



Bolivian government seizes Glencore tin smelter Morales Targets Assets Linked to Former President

By Anthony Vaccaro
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The Bolivian military has marched on private industry once again -- and this time it's a mining company that is being held under heel.

Last year, the country's hydrocarbons industry was visited by the military before being officially nationalized, and on Feb. 9, it was Baar, Switzerland-based Glencore International's turn.

Some 200 soldiers turned up at Glencore's Vinto tin smelter and after making their way through the chains fastened by workers in an effort to keep them out, Bolivian President Evo Morales arrived on the scene. Morales proceeded to sign a decree stating the facility was now the property of the government.

Five days later Glencore said soldiers remained at the facility, which primarily refines tin, but also lead and silver.

Glencore says it was not notified by the government ahead of the seizure and that it "firmly opposes this violation of private property in breach of its rights under Bolivian law and international law."

The company says it will seek international arbitration unless it is fully compensated for the seizure, and says it has the Swiss government's support.

But Morales is showing no desire to strike a conciliatory chord.

Despite a formal request, the Bolivian government says it has still not seen the papers connected to Glencore's purchase of the plant in February 2005.

"They must tell the country how much they paid for Vinto and who organized the transfer -- which, from our point of view, was irregular and has damaged the economy," said presidential spokesman Juan Ramon Quintana in a statement.

Morales' accusation that the smelter was acquired by illegal means is connected to his consistent assertions that former president and past majority owner of the smelter, Gonzalo Sanchez de Lozada (Goni), was corrupt.

Lozada -- who was chased out of the country in 2003 after some 60 civilians were shot by the military while protesting a new tax imposed on the working class -- is currently exiled in the United States, where a request for extradition has been held up in the bureaucratic hallways of Washington, D.C.

The smelter was initially privatized in 1996 and eventually wound up in the hands of Comsur -- whose largest stockholder was Lozada.

Glencore bought Comsur and renamed it Sinchi Wayra in 2004. But the company has a murky history, fuelling speculation surrounding the deal. Glencore was formerly headed by Mark Rich, the notorious metals trader. Rich lived in exile in Switzerland for years after being found guilty in the U.S. of numerous charges related to his business dealings, including tax fraud. The case garnered much attention when Rich was pardoned by outgoing U.S. President Bill Clinton in 2001.

For his part, Morales used the Vinto nationalization as a platform to extoll his government's cleanup efforts.

"We've started to give Bolivia its dignity," Morales said after the signing the decree.

Morales had previously stated that he will spend US\$10 million to modernize the plant as the government looks to reinstate its monopoly over tin exports.

"(Foreign interests) have tried to keep Bolivia merely an exporter of raw materials," Morales told workers at the smelter on the day of the confiscation. "But now the hour has come to industrialize all of our natural resources."

Beyond the Vinto smelter, Glencore owns five mines in the country.

The future of those mines is uncertain, as their acquisitions are also tied to Lozada and the Comsur deal.

"It's not that (the other projects) are next, but the government will pay more attention to them than to other operations at this time," says Ivan Rebolledo, the president of the Bolivian American Chamber of Commerce.

As for concerns that the Vinto seizure could signal the beginning of a nationalization plan that will affect the entire mining sector, Rebolledo says that's not likely.

He sees the move as being specific to issues pertaining to Glencore, and not to foreign direct investment in general.

Fair reforms

"The government has assured the mining sector that all reforms will be done fairly and not arbitrarily and that the government is willing to negotiate with the entire sector," Rebolledo says. "There are glitches (in the process) but things are moving ahead."

Miners with significant stakes in Bolivia such as Coeur d'Alene Mines (CDM-T, CDE-N) and Apex Silver Mines (SIL-X) can take solace in Morales' statement that projects that abide by Bolivian laws will not be targeted.

"We hope that investors understand that (Vinto) is not an analogous situation to San Bartolome," says Scott Land, a spokesperson for Coeur d'Alene.

San Bartolome is a large silver project, wholly owned by Coeur d'Alene, in the Potosi region of Bolivia.

After the dust had settled, the market showed that it was making the distinction between Glencore and other companies working in Bolivia. Apex and Coeur d'Alene -- the two companies most consistently tied to Bolivia due to the size of their respective San Cristobal and San Bartolome projects -- were up 9% and 6%, respectively, in the week following the seizure.

To date, the Bolivian government's involvement in the mining sector has been limited to a handful of deposits operated by state-run Comibol. While the government owns all mineral concessions -- both directly and through Comibol -- mining is carried out either by independent Bolivian mining co-operatives or larger international companies.

Morales has stated that foreign companies operating in the country will likely face a tax hike aimed at recovering more revenue from mineral exports.