

The New Developmental Extractivism in South America: stale wine in new bottle.

Ricardo Verdum | January 19, 2010

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Society, the economy, politics, and the environment are undergoing profound transformations in South America, especially in the Amazon. And some of these changes are passing unnoticed, whether out of ignorance, omission, or connivance.

It seems that the region will continue to serve as a strategic territory for the global political economy. In the meantime, its importance will remain even more rooted in its potential as the supplier of resources that become raw materials for the most dynamic manufacturing centers, located, in large part, outside of the South American subcontinent.

At best, the political, economic, and financial position of countries will strengthen, like in Brazil, which continues to act and **receive incentives from economic centers**, converting itself into a leader **in the process of restructuring, modernization, and expansion of the capitalist model of development in the region.**

Contributing to this process is the growing global demand for minerals and hydrocarbons (oil, gas, and its derivatives), especially on the part of China. In addition, the assessments of organizations such as the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD) are repeated, in which Brazil and other countries in the region should invest in infrastructure so as to reduce transport costs and time. Geography and precarious or non-existent connecting infrastructure, judges these institutions, makes logistics difficult and increases the non-tariff costs of circulation and trade of products in the region. [1]

That is one of the principal risks that we perceive in the Initiative for **Integration of South American Regional Infrastructure (IIRSA): the risk that the region becomes nothing more than a supplier of the general materials of production (that is to say, infrastructure), in order to promote one of the "models of development" that has characterized the historic path of the region in the global economy (through extraction and exports), in this way, increasing the scale of imports (from other countries) with a minimum of value added.**

The New Developmental Extractivism

What is grabbing the attention of some analysts is that it is precisely the progressive and left-wing governments, elected on their political platforms against that model (and who call themselves post-neoliberals), that now reaffirm the function of the region as supplier of natural resources and today govern approximately four-fifths of the population and three-quarters of South American territory.

Through the export of minerals, petroleum, and products for industrial agriculture, including agrofuels derived from soy and sugarcane (ethanol), these governments see the motor of national "economic growth" that in the last decade has received growing financial incentives for research and development, especially in countries like Brazil and Argentina.

A "financing from the left" [2] is now being discussed, as analysts attentive to the economic and political dynamic of the region postulate that **there are sufficient elements to affirm a model of "new progressive extractivism" exists to fuel economic growth, [3] perpetuating a development model based on the appropriation of nature, and feeding a productive network with little diversification, concentrated among a few business groups.** That type of economy is very dependent on the capacity of those countries (that is to say, their companies) to insert themselves as providers of primary materials at an international level.

In the new extractivism, the state assumes the most active role, nationalizing companies (like in Bolivia and Venezuela, for example), and/or establishing public-private partnerships with characteristics that vary according to the situation or country (like in Brazil). There is much overlap between governments, at their different levels, and the transnational corporations and/or private companies controlled by national elites. In some cases, the governments provide a large financial subsidy or very attractive financial incentives, like tax exemptions, facilitating the installation, modernization, and expansion of corporations and conglomerates in their countries.

Examples of this intersection between public and private can be found in the participation of Brazilian public banks like BNDES and Banco do Brasil (BB) in financing and contributing as shareholders in businesses and conglomerates that act in the infrastructure and extraction sectors, whether in Brazil or in other South American countries.

Progressive governments assume this role, legitimized by the social and political process that has taken them to the top positions of public administration in their countries, by adopting policies for the redistribution of a portion of the taxes and tributes generated by the economy, and because they have made the development of some democratic participatory projects viable within the public process.

As the new extractivism becomes an important source of resources for financing social programs (see the case of the announced "Social Fund" in Brazil, which will employ a portion of the oil resources beneath the salt caps [Pré-sal] for social programs), **the governments legitimize themselves politically as progressives, at the same time reinforcing the position of their countries as predominantly extraction- and export-oriented economies.**

Nevertheless, that has not prevented the perpetuation of negative impacts and social and environmental harms comparable to those that occurred in earlier periods, or that continue to occur in South American countries with politically conservative governments, like Peru and Colombia. Nor has it impeded the surge of social resistance movements or the actions of governments and businesses to delegitimize, suppress, criminalize, and co-opt segments of local populations and civil society organizations in solidarity with them. [4]

Brazil and Peru

An example of the convergence of interests around a relationship between infrastructure and the exploration of natural resources is the border region between Brazil and Peru, in the southeast part of the South American Amazon.

In this region (occupying and competing for territory and resources), the principal Brazilian and international business groups involved in the construction of the Inter-Oceanic North and South highways (which begin at

the Brazilian border and cross Bolivia and Peru), have a close relationship with mineral, petroleum, lumber, and agribusiness extraction. Major Brazilian conglomerates present there include: Gerdau, Votorantim, Odebrecht, OAS, Queiróz Galvão, Camargo Korea, Petrobrás, Vale, and others.

The BR-364 highway today forms a part of the Brazilian contribution to the creation of the communication, **transport, access, and connection corridor between the Pacific and the west central and southeastern regions of Brazil. That highway is intended to facilitate the occupation of the economic and political border between Brazil, Peru, and Bolivia.**

Coordinating between the work of paving the BR-364, and **with resources from the Inter-American Development Bank and BNDES**, the government of the state of Acre is generating agri-forestry, agricultural, fishery, and a variety of extraction activities in their own backyard. As well, several prospecting studies have been conducted to determine the potential for petroleum and derivative production, including within indigenous territories and conservation zones.

The governments of Brazil and Peru anticipate various economic development projects in the region of the state of Acre (in Brazil) at the frontier with the departments of Ucayali and Madre de Dios (in Peru). **These projects are generating large social, psychological, and environmental impacts on indigenous peoples and local communities.**

An example is the Inter-Oceanic Highway ("Pacific Highway"), which connects Rio Branco and Peru, passing through the municipality of Assis Brasil. It has been completed on the Brazilian side and construction continues on the Peruvian side.

To the northeast of the state of Acre, where the BR-364 continues, is the construction of the "North Axis" (or Inter-Oceanic North), which connects Cruzeiro do Sul (Acre) and the city of Pucallpa (Peru). The objective of that highway is to be a secondary route to the Pacific Ocean. If the plan is completed, it will cross territory belonging to the Serra do Divisor National Park on the Brazilian side and the Isconahua Territorial Reserve on the Peruvian side, with important and negative social and environmental impacts. The governments of Acre and Ucayali have been negotiating paving since 2004.

In addition, **the installation of a large electric power line is anticipated between Cruzeiro do Sul and Pucallpa** as part of the connection and energy integration accords between the electric systems of Brazil and Peru. Once installed, the line **will cross the same Inter-Oceanic North region, rich in biodiversity and the traditional territories of indigenous peoples.**

To add to the problem, in 2008 the **governments of Brazil and Peru approved, without any consultation, projects to construct a rail line between Cruzeiro do Sul and Pucallpa, which will also affect the territories of the Serra do Divisor National Park (PNSD) and the Isconahua Territorial Reserve. Among other objectives, it establishes that the rail line will transport soy products from the west-central region of Brazil to the coastal ports of Peru, and from there, to Asian markets.**

According to reports from the Grupo de Trabalho para a Proteção Transfronteiriça do Alto Juruá e Serra do Divisor (formed by organizations representing indigenous people, indigenous associations, and social movements), in addition to the direct impacts generated by these infrastructure projects, they will facilitate, once finished, natural resource exploration in the region and will have major impacts on indigenous territories and local communities. [5]

Among the planned activities is the exploitation of gas and petroleum on the Peruvian side of the border. **The government of Peru has authorized large petroleum companies to search and explore oil and gas in areas very close to the Brazilian border, including within Native Communities and Territorial Reserves** (Comunidades Nativas y de Reservas Territoriales) created for isolated indigenous peoples.

These grants were made without any form of consultation with indigenous communities, and without respecting what was established in Convention 169 of the ILO and the UN Declaration on the Rights of Indigenous Peoples. One of the businesses that will benefit is Petrobrás.

In order to understand the political position of the Peruvian government toward gas and petroleum as factors for "economic development," **in 2004 approximately 14% of the Peruvian Amazon was awarded, while in 2009 that percentage became more than 75%.**

Below is a snapshot of the distribution of lands located along the border between Peru and the Brazilian state of Acre: [6]

- * Lot 110 - awarded to Petrobrás, with an area of 1.4 million hectares, encroaches on the Murunahua Territorial Reserve and Native Community territories. [7]
- * Lots 111 and 113 - granted to the Chinese firm SAPET Development Peru Inc., with an area of 2.7 million hectares. These encroach upon several indigenous areas (Territorial Reserves and Native Communities) on the Peruvian side, and are very close to Brazilian territory, especially the TIs ("Tierras Indígenas" or "Indigenous Lands") of Mamoadate and Cabeceira do Rio Acre, and the Rio Acre Ecological Preserve.
- * Lot 126 - an area close to the TI of Kampa do Rio Amonia, awarded to the Canadian firms True Energy and North American Vanadium. At the beginning of June 2009, the Environmental Impact Study (EIS) was approved, with seismic research and drilling for four oil wells in untitled territory belonging to Ashaninka communities on the Tamaya River predicted to begin before the end of this year.
- * Lot 138 - awarded to the Canadian firm Pacific Stratus Energy. The same firm was granted rights to extract gold in the Isconahua Territorial Reserve, neighboring Serra do Divisor National Park in Acre.

In Brazil, the National Petroleum Agency (Agencia Nacional del Petróleo or ANP) authorized companies to explore for oil and gas in the Juruá River valley in 2007. The next year, 2008, they made various fly-over trips and took soil samples at 2,000 points along the Juruá River, 530 of which were located less than 10 kilometers from the limits of the TIs of Nukini, Poyanawa, Jaminawa do Igarapé Preto, and Campinas/Katukina. Another 84 points were located along the limits and the buffer zones of Serra do Divisor National Park. [8]

As in Peru, these investigations took place without any consultation or dialogue with the indigenous peoples and local communities of Juruá, and without making calls for proposals publicly for the firms and research that occurred in the jungles.

According to the Grupo de Trabalho, at the beginning of June 2009 newspapers from the south of the country were informed that the federal government was ready to announce the discovery of oil and gas in Acre as part of a strategy to improve the public image of Petrobrás. The next day, Petrobrás declared that it had no announcement to make. At the moment there are 21 exploration blocks awarded for research in the Solimões River basin, in the Amazon region. [9]

In Peru, exploitation, both legal and illegal, of forests is also occurring. The Peruvian government awarded forestry contracts to several companies, even within traditional indigenous and peasant territories that are still not regulated. The exploitation in areas

neighboring recognized Conservation Zones, Territorial Reserves (for isolated indigenous groups), and Native Community Reserves has provoked encroachment, destruction of natural resources, water pollution, less hunting, and other problems.

In Brazil there is the case of Forestal Venao, which despite their hallmark of "certified wood" has committed a series of illegal acts: it encroached on the TI of Kampa del rio Amonia, on the Brazilian side, several times; it opened a highway to connect the town of Nueva Italia, on the Uvayali River, with the highland region of Juruá, where it obtains wood; and it is currently lengthening the highway to the Native Communities of Santa Rosa, Nueva Victoria, and El Dorado.

According to the Grupo de Trabalho, forestry exploitation will be more intense in 2010 in the community of Santa Rosa, which is located along the Breu River, near the Extractivist Reserve (RESEX) of Alto Juruá.

Various Ashaninka families from the central jungle traveled to the Breu River and established two villages (Oori and Coshirene) across from the TI of Kaxinawa-Ashaninka on the Breu River and the RESEX of Alto Juruá. These families are occupying areas previously populated by the Huni Kui and Brazilian Ashaninkas, who fear that the recently arrived are beginning logging operations.

Brazil and Peru have also developed joint plans for hydroelectric generation. During visits by Presidents Lula da Silva (Brazil) and Alan García (Peru) to the state of Acre in April 2009, they signed an accord to cooperate in the area of energy. The accord plans for, among other measures, the construction of six hydroelectric generating stations in Peruvian territory that will have major socio-environmental impacts and encroach on territories where indigenous peoples live. [10]

Early engineering and economic viability studies are being conducted by the consortium Amazonas Sur Electric Generation Company (EGASUR), which includes the Brazilian firms of OAS, Eletrobrás, and Furnas. Financing for the projects, estimated to be between 12 and 15 billion dollars, flows from the accounts of the construction consortium and loans from the (Brazilian) National Bank of Economic and Social Development (BNDES). [11]

One of the hydroelectric plants, Paquizapango, has provoked criticism from the Central Ashaninka del Rio Ene (CARE) organization because its construction threatens to flood the lands of seven Ashaninka communities living along the river, in contravention of the country's constitution, which determines that indigenous territories are not subject to title.

The situation of **the Inambari Hydroelectric Station is mobilizing indigenous people, peasants, and environmentalists, who protested in the departments of Cuzco, Puno, and Madre de Dios. It is considered the largest hydroelectric project to be constructed in Peru, forecast to flood 45,000 hectares**, leaving agricultural land, peasant land (populated by some 8,000 people), and extensive areas of native jungle (including Bahuaja Sonene National Park) under water. The resulting lake will permit access to areas currently out of reach.

In order to complete these projects, even the Inter-Oceanic Highway will have to be modified, due in large part to the fact that, in the departments of Cuzco and Puno, it will be under the lake waters. As well, critics point out that 75% of the total energy generated there (2,000 MW) will be transferred to Brazil. [12]

In Inambari, the usual uncertainty seems to be reproducing itself due to the costs of the project and the social and environmental impacts already felt in the Hydroelectric Plants of Belo Monte (PA) and Madera (RO). The same game of disinformation and counter-information is evident, along with the same risks derived from omission and social and

environmental irresponsibility on the part of the Peruvian government. But the coincidences don't end there: the firms involved and the financial actors are practically the same-this time, in Peruvian territory.

That situation raises new challenges for analysis and principally for political action at different levels, including regional politics. Among them, we identify the challenge of how to act when faced with governments that, despite having received legitimacy through social and political processes, maintain relationships with national and transnational conglomerates, and continue to finance infrastructure projects and natural resource exploitation with public resources, thereby causing major negative social and environmental impacts on a local level.

It also inspires an update to the general analytical perspective about so-called regional integration. For that, **sustainability and equality should be among the first fundamentals; social and environmental aspects should be treated in an integrated manner; special attention must be paid to how asymmetrical relationships of power have been able to rebuild and expand themselves within a society that permits this new extractivism model.**

It is urgent to initiate action to increase public debate about the questions raised here and includes involving sectors of the union movement (from the countryside, forests, and cities) that perceive and are worried about the negative consequences of this model.

The debate over society's participation in the design and planning of public policy must resume, but from a new basis, making the most of what has been learned in the last decade of relationships with governments and multilateral organizations.

End Notes

1. Carvalho, G. A Integração Sul-americana e o Brasil: O protagonismo brasileiro na implementação da IIRSA, Belém, Pará: Fase, 2004; Verdum, R. O insustentável ambiente da integração, Boletim Orçamento & Política Socioambiental, Volume 5, n. 19, December 2006, 12 pages.; Verdum, R. (org.) Financiamento e Megaprojetos. Uma interpretação da dinâmica regional sul-americana. Brasília: Instituto de Estudos Socioeconômicos, 2008.
2. For the Brazilian case, see Grün, R., "Escândalos, marolas e finanças: para uma sociologia da transformação do ambiente econômico," in Dados, v. 51: 313-352, 2008; Jardim, M. C. "'Nova' elite no Brasil? Sindicalistas e ex-sindicalistas no mercado financeiro," Sociedade e Estado, v. 24, n. 2, August 2009, pp. 363-399.
3. See Gudynas, E., "Diez tesis urgentes sobre el nuevo extractivismo: contextos y demandas bajo el progresismo sudamericano actual," in various authors, Extractivismo, política y sociedad, Quito: CAAP/CLAES, 2009. pp. 187-225.
4. See Echave, José de, et al, Minería y Territorio en el Perú. Conflictos, resistencias y propuestas en tiempo de globalización, Lima, Perú: Programa Democracia y Transformación Global, 2009; Svampa, M. y M. A. Antonelli (eds.), Minería transnacional, narrativas del desarrollo y resistencias sociales, Buenos Aires: Biblos, 2009; Pereira, A. R, et alii, A exploração minerária e suas consequências na Amazônia brasileira, Conflitos no Campo Brasil, Comissão Pastoral da Terra (CPT), 2009.
5. See the Informativo Dinâmicas Transfronteiriças Brasil-Perú, Año I, 1st edition, June 2009. This report was presented in the XI meeting of the Grupo de Trabalho (GTT) para a Proteção Transfronteiriça do Alto Juruá e Serra do Divisor, between June 30th and July 3, 2009, in the School Saberes da Floresta Yorenka Âtame, in Marechal Thaumaturgo, Acre.
6. Ibid. See the map on page 7.
7. In 2005, Petrobrás became the second major extractor of petroleum in Peru, and the

firm with the largest extension of "concession area" to explore. Odebrecht and Petrobrás possess, respectively, 60% and 20% of Braskem, the largest petrochemical firm in Latin America, which is also present in Peru.

8. See Iglesias, M. P et al., Os riscos da IIRSA e do PAC para a Amazônia. In Boletim Orçamento & Política Socioambiental, Year VI, n. 20, May 2007, Brasília, INESC. 12 pages.

9. Rosa, B., "Ex-executivo da Petrobrás cria empresa de exploração de petróleo," O Globo, November 5, 2009.

10. Inambari (2,000 MW), Sumabeni (1,074 MW), Paquitzapango (2,000 MW), Urubamba (940 MW), Vizcatán (750 MW), and Cuquipampa (800 MW) are the six large hydroelectric stations that Brazil will construct in Peruvian territory, as well as a major line that will connect with the Brazilian energy system.

11. See Felismino, R., "Perú ficará com 20% da energia de usinas construídas pelo Brasil," Reuters Agency, 8/08/2009; García, Elias, "Brack objeta construcción de dos hidroeléctricas en la selva," in Gestión, 26/08/2009.

12. See the interesting documentary video (in Spanish) entitled Inambari: La Represa de La Discordia at the following link:

http://www.flatina.com/www/videos_flv/FLVPlayer/flvplayer.php?id=286.

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For More Information

Local Battles to Save the Brazilian Amazon Pit Residents against Loggers and Government

<http://americas.irc-online.org/am/6636>

Biodiversity Report from Americas Program of CIP-November 2009

<http://americas.irc-online.org/am/6584>

Biodiversity Report from Americas Program of CIP-October 2009

<http://americas.irc-online.org/am/6513>

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