continuing this trajectory but with delicate modifications. Unlike his predecessor, under whom 'resource nationalism' became a strong central discourse, has adopted strategies to keep the mineral under state production and make strategic parterniships with other countries that have the necessary know-how to process the ore, who kept the South American country under a decade-long nationalisation strategy accompanied later by political and economic turmoil, impeded international exposure to lithium that could have proved instrumental in making Bolivia, one of the winners in the race for global green energy transition. However, despite all the talks, Bolivia saw

a period of unprecedented economic growth under Morales who argued that the country would move beyond capitalism to "living well." Morales's third term marked a shift from his earlier stance of keeping Lithium exploitation under stringent state control with state-led national company, YLB, responsible for lithium fortunes of Bolivia to carry out joint partnerships with foreign companies with majority stake in the hands of YLB. However, these partnerships did not last long enough given the lack of local support and subsequent political instability that prevented the fourth term of the indigenous leader, Evo Morales.

2. Literature Review

Resource Nationalism, a key concept surrounding the socio-political discourse in Bolivia primarily under Morales's administration beginning in May 2006, by signing a degree giving the state complete control over all hydrocarbons and forced oil transnational companies operating in Bolivia to relinquish 82 percent stake of their production, which left the foreign companies in dismay. Despite Bolivia having the largest lithium reserves, it is yet to join the international market with a significant amount of production and refinement. Unfortunately, in comparison to its neighbours, Argentina and Chile, the Bolivian dispensation has failed to industrialise lithium during the last half a decade. There are many-sided reasons for this unpunctual response, from social conflicts with the indigenous communities, to lack of expertise in terms of extraction mechanism, to poor intention of the government to administer the industrialisation of lithium.

Since 2008, the Bolivian government made a historic decision to begin its Evaporative Resources Industrialisation Project (ERIP) under which lithium plays the critical role. The same year, the Bolivian Mining Corporation (COMIBOL by its spanish acronym) was directed to create the National Evaporative Resources Management (GNRE), which was given the duty for the industrialisation of evaporative resources in the Uyuni Salt Flat. With the declaration of Lithium as of strategic nature for the Bolivian economy in 2009, which outlined that the exploitation, exploration, and intdustrilisation of lithium are under complete administrative authority. Morales's administration laid the foundation of pilot projects and assessment plants with the establishment of Lithium Battery Assembly Pilot Plant (2014), Lithium Carbonate Pilot Program (2013), Semi-industrial Potassium chloride Plant (2012) and Catholic Materials Pilot Plant (2017). Argentine and Chile, the other two lithium-rich countries, have been producing and exporting lithium in the last two decades with the private transnational companies playing a key role, but Bolivia, with a state-led production and extraction of the mineral is yet to go beyond pilot projects and make a step towards commercialisation.

The adoption of Bolivian Constitution in 2009, in which Article 349 declares that all natural resources are the property and direct domain of the Bolivian people, and their administration corresponds to the state on behalf of the collective interests. (Bolivian Constitution, 2009, Art.349). Also, the provisions in Article 351, provides for the State to assume control and direction of the exploration, exploitation, industrialisation, transport, and sale of strategic natural mineral resources (Bolivian Constitution, 2009, Art.351). Therefore, YLB or Yacimientos de Litio Bolivia, is entrusted for carrying out all activities of the production chain, which includes the exploration, intdustrilisation, installation, operation, and management as well as the commercialisation of Lithium in Bolivia as per the Law 928. Other national or foreign private companies can engage through unilateral contracts for the semi-intdustrilisation, and waste processing processes of lithium. With a 100 percent commitment of state-controlled Bolivian industrialisation of Lithium, YLB in October 2018, sealed a deal with German ACI Systems Germany GmbH (ACISA) on the extraction and and industrialisation of lithium from the Salt-flat Salar de Uyuni, which was perceived as violating the Bolivian constitution as well the belief of the people.

After Morales, Luis Arce, earlier served under Morales's government as the minister of Economy and Finance, faced challenges in terms of indigenous demands and opposition by FRUTCAS and COMCIPO of any foreign engagement in the lithium exploitation. He was standout in his decision to express his interest in setting up arrangements with domestic and multinational corporations. These above factors in addition to soaring demands for lithium, proved stimulus for the large-scale industrialization efforts under Arce, which was evident in his election campaign when he promised to revolutionise Bolivia into the "lithium capital of the world." In 2021, under Arce YLB pioneered an international tender for the Direct Extraction of Lithium (EDL). recognising the gains of bringing in advanced, international technology companies, instead of trying to do it all by own. Companies like EnergyX have spent millions of dollars on EDL R&D for one precise step, that is, the separation of Lithium from Magnesium, with Salar de Uyuni as 18:1 Magnesium to lithium ratio compared to Chile's Salar de Atacama, that is 6:1, making it further difficult and pricey deal for the Bolivian extractive companies (Romero Valenzuela 2019a)

With a little capacity to process the metal, in 2023, Bolivia signed an agreement with the Chinese CBC consortium, which includes the CATL and CMOC, with a plan to install two lithium carbonate production plants in the salt flats of Salar de Uyuni and Coipasa with a first investment of US$1 Billion. China is the world's largest consumer of lithium, with 63 percent of the market (Institut für Seltene Erden und Metalle, 2023, para. XV).

This partnership with the payed the way for other foreign investments in Bolivia in a joint venture with YLB, hence reinforcing resource nationalism under Arce. In 2024, The Uranium One Group Company, Russian Rosatom Company signed an agreement with the Bolivian Lithium company YLB to set up a lithium carbonate production plant. The strategic partnership for lithium and C-LEP technology with India's Altmin has proved Arce's credentials as a Bolivian leadership marked a shift in Lithium policies towards a more collaborative and international openness, breaking with his predecessor who embraced the strategic mineral with no international engagement.

However, these partnerships were not taken in a good faith by the USA evident in the statement by SouthCom, of treating "lithium triangle" as a matter of "national security over our backyard." ("US Targets Bolivian Lithium but Nationalisation Guarantees Government Control," 2024)
Arce in a speech in La Paz said that "We must be united in the market, in a sovereign manner, with prices that benefit our economies, and one of the ways, already proposed by (Mexico's) President Andres Manuel Lopez Obrador, is to think of a kind of lithium OPEC". ("Bolivia President Calls for Joint Latin America Lithium Policy," 2023).

The environmental implications from lithium exploitation had garnered wide attention from the ecologists and indigenous communities been affected. The industrial intensity of water consumption and chemical disposal discharged out of the evaporative process may have disrupt the tourist industry and indigenous population practicing quinoa farming and livestock herding.

3. Objective of the paper

The study aims to evaluate the policy shifts and continuities between the Morales and Arce administrations, focusing on state control, economic implications, and social impacts on local communities. Additionally, it looks to assess the challenges posed by Bolivia's limited domestic ability for industrializing lithium amidst rising international demand. By contextualizing these policies within global trends, the research will provide insights into how Bolivia can navigate the complexities of resource management while addressing environmental sustainability and socio-economic equity. The paper aims to contribute to a deeper understanding of the interplay between resource nationalism and lithium extraction in Bolivia's development trajectory.

4. Definition, Rationale and Scope of the study

Definition
The term "Resource nationalism" symbolises a policy stance distinguished by the assertion of state control over the extraction, commercialisation, and processing of resources to the detriment of foreign actors (Pryke, 2017)

According to Bremmer and Johnston, resource nationalism encompasses efforts by resource-rich nations to shift political and economic control of their energy and mining sectors from foreign and private interests to domestic and state-controlled companies' (Bremmer and Johnston, 2009, p. 149).

Rationale
The rationale for this research paper stems from the increasing global demand for lithium driven by the transition to renewable energy and electric vehicles. Bolivia owns some of the largest lithium reserves in the world, yet its ability to capitalize on this resource has been hindered by several factors, including political instability, social conflicts, and infrastructural challenges.

By evaluating policy shifts and continuities under the administrations of Evo Morales and Luis Arce, this research aims to analyze how Bolivia's approach to lithium extraction reflects broader themes of resource nationalism. It looks to understand how these policies impact local communities, economic development, and Bolivia's position within the global lithium market. The study will also explore the implications of these policies on sustainable development and environmental considerations in a country rich in natural resources but facing significant socio-economic challenges.

Scope of the study
The scope of this paper will encompass several critical dimensions exploring the political environment, highlighting major shifts in governance and lithium politics since Evo Morales took over as the president of Bolivia in 2005 until his political upheaval. And the subsequent administration of Luis Arce since 2020, highlighting major shifts in natural resource governance and evolution of lithium politics marked by unprecedented international openness and Bolivia's engagement in Global lithium production forecasting the upcoming 2025 presidential election.

This paper will also evaluate environmental sustainability within lithium extraction policies while balancing economic growth with environmental protection. Also Comparing Bolivia's approach to lithium extraction with that of neighboring countries like Chile and Argentina, making up the "lithium triangle." Eventually it will assess the effects of lithium extraction on local populations, including indigenous communities, labor dynamics, and social equity issues.

Research Questions
1) What are the key barriers to Bolivia's domestic ability for lithium industrialization, and how do these barriers impact the effectiveness of state-led initiatives under the administrations of Evo Morales and Luis Arce?
2) How do the policies of nationalisation and state control over lithium extraction in Bolivia interact with the increasing global demand for lithium, and what implications does this have for Bolivia's economic sovereignty and potential partnerships with foreign investors?
3) What are the socio-environmental impacts of Bolivia's lithium extraction policies, and how do these impacts interact with the country's aspirations for sustainable development amid rising global demand for lithium in renewable energy technologies?

Theory Application
The following theories of Political Economy help investigate the intricacies of this term paper:
a) "Resource Curse": Despite holding the world's largest lithium reserves at an estimated 23 million tonnes, Bolivia is behind its neighbours, Chile, and Argentina, in terms of contribution global lithium market. The paradox of plenty, has proved disastrous for the poverty-stricken nation given its inadequate domestic capacity and poor policy outlook with skyrocketing expectations of dominating global lithium chain.
b) Dependency model of development: Bolivia's under Morales developed pilot projects to assess the lithium production process, however stalled efforts, and lack of necessary technology to process lithium have made the country vulnerable to foreign engagement, allowing in German MNCs to exploit the strategic mineral at Salar

de Uyuni and Coipasa providing resources as raw materials to the international market.

5. Analysis and Conclusion

The discourse of Resource Nationalism has been central to Bolivian politics since the start of the 21st century and emerging global demand for lithium have made things promising for Bolivia to play a key role in global energy transition to a more sustainable option. However, internal dynamics have placed Bolivia at the crossroads given its late international exposure and participation in global lithium market. The commercialisation of Lithium has historically still been problematic for the indigenous population and the decade-long nationalisation-strategy have left the nation vulnerable to external boom and burst cycle given its inefficient domestic facility. Despite seeing a peak in 2014 when natural gas reserves made the Bolivians proud given their unprecedented economic growth, there has been a steep decline since then given the global energy transition and climatic change concerns. A report co-authored by Hersh and released by the Payne Institute for Public Policy at the Colorado School of Mines argues that YLB's comprehensive strategy, which extends beyond converting lithium into fine chemicals to include steps like producing cathode materials and fully assembling lithium-ion cells, is undermining Bolivia's lithium potential.

The mandate for Arce in 2020 reflects the belief of Bolivian people given his modern approach to opening avenues for Bolivian economic growth by integrating Bolivia into the global lithium production chain amid surging global demands for electric vehicles and portable electronics.

The lithium geopolitics has been vital given the Chinese and Russian engagement with the Bolivian YLB and growing proximity of USA by treating the South America as its own backyard. The upcoming 2025 presidential elections in Bolivia will be on the minds of leaders across the globe, given the global energy transition towards a green and sustainable energy consumption.

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