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The Bolivian government's 1 June decision to award the rights to develop the El Mutun mine, said to contain the world's largest iron ore deposit, to India's Jindal Steel and Power is a concrete illustration of the gradual rise of India and China and the consequent ability of developing countries worldwide to attract investment on terms that Western firms are unwilling to accept, such as a large share of profits and royalties for the Bolivian government.

The deal has yet to be ratified by the Bolivian National Congress but President Evo Morales' MAS party has trumpeted the deal as a major success following its nationalization of the oil and gas industry. This will be the first instance of Bolivian iron ore being used to make steel in Bolivia rather than being exported. The government also hopes that the much-publicized deal will mollify dissident movements in Santa Cruz department where the mine is located.

Jindal will invest up to \$2.3bn in the project over a ten-year period, generating up to 10,000 jobs and providing revenues of an estimated \$200mn to the Bolivian government. The company will build housing and infrastructure in the neighboring town of Puerto Suarez, underlining the government's commitment to social spending. Jindal beat Mittal Steel and China's Shandung Lunang to win the mine, showing that Indian and Chinese firms (Indian-owned Mittal was the sole Western company that bid) are willing to embrace terms Western firms are not. The company is politically well connected in India; Managing Director Naveen Jindal is a member of parliament from the ruling Indian National Congress. The Indian government closely coordinated its lobbying efforts with Jindal.

The decision came a month after the Bolivian government nationalized the oil and gas industry, souring foreign investor sentiment. Although Brazil's Petrobras suffered in the nationalization, governments such as Bolivia's that have embraced resource nationalism consider investment by Indian and Chinese companies more politically and ideologically acceptable than by their Western counterparts. The Bolivian government will have a 50% profit share, but Jindal will have majority management control for the first twenty years of operations, after which it will share control with Bolivia's state-owned COMIBOL.

Please feel free to contact me with any questions,

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