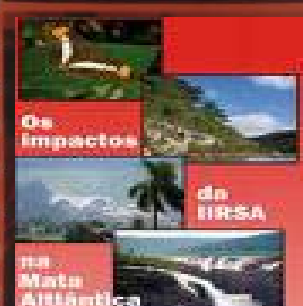


# **Infrastructural Works within the Context of the South-American Integration**

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## Infrastructural Works within the Context of the South-American Integration

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If implemented as scheduled for the next ten years, the initiative 2007/2010 (PAC) of the Brazilian federal government should consolidate and promote significant changes in how the Brazilian and the South American territorial spaces are occupied, mainly the continental Amazon Region.

That is mainly due to the fact that both *development strategies* foresee a considerable number of big infrastructure works, or *large scale projects* (LSP), an expression created by Gustavo L. Ribeiro<sup>2</sup>, notably those related to the transportation (ground and river) and energy (dams and transmission lines). (dams and transmission lines).

Some fellows belonging to the *lineage* of researchers and academics who, more than twenty years ago, inspired by the pioneer works of Leopoldo J. Bartolomé and Silvio Coelho dos Santos started in the 1970's and 1980's<sup>3</sup>, have analyzed the social and social & environmental effects ensued by the big infrastructure works in the South Cone region. In the book, they analyze different contexts and social conflicts related to the installation of infrastructure works in the electric sector, either by the "invisible hand" of the market, or by state-owned companies in Brazil and Argentina. notably those related to the companies in Brazil and Argentina.

The consolidation of the openness process and the "free market" facilitation seem to be the *entry door* to the social inclusion during President Lula's second term. That is what one understands when reading the sectoral document of the energetic and mineral policy of President Lula's campaign to 2007/2010<sup>5</sup> and the 1008/2011 Multi-Year Plan (PPA)<sup>6</sup>, submitted by the Federal Executive Power to the National Congress on August 31, 2007.

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<sup>2</sup> The pioneer effort of Gustavo L. Ribeiro (1985, 1987, 1991), towards establishing a conceptual framework to carry out studies of case and comparative analyses of that sort of *economic undertaking* and its relation to the processes of articulation and historic and territorial expansion and economic systems and power, is largely recognized by academics and researchers in the field of "development projects" at the Mercosur region. To some extent, that is because the approach used is not limited to one specific aspect of the infrastructure projects or their social and ecological impacts. In opposite, it focuses the total system built by them that rules from macro aspects of the works to the daily life of the individuals that participated in them or are affected by them.

<sup>3</sup> See Aspelin and Santos (1981); Bartolomé (1984, 1985).

<sup>4</sup> See Reis and Bloemer (2001); Balazote, Catullo and Radovich (2001); Santos and Nacke (2003); Reis, Radovich and Balazote (2005); Catullo 2006.

<sup>5</sup> See [www.lulapresidente.org.br](http://www.lulapresidente.org.br).

<sup>6</sup> See [www.planejamento.gov.br/arquivos\\_down/spi/ppa2008/002\\_plppa2008\\_2011.pdf](http://www.planejamento.gov.br/arquivos_down/spi/ppa2008/002_plppa2008_2011.pdf)

The Brazilian energetic matrix is mainly supported by the petrol byproducts (38.4%), followed by hydroelectricity (15%), sugar cane (13.9%) and wood and other biomass (13.1%). The natural gas accounts for 9.3% and the mineral coal 6.4%. Moreover, about 45% of the Brazilian energetic matrix comes from renewable sources. The water source to generate electric power is considered the main competitive advantage of Brazil, with great potential for expansion. Hydro energy now accounts for 85.4% of the electric power produced in Brazil, and estimated potential to generate 260 GW. Of that estimated potential, according to official data from the Ministry of Mines and Energy, only 28%<sup>7</sup> are used nowadays.

Our contribution to the debate posed by this publication is to call the attention to the importance of adopting and developing a *multi-scale* view when analyzing the big infrastructure works. That because the “development projects” like those considered herein can only be duly understood if one considers the determinations and interactions among different levels of the political and economic power – international, national, regional and local. Regardless the ideology that guides them in the planning process, what can be observed is that they have been production means bound to an economic system that is characterized by the expanded production and reproduction of capital. A system guided by the (hegemonic) paradigm of integral of all peoples and cultures in a worldwide capitalist system.

In an analysis of the changes occurred in the Brazilian electric power sector in the last 25 years, Carlos Vainer (2007) observes that despite the efforts made by the civil society and environmentalists to make the sector incorporate the social and environmental affairs to its agenda, the rivers, populations and whole regions are delivered to some few big corporations – national and international ones – of the mineral, metallurgy and energy sector, to favor a development whose costs and benefits have not been dully measured, neither their distribution.

We seem to be experience the reproduction of (remolded) ideas and practices of the old *development* model, where the big infrastructure works are the main fosterers of promotion and induction to the political and economic frontier of the capitalism (private and state), to regions that used to be somehow isolated (“marginal”). Moreover, we seem to be in times of redefining how to occupy and exploit territories that were, in the past, object of projects on the productive processes’ *development* or *modernization*.

Considering the convergence of interests and the view on *development* shared by important segments of the government and the private sector, there will be few news and rumors about governmental favoring to the big contractors and subsidiaries that provide services, inputs (cement, iron, sand, etc.) and machinery to the works.

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<sup>7</sup> See the document *Panorama Energético Nacional: Condicionantes para os investimentos e perspectivas de atendimento do mercado*, presented during the 2nd Seminar of Energy and Environment, held in Manaus, in June 2006. The document can be accessed at: [www.abce.locaweb.com.br/downloads/IIseminariomeioambiente/ministro\\_nelson\\_hubner.pdf](http://www.abce.locaweb.com.br/downloads/IIseminariomeioambiente/ministro_nelson_hubner.pdf)

Then comes the displacements and mobilization of cheap labor force, under terrible working and living conditions; the submission of workers to rules that are similar to the military discipline; the dismantling of families and local communities, impacted by the works; the disqualification and cooptation of community and regional leaderships in exchange for some *compensations* and *benefits*; and the formation of misery belts and focus of prostitution to serve and enjoy the laborers. That not to mention our old friends: Over-invoicing, corruption, the clientelist use and private appropriation of public moneys, additionally to the political-partisan and electoral use of works and mitigating compensations.

**In this article we will focus on the recent efforts endeavored by the Brazilian and South American economic and political elites, to expand, connect and modernize the transports, energy and communication infrastructures in the region. The IIRSA (at subcontinent level) and the PAC (at national level) are privileged objects of analysis. We should approach the protagonist role that Brazil plays in the process of *South American competitive integration*, a clear objective of the aforementioned initiatives of infrastructure integration. Brazil and its geo-economic policies to the neighbor countries are now the driving power to the ongoing integration process that has its conceptual and methodological roots developed in the Brazil in the first years of the 1990's<sup>8</sup>.**

**The official history of IIRSA** The official history of the intergovernmental articulation for the IIRSA starts in September 2000, in Brasilia, during a meeting of the twelve presidents of the South American National States<sup>9</sup>. By that time, the participants identified and discussed the issue of the region's physical infrastructure fragmentation. The main cause claimed by the time was the lack of a comprehensive view of South America as a geo-economic unit and not as a set of separated countries. In practice, that would imply a new territorial organization in the South America.

As a solution to the *problem*, they pointed out the need for defining a new strategy to develop a joint work to integrate the national infrastructures. That strategy was called initiative of *Integration of Regional Infrastructure in South America* (IIRSA) and was structured based on the idea of *integration and development axes*.

**A second meeting was held in July 2002, at Guayaquil (Ecuador), approaching the issue of "physical integration of the South American infrastructures". Both meetings were held during the second term of the Brazilian President Fernando Henrique Cardoso.**

**In the third meeting, held in December 2004 at Cuzco (Peru), in the first term of President Lula da Silva, the IIRSA was confirmed as an important component of**

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<sup>8</sup> On the Brazilian territorial policy within the context of the South-American integration in the 1990's, see Becker (1999), Costa (1999).

<sup>9</sup> Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.

the regional political and economic integration. The 12 Presidents approved an investment portfolio composed of 31 *large scale projects* – known since then as *anchor project*. Considered strategic to the 2006 – 2010 period, those projects were then estimated to cost US\$ 6.4 billion. Another priority established by that time was the enhanced convergence among Mercosur, the Andean Community (CAN) and Chile, aiming at building a broader regional “free-trade area”.

The intention of incorporating the IIRSA as part of the strategy to build an *integrated South American* space became evident on September 30, 2005, during the 1<sup>st</sup> Meeting of Heads of State of the *South American Community of Nations (CSN/CASA)*. By that time, the twelve presidents committed to pursue financing sources that, according to the official document, considered the financial reality of the South-American countries, preserving the States’ capacity and autonomy in the decision-making making, while fostering the required investments to implement the priority projects gathered at the *IIRSA Portfolio*. They have also restated the importance of the energetic integration in South America, ratifying the results of the *1st Meeting of Ministers of Energy of the South American Community of Nations*, held in Caracas, on September 26, 2005. During that meeting, the participants decided to continue the *Petroamerica Initiative*, based on the principles expressed in the Meeting’s Declaration<sup>10</sup>.

Finally, the first *South American Energetic Summit*, held in April 2007 at the Margarita Island (Venezuela) created the *South American Nations Unit (UNASUL)* to replace the so-called *South American Community of Nations (CSN/CASA)*. It was defined that UNASUL should have an Executive Secretariat with headquarter in Quito (Ecuador), to be coordinated by Ecuador’s former President, Mr. Rodrigo Borge. The Secretariat should coordinate the compliance to the decisions made by the region’s government on different topics related to the South American integration. Moreover, the intergovernmental discussions started aiming at the the so-called *Banco Sul* – a regional financial entity with its own resources, subordinated to the country members’ objectives and decisions.

Still in the scope of the *Energetic Summit*, the *South America’s Energetic Council* was established and is to be composed of the energy ministers of the countries. Among others, the Council’s duties are: (1) outline a proposal of parameters to a South American Energetic Strategy; (2) an Action Plan; and, (3) a regional Energetic Treaty. Additionally to the elaboration of legal and regulatory references to multilateral and bilateral agreements, the Council was thought to be the institutional sphere to settle the controversies that come to appear in the region<sup>11</sup>.

In an effort to formalize it, one could say that IIRSA history is divided in three moments: The *foundation* (2000-2002); the *planning* (2003-2004); and the *implementation* (2005-2010).

<sup>10</sup> The document of the 1st Meetings of Heads of State of the South American Community of Nations is available at the FLACSO/Brazil homepage: <http://www.flacso.org.br/data/biblioteca/422.pdf>.

<sup>11</sup> On the process of planning and implementing the energetic integration in South América, whose history dates back to the 1940’s, see the first part of the Doctorship Thesis of Mirian Nuti (2006).

## On the IIRSA pre-history and the Brazilian protagonism

As many other projects of *development* promotion, the IIRSA also has its *pre-history*. In fact, the modern concept that grounds the idea of building an integrated logistical system to make the South American region economy more competitive at the international scope – and attractive to private investments – dates back to the early 1990's when the Brazilian integration strategy was formulated based on the *National Integration and Development Axes* (ENID)<sup>12</sup>.

Besides being part of the Fundamental Principles of the 1988 Constitution of the Federative Republic of Brazil, Art. 4, Sole Paragraph - according to which the Federative Republic of Brazil should seek the economic, political, social and cultural integration of the Latin American peoples aiming at building a Latin America community of nations – the Multi-Years Plans (PPA) of the Federal Government for 1996 - 1999 (called *Brasil em Ação*); of 2000-2003 (*Avança Brasil*); and for 2004/2007 (*Brasil de Todos*) included in their strategy the Amazon region's integration to the Brazilian productive space and the consolidation of the regional integration of South America, based on the idea of the *National Axes of Integration and Development*.

The *1996-1999 PPA*, for example, defined five national integration axes (North-South integration axis; West integration axis; Northeast integration axis, Southeast integration axis and South integration axis) and two continental integration axes (Exit to the Pacific and Exit to the Caribbean). Among the main projects of the *Brasil in Action* were: Recovering the BR 364 (Brasilia-Acre) and BR 163 (Cuiabá-Santarém) highways; paving the BR 174 (Manaus – Boa Vista) highway; implementing the Araguaia-Tocantins and the Madeira Rivers waterways; the gas duct of Urucu and the high tension line connecting Tucuruí to Altamira and Itaituba<sup>13</sup>.

The *2000 – 2003 PPA* established the following axes: (1) Exit to the Caribbean; (2) Madeira-Amazonas River Waterway; (3) North Coast; (4) Araguaia-Tocantins; (5) Transnordestina Highway; (6) West; (7) São Francisco River; (8) Center West Region; (9) Paraguai-Paraná River Waterway; (10) Sao Paulo; (11) South Coast; and (12) Frontier Fringe (RS-Mercosur). The *Avança Brasil* focused its investments to the Legal Amazon in for multi-modal transportation corridors, totaling 3.5 billion dollars. More than 50% were then allotted to the Araguaia-Tocantins River corridor; about 30% to the Southeast corridor; 15% to the West-North corridor and 5% to the North Arch corridor. The global territorial strategy to implement those actions aimed at the effective incorporation of the westward piece of the Amazon to the Brazilian South-Southeast region, where the main axes were the waterways and two north-south highways, Cuiabá-Santarém and Porto Velho – Manaus – Boa Vista – Venezuela<sup>14</sup>.

<sup>12</sup> For further details on the pre-history of the current strategy of South American regional integration, see Silva (1997) and Carvalho (2004, 2006a, 2006b).

<sup>13</sup> Cities of the State of Para

<sup>14</sup> See Cardoso (1998: 80-117); Théry (2005).

In brief, the *National Axes of Integration and Development* (ENID) meet three objectives in the Brazilian strategy of geo-economic integration: (i) The building of an integrated system of logistics to guarantee competitiveness to the Brazilian products in the international market; (ii) the incorporation of new areas in the country to the dynamic of the global trade; and, (iii) the creation of conditions to consolidate the political and economic hegemony of Brazil in South America.

In that sense, one could say that ENID and IIRSA are complementary initiatives that mutually exchange feedback and both share similar assumptions and guidelines regarding the economic integration. Each Brazilian axis has one or more international extensions. Another important detail that discloses Brazil's protagonism in IIRSA is the fact that the study carried out by IADB in December 2000 was commended by the Brazilian Government, and that BNDES (National Bank of Economic and Social Development) is one of the financiers – if not the biggest one – of the work of Brazilian firms in the execution of undertakings in the neighbor countries of significance to Brazil<sup>15</sup>.

Brief mapping on the IIRSA's actors and concepts

**Additionally to the 12 South American governments integrated in the inter-governmental articulation that is now called UNASUL, new and old fellows in the financial and entrepreneur sectors are directly involved in the IIRSA formulation and implementation: The Inter American Development Bank (IADB), the Andean Development Corporation (CAF), the Financial Fund to the Development of the Brazil's Plata Basin and big size Brazilian corporations, like the Odebrecht, Petrobrás, Andrade Gutiérrez, Queiroz Galvão, among others, just to mention the most well known in Brazil and in the region in general. The following companies have also executed integration works in the region: Vale do Rio Doce, General Electric (GE) and the America Latina Logística (ALL).**

The IIRSA is organized with an Executive Board Committee of Ministers that gathers once a year and that issues the guidelines and priorities for the year; that is also when the presidential meetings are held. The Committee was headed, in 2007, by the Government of the East Republic of Uruguay and two Vice-Presidencies from the Governments of Ecuador and Colombia. Since 2001 the *Instituto para la Integración de America Latina y el Caribe* (INTAL/IADB), bound to the Department of Integration and Regional Programs of the IADB, in Buenos Aires, hosts the Secretariat of the Committee of Technical Coordination (CCT) of IIRSA. That Committee is composed by IADB, CAF and FONPLATA, which were also the financial institutions that promoted the FTAA (Free Trade Area of the Americas), an integration initiative headed by the United States of America<sup>16</sup>.

<sup>15</sup> The document presented by the Inter-American Development Bank is called *Un Nuevo Impulso a la Integración de la Infraestructura Regional en América del Sur* and, among other issues, points out the factors that inhibit the trading enhancement between the countries, pointing out alternatives.

<sup>16</sup> IIRSA's official website is [www.iirsa.org](http://www.iirsa.org).

The World Bank (IRDB) remained aside in the process until very recently. Now the Brazilian government has formally activated this financial actor. According to the Minister of Planning, Paulo Bernardo, during the 1<sup>st</sup> Consultation Round on the construction of the so-called South-American Strategic View (VESA) held in Foz do Iguazu (PR) in December 2005, President Lula would have talked to the institution's president by that time, Paul Wolfowitz, about the 31 priority projects of IIRSA and the importance of having the World Bank assisting in the undertakings' financing.

IIRSA also comprises other institutions like the Economic Commission to the Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP) and the Amazon Cooperation Treaty Organization (ACTO). On 14 September 2004, during the 8th Meeting of Ministers of Foreign Affairs of the ACTO State Members, the countries' delegations decided to adopt the Organization's 2004 – 2012 Strategic Plan. The Strategy comprises the Axis "Regional Integration and Competitiveness" that states:

*"One of the priorities of our governments is to set the grounds to a sustainable development that, in the long term, can entail social welfare and enhance the participation of the region's countries in the global economy. For that, the South-American Regional Infrastructure Integration (IIRSA) Americana (IIRSA) considers the Amazon Region of utmost importance in the development of physical, communications and energy integration that would allow for getting the intra-Amazonian markets closer." (Free translation).*

On July 25 2005 ACTO and the Inter American Development Bank (IADB) entered an agreement to execute the so-called Project to Strengthen the Joint Regional Management to the Sustainable Use of the Amazonian Biodiversity, which allowed for launching, by middle 2006, a Call for Bid to carry out a study on the biodiversity risks ensuing from the infrastructure building in the Amazon region.

IIRSA has a confluence of ideas and interests, where groups from different institutional spaces (local, regional, national and international) articulate one another providing different contributions to the Initiative and to the set of works that integrate it (financial agents, governments, international agencies, contractors, several consultancy agencies, raw material suppliers, trade unions and agencies that recruit laborers to works, research and academic institutions, etc.)

Both in IIRSA and in the PAC, one can clearly note a convergence and an association of different perspectives and interests aiming at promoting and bringing about in the South American region social, political and technological changes to: (i) build mass industrial economies; (ii) accelerated economic growth, fostered by the most dynamic and competitive sectors; and, (iii) greater internal integration of the national territories, incorporating the natural resources and local populations in a system that produces commodities, whether to domestic consumption or to fight for space in the so-called international market. In IIRSA (as well as in the PAC) improving the

populations' living conditions, mainly those identified as *poorest and more vulnerable* is stated to be one of the main priorities.<sup>17</sup>

In its official discourse, IIRSA stands for an opportunity of setting the material grounds to a new view on what would be the regionalism in the South America. According to Ariel Pares, who was IIRSA Coordinator in Brazil until May 007, one of the main navigation charts to the institution would be the notion of "open regionalism". But, what would an open regionalism mean?

*"It would mean that we are not going to plan just based on the administrative planning; i.e., we want to know how the South American communities can trade, become culturally integrated, establish persons' and capital flows, as well as services' flow. An for that, we start with a view on the South American geo-economics integration and, therefore non-geo-administrative that later considers, after our geo-economic and social interests are defined, the fact that each country should meet its commitments" (Free translation of Ariel Pares in the 1<sup>st</sup> Consultation Round to Build the South-American Strategic View in Brazil, Manaus, June 12, 2006.)*

Still according to Ariel Pares, IIRSA is not only a list of works. Rather, that is a "set of works based on a planning whose ambition... is a development project". However, it does not clearly state which would be that development project. Sometimes in his speech, illustrated with graphics, tables and maps, he seems to bring bout images that reflect views as old as the 1970's and 1980's, when people used to say that there was in the Amazon region a "huge gap" of human occupation and that it would be necessary "integrating to avoid giving it up." The 1970's and 1980's were a period of great infrastructural works in the Amazon Region – such as the Transamazonica and the BR-210 (*Permitral Norte*) highways, the Hydroelectric Plants of Tucuruí and Balbina, and the *Grande Carajás* Complex – and in other regions of Brazil, like the Itaipu Hydroelectric Power Plan at the frontier with Paraguay.<sup>18</sup>

Now in the 2000's it is heard about the "scarce urban structure in the region", "gaps" to be "urbanized" and connected to the "service goods required to improve the life quality" and a "network of minimum cities that allows for having access to schools, universities, job, and higher income." As Bertha Becker stressed by that time:

*"I have even read that the Itamaraty<sup>19</sup>'s authorities, [of the Ministries] of Integration and Planning, of the BNDES have said about Integration. What I perceive is that if we analyze it more deeply, the meaning, as some fellow just said, is an economic*

<sup>17</sup> Alselm Jappe in his book *As Aventuras da Mercadoria* (2006) carries out an important critical analysis on the bases that ground the capitalist society, the commodities logic and the theoretical perspectives and practices that just criticize the neo-liberalism.

<sup>18</sup> According to Tundisi (2007), the construction of the Curua-Uma, Balbina, Samuel and Tucuruí dams in the Amazon Region entailed great environmental changes, both upstream and downstream, damaging the local and regional ecosystems and bringing about indirect effects, inclusively to human health, that can hardly be controlled. On the Amazon region, see Davis (1978), Becker (1982, 1990), Leonel (1992), Arnt and Schwartzman (1992).

<sup>19</sup> The Brazilian Ministry of Foreign Affairs.

*meaning of accelerated growth, foreign and domestic trade and of investments intake; that Integration motto is undoubtedly the market.”*

In fact, IIRSA is a *room* [or a *field*, according to Pierre Bourdieu] made up of different disputes and controversies that have little to do with the benefits it is expected to bring to the *poor* and to *eradicate poverty*. But that is not a novelty when we consider the political and economic interests involved and the amount of financial resources that circulate in the institutional triangle formed by governments, consultancy firms and contractors responsible for the works. Even at internal level, UNASUL has different projects of political and ideological projects in dispute, like between the Brazilian and the Venezuelan governments, intertwined to entrepreneur interests, reflecting on the settlement of priorities and the control of the infrastructure integration strategy. Who decides and how? Which project should be prioritized? Who finances what? Which firm or consortium will be granted a part of the projects portfolio? Which work should be granted public financing? Which benefits would the private sector obtain from a given work and then when it becomes operational? Who undertakes the mitigations and compensations related to the resulting social and environmental impacts? Those are some of the daily topics found.

The paving of the BR 163 – a highway that connects Cuiabá (State of Mato Grosso) to Santarém (State of Pará) seems to be a good example of those disputes. In June 2006, the Ministry of Planning’s webpage disclosed such paving work – at the *IIRSA Amazon Region’s Axis* – as one of the so-called *anchor projects* of the initiative. That classification was in conflict with the IIRSA official webpage in the same period, where the project had not that status.

A way for observing IIRSA’s importance in the Brazilian Federal Government’s public policies is the infrastructure sector’s budget. Another would be the BNDES investment portfolio through loans to the Brazilian firms to develop infrastructure projects at the neighboring countries. Unfortunately including for us, Brazilian, that is impossible because those data and information are kept as top secret. The BNDES policy is more conservative than that of the multilateral agencies like the World Bank (IRDB) and the Inter American Development Bank (IADB), and has formulated several operational guidelines on environment, Indian peoples, resettlement of affected individuals, etc. - and mechanisms of access to information that can be demanded at formally constituted instances<sup>20</sup>.

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<sup>20</sup> On BNDES conservatism, a fact that its current president, Luciano Coutinho, acknowledges and the actions recently implemented by the Brazil’s Network on Multilateral Financial Institutions (*Rede Brasil*), see: [www.agenciabrasil.gov.br/noticias/2007/08/08/materia.2007-08-08.2630670700/view](http://www.agenciabrasil.gov.br/noticias/2007/08/08/materia.2007-08-08.2630670700/view)

### **PAC: Brazil's component of the IIRSA**

The launching of the Brazilian Federal Government's *2007/2010 Growth Acceleration Program (PAC)* on January 22, 2007 brought about several debates and favorable and negative forecasts, depending on the perspective adopted and the interests that motivate the groups. Within the scope of the entities and movements that make up the so-called "Brazilian social and environmental field" the complain was general, mainly because of the potential and likely environmental and social impacts ensuing from the infrastructures works and the investments foreseen to expand the production of agrifuels.

The formal objective of the PAC is to foster the productive efficiency of the major economic sectors, inducing the technological modernization, accelerating the expanding areas and activating depressed areas, increasing competitiveness and integrating Brazil to Brazil, to its neighbors and to the world. That is to say that the PAC aims at expanding and strengthening the internal links of Brazil and its links to the neighbor countries. For blocks of measures have then been scheduled: (1) Investment in infrastructure; (2) incentive to credit and the financing of investment in infrastructure; (3) improvement to the investment environment; (4) long term fiscal measures; and, (5) tax relief and improvement to the tax system.

In the field of environmental legislation, the polemic arose about the Remedy Measure that rules Art. 23 of the Federal Constitution, setting different roles and responsibilities to the Federal Government, states and municipalities in what regards the environmental licensing<sup>21</sup>. If there is a relative transparency and social control at the federal level, at the state and above all the municipal level that one finds that major challenges posed to an effective *social control* on the environmental licensing process. If one can say that at the federal sphere there is some sort of *social control*, that is not true to the state and municipal levels, with few exceptions that are still strongly influenced by the economic pressure and the associated clientelist strategies.

The investments contemplated in the PAC are worth R\$ 503.9 billion, to be disbursed from 2007 to 2010. The resources allotted to infrastructure are distributed in three areas: <sup>22</sup>

*a. Energetic infrastructure area* – is the biggest one, with a budget of R\$ 274.8 billion, accounting for 54.5% of the total budget. This area gathers the petrol, gas and electric power sectors. Public corporations with great participation in the area: Petrobras, Eletrobras and Furnas;

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<sup>21</sup> Complementary Bill (PLP) 399/07

<sup>22</sup> For further details, access: [www.bndes.gov.br/conhecimento/liv\\_perspectivas/10.pdf](http://www.bndes.gov.br/conhecimento/liv_perspectivas/10.pdf)

*b. Social and urban infrastructure area* – rests on a budget of R\$ 170.8 billion, accounting for 33.9% of the total budget. The main sectors represented in this area are housing and sanitation.

*c. Logistic infrastructure area* – rests on a budget of R\$ 58.3 billion, accounting for 11.6% of the total budget. This area comprises investments in highways, railways, ports, airports and others. The total investment in logistic infrastructure for 2007/2010 is scheduled as follows (R\$ million):

To the *generation* of electric power, the Federal Government foresees to 2007 an investment worth R\$ 11.5 billion, additionally to about R\$ 54.4 billion for 2008/2010, totaling R\$ 65.9 billion. To the *transmission* of electric power, the Federal Government foresees to that year an investment worth R\$ 8.2 billion, additionally to R\$ 8.2 billion for 2008/2010, totaling R\$ 12.5 billion.

The PAC foresees the constructing of 62 hydroelectric power plants, 21 thermal electric power plants, and 55 small electric power plants additionally to 48 new wind farms and eight biomass-fueled power plants. Should it be implemented as planned, it would expand the electric power generation capacity in about 12,400 MW until 2010 and additional 27,500 MW after 2010.

As the Federal Government has announced, the Amazon region is the core axis of the *growth acceleration* strategy and to the integration of Brazil with the neighbor countries. The strategy includes highways and waterways works to allow connecting the different sub-regions of Brazil and the country to the regions of the Caribbean, Central America and south-southeast of the United States, additionally to the Pacific Ocean, thus facilitating the access to the main markets of *commodities* (mainly the agricultural products) in Asia, such as China and Japan. The following map discloses the main infrastructure works prioritized by the Federal Government to facilitate the links and flows between Brazil and its neighboring countries – both Amazonian and non-Amazonian ones.

Map 1: Main works to build connection with the neighboring countries



In 2007 there were advances in: the political-administrative processes aimed at the installation of the Manaus-Urucu-Porto Velho gas pipeline system; the constructing of the Jirau and Santo Antônio Hydroelectric Power Plant and the Upper Madeira River (State of Rondonia) waterway; soy agribusiness expansion in the Amazon region; the São Francisco River transposition; the constructing of the Transnordestina (Northeast) railway; the connection and expansion of the gas pipeline systems network in the Southeast Region and Northeastward, among other undertakings and works aimed at facilitating the access and the flow of natural inter-regional natural and energetic resources and to the international markets.

In the first half of 2007, the Madeira River Complex (State of Rondonia) was the main stage for polemic and debates at regional (between Bolivia and Brazil), national and local levels. Additionally to the two HPP planned, the constructing of an waterway corridor connecting Brazil and Bolivia is the main objective of the project, particularly due to its potential for facilitating the flow of the soy produced in the Center West region and the South of the Amazonas State to ports in Peru.

It seems that the Madeira River Hydro-energetic and Waterway Complex will be built by the Norberto Odebrecht Construction Firm in partnership with the state-owned FURNAS Centrais Elétricas S.A. The estimated cost ranges from R\$ 18.4 billion to R\$ 28 billion, and is one of the main and more important projects of the Growth Acceleration Program (PAC). Despite the reduced support, mainly in the state of Rondonia, remains active the campaign on the actual interests and impacts ensuing from the Madeira River Hydroelectric and Waterway Complex and the doubtful and uncertain positive results announced by the government and by the entrepreneur and financial interests to the region in the medium term. The prior license to Santo Antonio and Jirau, granted by the Federal Government in July 09 to allow the auction to the use permission, was approved despite the categorical opposition of the Environmental Impact Assessment and the Report of Environmental Impact (EIA/Rima) of Ibama, based on several studies and technical opinions prepared by an independent team hired by the Institute. Ibama's technical opinion was disseminated in March, bringing about an internal crisis in the Ministry of Environment. The opinion advocated for the project's unfeasibility due to the lack of information on the social and environmental impacts upstream and downstream the dams<sup>23</sup>.

Map 2: Main Integration Axes in the Amazon Region



<sup>23</sup> See: [www.riomadeiravivo.org.br](http://www.riomadeiravivo.org.br).

The Madeira River's case is also directly and indirectly related to the crisis of the Ministry of Environment (MMA) that started in April, when the Ministry underwent the third restructuring process in the last four years. According to the official speech, the changes promoted last May were intended at strengthening the MMA in its role of central body to the National System of Environment, in charge of the formulation, implementation, follow-up and assessment of the environmental policy, besides enhancing and modernizing the governmental action in this field, besides adjusting it to the priorities in climatic changes, the new energetic model and the so-called sustainable rural development. The Governmental Measure – enacted by the National Congress by the end of August 2007 – separated from IBAMA the sector in charge of managing the Conservation Units, which is now housed at the Chico Mendes Institute, that was established by means of that same Measure. The Brazilian Environmental Institute (*Instituto Brasileiro do Meio Ambiente - IBAMA*) remained with the environmental licensing sector. To replace the prior structure in the Ministry of Environment, the following National Secretariats were established: (1) Climatic Changes and Environmental Quality; (2) Extractive and Sustainable Rural Development; (3) Institutional Articulation and Environmental Citizenship; (4) Biodiversity and Forests; and, (5) Water Resources and Urban Environment.

There are countless doubts about the true objectives of the Federal Government to the ongoing restructuring of the Ministry of Environment and IBAMA: If it will strengthen the Ministry of Environment's and IBAMA's spheres responsible for the assessment, follow-up and environmental licensing or, in opposition, in a greater weakness of those bodies in face of the national and international financial and economic interests of the private sector and state-owned companies regarding the natural resources and biodiversity in the Brazilian territory. Moreover, a significant share of IBAMA employees are resistant to the restructuring, pointing out that the establishment of the Chico Mendes Institute would bring risks to the autonomy and weaken even more the governmental system of environmental control.

Additionally, there is the accelerated debate, negotiation and national and international investments, both public and private ones, interested in expanding the production of ethanol (sugar cane) and the so-called biofuels (based on oleaginous species such as the soy, the *dendê* palm, babaçu palm and others.) The issuance of the report by the Inter-governmental Panel on Climatic Changes (IPCC, in Portuguese) in that same period brought about ambiguous effects: At the same time that it supported the supporters of the idea that Brazil is the main global supplier of fuels with less greenhouse effect residues, it warned about the potential negative risks. On one hand, it can accelerate the predatory expansion of those agricultural crops towards the Amazon region, particularly on forests areas. On the other hand, it can accelerate the displacement of cattle farming from the center-south portion of Brazil – closer to the main consumption centers and with better infrastructure to the short-term transportation of agrifuels – to the Amazon region. It is said that Petrobras is developing an eco-zoning on Brazil's

logistic and infrastructure to assess the existing conditions and the needs for investment to enhance the fuels sector, with a view on the foreign market, mainly the European Union.

As mentioned in a previous report, nowadays the three activities that have more impact on the Amazon region are: Timber cutting, cattle farming and crops of soy, corn and cotton. According to a study released in January 2007 by the Ministry of Environment (MMA) and the Brazilian Institute of Geography and Statistics (IBGE) those *economic activities* are the most demanding to the so-called infrastructural projects – highways, waterways, dams and hydroelectric power plants, expanding the electric power and gas conveyance network, among others – and fostering migrations to the region and across the regions. To that, one should add the mineral exploitation, another activity that entails huge environmental and human impact in the region.

In the first half of 2007, particularly during the first meeting of the National Commission on Indian's Policy (CNPI, in Portuguese) held on June 4 and 5, the issue of mineral resources exploitation in Indian's territories has been the target of intensive lobby efforts by the sector's companies and the national media, as well as of governmental sectors that are directly involved and interested, such as the Ministry of Mines and Energy<sup>24</sup>.

Through the publication *Boletim Socioambiental # 20*, published in May 2007, we call the attention to another situation related to the driving economic and financial interests in IIRSA and the PAC in the Amazon region: That is the initiative of petrol research in the Upper Juruá River region, in the State of Acre, promoted by local politicians and entrepreneurs in a region inhabited by isolated Indian groups. The region is considered a priority to the biodiversity preservation. Through our articulations with researches and entities working in the social and environmental field in that state, we brought the case to the national scenery, enhancing a campaign that up to them had been approached as a local issue, apart from the biggest context of "regional integration". More than a "local quarrel", the research on the gas and petrol potential in the State of Acre is part of a broader strategy of "inclusion" of Indians and the natural resources existing in the Indians' territories (mineral, energetic resources, among others) into the "economic growth" policies of Brazil, which is now in the order of the day. By middle August 2006, the newspaper *Estado de São Paulo* published an article informing that Petrobras had decided to restart developing the Juruá Field that is considered the main ground reserve of non-associated (without petrol) natural gas in Brazil. Juruá, in the Solimoes River Basin, comprises more than half of the Amazonas River and part of the state of Acre, was included in the list of priority projects of the state-owned company until 2012. The undertaking was expanded and included the Araracanga Field. The Juruá Field was discovered in 1978 but the works stopped due to

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<sup>24</sup> Since 2004, the federal government is articulating the elaboration and submission to the National Congress of a bill to rule the mineral exploitation in Indian's Lands. On the topic, access INESC technical note at [www.inesc.org.br](http://www.inesc.org.br).

difficulties in taking the production to the consumer markets. According to that article, the new producing pool in the city of Carauari (State of Amazonas) will be connected to the Urucu Field (State of Amazonas) that, in turn, is connected to Manaus through a gas pipeline system. Moreover, the company is considering connecting Urucu to Porto Velho (State of Rondonia)<sup>25</sup>.

### Final remarks

We could not conclude this brief analysis without mentioning the new Multi-Year Plan of the Brazilian Federal Government (PPA 2008/2011) disclosed on August 31, 2007, and its implications to the national and South American integration process. There is a specific objective named "Strengthen the international sovereign insertion and the South American integration" where one reads as follows:

"Brazil's international strategy is supported on a sound regional basis, starting by the strengthening and enhancing of the South Cone Common Market (Mercosur). Brazil occupies 47% of the South American continent territorial surface, and has frontier with 10 neighbors. The regional integration is a natural consequence of that reality" (free translation of page 102).

In 2008/2011 the *physical integration* should remain one of the major approximation axes to the region's countries, mainly through highway infrastructure projects. Investments to constructing 40 new port terminals in the Amazon region and the Parana-Paraguay waterway are scheduled for that period.

Moreover, it is said that Brazil – through the BNDES - will keep on financing the exports of Brazilian firms that deliver *engineering services* to the South American countries. According to the document:

"From January 2003 to the first half of 2007, the bank [BNDES] contracted financings to the South America in the amount of US\$ 1 billion. Based on the contracted financings, the estimated additional amount for the next three years is US\$ 1.3 billion" (free translation of page 103).

I hope that this text clearly shows that the protagonist posture of Brazil in the South-American integration scenery is not recent. It dates back at least to early 1990's. In it, the notion of *integration and development axes* is fundamental and has followed the government action since then, either in its foreign diplomacy and cross-government cooperation actions, or in the BNDES financing to the so-called

<sup>25</sup> Source: Estado de São Paulo of August 17 2007, p.B9.

*engineering services* performed by state-owned, mixed and private firms in the neighbor countries.

The notion of *axes* is associated to a complementary notion of *anchor project*, which refers to the project with power of catalyzing and building synergy, to justify the clustering of other projects around it. Other examples of anchor projects within IIRSA are: the Cuiaba-Santarem Highway in the *Amazonas Axis* and the improved navigability of the Paraguay River, in the *Paraguay-Parana Waterway Axis*.

The so-called *neo-liberal wave* in the 1980's – 1990's allowed the development of a geo-economic view that is more open to the international trade in the South American region (*open regionalism*). In that context, one can observe in the countries, notably in Brazil, a trend to overcome isolationist perspectives, with more definite steps towards building explicitly integrationist territorial policies to build a consensual strategy – that is not free of conflicts and disputes for leadership and hegemony – of active insertion to the accelerated process of restructuring the global economy.

Generally speaking, the debate on the macro-strategy of integrating the national infrastructures and its repercussion in terms of environmental sustainability and human rights is analyzed without the required depth. The fragmented views, extremely vulnerable to clientelist and welfare policies prevail. In our view, it would be necessary to build bridges (*network*) among the different efforts of the organized civil society in the country to: (i) achieve broader understanding on the ongoing territorial, political and economic integration policy/policies; (ii) carry out and mobilize critical analysis in Brazil and in the other countries based on the perspective of social, environmental and cultural sustainability; (iii) promote the interchange of knowledge and information in Brazil and among the countries regarding the political and financial management of that integration; (iv) try to build awareness among the existing forums and networks and the transboundary articulations to develop an organized work in the rooms of decision-making regarding the regional integration policies and projects; and, (v) the creation of new governance spaces (national and South American) that are effective democratic rooms. That also includes the recently established Mercosur Parliament, with headquarter in the city of Montevideo.

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