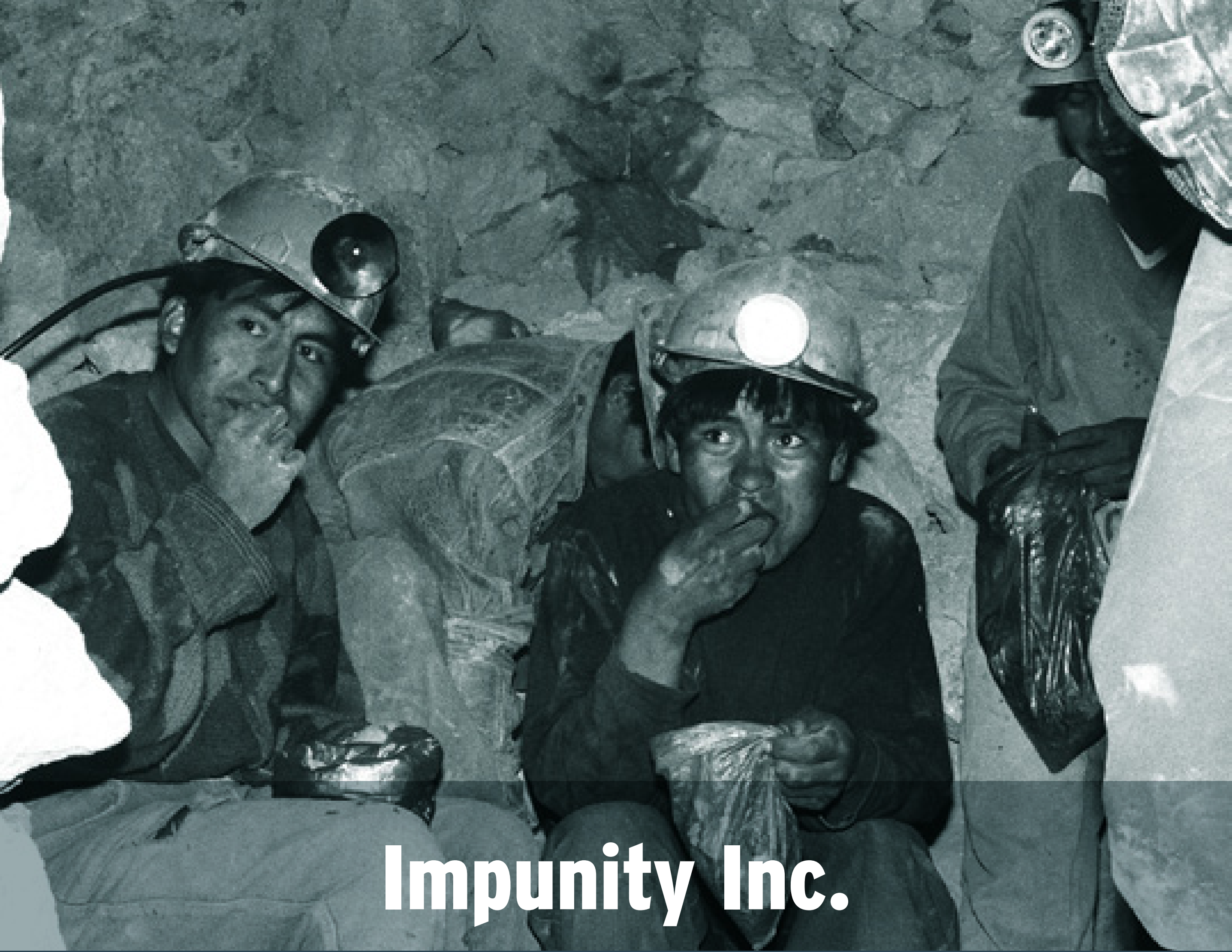

# Impunity Inc.

## Reflections on the "super-rights" and "super-powers" of corporate capital

Observatori del Deute en la Globalització

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**Cover photo:** Resting on the Cerro Rico. Miners from the La Candelaria Mine chewing coca leaves (akulliku). Potosí, Bolivia (October 2004). Photo: Toni Sánchez Poy.

**Back cover photo:** Camp at the "9ª Romaria Da Terra e Das Águas de Rondônia" protest against the Madeira River mega-dams in the Amazon region, Rondonia State, Brazil. Photo: ODG, 10 July 2011.

Report commissioned by the Transnational Institute (TNI) as part of the Economic Justice, Corporate Power & Alternatives Programme

# Impunity Inc.

## Reflections on the "super-rights" and "super-powers" of corporate capital

[ The digital version of this report includes a maps section, with links to online maps showing the location of the case studies analysed. ]

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# List of Acronyms

AA: Association Agreement
AIC: *Agenda de Implementación Consensuada* 2005-2010 (agreed implementation agenda)
BIT: Bilateral Investment Treaty
BNDES: National Bank for Economic and Social Development (Brazil)
CAF: Andean Development Corporation
CAN: Andean Community of Nations
CIS: Commonwealth of Independent States
CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora
COSIPLAN: South American Infrastructure and Planning Council
DRC: Democratic Republic of Congo
EC: European Commission
EEC: European Economic Community
EIB: European Investment Bank
EMFTA: Euro-Mediterranean Free Trade Area
EPA: Economic Partnership Agreements
ETI: Ethical Trading Initiative
EU: European Union
FDI: Foreign Direct Investment
FONPLATA: Financial Fund for the Development of the River Plate Basin
FTA: Free Trade Agreement
FTAA: Free Trade Area of the Americas
FTZ: Free Trade Zone
GAFTA: Greater Arab Free Trade Area
GATT: General Agreement on Tariffs and Trade
GDP: Gross Domestic Product
Gécamines: Générale des Carrières et des Mines (DRC)
GSP: Generalised System of Preferences
IBAMA: Brazilian Institute for the Environment and Natural Resources
ICSID: International Centre for the Settlement of Investment Disputes
IDB: Inter-American Development Bank
IDH: IIRSA Integration and Development Hubs
IFC: International Finance Corporation
IFI: International Financial Institutions
IIRSA: Initiative for the Integration of Regional Infrastructure in South America
ILO: International Labour Organisation
IMF: International Monetary Fund
ITGWF: International Textile, Garment and Leather Workers' Federation
LAC: Latin America and the Caribbean
LAIF: Latin America Investment Facility
MAB: *Movimento dos Atingidos por Barragens* (Movement of People Affected by Dams, Brazil)
MEFTA: U.S. - Middle East Free Trade Area
MERCOSUR: Southern Common Market
MFA: Multi-Fibre Arrangement
NAFTA: North American Free Trade Agreement
PAC: Growth Acceleration Programme, Brazil
RMI: Raw Materials Initiative
SAP: Structural Adjustment Programme
SIN: *Sistema Interconectado Nacional* (National Interconnected System)
SMIG: *Salario Mínimo Interprofesional Garantizado* (Guaranteed Inter-Occupational Minimum Wage)
TCO: Tierra Comunitaria de Origen (Indigenous Community Territory)
UNASUR: Union of South American Nations
UNDP: United Nations Development Programme
UNICEF: United Nations Children's Fund
US: United States
USAID: United States Agency for International Development
WTO: World Trade Organisation

# Executive Summary

This report was produced as part of the ***Global Campaign to Dismantle Corporate Power and Stop Impunity***. Through three case studies, it aims to provide inputs for reflection on the "super-rights" and "super-powers" of transnational corporations.

**Chapter 1** describes the abuses and violations of fundamental labour rights taking place on a daily basis in the garment factories in **Morocco** which make clothes for export to Europe, affecting young women in particular. It also looks at the extent to which successive policies, from the French colonial administration to the present day, including those imposed by the World Bank and the International Monetary Fund, have dismantled the country's traditional agricultural base. For millions of people in the rural areas of Morocco, this process has meant the loss of their livelihoods, obliging them to accept long hours of work and low wages - that in most cases do not cover workers' basic needs - in export-oriented garment factories working for companies like Spain's **Inditex**. This is occurring despite the discourse on corporate social responsibility – now discredited and obsolete – and with the backing of the Association Agreement (AA) between the EU and Morocco, where there is no sanction mechanism to address the violations of fundamental rights. Through this Agreement, *Lex Mercatoria* and the protection of corporate interests continue to take priority over the rights of human beings.

Evidence of a similar situation is found in the case of **Central America**, where the profound asymmetry that characterises the signing of the AA between this region and the EU is highlighted. The guaranteed impunity examined here is that of the Spanish company **Pescanova in Nicaragua**. The case study focuses on its negative impacts in terms of insecure working conditions, the displacement of local fisherfolk and pollution of the environment in the region. The company's dominant position in the shrimp farming sector is emphasised, describing how it has managed to secure most of the area awarded under concession for shrimp production in the country. Its operations not only restrict the traditional fishing communities' access to fishing grounds, but also the local Nicaraguan population's access to food in the affected area. The fact that this agreement was signed recently (June 2012) demonstrates that the European Union has not changed its voracious trade policy over the years. Although human rights, workers' rights and sustainability are mentioned in the agreement, any attempt to demand that they be respected reveals that they are merely empty statements of principle that carry no weight compared to the chapter on trade and investment. The AA therefore provides a guarantee that this dramatic situation of impunity will continue.

**Chapter 2** delves into **Europe's social metabolism** to examine the EU's substantial dependence on the import of increasingly strategic raw materials from impoverished countries. It describes the structure of exports from South America and Africa to Europe and how this keeps these countries in the role of primary commodity exporters and thus in poverty. Emphasising that raw materials are important to capital not only from the metabolic point of view but also on the business side, the chapter describes how European companies are consolidating their monopoly position and their control of the international trade in raw materials. They use Europe as a political platform to ensure that their interests are defended through its "raw materials diplomacy," but it is also the destination for their products. This is why they are particularly interested in maintaining the model of consumption and capitalist production that currently prevails in the EU. By examining **Glencore's mining operations in Colombia, Bolivia and the Democratic Republic of Congo**, on which the EU's metabolism depends, the chapter describes how a giant transnational like this is able to obtain enormous profits while also provoking serious social and environmental conflicts. A review of its activities in **MERCOSUR** countries, where it has taken over thousands of hectares of fertile land, provides evidence of Glencore's control over practically the entire chain of production, under the "vertical integration" model imposed by agribusiness. When Free Trade Agreements, EPAs and AAs are placed under the microscope as they relate to this company, it becomes clear how they benefit it and only serve to increase its hegemony and impunity. Finally, the chapter describes Glencore's operations in different areas of the economy, focusing on its role in **financial speculation** on commodities.

Through **up-to-date information on the implementation of the infrastructure mega-projects in South America (IIRSA-COSIPLAN), Chapter 3** concentrates on the physical foundations that support trade liberalisation, and the economic, social and environmental cost of this for the people. It also assesses the additional contamination of the infrastructure projects through their **increasing financialisation**, and emphasises the role played here by **European capital**. The chapter reveals the existence of a wider project, whose purpose is to enshrine markets as the means through which infrastructure is not only financed but its disposition *decided*. It also uncovers another worrying fact: even though the foundations are starting to be laid for counter-hegemonic power through initiatives like UNASUR, the territorial reorganisation driven by capital continues to advance as before. A separate section is devoted to the **mega-dams being built on the Madeira River in the Amazon**, with the involvement of **Banco Santander, GDF-Suez, Abengoa, Voith, Siemens** and other European companies. The two cases examined here represent a testing ground for the construction of dozens of other mega-dams in the Amazon. They are already demonstrating the extent of the social and environmental disaster that this will cause, as well as the systematic violation of workers' rights and human rights in general.

# Introduction

Millions of people all over the world are involved in struggles against the social and environmental injustice created by the system of corporate power, working together or in parallel, in multiple ways, and in all sectors of the economy. In almost every case, they are defending their territories, seeds, water, forests, food, biodiversity, health, culture, etc., from the aggressive actions of the transnational corporations (TNCs), which expand their power by means of what Harvey (2003) called "accumulation by dispossession."

In the context of the global economic, financial, energy and environmental crises that threaten to be long-lasting and affect the most impoverished people in the global South, capital is seeking to tighten the screws of plunder even further. It seeks to maintain the pace of "unlimited" growth by seeking new sources of energy, new resources to exploit, new spaces to commercialise and new markets. Corporate power has been getting more complex, as well as becoming *hyper-concentrated* (Berrón and Brennan, 2012, 1). All this is happening in the context of a growing financialisation of the economy, whereby a financial system that is already dangerously out of control seeks to expand into every corner of life. With regard to this, George (2012, 5) recalls an exercise to map the corporate universe carried out in 2011, which found that 80% of the value of 43,000 TNCs is in the hands of a mere 737 of them, and just 147 TNCs hold 40% of the value of all the TNCs in the world. The top 50 of these TNCs, with the single exception of Walmart, are all giant financial corporations or insurance companies.

> *"The task of confronting Transnational Corporations (TNCs) is none other than that of confronting the contemporary expression of capitalism, just as Marx described it in the 19th century. The difference lies in its global dimension and the capacity it has today to move from one country to another with great speed and agility. The increasing depersonalization of its management and ownership makes it all the more dangerous, as it is increasingly rare to find a human face to hold responsible –ethically, morally or legally– for the decisions taken about capital. In these circumstances, the possibility of corporations' adopting decisions that disregard human values and are guided only by rational calculations and profits also becomes greater."* (Berrón and Brennan, 2012, 1).

Capital is extending the scope of its attack in the countries of the North, too. In Europe, its interest in privatising *all* public services is becoming increasingly visible, particularly in health and education (George 2012, 4), where the aim is to privatise profit and socialise loss. The financialisation of debt is the lever that allows pernicious structural adjustment plans to be imposed. This is occurring at the same time as the divorce between capitalism and democracy is being finalised, as Zizek points out.[1] Thus, as Teitelbaum observes, "*the activity of transnational corporations contributes to voiding representative democracy of all content and is a critical factor in the political, economic, social, ecological and cultural crisis currently affecting humanity*" (2012, 7).

One of the most recent proposals to forge links between the struggles against this system is the **Global Campaign to Dismantle Corporate Power and Stop Impunity**,[2] and this report was produced as a contribution to it. The campaign's starting point is to expose the mantle of impunity that covers the transnationals and permits the systemic and systematic violation of human rights and laws. It also opposes the signing of international trade and investment agreements that confer rights upon "investors" while taking them away from the people. For several years, the organisations that participate in the **Bi-regional Europe-Latin America and the Caribbean Enlazando Alternativas network**,[3] together with a large number of other international civil society networks, have documented the serious risks involved in trade agreements of this type. Mexico provides one of the worst examples of the consequences, having signed the North American Free Trade Agreement (NAFTA) with the United States and Canada as well as an Association Agreement with the European Union. Nearly 20 years later, the dramatic situation in Mexico must be seen as the fate that awaits other countries if they accept the imposition of more trade agreements with the global North.

This report seeks to contribute additional evidence-based arguments to the task of laying bare the **architecture of corporate impunity**.[4] It does not claim to be exhaustive, as there is already an extensive literature on the subject. Its guiding thread is a focus on European capital and the mechanisms deployed by the European Union to strengthen it. The report also offers a perspective that shows the inter-linkages among significant and diverse dimensions of the issues. It therefore presents three case studies involving very different problems that are nevertheless linked by certain key themes: the expansion of the TNCs as "a response to the crisis"; the insatiable thirst for natural resources to feed Europe's metabolism and its involvement in the casino economy; and the role played by free trade agreements in meeting the "needs" of the transnationals in their drive for power and profit.

Since the main objective was to provide inputs for reflection on corporate impunity, the report does not focus on the rich mosaic of resistance inherent in each case study presented. It should however be borne in mind that behind every million euros and every tonne of zinc, cobalt, soya or coal lie the views and the lives of men, women and children who are suffering due to the actions of capital but are nevertheless resisting and fighting for their lives.

Although the content of this report is the responsibility of its authors, it draws on the very valuable work done in recent years by a large number of international civil society organisations, with whom we share the challenges of confronting corporate power. Several of them are now involved in the ***Global Campaign to Dismantle Corporate Power and Stop Impunity***. We also wish to express our thanks for the support provided in different ways by: the Transnational Institute (Brid Brennan, Lyda Fernanda Forero, Nick Buxton, Karen Lang); Fundación Ent (Maria Mestre, Miquel Ortega); Movimiento Social Nicaragüense; the "Clean Clothes" Campaign; CEDIB (Marco Gandarillas, Kirsten Francescone, Georgina Jiménez, Vladimir Díaz, Oscar Campanini); Multiwatch (Stephan Suhner); Tierra Digna and Pensamiento y Acción Social; ENS (Daniel Hawkins); CENSAT (Tatiana Roa); GRAIN (Carlos Vicente); Movimiento Nacional Campesino Indígena - Argentina; CADTM (Luc Mukendi, Serge Kayembe, Renaud Vivien); and Toni Sánchez Poy. Chapter 3 is based on field work in which valuable support was provided by: Territorio Indígena Multiétnico II (Bolivia); Federación de Campesinos del Beni – CSUTCB; CEJIS; LIDEMA; the Movement of People Affected by Dams (MAB); Itamar Ferreira; Conselho Indigenista Missionário (CIMI); members of the Karitiana, Kassupé, Jaci-Paraná and Lage Velho indigenous communities (Brazil); Brazil's Pastoral de Migrantes; Paula Soterlman; Luis Novoa; Guilherme Carvalho; the Porto Velho construction workers' union; and Fundación Nacional del Indio (FUNAI). Valuable testimonies were also provided by former workers on the Jirau dam, who asked to remain anonymous for their own safety...

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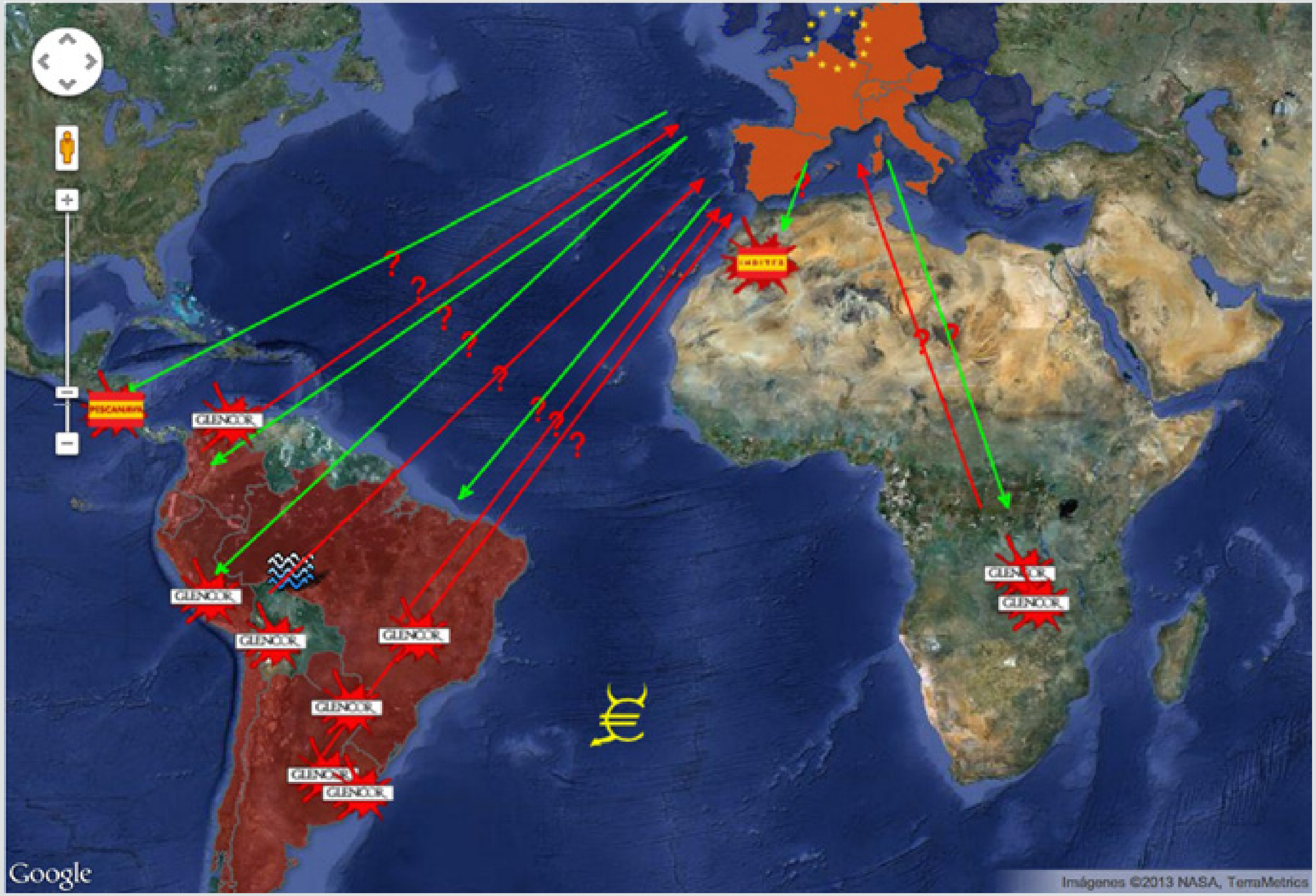
1 See: http://www.yorokobu.es/slavoj-zizek-el-matrimonio-entre-capitalismo-y-democracia-se-esta-acabando/
2 See: http://www.stopcorporateimpunity.org
3 See: http://www.enlazandoalternativas.org
4 The architecture of impunity "*is indeed the globalised expression of the struggle between classes over control of the State apparatus described by Marx.*" The term refers to the analysis of the Enlazando Alternativas network "*on the protection of TNCs' interests and privileges through international and bilateral trade and investment agreements and the policies of the WTO, IMF and WB*" (Berrón and Brennan, 2012, 1).

# Online map




The digital version of this report includes an online map prepared by ODG's social and environmental conflicts interactive mapping team. The interactive map showing the issues and case studies analysed in the report can be accessed by clicking on the icon below whenever it appears. It is necessary to be connected to the internet to access the online map.

← Icon linking to the interactive map

The complete map can also be accessed by clicking on the following link:
http://www.odg.cat/MCA/ImpunityInc/ImpunityInc.html

# Chapter 1:
# Free Trade Agreements (FTAs) and workers' rights

[Albert Sales, Jesús Carrión, Fernando Fernández]

Mgouga industrial complex in Tangier. Photo: Carlos Castro, October 2011

## 1.1. Morocco's FTA with the EU: benefits for Inditex

Since the late 1980s, Morocco has become an important manufacturer of clothes for Spain and much of the rest of Europe. In the industrial complexes of Rabat, Tangier and Casablanca, clothes are manufactured for many companies, including large corporations with a global presence. The early offshoring by Spain's textile industry had Morocco as its first-choice destination, given the country's proximity to the Iberian Peninsula and because of the restrictions imposed by the Multi-Fibre Arrangement (MFA) on the import of clothes from Asia until 2005. The growth of employment in industry has turned cities like Tangier, Casablanca and Rabat into a magnet for migrants from other parts of the country. Many thousands of jobs have been created in the textile and clothing industry, but living conditions for the workers in those jobs are particularly harsh.

Successive reports and research by the Clean Clothes Campaign[5] since 2002 have provided evidence of the **abuses and violations of fundamental labour rights taking place in the factories making clothes for export**. The everyday reality for Moroccan textile workers comprises working days of up to 16 hours, and wages lower than both the legal minimum and the subsistence minimum. An extremely high percentage of workers – most of whom are women – work without a contract or any form of social security, and endure unhealthy working conditions. Thus, many of these women continue to live in poverty while also working extremely long hours. In one leading factory, which advertises itself to international clothing companies as a regular supplier, the average working week is 9 hours per day from Monday to Friday and 5 hours on Saturdays, with wages of around 250 euros per month. In other factories, where the majority of workers are employed, overtime is compulsory and prolongs the working week to 11 or 12 hours per day, six days a week. Workers are not usually paid for overtime, and their wages are no higher than 200 euros per month. Most workers do not have a contract or any social security. **In the small workshops, wages may be less than 100 euros per month and contracts are non-existent.**

This chapter will analyse the ways in which the international trade agreements signed by Morocco have contributed to trade liberalisation and the deterioration of labour relations in the country, as well as enabling the business elites directly connected to European transnational corporations to become even richer and more powerful. Because of the size of its business, its international position and its importance to the Moroccan economy, the focus will be on **Inditex and the commercial benefits it enjoys as a result of the agreement on the free movement of goods between the EU and the Kingdom of Morocco.** This provides an example of how transnational corporations profit from the same laws and production arrangements that are eroding human and labour rights.

### International trade and the importance of the garment sector

In contrast with the global tendency to lift tariffs, Morocco (in common with its neighbour Tunisia) has shown a certain reluctance to lower its trade tariffs. Following an initial reduction between 1993 and 1997 (from 65% to 22%), Morocco's tariff levels have since increased, remaining at around 30% in recent years (Dennis 2006). In contrast with other Arab and Maghreb countries, Morocco and Tunisia have not undertaken far-reaching tariff reforms.[6] But although the World Bank classifies the Maghreb countries in general and Tunisia and Morocco in particular among the countries with the most restrictive tariff regime in the world, **the existence of export processing zones, together with a web of preferential trade agreements, has reduced real tariffs, turning the region into an attractive market for the EU**. In 1995, the EU signed an Association Agreement (AA) with Morocco that would enter into force in March 2000. The agreement established a Free Trade Area between the EU and Morocco which was launched in 2000, with the aim of gradually reducing tariff barriers until they reached 5.2% in 2012. **Even so, Morocco already had special conditions in place for trade with its EU partners before the AA was signed**. Its manufactured goods have had free access to the European market since 1976, and the quotas established by the EU allow 20% of the country's agricultural products to be exported under preferential treatment.

Trade relations between the EU and Morocco are currently governed by the agreement reached in an Exchange of Letters on 7 September 2012.[7] This was published in the Official Journal of the European Union and replaces the Euro-Mediterranean Agreement dated 18 March 2000.[8] Although Morocco signed a free trade agreement with the United States in 2004, 96% of Morocco's clothing exports are destined for the European market. It should be emphasised that the trade link between the EU and Morocco runs both ways and is extremely asymmetrical. 76% of Morocco's imports come from EU countries, while for the European market Moroccan products account for just 0.21% of total imports.[9]

**Table 1.** **International trade-related agreements signed by Morocco**

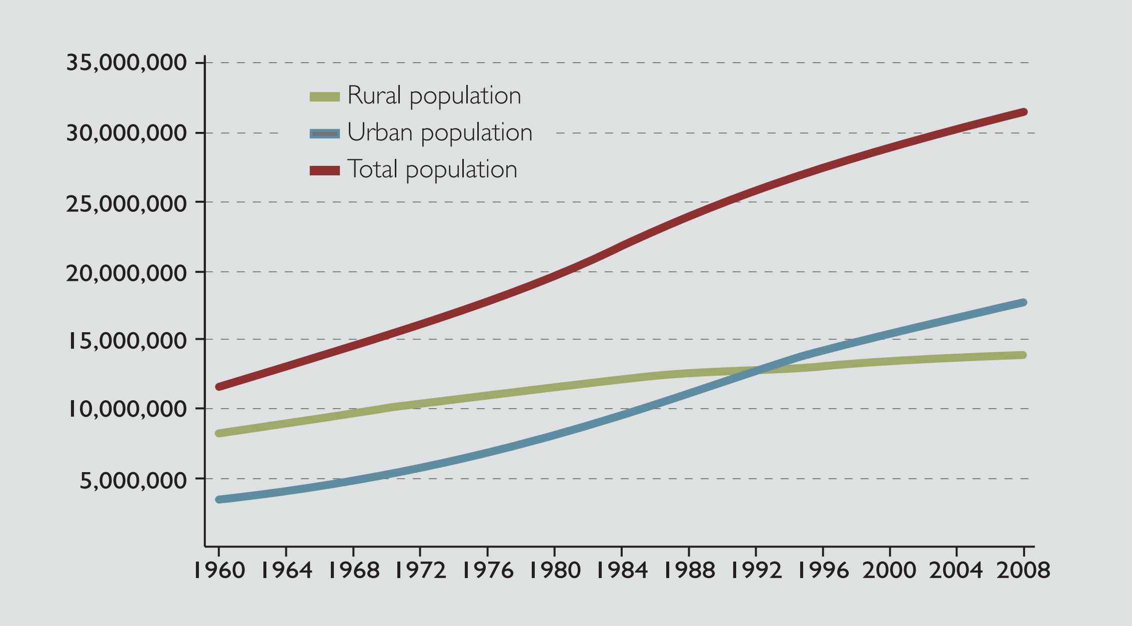
| Treaty, agreement or proposal | Timeline | Implications |
|---|---|---|
| **Bilateral agreements** | | |
| Association Agreement with the EU | Signed in 2000 | Reduction of tariffs on goods, services and capital. |
| Free Trade Agreement with the United States | Signed in 2005, entered into force in 2006 | Ban on subsidies for agricultural exports.<br>Morocco agreed to allow US agricultural products preferential access by gradually eliminating import tariffs. In 2 years, the trade balance in favour of the US went from 65 to 565 million euros. |
| Fisheries agreement with the EU | Renewed in February 2011 | Opening up of Moroccan and Western Saharan waters to European fishing fleets |
| Agreement on the free movement of goods between the EU and Morocco | Published in the Official Journal on 18 March 2012 | Free movement of goods originating in Morocco and the EU. |
| **Regional integration agreements** | | |
| Agadir Agreement (Morocco, Egypt, Tunisia and Jordan) | The treaty was signed in Rabat in February 2004 and entered into force in March 2007 | Free trade area among the signatory parties. Open to all members of the Arab League to join.<br>Linked to the EU through an Association Agreement. |
| Greater Arab Free Trade Area (GAFTA) | Established in 1997 | Reduction of 10% per year in tariffs between the Arab League countries. On 1 January 2005, tariffs were practically eliminated. |
| **Proposed integration arrangements led by the US and the EU** | | |
| U.S. - Middle East Free Trade Area (MEFTA) | Before the uprisings began in 2011, it was envisaged that this would be signed in 2013 | |
| Euro-Mediterranean Free Trade Area (EMFTA) | The process began in 1995 with the Barcelona Declaration | Seeks to establish the free movement of goods, services and capital between the EU and GAFTA members. In direct competition with the MEFTA project. |

Sources: http://www.bilaterals.org, http://europa.eu/legislation_summaries/external_relations/, http://www.webislam.com/

## The social consequences of trade liberalisation

Despite the harshness of their working conditions, the industrial complexes attract constant waves of migrants from rural areas seeking employment in the factories. Although it is very difficult to monitor rural-urban migration rigorously, the growth in the rural population has clearly stagnated in recent decades, while the industrial cities have become a magnet for migrants and new neighbourhoods are being built to house workers.

**Figure 1.** **Evolution of the urban, rural and total population of Morocco (1960-2008)**




Source: United Nations. *World urbanization prospects*

As in other recently industrialising countries, the factories in Morocco take on workers who live in urban and peri-urban areas with high rates of poverty and unemployment. This situation makes it more likely that people will accept insecure employment conditions and encourages informal workshops to spring up alongside the large factories. The pool of potential workers mainly comprises migrants who come from rural areas to the city. To a great extent, this migration is triggered by the political and economic conditions in rural areas.

### *The effects of neoliberal modernisation on traditional farming communities*

The structure of agricultural production in Morocco took shape during the French colonial administration (1912-1956), a time when the farming sector began to be integrated into the global economy by bringing large areas of rain-fed agricultural land under irrigation to grow vegetables. Together with this French legacy, a system of hierarchical clientelistic relations was established at the same time. This system still influences the allocation of land ownership titles and decision-making with regard to farming sector planning today.

During the reign of Hassan II (1961-1991), the newly independent Moroccan government consolidated the reforms started during the French colonial administration by allocating the best land to be used to produce export crops such as citrus fruit. The first World Bank loans were awarded in 1964 precisely in order to expand irrigated agriculture, following plans laid out by the colonial administration, and leaving the traditional rain-fed sector in a state of neglect (Davis, 2006). The consequence of this was that cereal production failed to adapt to the new needs arising from the population increase and led to the start of cereal imports. **A country whose farming system had hitherto been self-sufficient was now affected by a significant balance of payments deficit** due to the import of food commodities.

As a result of this crisis, Morocco received advice from the International Monetary Fund (IMF) for the first time. The country's dealings with the IMF intensified after the subsequent crises that resulted from contingencies such as the huge increase in public expenditure required to finance the invasion of Western Sahara in 1975 as well as the fall in phosphate prices. In 1975, Morocco's debt amounted to 20% of its Gross Domestic Product (GDP), creating the situation that was used by the IMF to propose a Structural Adjustment Plan (SAP) to the Kingdom of Hassan II. Thus, in 1983, began a decade of adjustments and economic tutelage by the IMF which took the form of nine SAPs and Morocco becoming a signatory to the General Agreement on Tariffs and Trade (GATT) in 1987 (Morrisson 1991). As in the rest of the world, the objective of the SAPs was to create a favourable environment for foreign investment, promote exports and abolish tariffs. There are many indicators that the IMF failed to take into account when it designed its plans for Morocco: already in 1978, 68 families controlled 55% of the country's private industrial capital. 10 business groups (owned by the 10 most influential families) held a third of the capital, while a fifth of the country's total wealth was in the hands of the royal family (Davis 2006).

In the farming sector, the SAPs intensified the process of enclosing and privatising communal grazing land. USAID had been recommending to Hassan II's government since the 1960s that this land should be turned over to irrigated agriculture for reasons of environmental degradation, and in 1969 it and the World Bank provided technical assistance to Morocco to draw up the "Agricultural Investments Code." The Code's objectives were to improve agricultural productivity, reverse the fragmentation of plots of land and issue property titles. The aim of all this was to modernise the country's agriculture. The process was speeded up and consolidated with the SAPs in the 1980s, which triggered a wave of neoliberal legislative changes including the "Privatisation Law," a new labour code, and regulations on water and agricultural land.

Extensive recent independent research has demonstrated that the fragmentation of land has no negative impact on its productivity and that land titling and the joining together of plots of land is a means to hand out political favours and clientelistic rewards (Kamrava 2004). Most of the modernisation projects have required intervention in areas of land that were collectively owned and used. The six priority areas targeted for action in the macroprojects financed by the World Bank fell into that category. By way of compensation, the government tried to restrict traditional livestock grazing to fifteen enclosures with "pasture improvement" projects (Davis 2006). The areas of collectively farmed land that remained outside the modernisation projects have been reclassified as "useful land" under the control of the state. At the same time, traditional farming systems have been criminalised, and those who break the law are punished by up to six years in prison. For millions of citizens in rural areas of Morocco, these changes and, above all, their lack of access to collectively used land meant the loss of an essential source of food, medicine and basic products. This has worsened rural poverty and obliged people old enough to get a job in a factory to migrate to the cities in search of work.

Those rural families who still have access to a piece of communal land or who have the modest means to produce and sell food try to preserve their way of life by sending their daughters to work in the factories in the industrial cities to top up the family's income. As in many other parts of the world, these girls are seen as the "ideal" workers, as they have no knowledge of their rights, no tradition of union organising, and no support networks in the cities they migrate to. They are also under the obligation to subsist on an extremely low income and send part of their wages to their family.

The nomad livestock herding peoples have been the worst affected by the wave of neoliberal reforms. The direct beneficiaries of the restructuring, in contrast, have been the royal family and the elite that surround them. The royal family's business holding, Omnium Nord Africain (ONA), has bought up the majority of the privatised enterprises (Coupe 1997 and Dillman 2001). Likewise, it is the royal family that directly receives the proceeds from the Office Cherifien des Phosphates, the state-owned monopoly phosphate trader and the most profitable company in the country (Dillman 2001).

## Inditex and Morocco's trade policies

If the garment sector is key to Morocco's international trade, Inditex is a strategically important company for the country's trade policies. The Galician fashion giant, owner of the Zara, Bershka, Pull & Bear, Massimo Dutti, Stradivarius, Oysho, Uterqüe, Tempe and Zara Home brands, has a strong presence in Morocco. As the company itself stated in its 2010 Annual Report,[10] it has 103 suppliers and 143 outsourced workshops there making clothes for its brands. A total of 41,742 people work in the Inditex supply chain in Morocco.



**Table 2. Morocco: manufacturing exports**

By sector, in millions of Moroccan dirhams (MDH),[11] comparing January-February 2009 and 2010

| | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|
| Sector | January | February | Total - months | January | February | Total - months |
| **Road vehicles** | **602.6** | **733.0** | **1,335.6** | **697.0** | **1,146.8** | **1,843.8** |
| - var % | | | | +15.7% | +56.5% | +38.1% |
| - var in MDH | | | | +94.4 | +413.8 | +508.2 |
| **Electronics** | **335.9** | **369.4** | **705.3** | **414.8** | **406.0** | **820.8** |
| - var % | | | | 23.5% | 9.9% | 16.4% |
| - var in MDH | | | | +78.9 | +36.6 | +115.5 |
| **Fish & seafood** | **772.1** | **979.2** | **1,751.3** | **1,078.8** | **1,211.8** | **2,290.6** |
| - var % | | | | +39.7% | +23.8% | +30.8% |
| - var in MDH | | | | +306.7 | +232.6 | +539.3 |
| **Textiles & clothing** | **1,800.6** | **1,545.7** | **3,346.3** | **1,285.3** | **1,037.6** | **2,322.9** |
| - var % | | | | -28.6% | -32.9% | -30.6% |
| - var in MDH | | | | -515.3 | -508.1 | -1023.4 |
| **Knitwear** | **650.7** | **552.0** | **1,202.7** | **502.7** | **416.5** | **919.2** |
| - var % | | | | -22.7% | -24.5% | -23.6% |
| - var in MDH | | | | -148.0 | -135.5 | -283.5 |
| **Footwear** | **287.6** | **244.7** | **532.3** | **220.9** | **208.9** | **429.8** |
| - var % | | | | -23.2% | -14.6% | -19.3% |
| - var in MDH | | | | -66.7 | -35.8 | -102.5 |
| **Aeronautics** | **235.0** | **209.2** | **444.2** | **142.3** | **161.2** | **303.5** |
| - var % | | | | -39.4% | -22.9% | -31.7% |
| - var in MDH | | | | -92.7 | -48.0 | -140.7 |

Source: Office des Changes, 29 March 2010

The research carried out by Spain's Clean Clothes Campaign in Tangier in 2011 (Sales and Piñéiro 2011) found that **despite the corporate social responsibility commitments announced by Inditex in its statements and its code of conduct, labour conditions for its workers are very similar to those of the workers producing for other brands**. Of the 188 women workers surveyed for this study, 60 were making clothes for one of the Galician company's brands at the time when the field work was carried out, and 71 had worked for its supply chain at an earlier time.

The Inditex code of conduct[12] sets out the minimum labour standards that must be respected by all its supplier factories. It states that the maximum number of hours per week for workers throughout its supply chain should be 48, although they would occasionally

Mgouga industrial complex in Tangier. Photo: Carlos Castro, October 2011

be allowed to work a maximum of 12 hours overtime. According to the responses of the women surveyed, the normal working week for 68% of the workers employed in factories supplying Inditex is between 45 and 54 hours, while 30% regularly work more than 55 hours per week. Furthermore, 62% of these workers – slightly more than the 57% of the rest of the workers surveyed – state that the busy times with a heavier workload occur very frequently. Thus, reality seems to clash with the text in the company's code of conduct, which reads: "*[overtime] shall not be demanded on a regular basis and shall always be compensated at a premium rate, pursuant to the provisions of the prevailing regulations in force*."

On the matter of wages, the Inditex code of conduct requires its suppliers to pay the minimum wage in their country. In addition, the fact that the Galician company has joined the Ethical Trading Initiative (ETI) implies that it accepts its base code, which states that a living wage shall be paid in the supply chain. This means that **wages must cover basic needs, with a certain amount left over for discretional spending**. The international framework agreement that Inditex has signed with the main international trade union federation in the sector - the International Textile and Garment Workers' Federation (ITGWF) - likewise includes the commitment to pay a wage that enables workers to cover the basic needs of themselves and their families as well as other "reasonable" needs. The study found that 75% of the women surveyed who work for suppliers of the Galician company receive the SMIG.[13] Compliance is somewhat higher than in the firms that are not in its supply chain. But despite this higher level of compliance with the payment of the SMIG, when the workers were asked how difficult it is to meet their needs, the responses of those who work for Inditex suppliers reveal that their level of hardship is the same or even somewhat worse than that of the women who work for other employers (Sales and Piñéiro 2011, 46-47). 40% stated that they are unable to cover their own needs or those of their families, or that they find it very difficult to do so. Among the workers unconnected with Inditex, this proportion was 31%. It should be pointed out that in its 2010 annual report the company states that it has worked together for years with unions, manufacturers, governments and universities to improve working conditions in the sector, and that among its suppliers in Africa the level of compliance with trade union freedoms is more than 90%, while compliance with the legal limits on working hours and wage levels is 70%.[14]

## The EU-Morocco Free Trade Agreement

The liberalisation of trade between the EU and Morocco reduces import and export costs for the factories supplying Spain's garment industry. Article 1.2 of the Agreement states that its purpose is to establish the conditions for the gradual liberalisation of trade in goods, services and capital, based on harmonious economic and social relations through dialogue and cooperation, so as to foster the development and prosperity of Morocco and its people.

In terms of its relevance to this report, what stands out in the Association Agreement between the European Union and Morocco are two legislative changes specifically set out in two articles (9 and 12) that directly or potentially benefit companies like Inditex, part of whose supply chain is located in Morocco.

Firstly, **the Agreement eliminates customs duties on products originating in Morocco when they enter the EU. In Title II, Chapter I**, reference is made for the first time to what are called *products originating in the Community and Morocco*. Thus, Article 7 of the new Agreement put in place by means of the Exchange of Letters between the European Union and the Kingdom of Morocco,[15] which replaces the Euro-Mediterranean Agreement,[16] states which products from the European Union and from Morocco are considered products originating there for the purposes of the Agreement. Article 9 then reinforces this by stating that "**products originating** in Morocco shall be imported into the Community free of customs duties and charges having equivalent effect." This article in turn is backed up by certain other articles in the Agreement: 13, 19.1, 19.2 and 19.3. This means that products originating in Morocco may circulate in the European Union as though they were products originating in the EU itself.

To avoid giving the wrong impression, however, we should analyse what the concept of "products originating" in the European Economic Community (EEC) and Morocco actually includes. It is understood to include not only those products that, for example, come directly from the farmland or subsoil of Morocco or the EEC's member states (in the sense indicated in Article 5 of Protocol Nº 4[17]). As Article 29 of the Euro-Mediterranean Agreement makes clear, Protocol Nº 4 is the text that establishes the quantity of raw materials that any given product must contain in order to be considered an "originating product." If the product's component materials have come to the producer country (in this case Morocco) from another state, the text establishes what type of processing the objects thereby produced (and thus their component materials) must undergo in order to be considered also as originating in the producer country in question.

To this end, Article 2.2 b of this Protocol states that "products obtained in Morocco incorporating materials which have not been wholly obtained there shall be considered as originating in Morocco, provided that such materials have undergone sufficient working or processing in Morocco within the meaning of Article 6." This latter article makes reference to Annex II, which lists the working or processing required to be carried out on non-originating materials in order for the manufactured product to obtain originating status.

This Annex II lists numerous textile materials, together with the way to get them considered as originating products. Thus, a European company may relocate its production to Morocco and – providing it meets the conditions stipulated in this Annex – get permission for its product (in this case clothes) to cross the border tax-free. This operation will also be profitable for it due to less costly working conditions in the producer country, simply because the product is processed, as is the case in garment manufacturing, for example. Moreover, according to the stipulations made in Articles 3 and 4 of Protocol Nº 4, products are considered as originating in Morocco or in the Community even if they incorporate materials originating in Bulgaria, Switzerland (including Liechtenstein[18]), Iceland, Norway, Romania, Turkey or in the Community, as well as "[…] the Faroe Islands or in any country which is a participant in the Euro-Mediterranean partnership, based on the Barcelona Declaration adopted at the Euro-Mediterranean Conference held on 27 and 28 November 1995, other than Turkey […]," provided that they comply with the conditions stipulated in the rest of the clauses in the above-mentioned articles. **European fashion companies such as Inditex import articles of clothing from Morocco as though they were products originating in the Community**, despite the fact that Moroccan industry is mainly involved in clothing manufacture (and, therefore, turning cloth into garments). Furthermore, the door is left open to the import of materials from tax havens, and the financial engineering practised by the large transnationals to avoid paying tax is thus protected.



The second shift in favour of offshoring that emerges from reading the Agreement is found in Article 12, which says in point 1 that Morocco undertakes to **eliminate** the **reference prices** applied to the products listed in Annex 5 within three years at the latest. Textiles and clothing were included among the products to which reference prices could be applied, and had a tariff that was levied on them when they were exported from the European Union to Morocco. Now, the Agreement made sure that these prices would be progressively eliminated over a period of three years dating from the entry into force of the Agreement. The pace at which elimination of the reference prices took place had to ensure that products originating in the European Union would retain a margin of preference of at least 25% over the reference prices which Morocco applies on an *erga omnes* basis (i.e., with regard to all). These reference prices have now been eliminated because the article in question is in the Agreement dating from the year 2000, and the three years have now elapsed. This article is therefore essential to complete and close the circle that the Agreement opened with Article 9. In other words, for a company – in this case Inditex – to be able to benefit from the stipulations made in Articles 7 and 9, it actually needs to ensure that any raw material that does not originate in Morocco (and therefore that the country does not possess) may be taken there to be worked on and processed at the lowest possible cost. Thus, the company benefits firstly from the export of the raw material and secondly from the import of the finished product at a much lower cost, given the progressive or total elimination of tariffs.

## *Lex Mercatoria* takes priority

In the preamble to the Agreement, the parties' commitment to human rights is expressed as follows: "*CONSIDERING the importance which the Parties attach to the principles of the United Nations Charter, particularly the observance of human rights and political and economic freedom, which form the very basis of the association.*" Likewise, Article 2 states that "*respect for the democratic principles and fundamental human rights established by the Universal Declaration of Human Rights shall inspire the domestic and external policies of the Community and of Morocco and shall constitute an essential element of this Agreement.*" These are the only two points in the text of the Agreement that make reference to human rights, and in both they are seen as a framework that provides moral justification and legitimacy to the parties. The possibility of non-compliance is not considered, and neither are any sanction mechanisms established.

The Association Agreement not only provides a trade relations framework that clearly benefits transnational corporations. It also encourages the violation of human rights in Morocco by covering up the real situation of workers – in this case, the women working in Morocco's export-oriented textile factories.

As well as the reported empirical evidence, it is necessary to point out that the Kingdom of Morocco has not ratified either the Convention on Tripartite Consultation (C144) or the Convention of the Freedom on Association and Protection of the Right to Organise (C087) of the International Labour Organisation (ILO), which are categorised as Governance (Priority) Conventions and Fundamental Conventions respectively.[19] This is why Morocco also ignores the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy,[20] especially the first part of Article 42 of this declaration concerning the freedom of association and the right to organise.

Furthermore, the European Parliament resolution of 16 February 2012,[21] which gives the green light for the Agreement to be approved, states in point 11 of the section on Broader trade and economic issues that it "*Recognises that Morocco has ratified most of the relevant International Labour Organisation (ILO) conventions and recently adopted legislation to outlaw child labour; emphasises, nevertheless, that there is still room for improvement regarding freedom of association and child labour; considers that the provisions of Deep and Comprehensive FTAs (DCFTAs) should include assistance with the implementation of ILO conventions and the ratification of unsigned core ILO conventions, e.g. No 87 on Freedom of Association and Protection of the Right to Organise, and initiatives on corporate social responsibility as part of the sustainable development chapter*."

For his part, the rapporteur of the Committee on International Trade, José Bové, in the Explanatory Statement regarding the Draft European Parliament Legislative Resolution made on 1 February 2012,[22] stated among other arguments that "*[...] According to UNICEF, in Morocco over 1.5 million children of school age are denied their right to education and most of these children deprived of schooling are at risk of economic exploitation, through the work they do in the craft industry or agriculture, in conditions that are not always what they should be for the good of their health or their psychological wellbeing*," and that "*Recognition of and respect for trade union rights and the implementation of a voluntarist policy to fight child labour are among the essential preconditions for ratification of a trade agreement with Morocco*."

The Euro-Mediterranean Agreement does not mention any of this in its Title VI on Cooperation in Social and Cultural Matters (and, consequently, neither does the new Association Agreement reached in the form of the Exchange of Letters). Nevertheless, this title does address itself among other aspects to setting out the labour and social security rights that Moroccan workers should enjoy on EU territory, as well as the rights of European workers on Moroccan soil. This is doubly serious given that the EU and Morocco have signed an agreement establishing a dispute settlement mechanism – published in the Official Journal of the European Union on 5 July 2011[23] – with the aim of settling potential disputes related to the violation of or failure to comply with any of the points in the Association Agreement. Article 20 of this agreement also provides for the possibility of having recourse to the World Trade Organisation, and thus to its Dispute Settlement Body, providing that the nature of the dispute falls within the sphere of competence of the WTO.

Once again, the *Lex Mercatoria* (Hernández Zubizarreta 2012) takes priority over the defence of human rights, as they are clearly and deliberately omitted by the EU. Despite the rhetoric quoted at the start of this chapter, in the Association Agreement the EU makes no provision for any mechanism to enforce the observance and the obligation to respect the labour rights of, among others, the women textile workers. Although the business interests of the large transnational corporations are sufficiently protected through arbitration mechanisms such as the one mentioned above, human rights do not appear to be similarly accommodated in this legislative framework, even though, as mentioned, the agreement itself has a title in which labour and human rights could be addressed.

The next section will look at another case of impunity enjoyed by a European company, this time Pescanova, by examining its operations in Central America.

## 1.2. The Association Agreement between the European Union and Central America: advantages for Pescanova in Nicaragua

This section will analyse the negative impacts that may be caused by the economic activities resulting from the approval of the Association Agreement (AA) between the European Union (EU) and Central America. By way of an illustration, the impacts of the operations of the Spanish company Pescanova in Nicaragua will be analysed. The ways in which the AA will offer companies of this type legal backing and allow them to widen the scope of their operations will also be examined.

### Brief historical review of the EU's relations with Central America

The European countries signed the first framework cooperation agreements with the Andean Community and Central America in the 1980s. In 1987, the EEC Council approved the "*New guidelines for EEC relations with Latin America.*" For the first time, these mentioned the need to adopt an overall strategy for the region. It is important to identify the leading role played here by the government of Spain, especially after 1999, when the EU-Latin America Strategic Partnership was launched during the first bi-regional summit held in Rio de Janeiro (Brazil). This was followed by the signing of the EU-Mexico Association Agreement (2000), the EU-Chile Association Agreement (2003) and the Multi-Party Trade Agreement between the EU, Colombia and Peru (2012) (De la Iglesia 2012).

With regard to the trade dimension specifically, this was implemented since the 1970s under special arrangements such as the Generalised System of Preferences (GSP), adopted in 1971. In its early years, this system included 91 "developing" countries whose exports would benefit from preferential tariffs if they complied with certain basic standards related to workers' rights and the environment. In granting such preferences, the EU took into account the economic difficulties and particular needs of the less developed countries, without demanding reciprocal measures from the beneficiary countries in terms of tariff reductions (Morales and Garza 2009, 6).[24] The "positive" effects that the GSP initiative was supposed to have on the Central American economies were no such thing. Firstly, the system encouraged the export of raw materials, while agricultural products with value added were the object of more protectionist measures by the EU. Secondly, the system did not take into account non-tariff barriers, such as the sanitary and phytosanitary standards that in practice act as obstacles preventing Central American products from entering the European market (Cevallos and Garate 2010). Furthermore, as ECLAC points out, "*... it has not had a significant impact on their economies (...), since its use has been subordinated to short-term needs (such as earning foreign currency) and it was not incorporated into longer-term economic development objectives. It has also delayed changes in production systems in the traditional sectors of the economy. Furthermore, it seems to have led to production enclaves (such as export processing zones) that benefit from significant tax subsidies, with the consequent reduction or non-expansion of the tax base. This in turn seems to have limited the transfer of benefits from these export-oriented activities to the rest of the economy.*"[25]

Social movements have constantly emphasised the risk involved in signing an AA between two regions as unequal as the EU and Central America. They have also pointed out the negative social and economic impacts it may have on the already weak Central American economies. In terms of the Gini index, which measures the degree of inequality in the income of a country's population, Central America ranges between 57% (Nicaragua) and 48.3% (El Salvador), meaning that it is a region with high inequality. In the EU, in contrast, the Gini coefficient ranges between 23% and 39% (Morales and Garza 2009, 25). Trade liberalisation deepens this structural inequality in income and wealth distribution. Furthermore, Europe's GDP (12.6 trillion euros) is 110 times larger than Central America's (116 billion euros). If we look at GDP per capita, the EU has an average of 25,133 euros, whereas the average in Central America is 3,241 euros. Nicaragua has the lowest GDP per capita in the region (890 euros).[26] According to the UNDP's 2011 Human Development Report (UNDP 2012), Honduras, Guatemala and Nicaragua are the countries in the region with the highest percentage of their population living below the national poverty threshold, at 60%, 51% and 46% respectively. In total, 45.26% of the population of Central America is at risk of poverty or social exclusion. In the area of trade, the value of the EU's exports is 112 times that of Central America's exports. These figures on the economy seem sufficient to demonstrate that negotiations on the Association Agreement have taken place between two parties whose economic, financial and business capabilities are highly asymmetric.

### Pescanova and the fish-farming sector in Nicaragua[27]

Pescanova is one of the main transnational corporations operating in the fish-farming sector. It practises intensive industrial fishing, with fishing techniques that include trawling (Mestre and MSN 2010). It established itself in Nicaragua in 2002 by acquiring Ultracongelados Antártida S.A., which in turn owned part of the Nicaraguan company Serviconsa, based in the municipality of Chinandega and involved in shrimp farming. In 2006, it increased its holding in Serviconsa and also bought the Camanica Group, which owned shrimp farms belonging to several different companies, a larval maturation laboratory and a processing plant. Between 2006 and 2011, it obtained 56% of the area set aside for new concessions in the


Pescanova processing plant in Chinandega, Nicaragua. Photo: Maria Mestre, October 2009

country's shrimp farming sector.[28] Pescanova's new business in Nicaragua had the support of the Spanish government, which provided official development aid to the fishing industry for shrimp farming (Mestre et al. 2011). Successive Nicaraguan governments authorised a free trade zone arrangement and gave the company tax exemptions, as well as offering it significant legal safeguards.

### *Social, environmental and labour conflicts*

Shrimp farming in Nicaragua was started in the 1980s by local cooperatives who practised extensive fishing. They were awarded loans by companies such as Serviconsa and CAMANICA to enable them to recover from Hurricane Mitch. The loans were made conditional on shifting the fisheries sector to a more intensive, export-oriented form of production. The cooperatives' failure to pay back their loans – due among other factors to price volatility, the significant level of risk inherent in this type of production and the high rates of interest charged by the lenders – led to the cooperative sector falling into the hands of the same large companies



to which they were indebted. Some of these companies were later bought up by foreign corporations. Thus, **land ownership rights have also gradually shifted from the small-scale local cooperatives to the multinationals**.

Pescanova's operations have caused a series of negative impacts in the department of Chinandega (Nicaragua), as have other large companies in the shrimp farming sector. The type of industrial practices they engage in involves intensive production with the aim of maximising profit per unit produced, without showing any concern for the environmental, social and labour-related consequences. This has ended up displacing the local fisherfolk who practised an artisanal type of fishing and aquaculture which was respectful of the ecosystems' capacity to regenerate (PPT 2010, 47). Due to the unsustainable form of fishing carried out by these companies, as well as the pollution caused by the waste from the shrimp farms, the artisanal fishers have been forced out. They have to fish farther out to sea, with the additional fuel costs and increased risk of accidents on the high seas that this implies. Their access to the coast has also been restricted by the surveillance patrols in which the Nicaraguan army also participates (Mestre et al. 2011, 50).

The fisherfolk also accuse the companies of causing pollution by dumping chemicals, dead fish, etc. This causes bad smells which affect local people's health (Mestre et al. 2011, 41-42). According to Mestre et al., the intensive production model "*aggravates inequality and endangers people's access to certain natural resources that are essential to many local communities*" (2011, 11). Most of the shrimp produced is destined for export. Therefore, it is not available as a source of food for local people. Furthermore, the small-scale producers are unable to compete with large transnational corporations like Pescanova. These companies control the fish processing plants where the price is set according to international rates (Mestre et al. 2011, 39).

Although Pescanova announced when it arrived in the country that it would create 2,000 jobs, the number of workers employed at the Chinandega plant is a lot smaller. Furthermore, about 75% of the workers are on temporary contracts. This means they can be paid according to what they produce rather than by the hour, and they are unable to claim payment for overtime (Mestre and MSN 2010). According to the verdict of the Permanent Peoples' Tribunal in 2010[29] and the International Trade Union Confederation's 2011 Survey of Violations of Trade Union Rights, **the working conditions offered by Pescanova are far from decent in many other ways apart from the issue of temporary contracts**. In its prawn processing and freezing plant in the western department of Chinandega, "*The company persistently violates its workers' labour and trade union rights. A large part of the staff is hired and repeatedly rehired on temporary contracts. Under this system, the workers go for years without enjoying labour and social benefits. There is no freedom of association; those attempting to form a union were dismissed before starting the procedures to register*

Semi-intensive shrimp farm owned by Serviconsa in Puerto Morazán. Photo: Maria Mestre, October 2009

*it with the Labour Ministry."*[30] It has also been reported that workers are verbally abused by their line managers and that they work in dangerous conditions because hygiene and occupational safety standards are not met. This is an infringement of Nicaragua's laws – specifically, articles 100 and 103 of the Labour Code (Mestre and MSN 2010, 20).[31]

## The Association Agreement between the European Union and Central America

The EU-Central America Association Agreement was signed in 2012, and includes the setting up of a free trade zone. The Agreement is currently at the stage of being ratified by all the different parties.[32] It is important to underline that this is the first trade-related agreement signed by the EU with a region in which the latter adopts joint commitments, even though the regional integration process in Central America is still incomplete. According to the European Union's Directorate-General for Trade Policy, the Agreement was relatively simple to define because there was a high degree of complementarity in the structure of bilateral



trade between the EU and the Central American countries. This is because Central America's exports are predominantly farm and fisheries products, while the items it imports from the EU are mostly manufactured goods (De la Iglesia 2012). The Agreement consists of three pillars, described below: political dialogue, cooperation and trade.[33]

### Political Dialogue

This pillar refers to the values and principles shared by the two regions with regard to human rights, democracy, good governance, indigenous peoples' rights, equal opportunities and gender equality, the fight against poverty, fundamental labour rights, environmental protection, regional security and stability, and the fight against corruption, terrorism, drugs and arms trafficking, among others.

### Cooperation

This pillar establishes the principles and objectives that should determine cooperation policies: good governance, the full application of the rule of law, and the rest of the shared values mentioned in the Political Dialogue pillar. Emphasis is placed on participation by civil society and local authorities, gender equality, and rights as cross-cutting issues, making special mention of matters related to the environment, gender and indigenous peoples. One striking aspect, considering that this pillar is dealing with cooperation, is the statement in Clause G of Article 26 on "Modalities and Methodology," which reads: "[the Parties] shall encourage and facilitate private financing and direct foreign investment, in particular through funding of the European Investment Bank in Central America in line with its own procedures and financial criteria."[34] Article 41 emphasises that cooperation should promote development and social cohesion, including the fight against poverty, inequalities and social exclusion.

Furthermore, although this article explicitly mentions the promotion of employment policies that seek to achieve decent work for all, employment has an article of its own: Article 42. Here it is also specified that the aim is to promote social dialogue, extend social protection coverage, and ensure "*respect for the fundamental principles and rights at work identified by the International Labour Organization's Conventions, known as the so-called Core Labour Standards. In particular as regards the freedom of association, the right to collective bargaining and non discrimination, the abolition of forced and child labour, and equal treatment between men and women.*" In Title VI on "Economic and Trade Development," the direction in which cooperation is heading now becomes clear, as it is revealed as an instrument subordinate to the EU's interests in the area of trade. The Agreement now departs from the traditional cooperation principles of respect for human rights, and focuses on cooperation and mutual technical assistance with regard to: customs procedures, intellectual property, technology transfer, the trade in services and electronic commerce, customs barriers, public sector procurement, industrial cooperation, energy, mining, transport, community and sustainable tourism, etc.

### Trade

Based on the information made available by the European Union's Directorate-General for Trade Policy (De la Iglesia 2012), the issues that are of the greatest interest to the Spanish state and the Spanish companies with operations in Central America will be highlighted. The key objective of the trade pillar is to set up a free trade area between the EU and the Central American countries. This means that 69% of the EU's exports of manufactured and fisheries products to Central America will become tariff-free when the AA enters into force. This percentage will increase to 95% in ten years, and 100% in 15 years. The EU, for its part, will dismantle the tariffs that apply to 99% of the exports from Central American countries. With regard to fishing, the Central American countries will grant tariff-free entry to 78% of the EU's exports of fisheries products when the AA enters into force; tariffs on the remaining 22% will be lifted in ten years. The key detail for this study is that the EU will immediately lift tariffs on all of Central America's exports of fisheries products. This is the most important consideration for Pescanova's interests.

As far as workers' rights are concerned, Article 286 of the trade pillar reiterates that full employment and decent work for all are key elements of sustainable development for all countries, and therefore a priority objective of international cooperation. It adds that, as members of the ILO, all the countries are obliged to respect, promote and realise these rights.

With regard to the environment, the Parties undertake to apply the Montreal Protocol on the ozone layer, the Convention on the International Trade in Endangered Species of Fauna and Flora (CITES), the Convention on Biological Diversity and the Kyoto Protocol, among other international treaties. The subject of upholding levels of protection is mentioned in Article 291, which stipulates that neither region may waive or derogate from its labour or environmental legislation in a manner affecting trade or as an incentive to attract investment in its territory.

The Association Agreement establishes a striking **hierarchy in dispute resolution**. Thus, for tariff matters it envisages setting up a Dispute Settlement Mechanism with a tribunal whose rulings are binding, while social, labour and environmental disputes only have a non-binding *Mediation Mechanism*. This will have substantial repercussions with regard to the European capital operating in the region. In the case of Pescanova, for example, as a result of the establishment of a free trade area in fishing and aquaculture **100% of the company's exports to the European Union will be duty-free**. This means that they cease to be subject to any tariffs. If the EU should fail to comply with this part of the Agreement, Pescanova is protected by the above-mentioned Dispute Settlement Mechanism.

At the same time, the AA does not seem to provide for effective measures to resolve the social, labour and environmental disputes caused by companies of this type, or effective ways to exercise oversight of their operations. Pescanova is not an isolated case here, since a large number of allegations of human rights violations have been lodged against the European companies already operating in the region, including Calvo, Unión Fenosa, Iberdrola, Lafarge and Hidralia. Among other abuses, they are accused of being responsible for negative impacts on the environment, on workers and on the general public, with rural areas being particularly badly affected (PPT 2010, 7-9).[35]

By way of a conclusion, it can be stated that this AA does not differ substantially from other free trade agreements. After three decades of free trade and free market dogma following the "Washington Consensus," Central America is, as mentioned before, a region characterised by high levels of social inequality and wealth concentration on the one hand, while on the other it has a large number of people living in extreme poverty. Therefore, following the path of free trade from a starting point of such inequality between the parties does not seem to be the most advisable course of action, as it will make the region of Central America even more vulnerable. Although the EU has dressed up the AA with three pillars described above, in reality there is only one pillar to which the other two are subordinated: that of trade.[36]

While in theory the Agreement recognises the existence of asymmetries between the two regions, it does not put in place the necessary and sufficient conditions to promote a type of trade that is fair and equitable, solidarity-based and sustainable. Likewise, there are no mechanisms to protect vulnerable sectors such as farming, or to prohibit the privatisation of public services or the misuse of biodiversity. In other words, it does not promote trade in the interests of the people.

## Notes

5 See: http://www.ropalimpia.org/en/
6 In Jordan, tariffs were lowered from an average of 22% to 13% between 2000 and 2003. In Lebanon, the reduction was from 15% to 5% between 2000 and 2002.
7 See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:241:0004:0047:EN:PDF
8 See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:070:0002:0190:EN:PDF
9 According to figures from DataComex: http://datacomex.comercio.es
10 See: http://www.inditex.es/en/downloads/Annual_Report_INDITEX_10.pdf
11 1 Moroccan dirham = 0.089 euros
12 See: http://goo.gl/MoGb7, http://goo.gl/4R7pd
13 *Salario Mínimo Interprofesional Garantizado* (Guaranteed Inter-Occupational Minimum Wage)
14 See: http://www.inditex.es/en/downloads/Annual_Report_INDITEX_10.pdf (page 71).
15 See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:241:0004:0047:EN:PDF
16 See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:070:0002:0190:EN:PDF
17 See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:336:0001:0118:EN:PDF
18 Note included by Protocol Nº 4 itself: "*The Principality of Liechtenstein has a customs union with Switzerland and is a Contracting Party to the Agreement on the European Economic Area.*"
19 See: http://www.ilo.org/dyn/normlex/en/f?p=1000:11210:0::NO::P11210_COUNTRY_ID:102993
20 See: http://www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm
21 See: http://goo.gl/917B8
22 See: http://goo.gl/La9Z5
23 See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:176:0002:0016:EN:PDF
24 The GSP was later altered to become the GSP-Plus, as it is known today. The agreement on this framework was signed in mid-2005 and in theory it aims to promote sustainable development and good governance (Cevallos and Garate 2010). The goods from Central America that have benefited from it are farm products, although significant restrictions still apply for meat, sugar, bananas and dairy products, which are classified as "sensitive" by the European Union.
25 Economic Commission for Latin America and the Caribbean - ECLAC. *La asimetría en las relaciones comerciales. Sus efectos en el desempeño económico.* Mexico: United Nations. Economic Commission for Latin America and the Caribbean - ECLAC, 27 December 2001. See: www.eclac.org/publicaciones/xml/6/10026/Globa-c3.pdf
26 2010 data, from World Development Indicators and Global Development Finance http://databank.worldbank.org
27 This section is based on information from the book published by Fundació Ent, *Conflictos socio-ambientales de la acuicultura del camarón en Centroamérica. Un análisis desde la justicia ambiental* (Mestre et al. 2011), as well as the verdict of the Madrid session of the Permanent Peoples' Tribunal (PPT 2010).
28 The five transnationals operating in the country, including Pescanova, hold 70% of the area allocated for fish farming, with a total of 10,492 hectares, compared with 24% in the hands of cooperatives. It is worth noting that the shrimp farming industry has accounted for 5.15% of the total value of the country's exports for the last ten years (Mestre et al. 2011).
29 See: http://www.enlazandoalternativas.org/spip.php?article731
30 See: Confederación Sindical Internacional. *Informe Anual sobre las violaciones de los derechos sindicales* [Online]. 2011. Available at: http://goo.gl/81ik1, page 119.
In English, see: http://survey.ituc-csi.org/Nicaragua.html?edition=248&lang=en#tabs-5
31 Information on Nicaragua's labour laws can be found at:
http://www.ilo.org/dyn/natlex/docs/WEBTEXT/45784/65050/S96NIC01.htm#l1t5c1
http://www.ilo.org/dyn/natlex/docs/WEBTEXT/45784/65050/S96NIC01.htm#l1t9c1
32 See: http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-america/
33 See: http://europa.eu/rapid/press-release_MEMO-12-505_en.htm
34 See: EU-Central America Association Agreement http://trade.ec.europa.eu/doclib/press/index.cfm?id=689
35 This refers to the denunciations presented at the different sessions of the Permanent Peoples' Tribunal. The companies in question are: Pescanova (PPT 2010), Calvo (2006 PPT session, see: http://www.enlazandoalternativas.org/spip.php?article41); Unión Fenosa (2006, 2008 and 2010 PPT sessions, see: http://www.enlazandoalternativas.org/spip.php?article41, http://www.enlazandoalternativas.org/spip.php?article199 and PPT 2010); Iberdrola (2008 and 2010 sessions, see: http://www.enlazandoalternativas.org/spip.php?article199 and PPT 2010); Holcim (PPT 2010) and Goldcorp (PPT 2010).
36 Take, for example, the Political Dialogue pillar, which refers to values such as human rights and democracy. It is worthy of note that the Agreement was signed with a government in Honduras that was installed by force following the coup that ousted President Zelaya...

# Chapter 2:
# European capital's dealings in commodities from South America and Africa: the case of Glencore

[Delphine Ortega, Olivier Chantry, Mónica Vargas]

## 2.1 The "needs" of Europe's metabolism

The material nature of capitalist globalisation is more evident by the day, as is its importance in terms of domination of the financial economy,[37] the real economy and the real-real economy (*see box*). From the dominant perspective, which is not based on consultation with the people or management of needs and resources by the people, but instead on international competitiveness, **Europe's social metabolism has "needs" that are far from negligible**. These imply that it is substantially **dependent on imported raw materials**. It is therefore in its interest that supplier countries maintain a commodity export model that traps them in a vicious circle of impoverishment. This requirement drives the overall tendency in the trade relations engineered by the EU, while also opening up spaces for European capital to obtain juicy profits, as this chapter will show.

In 2008, the EU27 was the region that imported the most natural resources in the world, with an average of 2.5 tonnes *per capita*, while the poorest countries (excluding the emerging economies) were those exporting the most resources (FOE 2011, 16). In 2011, the EU was also the world's leading importer of fuel and other extractive industry products, with an increase of 32% over the previous year's imports. The value of these imports totalled 994,657 million euros (double the value recorded by the United States or China), 21% of which corresponded to extractive industry products alone. It should be pointed out that 40% of these imports came from other European countries (non-EU), 29% from the CIS,[38] 12% from Africa[39] and 10% from the Middle East (WTO 2012a, 57). In **Annex 1** it is possible to see, for example, **the structure of exports from South America and Africa to the EU in 2011, and note the predominance of raw materials**. Although these regions do not seem to carry much weight in trade relations with the EU, certain products are nevertheless key, as the following examples will illustrate.

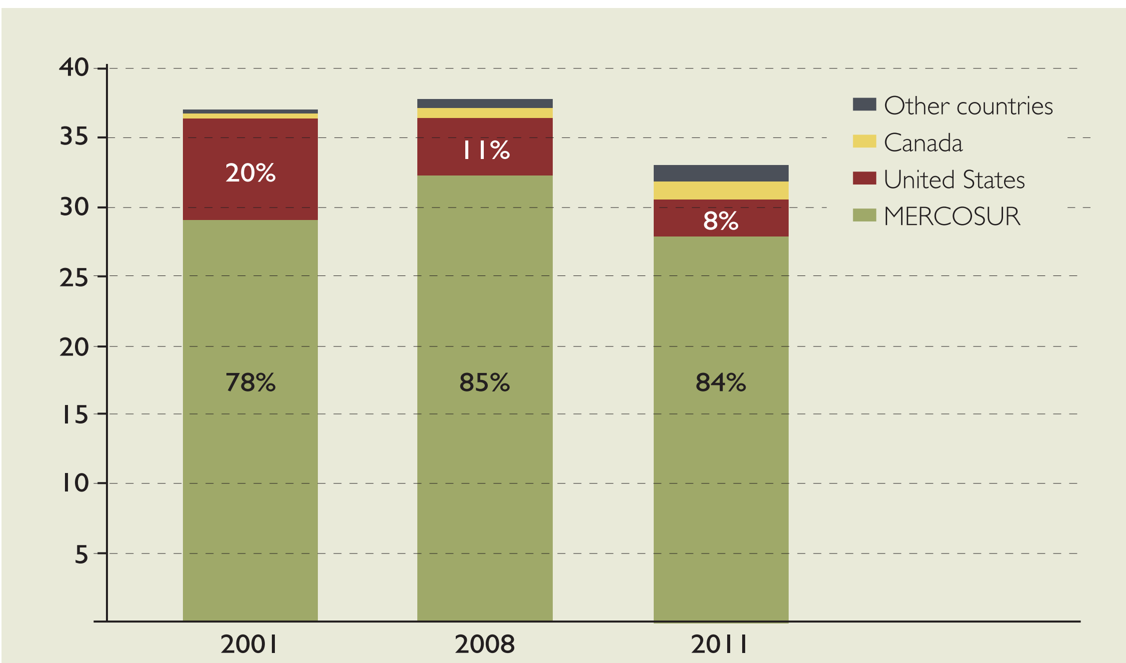
### Globalisation's material dimension

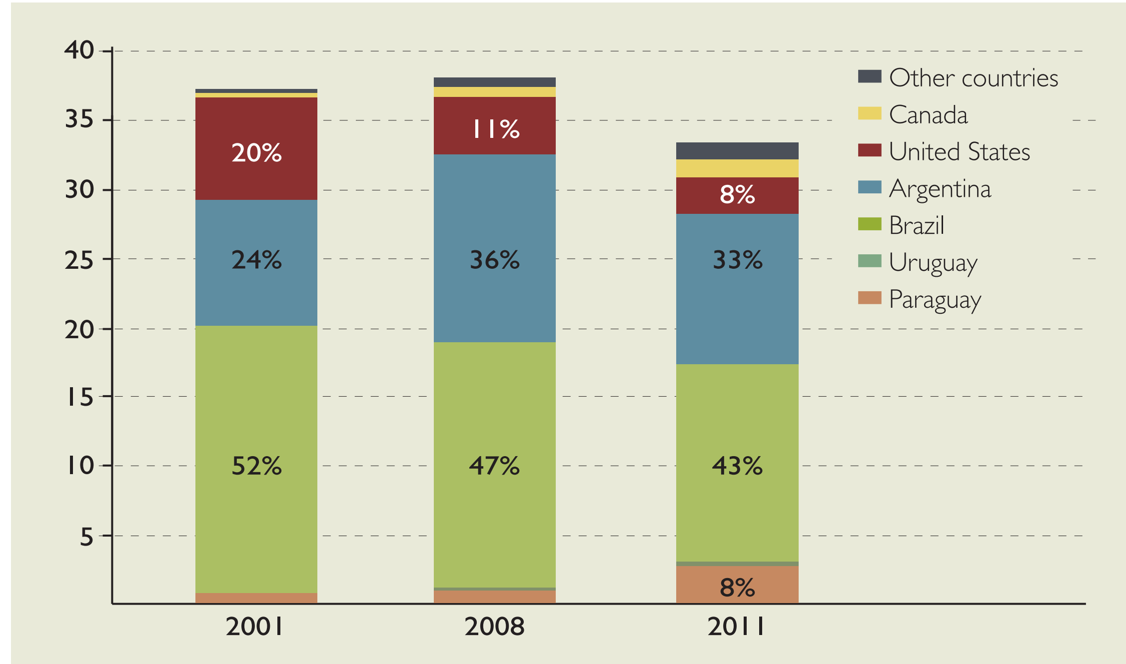
In the last three decades, worldwide extraction of natural resources has grown by about 60%, from below 40 billion tonnes in 1980 to more than 60 billion tonnes in 2007. 15% of the total extracted in the latter year came from Latin America and 8% from Africa (FOE 2011, 7). As for the distribution by sector at the global level, it is estimated that in 2010 a third of the resources consumed was biomass (agricultural products and wood), 33% construction materials, 21% fossil fuels, and 10% industrial ores (Steinberger, Krausmann and Eisenmenger 2010).

### Agricultural Commodities

In considering the farming sector, Fritz (2012) maintains that a fundamental requirement for the EU's food industry to be able to export its products to world markets at competitive prices lies in the supply of low-cost agricultural commodities. In particular, the EU imports large quantities of animal feed for the mega-farms that have been promoted by the subsidies provided under the Common Agricultural Policy. 68% of the protein used to feed Europe's livestock comes from soya, but the EU only produces 2% of it. **European countries are also the world's largest importers of soya cake and the second largest importers of soya beans after China**. There is therefore a race to cut the cost of the supply of animal feed, and the consequence of this is the concentration of production and land grabs, particularly in South America. Several studies identify a connection between European demand and the explosion of soya monocropping in the MERCOSUR countries.[40] Half of the world's soya production is concentrated in the MERCOSUR bloc, and for several of the region's countries soya is the main export product. In Brazil, 20 million hectares of land are planted with soya, and production in 2010 was 75 million tonnes. Argentina devotes more than 16 million hectares to growing soya, and its total production in 2010 amounted to 49 million tonnes. Both countries have multiplied their production fourfold in the last 20 years.[41] The graphs below illustrate **Europe's dependence on the soya produced by South American countries**.

**Figure 2.** **Distribution of European imports of soya, by country of origin**



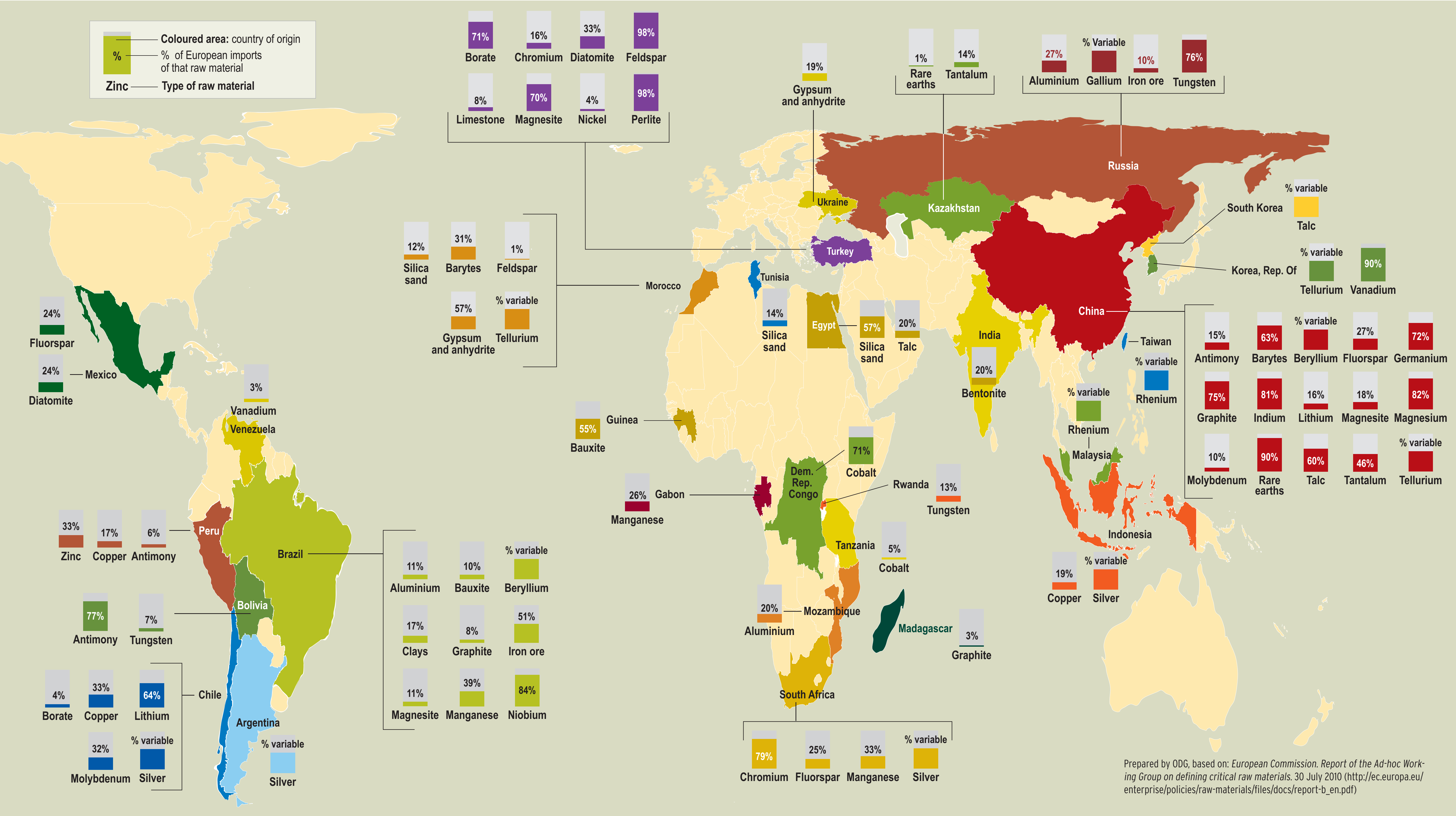




Prepared by ODG based on figures from the Eurostat database (EU27 Trade Since 1988 By CN8 [DS-016890]), accessed 14/11/2012. Percentages calculated from imports of soya (beans and cake) in millions of tonnes.

## Minerals and Metals

As far as **mining** is concerned, it should be recalled that the **Raw Materials Initiative (RMI)** (EC 2008) identifies 41 "critical" minerals and metals, 14 of which are considered particularly "strategic" because the EU's ability to obtain them is affected by a growing risk of supply shortage and because they have a more important impact on the economy than most other minerals.[42] The map below highlights the EU's level of dependence on imports of critical minerals, while **Annex II** illustrates the importance of Latin American and African countries to Europe's imports of critical minerals. This shows, for example, that **71% of the EU's imports of cobalt come from the Democratic Republic of Congo (DRC), 77% of its antimony comes from Bolivia and 84% of its niobium comes from Brazil.**

**Map 1. The EU's dependence on critical raw materials**




Prepared by ODG, based on: *European Commission. Report of the Ad-hoc Working Group on defining critical raw materials.* 30 July 2010 (http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/report-b_en.pdf)

This explains why the EU is actively pursuing a so-called "**raw materials diplomacy**" to secure its access to "essential" raw materials. Part of Europe's development cooperation policy is aimed at making it easier for "developing countries" to provide a "sustainable supply of raw materials."[43] This aspect will be considered further in section 2.4.

### Commodities Trade

Raw materials are not only important to capital in metabolic terms, however, because **trading in them is itself a source of considerable profits**. If European oil companies such as Royal Dutch Shell, BP, Total, ENI or Repsol are well known in this field, a less visible type of capital, also based in EU countries, is equally active in the markets for different commodities. This less visible capital is controlling much of the supply chain, as well as being a player in the financial arena and even performing a geopolitical role.[44] Annex III lists the most powerful European companies in the commodities trade.[45] If the increasing control they are gaining over resources strategically important to humanity is already worrying, the impacts they are generating are now also becoming evident.[46]

#### Low points in Glencore's track record

Glencore International AG was set up in 1974 by Marc Rich, a controversial businessman alleged to have built his fortune by evading taxes, as well as circumventing the US embargo on Iran and the United Nations embargo on the Apartheid regime in South Africa. Pursued by US justice, Rich set himself up in Switzerland under the protection of the Swiss government which steadfastly refused to extradite him (Peyer and Maillard 2011, Silverstein 2012).[47] Since then, various allegations have been made against Glencore, accusing it of breaking the law. The most recent led to it being convicted in June 2012 by a Belgian court for bribing an EU official to obtain confidential information about subsidies for European grain exports.[48]

Among these corporations, this chapter will examine the case of **Global Energy Commodities and Resources (Glencore)**, a "giant among giants" in the sector (Silverstein 2012). It is involved in the trade in metals and minerals (aluminium, zinc, copper, lead, ferro-alloys, nickel, iron and cobalt), energy (coal, oil and biomass), and agricultural commodities (wheat, maize, soya, rice, vegetable oils, agrofuels, barley, sugar and cotton). It operates in 40 countries,[49] covering production, refining, processing, storage and transport. When it launched its initial public offering on the stock exchange in 2010, the company stated that it controlled 60% of the global trade in zinc, 50% of the trade in zinc concentrate, 50% in copper, 30% in copper concentrate, 30% in alumina (aluminium oxide), 22% in aluminium, and 23% of the trade in cobalt. Its daily sales of oil were equivalent to 3% of the total used globally. It also traded a third of the coal transported by sea. It was one of the main exporters of grains, controlling 9% of global trade.[50] Its **net profits were 3,187 million euros** in 2011, and 1,420 million in the first half of 2012. Total sales amounted to 145,901 million euros, divided between oil and coal (63%), metals and minerals (28%) and agricultural products (9%) (Glencore 2011).

### Where is Glencore located?

Glencore may claim different national origins, depending on what suits it. For example, it has its headquarters in Switzerland and offices in the United Kingdom, which allows it to shelter under the bilateral investment protection treaties signed by those two countries, as will be seen when its activities in Bolivia are reviewed. It also has an office registered in the tax haven of Saint Hélier (Jersey, Channel Islands), as well as subsidiaries in Bermuda and Luxembourg.[51]

Glencore has a lengthy negative track record, having been denounced repeatedly for the social, labour and environmental conflicts associated in particular with its mining activities. According to the Swiss organisation *Déclaration de Berne*, approximately 70% of the value of the company's assets tied up in production sites are located in countries affected by high levels of corruption or armed conflict, such as Colombia, Kazakhstan, Equatorial Guinea and the DRC.[52] **A large proportion of the corporation's sales (38%) are made in the EU**. Responsibility for the impact generated must therefore be shared equally between the corporation and Europe's social metabolism.

## 2.2. Mining footprint in South America and Africa

### Colombia: "The market to the extent possible and the state to the extent necessary..."

Similarly to most other Latin American countries, Colombia exploits its immense natural resources wealth and participates in globalisation by playing the role of commodity exporter. In 2009, 56% of the country's exports were primary commodities, with oil and mining industry products taking pride of place. In terms of its share in the total value of exports


El Cerrejón. Photo: Teleantioquia, 30 July 2009 (http://www.flickr.com/photos/teleantioquiaweb/3878441198/)

in the two subsequent years, coal accounted for about 15%. In fact, Colombia is by far the largest producer of this raw material in the region, producing six times as much as the second largest (Mexico). Coal production increased from 21 million tonnes in 1990 to nearly 85 million in 2011, and is expected to reach 93 million in 2012.[53] 97% of the coal produced is destined for export, and Colombia is **the EU's second largest supplier** (accounting for 20% of Europe's coal imports in 2010).[54]

Hawkins (2012, 1) observes that, in an international context where demand for this raw material is growing, it seems ironic that the Colombian government is offering ever more opportunities to transnationals. In fact, in the last few years "*it has given them all sorts of subsidies and tax exemptions, awarded them rather generous mining concessions and permits, and provided them with decisive political support.*" The figures are revealing: Colombia's royalties in the mining sector are among the lowest in Latin America (22%), and the state spent 487 million euros between 2005 and 2020 to subsidise the fuel used by the mining companies in the departments of Cesar and La Guajira alone. Furthermore, the companies are allowed to deduct the investments they make in social, corporate social responsibility, environmental, and science and technology programmes from their taxable income (Pardo 2011).[55] Enjoying all these facilities, the coal mining mega-industry has expanded, especially in the northern Caribbean coast area. 90% of coal production takes place in this region, in open-cast mines in the two departments mentioned above.

Glencore's involvement is basically in two of the country's four largest coal mining companies:[56] El Cerrejón and Prodeco. The link between the former and Glencore is its 34% share in the Swiss-British company Xstrata, and it could become even closer as these two companies are negotiating a merger. **El Cerrejón** is a mining and transport complex that works the largest open-cast coal mine in the world.[57] Not only does it mine 40% of all the coal produced in the country; in 2010, it also accounted for 72.5% of total earnings in the coal-mining sector (Hawkins 2012). It declared total sales worth 1,792 million euros that year, and the following year its total production reached 32.2 million tonnes.[58] Europe is the main destination for the coal it produces, taking 46%.

**Prodeco**, on the other hand, is wholly owned by Glencore. It is involved in the exploration, production, transport and shipping of thermal coal and metallurgical coal ("coke") to the European Union, the United States and Asia. Its operations are located in the mining complexes of Calenturitas and La Jagua in the department of Cesar. It has considerable control over the infrastructure it uses, including all the mining equipment and part of the railway infrastructure.[59] To export the product, it has two port facilities located in Santa Marta: Carbosán and Puerto Prodeco.[60] The company's total sales in 2011 were worth 1,054 million euros, an increase of 41% on the previous year's sales (Glencore 2011, 61), and production amounted to 14.6 million tonnes. The company aims to increase this to 20.7 million tonnes by 2015 (Glencore 2012).

### ■ *Violent repression and worker exploitation*

The mining and energy sector is one of the five "engines of growth and job creation" mentioned in the Colombian government's National Development Plan 2010-2014, whose slogan is: "***the market to the extent possible and the state to the extent necessary***."[61] All the evidence indicates, however, that the coal industry, ***far from benefiting the Colombian people, is in fact having the opposite effect***, as is the case with the exploitation of Colombia's other natural resources. According to RECALCA (2009, 10), the population with unmet basic needs in Cesar and La Guajira is double the national average (45% and 65% respectively). And in the latter department, only 56% of the population has access to sewerage (Rangel 2012, 5).

In terms of employment, mining only accounts for 10% of the jobs in La Guajira (Rangel 2012, 5), and the proportion at the national level in 2010 was 0.7% (Hawkins 2012). Furthermore, these jobs are highly insecure. In 2012, El Cerrejón employed a total of 11,167 workers, only 4,670 of whom had a contract with the company, with the rest being outsourced. The vast majority of the latter are not unionised and their employment conditions are characterised by minimum levels of stability and protection of their rights as workers (Hawkins 2012, 16). Conditions are similar in Prodeco, which has about 5,600 workers, only 567 of whom are contracted directly by the company. According to Sintracarbón and Sintraminenergética, the two unions to which workers in El Cerrejón and Prodeco are affiliated, the companies infringe or restrict basic workers' rights, ignore occupational health and diseases, and restrict the right to unionise and to engage in collective bargaining (Hawkins 2012, 20). The conclusions reached by the recent research undertaken by the Escuela Nacional Sindical (ENS) with coal industry workers indicate that as well as very low wage levels, there are **serious problems of occupational health and accidents at work** (*see box below*). Meanwhile, the government is conspicuous by its absence and fails to intervene to pressure the companies to comply with national and international laws.[62]

### Accidents at work

*"Fellow workers who provide your services to the transnational GLENCORE A.G. and its subsidiaries in Colombia, C.M.U., C.D.J., and C.I. PRODECO S.A., in the open-cast coal mines, we are sorry to tell you that yesterday, 2 May (...), our comrade Jeovany Chinchia Royero, who worked for the employment (labour outsourcing) agency belonging to the North American multinational GECOLSA CAT, **died** as a result of a fatal accident at work on the site of the **Calenturitas mine** in Cesar. This mine is being operated by the company C.I. PRODECO S.A., which exactly a month ago (...) had another fatal accident in which **four workers** died, on the railway line near Guamachito, a municipality in the banana-producing region, when 2 locomotives loaded with coal crashed head-on. (...) The comrades who died were Jaime Rodríguez and Mauricio Pérez, who worked for the **C.I. PRODECO** S.A. company, and Jaime Torres and Juan Fonseca, who were employed by the Brazilian transnational VALE DO RÍO. **Sintramienergética raises its voice in protest** to energetically and forcefully denounce the inhuman way in which the PRODECO company has dealt with these 2 events (...). It tried to control everything, diminishing the importance of the accident in a hermetic and arrogant way, and declaring that the workers who died in the first accident belonged to the union agreement, while the one who died in the second was sub-contracted from an employment agency. These statements demonstrate an absolute disdain for human life. With these arguments by the company's Human Resources office, they are trying to be obstructive and conceal all the failings that affect this mine in the area of **occupational safety**, which have been denounced by the Union Organisation."*

Newsletter of the Sintramienergética La Jagua Union, 3 May 2011
(http://sintramienergeticalajagua.blogspot.com.es/2011/05/la-muerte-continua-rondando-la.html).



This situation has led to a lengthy series of strikes – the workers' last resort in their attempt to claim their rights. The most recent strike was called in La Jagua in June 2012, in parallel with a strike at the railway company Fenoco, and lasted for 98 days.[63] As often happens in these situations, the workers are currently receiving death threats.[64]

At the national level, anti-union violence has shot up in the last few years. According to the UNDP (2011), **2,800 Colombian trade unionists were murdered** between **1984 and 2011**, an average of 100 per year. 94.4% of these crimes remain unpunished, and in 56% of the sentences the judges ruled that the motives were linked to trade union-related actions. **In the mining sector in particular 743 attacks were recorded between 1986 and 2011, 172 of which were murders and 14 disappearances** (Hawkins 2012).

### ■ *Social and environmental impacts*

Sadly, there is an immense literature on the impacts of mega-mining in Colombia and the coal industry in particular.[65] Space constraints prevent any attempt to summarise this here, so this section will focus on considering certain inputs for reflection that illustrate the impunity with which companies like Glencore act in this country.

The violence of the extractive model in Colombia is not limited to the trade union arena. The very fact that these companies have set themselves up there is linked to the systematic violation of the most basic rights, affecting women in particular.[66] According to the accusation presented to the Permanent Peoples' Tribunal (PPT) in 2010, "Carbones del Cerrejón," "*The installation and exploitation by this multinational in Colombia has been backed by the Colombian government through its use of extreme and violent measures, creating displacement of the indigenous and Afro Colombian peoples. The actions of the State police and the paramilitary groups in the territory where the mining company operates have provoked harassment, threats and assassination of the people who oppose it*" (PPT 2010, 46).[67]

According to the Inter-Church Justice and Peace Commission, Glencore was also implicated in the Colombian army's 2010 bombing of the indigenous community of Alto Guayabal in the Urabá Reserve (between Antioquia and Chocó), which was opposed to the Mandé Norte mining project.[68] This situation threatens to worsen if the planned expansion of mining operations goes ahead.[69] By the end of 2011, mining concessions covering an additional 40 million hectares had been requested, and in the centre of the department of Cesar alone there are plans to expand mining on an area of 280,000 hectares (Pensamiento y Acción Social 2011b, 5 & 8).[70]

Several studies point out that the institutional framework regarding mining in Colombia has been drastically changed in recent years to promote private transnational investment still further. The tendency in the new legislation is to move towards the deregulation of


Protest by the Wayúu people against El Cerrejón, May 2012. Photo: http://www.anarkismo.net/article/23406

environmental laws and encourage avoidance of the process of prior consultation with communities (CINEP 2012, 20). Practically every project associated with the coal mining mega-industry in Colombia, at every stage in the production chain, from exploration to export, is having a significant social and environmental impact.[71] In 2009, for example, **Colombia's Ministry of the Environment, Housing and Territorial Development fined Prodeco about 549,290 euros for environmental damage**, including the illegal dumping of waste and mining coal without an environmental management plan.[72]

Between 2001 and 2011, CINEP (2012) recorded 274 social protests associated with the oil industry and coal and gold mining (marches, civic and workers' strikes, sit-ins, road blockades, hunger strikes, etc). A quarter of these were led by members of rural communities and indigenous peoples. Protests specifically related to coal accounted for 18% of all the mobilisations. One of the main impacts of the development of open-cast coal mines is the destruction of the small-scale farming economy. This is particularly evident in the department of Cesar, where agriculture and livestock farming activities have been displaced. This "*has meant that the small-scale farming economy has practically become extinct in the region. There is now a total absence of food crops, and rural communities which used to have access to land have turned into settlements of landless rural workers who now depend on the few indirect and temporary job vacancies offered by the mining companies*" (Pensamiento y Acción Social 2011b, 8). Here it is worth recalling that "*for indigenous, rural and African-descent communities, life is impossible without their territory, which is understood not merely in spatial terms but as a place with all its symbolic and material attributes*." Being deprived of their territory therefore seriously affects their identity and their history (Idárraga, Muñoz and Vélez 2010, 28).

According to Idárraga, Muñoz and Vélez (2010, 73-74), El Cerrejón has caused **five widespread environmental problems that have acutely affected communities and ecosystems in the region**. Firstly, there are the emissions of coal dust that affect the indigenous reserves of Provincial and San Francisco, the Wayúu indigenous community of Media Luna and the municipalities of Hatonuevo and Barrancas.[73] These nearby communities are also affected by the emission of gases produced by coal combustion (sulphur dioxide, nitrogen oxide, carbon monoxide and others). The health of both the workers and local people is clearly being affected by the mining industry. Next, nearby communities are affected by noise pollution, together with the vibrations caused by the blowing up of more than 200 tonnes of emulsion explosives on a daily basis to crack open the soil and rock. Finally the Ranchería River watershed has suffered serious damage due to deforestation and the project's intervention in the area. Despite this, there are indications that the company plans to divert the Ranchería River. For the time being, however, protests by local communities have managed to prevent this happening.[74]

## Glencore in Bolivia: *Sombríos días de socavón...*

The EU is dependent on imports for **64% of its zinc**, one of the 41 critical minerals mentioned at the start of this chapter. The importance of Latin America, responsible for 23% of world production, is therefore far from negligible.[75] Peru is in first place, as the EU's main supplier.[76] Part of the country's production comes from the company Los Quenuales, which is 97%

### Mining corporations' countries of origin

*"The countries where the foreign companies that control key components of Bolivia's mining production have their headquarters are also the main buyers of these raw materials: Japan (Sumitomo), Switzerland (Glencore) and the United States (Coeur d'Alene Mines Corporation), not to mention South Korea, which is where the Kores company that has become involved in copper production comes from. Thus, the country's mining economy is tied on both sides to foreign capital: on the production side and on the consumption side" (Díaz 2011, 25).*


Bolívar Mine, owned by Sinchi Wayra-Glencore, Bolivia. Photo: courtesy of CEDIB

controlled by Glencore.[77] The case study in this section is that of Bolivia, since it is less well known but equally important in this regard. Bolivia has 2% of global zinc reserves and in 2011 it was one of the ten largest producers in the world (USGS 2012). Zinc is top of the list of the minerals mined in the country, and also one of the main products it exports to the EU.[78] Glencore does business in Bolivia too.

The transnational moved in to the Andean country in 2005 by acquiring COMSUR, the largest mining company in Bolivia at the time.[79] COMSUR belonged to ex-president Sánchez de Lozada, one of the main architects of the neoliberalism imposed on the country in the mid-1980s. As in the rest of Latin America, the results were dramatic for the national economy, as the entire chain of production in the country's most strategic sectors was ceded to transnational power. The transnationals were exempted from many of the tax, environmental, labour and social obligations or constraints (Villegas 2012, 7). Furthermore, **the country's role as a primary commodity exporter, particularly in the energy and mining sector**, became consolidated.[80]

A look at the mining sector today reveals that Bolivia is still extremely attractive to capital. Between 2006 and 2009, investments – basically private – in the sector amounted to 926 million euros, equivalent to the total invested between 1990 and 2005 (Díaz 2011, 21).[81] Production, too, has shot up: in the case of zinc, production tripled between 2005 and 2010,



and its value quadrupled. Even though the 2007 Mining Code sought to give the state-owned Corporación Minera de Bolivia (COMIBOL) an important role in production,[82] **85% of all the zinc produced is controlled by two companies**: San Cristóbal (a subsidiary of the Japanese corporation Sumitomo), and Sinchi Wayra **(a subsidiary of Glencore)**. Together with Manquiri (a subsidiary of Coeur d'Alene Mines Corporation from the United States), these two companies also controlled **74% of the country's entire production of silver** in 2009 (Díaz 2011, 22-23).

Until June 2012, Glencore owned 100% of **Sinchi Wayra**, which operates through five companies in the departments of Oruro and Potosí: **Bolívar, Porco, Colquiri, Poopó and Caballo Blanco**. The company declares a production capacity of 205,000 million tonnes of zinc, 15,000 million tonnes of lead and 6,000 million tonnes of tin.[83] Sinchi Wayra has played an important role in some of the mineral commodities mined by Glencore (*see box*).

Historically in Bolivia, the word that rhymes best with "plunder" is "mining," and its synonym is "export." To this day, **the massive exploitation of the country's immense mineral reserves has brought very few benefits to the Bolivian people**. The areas where the ores are mined are among the poorest and most damaged in the country. If the trade in this sector generated 1,883 million euros in 2010 from the export of minerals and metals, the country only received 12% of that amount – less than what it used to get during the reign of the "tin barons" in the first half of the 20th century (13.8%). Overall, as Díaz reminds us, between 2006 and 2010 the state received just 8% of the total value of mineral exports (2011, 25-26). Furthermore, the Ministry of Mining, comparing export data with the figures provided by foreign customs authorities in 2009, **estimated that the transnationals were exporting practically double what they declared**. This would seem to be explained by the fact that minerals are exported crude by the corporations, by means of a "sworn declaration," without a laboratory having to certify quantity and quality.[84]

### Indium mining next on the list?

In 2010, **40% of the zinc concentrate, as well as a quarter of the lead concentrate and all of the tin produced by Glencore came from Sinchi Wayra** (CEDIB 2012). A recent study found that the ores in the Colquiri mine contain concentrations of **indium** in the zinc complex, with a concentration of up to 584ppm. When the concentration is higher than 200ppm, it becomes profitable to refine it. It is important to recall that indium is precisely one of the **14 minerals considered most critical by the EU**, as it is 100% import-dependent. 81% of Europe's imports of indium currently come from China (EC 2011, 259). According to CEDIB, although most indium refineries are in Asian countries, Glencore has the capacity to refine zinc to extract indium in Bolivia.

### *Social and environmental impacts*

Neither has mega-mining brought great benefits to the country in terms of employment, as in 2010 it accounted for just **7% of all jobs**. The mining cooperatives are the ones that employ the largest number of people in the sector (83% in 2010) (Díaz 2011, 26). As in the case of Colombia described earlier, these jobs are also characterised by a high degree of instability and multiple health risks. It is important to recall that, according to the Pan-American Health Organisation, mining is the economic activity that produces the most occupational diseases and long-term health problems, and these may reduce life expectancy by as much as 15 years.[85] On repeated occasions, **Glencore has been accused by the miners of making its workers bear the burden of its supposed losses caused by the fall in mineral prices. It does this by freezing or cutting wages, increasing hours of work and even laying off large numbers of workers**. This has led to frequent social protests against the transnational, the most important of which was a march by 4,000 miners to the city of La Paz.[86]

The social and environmental impacts of mining in Bolivia have been amply documented in recent years by civil society, environmental and indigenous organisations.[87] Glencore's companies have been involved, for example, in the pollution of one of the areas most badly damaged by mining in Bolivia: the **Poopó-Uru Uru watershed**. In 2007, an inspection by the Prefecture of Oruro found that "colas" (oily water) from Bolívar Mine was being dumped in the Antequera River. A year later, 30,000 litres of colas from the mine spilled into the river. Local communities lodged a complaint, saying that this was the third time in less than a year (Plataforma Energética 2008, 8). In 2009, the entire watershed was declared an emergency zone by Decree 0335, "*due to the imminent risk to human health and food security as a result of the long-term presence of pollution and soil salinization (...) caused by mining activities in the region.*"[88] Pollution in the Huanuni, Desaguadero, Cañadón Antequera and Poopó watersheds together affects more than 2,000 families in 80 communities. In 2009, the Vice-Ministry of the Environment found that **levels of zinc and cadmium in the water (which is also used for irrigation) were higher than the permitted levels**. In the Huanuni sub-watershed, which flows into the River Poopó, the presence of at least 20,000 tonnes of sulphate and two tonnes of arsenic and lead per year has been recorded. This situation is causing the disappearance of water sources, the death of fish, wild birds and other animals, soil degradation, and miscarriages in animals, as well as reducing the quality and quantity of crop yields. In 2009, the European Union – through the Apemin II Programme – and the Prefecture of Oruro signed an agreement to implement environmental damage mitigation projects in the Lake Poopó watersheds that have been polluted by mining. Funding for these projects amounted to 14 million euros – hardly enough to cover the required expenditure, given the extent of the damage (Ribera 2010, 195-202). According to the organisation *Coordinadora de Defensa de la Cuenca del Río Desaguadero, Lagos Uru-Uru y Poopó* (CODERIP) in 2010, the mitigation commitments made had not been honoured.[89]

Colquiri Mine, owned by Sinchi Wayra-Glencore, Bolivia. Photo: courtesy of CEDIB

### *Nationalisations and negotiations*

The Bolivian government has made a series of changes with the objective of re-nationalising mining, and these also affect Glencore. The first took place in 2007, and concerned the Vinto smelting plant run by Sinchi Wayra. At the time, there were also doubts about the sale of this smelting plant to Glencore.[90] Claiming the backing of the investment protection treaty signed by Switzerland and Bolivia, **Glencore threatened to take the Andean country to the International Centre for the Settlement of Investment Disputes (ICSID), whose jurisdiction the Bolivian government does not recognise**. In 2010, the government returned an antimony smelting plant held by Glencore to state ownership, arguing that it had been abandoned by the company, and that the country needed it to be working. And in June 2012, Colquiri was nationalised by means of a Supreme Decree. The transnational once again protested, arguing that it had invested a


Miners in Colquiri, Bolivia. Photo: courtesy of CEDIB

total of US$250 million in Bolivia, and threatened to take the case to local and international bodies to demand compensation for the nationalisation.[91] Despite this, negotiations resulted in the signing of a new agreement, whereby **Illapa S.A.**, the successor to Sinchi Wayra, 55% controlled by the Bolivian state and 45% by Glencore, will work the Bolívar and Porco mines.[92] Following the nationalisation of Colquiri, a major conflict arose in the area with the cooperative miners, to whom the government had awarded one of the richest seams. Dozens of people were injured and one died as a result. In October 2012, the government announced that **Sinchi Wayra-Glencore would be investigated, as the company is suspected of having incited the violent clashes between miners**.[93]

## In pursuit of the Democratic Republic of Congo's cobalt

Staying in the mining sector, in this section we will turn our attention to Africa where, as mentioned earlier, Glencore also operates, in one of the richest areas of the world in terms of natural resources.

The transnational's strategy of expanding its control over commodities in Africa includes investments in gas and oil production in Equatorial Guinea, copper and cobalt mining in Zambia and the Democratic Republic of Congo (DRC), and coal mining in South Africa. **Through its activities in mines in the DRC and Zambia, Glencore controls 50% of the global copper trade**.[94] It is difficult to separate the history of mining in the DRC from the country's political, social and economic situation.[95] The DRC possesses some of the largest deposits of non-ferrous metals and precious metals in the world (10% of global copper reserves, 50% of global cobalt reserves, 70% of global coltan reserves and 30% of global diamond reserves), as well as oil and coal deposits. As mentioned before, **the EU depends on imports from this country for 71% of the cobalt it uses**. For many decades, particularly during the 1996-1997 and 1998-2003 civil wars, the drive to access and control these natural resources placed the country at the centre of numerous conflicts that involved both internal players, such as the government and rebel groups, and external players such as neighbouring countries and large corporations based in the rich countries.[96]

The DRC's economy is highly dependent on the mining industry. In 2008, it was estimated that the sector accounted for 25% of the country's GDP and 83% of its exports (14% cobalt, 3% copper, 46% diamonds, 20% oil).[97] Most of the mining sector was nationalised in 1967, under the state-owned enterprise Gécamines (*Générale des Carrières et des Mines*). Technical and financial difficulties, which began in the 1980s and worsened over the next 20 years due to political instability, bad management, the fall in copper and cobalt prices and the lack of investment in the sector, caused the company to go bankrupt. At the same time, regulations on the illicit trade in minerals and the informal working of abandoned mines, said to account for between 60 and 90% of the country's mineral production (Vanbrabant et al. 2009), were relaxed.[98] A new mining law was enacted in 2002 to attract investors. In the last decade, this has led to the privatisation of mines and various mergers between Gécamines and foreign companies.[99]

Katanga province, where Glencore operates, is in the south-east of the DRC. With an area of 496,877 km$^2$, it has an estimated population of 9 million, whose livelihoods mainly depend on agriculture and mining. It is estimated that about 150,000 people are working as artisanal miners. Although the public authorities permit this activity, they have not legalised the concessions being worked by these miners.

Katanga forms part of Central Africa's "copper belt," which runs from the south-east corner of the DRC to Zambia. It contains 34% of the world's reserves of cobalt and is the second richest area in the world in terms of copper, with 10% of global reserves. Its underground mineral wealth, which also includes deposits of zinc, lead, gold, silver, platinum, coal, cadmium, germanium, rhenium, cassiterite, manganese, uranium, nickel and limestone, among others, have turned the province into the country's economic heartland since the 1970s.

According to the provincial government, most of its revenue came from mining enterprises in 2006, despite corruption, illegal mining and tax evasion. The mining sector in Katanga comprises three categories of operator: companies with a mining licence, companies without a mining licence, and artisanal miners. The industrial mines belong to transnationals which have restored Gécamines' old concessions and export most of the minerals produced. The interaction between the formal and informal sectors is complex: it is characterised by both social tensions and commercial transactions. Gécamines is highly dependent on the cobalt and copper produced by artisanal miners (Peyer and Maillard 2011, 3; ACIDH 2011, 8; Tsurukawa et al. 2011, 23).

Glencore has been operating in several of the province's copper and cobalt mines since 2007, through various subsidiaries. The transnational holds 75.15% of the shares in Katanga Mining Limited (KML),[100] 60% in Mutanda Mining and 37.5% in Kansuki Sprl.[101] KML has three active copper and cobalt mines (the Kamoto underground mine and the KOV and T-17 open-cast mines) and three that are inactive (Mashamba Est, Tilwezembe and Kananga).[102] The company mines these deposits through the Kamoto Copper Company (KCC), which it acquired through a merger with the state-owned enterprises Gécamines and Société Immobilière du Congo (SIMCO) in 2007, and the DRC Copper and Cobalt Project (DCP), in a merger with Nikanor since 2008. These two joint ventures were merged into one in 2009. KML also owns the Kamoto concentration plant and the Luilu metallurgical plant. In 2011, KCC produced more than 63,700 tonnes of copper and more than 7,900 tonnes of cobalt.[103]

The Mutanda Mine (MUMI) has the capacity to produce 20,000 tonnes of copper and 8,000 tonnes of cobalt. The combined copper reserves of KCC and MUMI are estimated to total 60 million tonnes.

### ■ *Social and environmental impacts*

In their public documents, Glencore, KML and MUMI place emphasis on the importance of corporate social responsibility and protecting the environment in their operations, and highlight the investments they have made in these areas. Nevertheless, several reports have shown that these companies' activities have a devastating impact on local people and the environment.[104] A summary of these impacts is presented below.

- **Human rights violations:** It has been found that the mining corporations usually started to operate without having fully complied beforehand with the right of local communities to free, prior and informed consent (ILO Convention 169) (Peyer and Mercier 2012, 43). Some of these communities have been pushed off their land or had their land confiscated without receiving any financial compensation. Artisanal miners are very often violently ejected by the private security forces hired by the companies (Peyer and Maillard 2011, 25; Peyer and Mercier 2012, 20). As far as complaints against the companies are concerned, many refer to the intimidation suffered by local civil society organisations and repression of the miners employed by the corporation (Tsurukawa et al. 2011, 30; Nordbrand and Bolme 2007, 36).
- **Workers' rights and conditions:** Several studies have confirmed that KML buys minerals from artisanal miners who work on its concessions.[105] Both for them and for the miners employed by the company, denunciations have referred to working conditions that are dangerous (they lack protective clothing and adequate equipment) and unhealthy, frequent accidents, very low wages (between 1 and 4 euros per day), and the lack of social security or protection (Peyer and Maillard 2011, 27; Peyer and Mercier 2012, 18 & 34; Tsurukawa et al. 2011, 36; Nordbrand and Bolme 2007, 33). These activities include child workers (**in the "copper belt," 28% of the workforce – between 19,000 and 30,000 miners – are said to be children under 15**) (Peyer and Maillard 2011, 24; Peyer and Mercier 2012, 17; Tsurukawa et al. 2011, 31; Nordbrand and Bolme 2007, 30; Sweeney 2012). There is also evidence that workers have been exposed to uranium radiation (at levels 24 times higher than the recommended limit), which leads to serious health problems (anaemia, diabetes, infertility) (Tsurukawa et al. 2011, 27). Finally, prostitution is very common, particularly among girls (Tsurukawa et al. 2011, 33).
- **Living conditions in local communities:** Mining brings few benefits to local communities, whose residents continue to live in insecure conditions (UNDP 2009). Furthermore, many houses in the villages near the mining concessions have suffered damage (cracks, collapsed walls) as a result of the regular blasts. The mining of heterogenite in the informal mines may pose risks to health, such as exposure to heavy metals by breathing in the dust (Peyer and Maillard 2011, 27; Peyer and Mercier 2012, 22 y 32; Tsurukawa et al. 2011, 39; Bourget 2012).
- **Pollution:** There are regular spills of polluted water due to leaks in the pipes used in the mines. Waste water is often dumped straight into rivers, despite the high concentration of acids and heavy metals it contains. This leads to the pollution of underground water and local streams used for household consumption. Emissions from the processing plants and the bad management of waste are also responsible for air pollution, which has an impact on animals, plants and human health. The deterioration and pollution of the soil on agricultural land has also been highlighted (Peyer and Mercier 2012, 22 & 29; Nordbrand and Bolme 2007, 40; Bourget 2012; Sweeney 2012).
- **Unfair contracts:** The contracts established during the Mobutu dictatorship were acknowledged to be unbalanced and contrary to the interests of the Congolese people, and were therefore supposed to be reviewed between 2002 and 2005. The terms of the

contracts for the concessions worked by KML, however, were not re-negotiated when the company obtained its operating permits (Peyer and Maillard 2011, 18; Nordbrand and Bolme 2007, 27).

- **Maximum profits, minimum taxes:** (Gouvernement de la Province du Katanga 2007, 53; Bourget 2012). KML has a web of subsidiaries registered in tax havens: Bermuda, the Virgin Islands and the Isle of Man. As a result, the company is able to reduce the amount of tax it pays in the DRC (Peyer and Maillard 2011, 29). The royalties KML pays to Gécamines are equivalent to 2% of net revenue for the first four years, later falling to 1.5%. For the four years from 2010 to 2013, KML will pay no more than a minimal 785,000 euros in tax per year. Meanwhile, its main competitors declare that they have paid much more substantial taxes: First Quantum Minerals states that it paid 44.7 million euros in 2009, and Tenke Fungurume Mining declares tax payments of more than 141.2 million between 2006 and 2009 (Peyer and Maillard 2011, 32).
- **Corruption and a controversial partnership:** Global Witness (2012, 2) has denounced the opaque negotiations involved in the process of awarding permits to work several copper and cobalt mines. In 2010, these are said to have been sold by Gécamines to offshore companies for a fraction of their estimated commercial value. Although the list of companies is secret, it is alleged that several of them are linked to Dan Gertler, a friend of President Joseph Kabila and a partner of Glencore in the three companies it controls in the DRC: KML, MUMI and Kansuki (Global Witness 2012, 7; Bourget 2012, 40).

### More examples in Asia

Since 1999, Glencore has owned 78.2% of the Philippine Associated Smelting and Refining Corporation (PASAR),[106] which runs the only copper smelting and refining plant in the **Philippines**. It has its own port, which covers an area of 80 hectares in Leyte province. Annually, it processes 720,000 tonnes of copper coming from Indonesia, Papua New Guinea, Canada, Australia, Argentina, Brazil and Chile, and produces 215,000 tonnes of cathodes. It has access to the market for refined copper in China, Korea, Taiwan, Vietnam, Thailand, Malaysia, Indonesia and Japan. Glencore plans to invest 460 million euros in 2013 to expand this plant to reach an annual refining capacity of 1.2 million tonnes, as well as building a power station. This project may lead to local land use regulations being altered, contrary to the real development needs in the area. Furthermore, by merging with Xstrata, Glencore would be getting involved in operating the Tampakan open-cast copper mine, which is due to start working in 2014 and could cause serious environmental impacts. Local people are currently expressing growing concerns about this mine in an area that is politically very volatile. The opposition of the New People's Army (NPA) in particular to the mining project could serve as a pretext for militarization. Since 2003, the United Nations Working Group on Indigenous Populations has linked the increase in human rights violations in the country to the presence of the armed forces.

Source: Multiwatch. http://www.multiwatch.ch/fr/p97000568.html

## 2.3. Agribusiness in MERCOSUR

When introducing Glencore, it was indicated that 9% of its profits come from its **agricultural commodities** business. In this sector, the company and its subsidiaries produce, process and trade in wheat, maize, barley, rice, oilseeds, vegetable oils and agrofuels from the European Union, Russia, Ukraine, Kazakhstan, Argentina and Australia. The company also participates in the trade in sugar cane from Brazil, Thailand and India, with exports mainly destined for Russia, Indonesia, West Africa and the Middle East. The warehousing networks of Glencore's subsidiaries are located in Argentina, Australia, Brazil, Hungary, Kazakhstan, Paraguay, Poland, Romania, Russia, Ukraine and Uruguay, and have a combined storage capacity of 3.8 million tonnes. Land grabs are another feature of this business, as the transnational now controls between 270,000 and 300,000 hectares of land it has either bought or leased in Australia, Paraguay, Russia, Ukraine and Kazakhstan. This section will look more specifically at its presence in the two MERCOSUR giants. As mentioned at the start of this chapter, these two countries produce 84% of the soya imported by the EU.

### Expansion in Argentina

In Argentina, Glencore wholly owns **Oleaginosa Moreno Hermanos S.A (OMHSA)**, which it bought in 1997.[107] Through this company, which defines itself as "*a Buenos Aires-based player in the global agricultural commodities market*," Glencore has positioned itself as one of the largest producers and exporters of grains, raw oils, flours and byproducts of soya, sunflower and other grains produced in the country. OMHSA owns a sunflower plantation and land where it also produces wheat, barley, maize and soya, some of which is used to make agrofuels. The company also controls the supply of agro-inputs,

**Figures on the size of Glencore's business in the MERCOSUR farming sector**

- In Argentina, Brazil and Uruguay, Glencore has shareholdings of between 50% and 100% in rice mills with a combined annual capacity of 1.5 million tonnes.
- In 2010, it was the third largest processor and exporter of rice in Uruguay, accounting for 11.32% of total exports (43,610 tonnes).
- In 2006, the company was responsible for 23% of Argentina's rice exports – some 126,000 tonnes worth 24.2 million euros.
- In Brazil, a Glencore subsidiary owns an oilseeds processing plant with an annual capacity of 350,000 tonnes.

the marketing of cereals and oilseeds, and the provision of agricultural services through its network of warehouses located in the provinces of Buenos Aires, La Pampa, Santa Fe, Córdoba and Entre Ríos. OMHSA has several facilities for grain warehousing and the production and export of oilseeds. In Buenos Aires province, it owns silos (Gral Pico) and three soya and sunflower seed processing plants (Necochea, Daireaux, Gral Villegas) with a combined annual capacity of 1.9 million tonnes. In addition to its share in an agrofuels plant (Quequén), **it has its own private ports for shipping its exports**, with warehouses and grain elevators (Bahía Blanca, Galván and Quequén).[108]

In addition, since 2007 OMHSA has been a partner in Renova, together with Vicentín SAIC (Argentina's largest exporter of soya and sunflower oil) and Molinos **Río de la Plata, the food company owned by the Perez Companc family** (each of them have a 33.33% share). Part of the Vicentin industrial complex in Timbúes (San Lorenzo district, Santa Fe Province), the Renova S.A. plant is the largest in Argentina.[109] It comprises several factories producing refined glycerine and processing soya and sunflower seeds to produce agrofuels, and also includes a port terminal with access to the Paraná river.

To give an idea of the magnitude of OMHSA's operations in Argentina's oilseeds industry, official figures reveal that between January and November 2010 it exported 723,000 tonnes of grain, 998,841 tonnes of oilseed flours and 179,940 tonnes of vegetable oil (61% sunflower oil and the rest soya); its share of total national exports of these products was 2%, 3.7% and 3.2% respectively. The market for the agrofuels produced by OMHSA covers Europe, the United States, Asia and Africa, as well as the regional markets of Brazil, Paraguay, Uruguay and Chile.

### ■ *Impacts of the concentration of the oilseeds industry*

The implementation of this model of industrial, intensive, large-scale agriculture, designed by the global markets to meet their own needs, has gone hand in hand with the introduction of technological inputs (genetically modified seeds, toxic agrochemicals, fertilizers and machinery). There is clearly a growing concentration "*of market power in the hands of a small number of transnational companies*" (FAO 2004), which increasingly define the rules of production, consumption and ways of life globally (Poth 2010 265).

The case study of Glencore illustrates the general trends in the process whereby competition strategies and the power of the agroindustrial corporations are becoming consolidated. The main ones operating in MERCOSUR are Monsanto, ADM, Cargill and Bunge from the United States, and the European companies Bayer, BASF and Louis Dreyfus Commodities. **Agribusiness as a whole has adopted a model of "vertical integration": it controls every stage in the agri-food chain, from the production and sale of seeds, the supply of agrochemicals and machinery for planting, harvesting and fumigation, grain processing and refining, warehousing, packaging and marketing, to running the ports used to ship the product for export** (GRAIN 2012, 22; Oyhantçabal and Narbondo 2011, 20; Rojas 2010, 1; GRR 2004, 6).

The impacts of soya monocropping in the MERCOSUR countries have been amply documented and denounced by local communities and civil society groups. Its social impacts include the concentration of land in the hands of a few, the infringement of human rights and the violent eviction of rural and indigenous communities, and it also places local economies at risk (*see box below*). Among its environmental impacts are the loss of biodiversity, the disappearance of other crops, water pollution, and soil erosion and desertification (UNEP 2011, 103; Landeros et al. 2009; Rojas 2010). In Europe, the industrial production of meat using animal feed made of genetically modified grain is leading to deteriorating food quality and a further loss of quality of life in rural areas (GRR 2004, 6).

The oilseed crushing industry which produces raw oils and flours is characterised by the presence of large-scale processing plants and is strongly export-oriented.[110] As Gutman and Gorenstein (2006) point out, "*the expansion and concentration of the oilseeds industry has gone hand in hand with a tendency for the processing plants to cluster in certain locations*" near the farms or ports. This has also generated a trend in developing logistical infrastructure (ports, the railway network, warehouse facilities, etc.).

According to the analysis by Costa et al. (2006, 754), the consolidation of the agro-export model and regional trade blocs, the introduction of free trade policies and the growing competition in international markets has led to an increase in the volume of seaborne trade, making the port system even more important. It has consequently become the site of far-

**The fight for territory and food sovereignty, and resistance to the agribusiness model**


Protest by the Movimiento Nacional Campesino Indígena (MNCI) in Buenos Aires following the murder of the indigenous smallholder farmer Cristian Ferreyra. *Photo: MNCI, 18 November 2011.*

In 2011, nine rural and indigenous organisations in Argentina presented the country's parliament with a draft law named after Cristian Ferreyra to put an end to the evictions and the series of attacks, murders and threats that have accompanied the advance of agroindustry in several of the country's provinces. Following the murder of the indigenous smallholder farmer Miguel Galván in October 2012, these organisations started discussing the law with the Chamber of Deputies with a view to getting it approved.

Source: Movimiento Nacional Campesino Indígena

reaching institutional, technological and organisational changes, as a result of the policy to privatise state-owned enterprises and infrastructure in the 1990s. New forms of public-private partnerships have emerged in the organisation and management of ports, with consortia being set up as a way to run ports and meet market demands. As a result, "*the private sector members of the Management Consortium include the main exporters of grains, oils and byproducts of the vegetable oil industry, as well as shipping agencies.*"



**Impacts of the OMHSA processing plant in the city of Bahía Blanca**

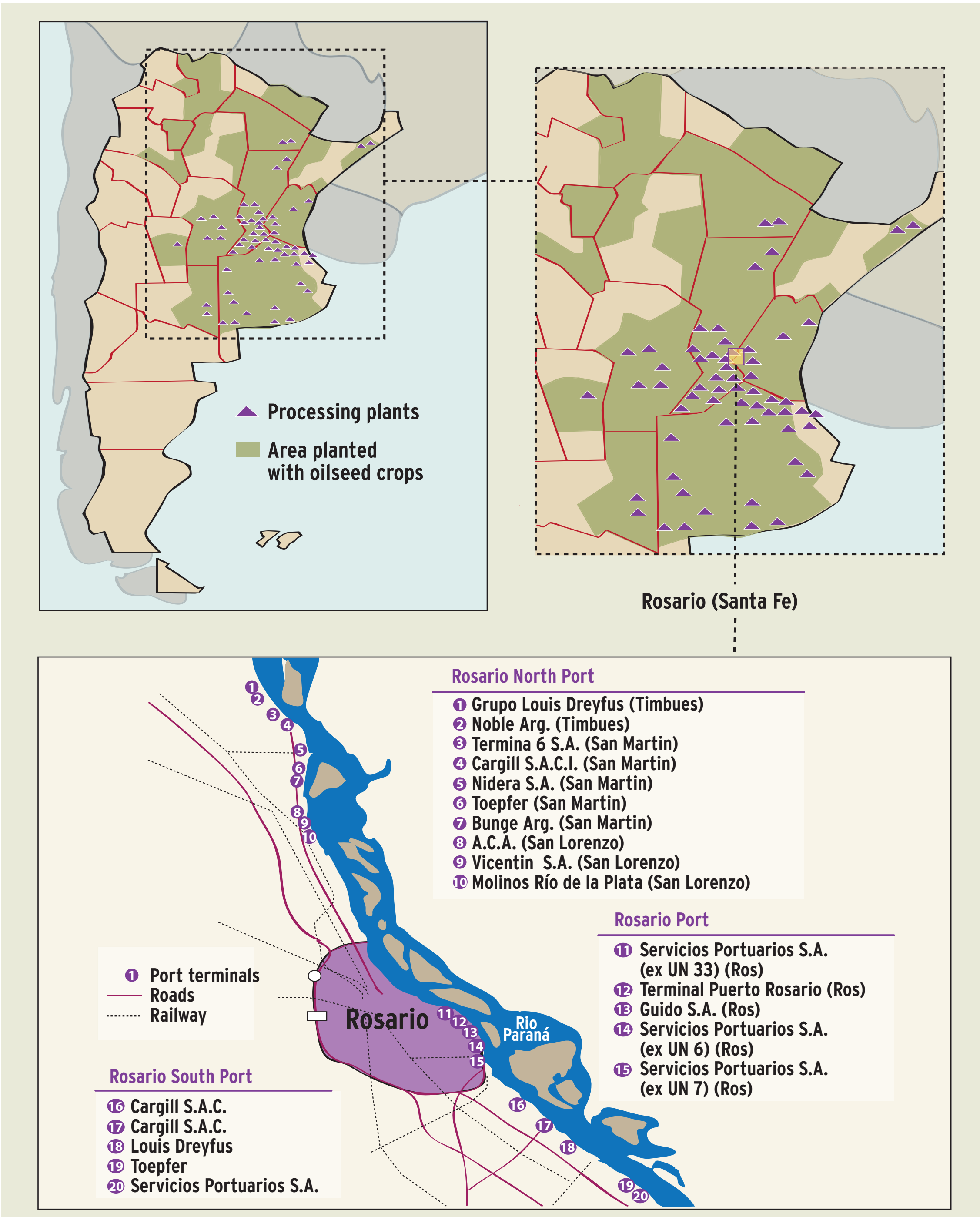
*"The changes that took place in the area as a consequence of the plant being installed there and the problems typical of the industry – noise, bad smells, exploding pellets, etc – random accidents, oil spills, repeated complaints by local residents and the company's desire to expand led to it being moved to the port area." (...) "Despite this, other problems persist because the factory buildings and railway access are still there, giving the area a peculiar appearance, especially if the abandoned homes are taken into account – some of them bought by the company to be used as offices and others to mitigate the problems caused to their occupants – the legacy of the conflict between two incompatible uses of the land."*

Source: Santarelli et al. (2005)

The industry in Argentina is located in Buenos Aires, Santa Fe and Córdoba. Also, "*the ports in the pampas region (especially Rosario-Santa Fe, Bahía Blanca and Quequén) have been strategic sites for the installation of new infrastructure – warehouses, crushing and processing plants, loading bays and multimodal transport connections (railway, waterway, roads)*" (Gutman and Gorenstein 2006, 13). 22 of the 51 edible oil processing plants that are currently operating (owned by 37 companies) are located in Santa Fe on the Paraná river. This is where 80% of the country's production of these oils takes place, most of it destined for export. Cargill, OMHSA, Molinos Río de la Plata, Nidera, Vicentin and Aceitera General Deheza operate factories with the capacity to process more than 20,000 tonnes of grain per day and together control about 70% of the country's total oilseed crushing capacity (MECON, 2011).[111] It is important to point out that the soya export model is linked in this region to the expansion of the Paraguay-Paraná-Plata Waterway, one of the IIRSA infrastructure mega-projects (*see Chapter 3*).

As the map below shows, the ports of San Martín and Rosario comprise 12 terminals along a strip that stretches 45 kilometres from Timbues to the north of the city of Rosario, and another 25 kilometres to the south. These terminals are used to ship 76% of the country's exports of cereals, protein flours and vegetable oils. The shipping capacity of Argentina's ports has increased hugely: in 1990 they were able to load about 15,000 tonnes of cargo per hour, while today that rate is nearly 77,000 tonnes per hour in the country as a whole and 55,000 in the area surrounding the city of Rosario.

**Map 2: Distribution of agrofuel processing plants and port terminals in Santa Fe province, Argentina**




Source: Prepared by ODG based on Giancola et al. (2009), Instituto Nacional de Tecnología Agropecuaria (INTA), Argentina

## The agrofuels business in Brazil

Glencore entered the ethanol market in Brazil in 2010 by purchasing 76% of the shares (an investment of 62.9 million euros) in the Rio Vermelho refinery, which has the capacity to process 1.3 million tonnes of sugar cane per year. The company is currently expanding its processing plants in the country to increase production of ethanol and sugar destined for the international market. This is a project with a planned investment of 253 million euros from 2011 to 2015, which will **expand the company's sugar cane plantations on land it owns or leases by 21,000 hectares**. Other plans include an increase in milling capacity from 1 million to 2.6 million tonnes, a sugar warehousing plant with a capacity to hold 260,000 tonnes, an increase in anhydrous ethanol production capacity to 80,000 tonnes, and the construction of a co-generation power station able to supply 200,000 MW/hour of electricity to the grid.

### ■ *Impacts on the sugar cane sector*

The study "A Monopoly in Ethanol Production in Brazil: The Cosan-Shell merger" (Xavier et al. 2011) offers a broad overview of the expansion of the sugar cane sector, the increase in ethanol production and the emergence of monopolies in Brazil. According to figures from the Companhia Nacional de Abastecimento (CONAB), the area planted with sugar cane increased from 4.8 million hectares in 2000 to 8.1 million hectares in 2011. The quantity of sugar processed rose from 257.6 to 624.9 million tonnes and ethanol production increased from 11,000 million to 27,668 million litres. **Brazil is the second largest ethanol producer in the world and ships about half of its total exports to the EU**. In this case also, Glencore's operations reflect the increased involvement of foreign corporations in Brazil's sugar alcohol sector. Between 2000 and 2010, the percentage of the market held by foreign capital rose from 1% to 25%. The other major transnationals (TNCs) that have established a foothold in the sector include the European companies Shell (the Netherlands), Abengoa (Spain), Louis Dreyfus, Sucden and Tereos (France), British Petroleum, Infinity Bio-Energy and Clean Energy (UK) and Umoe (Norway). According to this report, "*a typical feature of the sector is the alliance between agribusiness sectors with companies in the oil, automotive, biotechnology, mineral, infrastructure and investment industries.*"

This increased concentration of TNCs goes hand in hand with **the expansion of sugar cane monocropping and a constant need to secure control of natural resources such as land and water**. With regard to the social impact, local communities and national and international civil society organisations have denounced **the takeover**

**of indigenous peoples' land by sugar cane plantations, the exodus from rural areas, and the respiratory and lung diseases suffered by workers and local residents** due to the burning of the sugar cane fields before the harvest. Furthermore, workers endure degrading and exploitative conditions in the sugar cane plantations, where accidents are frequent. Hundreds of cases of **slave labour** have also been denounced (Xavier et al. 2011, 20; Fritz 2008, 15). The environmental impacts that have been identified include the deforestation of the Amazon and the Cerrado, the loss of soil fertility, pollution of the soil and groundwater reserves due to the use of agrochemicals, river pollution which is killing fish, and the displacement of food crops by sugar cane (Xavier et al. 2011; Fritz 2008, 10).

## 2.4. How do trade agreements benefit a company like Glencore?

Bilateral Investment Protection Treaties (BITs) are one of the mechanisms most frequently used to secure the impunity of the transnationals. Glencore's recurrent threats to use either the Switzerland-Bolivia BIT or the UK-Bolivia BIT to haul the Andean country up before the International Centre for the Settlement of Investment Disputes (ICSID) are proof of this. Another example is the case brought before the ICSID by the Canadian mining company Pacific Rim Mining against El Salvador for refusing to award it an environmental licence. In fact, **a third of the cases brought before the ICSID involve disputes about investments in natural resources, and half of these concern Latin America**.[112]

Since the 1990s, the EU countries have signed treaties of this type with practically every country in Latin America.[113] **The European countries that have signed the most BITs are Spain, the Netherlands, France, Germany, Italy, the UK, Switzerland and Belgium/Luxembourg**. According to the "Seattle to Brussels" international network's Investment Working Group (S2B 2010, 9), even though BITs are presented as "development instruments," their very existence is in fact associated with the more developed countries' need to ensure that their investors in the global South are financially and legally protected (Llistar and Vargas 2012).

Free Trade Agreements (FTAs) are another of the platforms from which corporations launch their demands for international arbitration against states. One case in the extractive industry sector, for example, is the claim lodged in 2011 by Renco Group/Doe Run against Peru for the amount of 614 million euros. The Ira Rennert company, accused of being responsible for poisoning the town of La Oroya between 1997 and 2009, cited the chapter on investment in the FTA signed by Peru and the United States as backing for this claim. It should be remembered that La Oroya is one of the most dramatic cases of environmental injustice. With less than 40,000 inhabitants, this town has practically the same level of pollution as Mexico City. Furthermore, claiming the backing of the FTA with Canada, Bear Creek Mining Corporation is also suing the Andean nation for having cancelled its authorisation for the Santa Ana mining concession, which was fiercely opposed by local communities.[114]


La Oroya, Peru. Photo: Matthew Burpee, October 2003 (http://www.flickr.com/photos/mburpee/3016820939/)

### EU – Peru and Colombia Free Trade Agreement

In recent years, some of the Andean countries - Bolivia, Ecuador and Venezuela – have started to resist mechanisms of this type, and have fully or partially withdrawn from the ICSID. Nevertheless, very soon a new device will be put in place to consolidate the power of European capital in the Andean region: the **EU – Peru and Colombia Free Trade Agreement**.[115]

An extensive literature documents the pernicious social, economic, cultural and environmental effects that signing agreements of this sort has meant for Latin

#### Threats involved in the FTA

According to Vidales (2012), some of the main threats that would materialise with the signing of the EU - Peru and Colombia FTA are: "an intensification of the commodity export policy in Colombia and Peru, rather than a policy to meet domestic demand and thus promote local industries and job creation; the unrestricted exploitation of natural resources; a policy to cut taxes on exports; allowing EU service providers to access markets under the same conditions as local service providers; deregulation of financial markets; failure to respect intellectual property, disregarding the origin of ancestral knowledge, and allowing plants and genetic resources to be patented (...)"

America.[116] In this case in particular, everything indicates that **the FTA will consolidate the commodity export model** (*see box*) that creates so much business for a company like Glencore. Although all the parties state their commitment to respect human rights, workers' rights and the environment, there are no binding clauses in the agreement. As was shown in the case of the AA with Central America, neither are these rights seen as taking priority over commercial aspects.[117] In fact, the negotiations on this FTA have gone ahead despite the negative steps that the Colombian government is taking in this area.[118] It is important to highlight the fact that because the Andean Community of Nations (CAN) still exists, countries like Bolivia and Ecuador – which have openly criticised agreements of this type – would also be affected, because they are members of the same regional bloc as Peru and Colombia. This is the reason why Venezuela withdrew from the CAN in 2006, following the announcement by Peru and Colombia that they were intending to sign free trade agreements with the United States.

### EU-MERCOSUR Association Agreement

As indicated in Chapter 1, MERCOSUR and the EU have been negotiating a bi-regional free trade agreement since 2000. After several rounds of failed negotiations, the EU decided in May 2010 to renew negotiations following the 6th EU-LAC Summit. Talks have been held since then, but without achieving any concrete result. With the entry into force of the Lisbon Treaty in 2009, the EU has "*exclusive competence to contribute to the progressive abolition of restrictions on foreign direct investment*" from Europe in third country markets. The basic principles for its future trade negotiations are set out in the documents "*Towards a comprehensive European international investment policy,*"[119] "*Global Europe: Competing in the World*"[120] and the above-mentioned "Raw Materials Initiative." Analysis of these reveals **the three main objectives of the EU's foreign policy: improve the global competitiveness of European capital, guarantee the supply of raw materials to Europe's industry, and find an outlet for its surpluses in the world market**.

The negotiation of a trade agreement between the EU and MERCOSUR has clearly been met with strong opposition from broad sectors of civil society. They reject the political, economic and legal architecture whereby *"the rights of TNCs are guaranteed by the judicial fortress of the Lex Mercatoria (...) which protects TNCs and allows them to violate peoples' rights with impunity*" (PPT 2010), as well as serving their interests. **The ratification of an AA between the two blocs would provide European corporations like Glencore with a legal framework for consolidating its monopoly position in MERCOSUR**, through access to natural resources that can be extracted, processed and exported, as well as the import of goods. It could also increase the inflow of products such as technological inputs to the region's market. In the agriculture sector in particular, this would lead to the **intensification of the agro-export model**, with the consequences described in the previous chapter. According to the *Trade Sustainability Impact Assessment (TSIA)*, one of the main environmental impacts of a potential AA between the EU and MERCOSUR would be caused by the increase in Europe's imports of ethanol from MERCOSUR to be used as an agrofuel (Llistar and Vargas 2012). Ratification of the agreement would lead to an intensification of ethanol production, implying **increased deforestation and threats to biodiversity**, particularly in the Amazon region and Brazil's Cerrado.

### EU-Africa Economic Partnership Agreements

As far as trade agreements with the African, Caribbean and Pacific (ACP) countries are concerned, since 2002 the European Commission has been negotiating Economic Partnership Agreements (EPAs) to help these countries to "*integrate into the world economy and share in the opportunities offered by globalisation.*"[121] Thus, the EPAs include financial assistance for development and investment and are in line with the strategies defined in "*Global Europe: Competing in the World*" and the "Raw Materials Initiative" (RMI). In 2010, the European Commission and the African Union Commission agreed to establish bilateral cooperation on mining and minerals, focusing on three areas: **governance, investment and geological knowledge/skills** (EC 2011, 15). Through the European Investment Bank (EIB) and other development financing institutions, Europe's policy is to promote infrastructure to facilitate the transport of these raw materials, as well as assessing "*the feasibility of increasing lending (which may include grant-loan elements) to industry, including mining and refining projects*" and "*promoting financial instruments that reduce risk for operators* [read European companies] *on the basis of guarantees supported by EU, including by the European Development Fund*" (EC 2011, 16). It is estimated that between 2000 and 2010, the EIB signed off on loans for mining projects in Africa worth approximately 650 million euros (Simpere 2010). **However, Europe's diplomacy on raw materials and EPAs contains no suggestion of monitoring the actions of the European capital benefiting from these policies**. However, this is precisely what is urgently needed... (*see box*).

Several reports (Formentí 2012, Ramdoo 2011, Gregow 2010, Curtis 2010) have examined the relationship between the RMI and the pressure that the EU places on Latin American and African countries to sign Free Trade Agreements, Economic Partnership Agreements and

### Conflicts in Zambia

The research report "*The Mopani copper mine, Zambia: How European development money has fed a mining scandal*" examines the impacts of this mine. It is operated by the Mopani Copper Mine (MCM) consortium, whose main shareholder is Glencore. In 2005, MCM received a loan of 48 million euros from the EIB. There are **allegations of corruption and tax evasion**, insecure jobs and dangerous working conditions, forced evictions of local farmers, pollution of water with sulphuric acid and pollution of air with sulphur dioxide. These show that the project has benefited MCM to the detriment of the Zambian people (Simpere 2010).

Association Agreements. One recurrent element is the imposition of **new investment rules that offer European capital unprecedented access to raw materials**, under conditions equal to or better than those enjoyed by local companies. Another key aspect of Europe's global trade strategy, whether in negotiations on trade agreements or in the setting of the World Trade Organisation (WTO), is the drive to **reduce and eliminate "restrictions" on the export of raw materials**. These barriers, which the EU sees as "distorting" trade, are in fact fiscal measures adopted by the exporter countries with the aim of promoting local industry, increasing state revenue, and protecting the environment (Curtis 2010).

In addition to this, EPAs imply that the ACP countries are forced to open up their markets to **unfair competition** from European exports. While the ratification of the EPA obliges the ACP countries to dismantle their measures to protect agriculture in the form of tariffs and price controls, Europe's farming sector will continue to receive subsidies. It is clear that this situation of unequal competition will affect the productive and economic fabric of the ACP countries, as well as their public services and regional integration. In fact, studies have described how certain European countries are lobbying for sectors such as fishing to be included in the EPA negotiations, seeking to benefit European capital.[122] The destruction of small-scale agriculture, family farming and local industries will have an impact on people's livelihoods and sources of employment, leading to a rise in social inequality and poverty, and hence to increased migration. For all these reasons, civil society has mounted resistance to the signing of these agreements for years.[123]

## 2.5. Glencore in the financial casino

The impunity with which the transnationals operate no longer applies only to their activities on the production side. In this section another aspect of Glencore's operations will be examined. Although the focus will be mainly on food speculation, it is important to recall that Glencore's financial activities involve practically all types of commodities,[124] with profound implications for the real economy and the real-real economy.

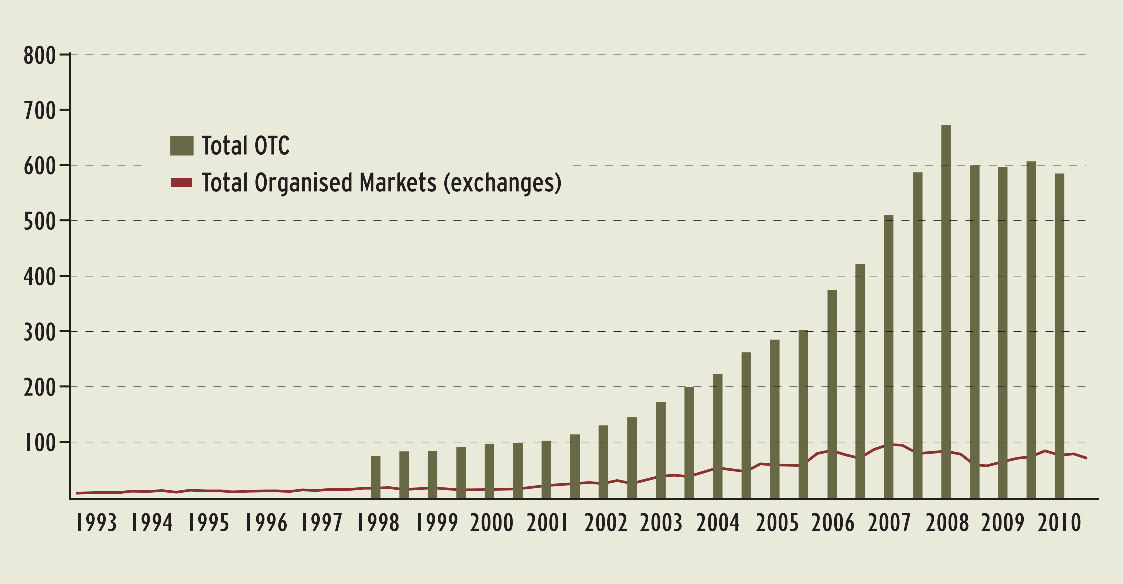
*"In terms of the outlook for the balance of the year, the environment is a good one. High prices, lots of volatility, a lot of dislocation, tightness, a lot of arbitrage opportunities."* This was the reaction by Chris Mahoney, Glencore's director of agricultural products, to the terrible drought that hit the United States in August 2012.[125] His statement, aimed at attracting investors, is a crude reflection of the reality in the global commodities market, where fluctuating grain prices are seen as profit opportunities for a handful of financial intermediaries, while for hundreds of millions of people they mean hunger.

### Financial speculation: what is it and where does it take place?

Speculation basically consists of the set of commercial or financial operations whose purpose is to make a profit from **price fluctuation**. Speculators place bets on the price of a product rising or falling. The history of financial speculation begins in the United States at the end of the 19th century. The first financial derivatives were the futures contracts created by the Chicago stock exchange (today the Chicago Board of Trade – CBOT), which opened in 1848.[126] Futures have multiplied since then to cover mortgages, bonds, interest rates, currencies, shares, stock exchange indexes, etc, **with transactions equivalent in value to the entire global GDP** (Suppan 2008). An increasingly complex financial architecture has been put in place alongside this, including a large number of derivatives instruments and products.[127]

Financial derivatives are currently traded in two ways: on **stock exchanges** ("regulated" or "organised markets") and "**over-the-counter**" (OTC). As the graph below shows, colossal amounts of money are moved in the OTC market, equivalent to more than 10 times the value of the financial derivatives traded on the stock exchange. It is important to highlight that **governments have no authority whatsoever over OTC trading**. In fact, they are unable even to obtain trustworthy information about it.

**Figure 3. Total amounts of capital traded on organised markets (exchanges) and over-the-counter (OTC)** (in trillions of US dollars)




Prepared by ODG, based on figures from the Bank of International Settlements - BIS (2011)

Now, for there to be speculation, an essential requirement is that prices must fluctuate. Why does that happen? It is the result of three decades of global "free" trade based on the deregulation of commodities markets. Policies whose objective was to regulate price variations have gradually been dismantled all over the world.



### The 2010 food crisis: speculation made in Agribusiness

The international price of wheat shot up in 2010, two months before the Russian government decided to prohibit exports. But the price not only rose on the stock markets in Paris or London, but also and especially within Russia itself, due to the actions of local speculators. The reason for this is that a few foreign investors, in an alliance with the local oligarchy, have gained control of nearly half of all the wheat produced in Russia in recent years. Before the drought, these players were demanding higher prices for their harvests, and the government did nothing to intervene, not even by making use of the country's reserves. The authorities only reacted when the interests of agribusiness firms – in this case **Glencore** – started to be threatened. Glencore was in fact one of the companies that had signed export contracts before the drought, agreeing to supply grain at US$170 per tonne. When the international price reached US$220, a sale at the contracted price would have lost the company millions. The only way to avoid delivering the grain at the previously-agreed price was to allege "force majeure." This is why it exerted intense pressure on the Russian government to ban exports. Meanwhile, thanks to speculation on the futures markets, prices had increased still further. At that point, the countries in South-East Asia and North Africa that are highly dependent on imports of Russian wheat were forced to sign new contracts with agribusiness, at much higher prices. For example, Jordan bought wheat at US$324 per tonne and Egypt paid US$310 per tonne (GRAIN 2010).

Source: Chantry, Duch and Vargas (2011)

## Glencore: just one more player in the financial casino

The example in the box above illustrates the room for manipulation that the agribusiness corporations enjoy. But their ability to take advantage of the opportunities offered by financial markets goes much further still. Speculation of this type tends to be attributed specifically to banks and financial institutions. However, the active role played by companies like Glencore in this field is essential. These actors are never accused of being financial speculators per se, because they are considered to be engaging in hedging in good faith – in other words, they are only participating in the financial casino in order to cover themselves against risk (hedging).[128] **Indeed, hedging is not considered a speculative activity and the need for protection against risk is used to justify the existence of futures markets.**

### Hedging - a hypothetical case

The table below explains how this works, in theory, through the example of an operation to buy and sell maize. It starts from the assumption that between September and December the price of maize has fallen (from €150 per tonne to €100). The row illustrating the buying and selling of the maize in the real economy shows that the end result in December is a loss of €50 per tonne. But at the same time, by acting in the financial economy, the loss has been more than compensated for. A maize futures contract was sold in September, and this was later cancelled by the purchase of another contract (at a lower cost, since the contract price is linked to the maize price) in December. Even taking into account the cost of storing the maize, a profit has been made.

| | September | December | Total |
|---|---|---|---|
| Buying and selling of maize (real economy) | Purchase of maize at €150 per tonne | Sale of maize at €100 per tonne | - 50 €/T |
| Buying and selling of maize futures contracts (financial economy) | Sale of a maize futures contract at €200 per tonne | Purchase of a maize futures contract at €125 per tonne | + 75 €/T |
| Storage cost (€2/tonne/month) | --- | - 8 €/tonne | - 8 €/T |
| **Total** | + 50 €/tonne | - 33 €/tonne | + 17 €/T |

Futures markets are usually presented as spaces where the means are available to hedge against price variation. Thus, by engaging in an operation in the financial market which is the "opposite" of the operation that takes place in the real economy, losses can be avoided. In reality, however, as the economist Hieronymus explains,[129] **hedging is not an insurance policy but rather a way to place bets**, enabling profits to be maximised. Corporations like Glencore enjoy a privileged position here. Because they are not classified as speculators, the limits that governments attempt to impose on other players in the futures market do not apply to them.[130] They are therefore able to make a profit by gambling on price fluctuations in both the real market ***and*** the financial market. The case that brought Glencore up against Transworld (*see box below*) illustrates how the Swiss transnational sought to use its hedging operations to increase its profits by 21% on a transaction from which it had already made a profit.[131] Contrary to the theoretical case looked at with the maize example, Glencore bet on the price rising in both markets.

### Glencore Energy UK Ltd vs Transworld Oil Ltd

Glencore signed a contract to buy 271,000 barrels of oil from Transworld, but the latter failed to deliver the crude. Glencore then claimed compensation for the loss of more than 8 million euros, calculated on the basis of the difference between the price set in the contract and the value of the oil on the date when it should have been delivered. But Glencore had also hedged its position by selling futures that protected it against the possible fall in the price of the oil while it was being shipped. When this hedge was taken into account, its total loss was in fact 6 million euros. Transworld then argued that the assessment of the damages should acknowledge the hedge taken by Glencore, because otherwise the Swiss transnational would be getting compensated twice. Glencore's counter-argument was that the hedge was part of a different transaction, and that it should therefore be understood as a sales contract separate from the deal with Transworld. The English Commercial Court ruled in favour of Transworld in this case.

Source: http://www.onlinedmc.co.uk/index.php/Glencore_Energy_v_Transworld_Oil

Corporations such as Glencore are just another player in the financial casino. **They use futures contracts not just to hedge against risk, but also to obtain additional profits.**

The privileged situation that these transnationals enjoy in terms of their ability to set prices in commodity markets[132] and their access to information has enabled them to register record profits in recent years. In all likelihood, their hedging only increases their income. But because these companies "hedge" their accounting practices too, there is no trace in their accounts on the percentage of their profits that comes from speculating on financial markets. Financial capital also considers them its priority partners. On this subject, it is worth reading **Annex V, on the partnership between Glencore and Credit Suisse**.

## The consequences of food speculation for the global South

One thing is evident: when the price of staple food rises, people have less money to buy it. Whereas in the rich countries the amount that households spend on food is equivalent to about 10-15% of their budget, households in the South spend between 50 and 90% of their budget on food. Families in Bangladesh, Nigeria and Afghanistan, for example, spend an average of about 65% of their income on food. In the case of Haitian, Libyan and Bolivian families, nearly 50% goes on food (IMF 2007). When prices go up, and considering that people still have to buy food to survive, it also means that the percentage of their budget destined to cover other, equally basic needs, such as health and education, will have to be cut. It has been observed that the work done by the most vulnerable people – women, children and older people – is tending to become increasingly insecure. The huge increase in food prices is not the only consequence of speculation that affects the poorest families. **Price fluctuation in itself has negative repercussions** at different levels. It might be asked whether an increase in the price of a commodity ultimately benefits the producer. It is important to bear in mind, however, that many impoverished countries depend on both the export and the import of commodities (Chantry, Duch and Vargas 2011).

It seems evident that the derivatives markets only encourage speculation and the increasing concentration of capital in the hands of the few. Various attempts to regulate these markets have not worked, for three main reasons. Firstly, the regulatory measures applied to the organised markets or stock exchanges do not cover all the players who speculate, leaving a large number of them free to do as they wish. The actions of agribusiness in the food commodities market is a case in point, as was highlighted with the example of Glencore. Secondly, these measures have usually been blocked by the banks and financial institutions by means of strong pressure or lobbying.[133] Thirdly, the elites have a financial market (OTC) which is totally unregulated and open to unbridled speculation. Because of the huge amounts of money it moves, this market has a clear influence on the "more regulated" financial markets. This has led to a financial system that is out of control – a casino in which Glencore is a player holding all the cards.

## Notes

37 This reflects the view of ecological economics, which distinguishes three levels in the economy. The first is the financial level, in which growth takes place as a result of the loans made to the private sector or to the state, often without any guarantee that the loan will be repaid, as is the case in the current financial crisis. The financial system borrows against the future, on the expectation of *indefinite* economic growth. The second level is the "real economy," linked to Gross Domestic Product, trade relations and prices. And the third level is the "real-real" economy, which includes flows of energy and materials whose increase depends partly on economic factors (types of markets, prices), and partly on physical and biological limits. The "real-real" economy also includes land and the human capacity for work (Martínez Alier, Kallis and Norgaard 2009, 16).

38 The members of the Commonwealth of Independent States (CIS) are Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan.

39 The EU is the African countries' main partner in this sector, receiving a third of their exports. Another third goes to Asia, with an increase of 16 to 33% in five years.

40 See, for example: Fritz (2012), Llistar and Vargas (2012).

41 See: http://www.fao.org/agronoticias/agro-noticias/detalle/en/?dyna_fef[uid]=146327 and http://olca.cl/articulo/nota.php?id=101486. It is worth highlighting the fact that practically all the soya produced in Argentina is genetically modified. The equivalent proportions in Brazil and the United States are 60% and 93% respectively (Fritz 2012, 98).

42 The EU measures risk on the basis of the fact that production of these minerals is concentrated in a handful of countries and that they also have "low substitutability and low recycling rates" (EC 2011).

43 In 2010, for example, the European Commission agreed with the African Union Commission to establish bilateral cooperation on mining. This cooperation focuses on three areas: governance, investment and geological knowledge/skills (EC 2011, 15). Using institutions such as the European Investment Bank, European policy envisages building infrastructure to facilitate the transport of raw materials, increasing lending (and potentially offering subsidies) to industry for mining and refining projects, and providing guarantees using public funds (the European Development Fund) to "reduce risk for operators" (EC 2011, 16).

44 Examples of such companies are **Trafigura and Vitol, which in 2010 recorded sales of 8.1 million barrels of oil per day, equivalent to the exports of Saudi Arabia and Venezuela put together**, and which are alleged to be playing a role in geopolitics. According to Reuters, Vitol supplied fuel to the Libyan rebels for their advance on Tripoli in 2011, and was also responsible for the first clandestine sales of Libyan oil before the overthrow of Gaddafi. In return, the company was awarded an important role in the country's exports of crude (Schneyer 2011).

45 Several conflicts caused by companies headquartered in Switzerland can be read about in *Swiss Trading S.A.*, Déclaration de Berne (2012), and on the website of the "Corporate Justice" Campaign (http://www.droitsansfrontieres.ch/fr/exemplesdescas/).

46 For example, Amnesty and Greenpeace accused Trafigura three years ago of dumping toxic waste in Ivory Coast. More than 100,000 people were hospitalised and between 15 and 17 people died as a result (see: http://www.greenpeace.org/international/en/publications/Campaign-reports/Toxics-reports/The-Toxic-Truth/).

47 In 2001 he was pardoned by President Bill Clinton (see: http://en.wikipedia.org/wiki/Marc_Rich). In 2005, the company was also accused of buying oil illegally from Saddam Hussein, thus breaking the United Nations embargo (see: http://www.iraqdirectory.com/DisplayNews.aspx?id=151).

48 See: http://www.reuters.com/article/2012/06/27/us-glencore-trial-idUSBRE85Q0UK20120627

49 In South America, it operates in Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay and Peru. In Africa, it has operations in South Africa, Morocco, Equatorial Guinea, the Democratic Republic of Congo (DRC) and Zambia, and it is seeking to expand oil exploration to Cameroon. It also has mining subsidiaries in Kazakhstan, the Philippines and Australia, farming and oil operations in Ukraine and Russia, and refineries in the United States and Italy.

50 See: http://www.nxtbook.com/sosland/mbn/2011_05_31/index.php?startid=12, http://www.glencore.com/documents/investorpresentation0310.pdf, Schneyer (2011) and Silverstein (2012). It is worth mentioning that **Glencore owns 34% of the Swiss mining company Xstrata, with which it is currently negotiating a merger**. If the merger takes place, it would become the largest raw materials company and the fourth largest mining company in the world (http://www.evb.ch/fr/p25020047.html). Another company acquired by Glencore in 2012 is Viterra, a key player in Canadian agribusiness. This acquisition is currently awaiting approval by the government of China, because of the risk that it may infringe the country's anti-monopoly law (see: http://ca.reuters.com/article/businessNews/idCABRE8AC0ZE20121113?pageNumber=1&virtualBrandChannel=0).

51 See: http://www.evb.ch/fr/p25020047.html

52 See: http://www.evb.ch/fr/p25020047.html

53 Sources: Hawkins 2012; Plan Nacional de Desarrollo 2010-2014; Portal de Información Minera Colombiana (http://www.imcportal.com/contenido.php?option=showfile&type=page&fileid=667); statement made by the Vice-Minister of Mines to the newspaper La República, 19 October 2012 (http://www.larepublica.com.co/economia/colombia-no-alcanzar%C3%ADa-meta-de-producci%C3%B3n-de-carb%C3%B3n-en-2012_23591); President Santos' 2011 report to Congress (http://wsp.presidencia.gov.co/Publicaciones/Documents/InformePresidente2011.pdf).

54 In 2010, **Europe's dependence on imports of solid fuels (basically coal) was almost 40%** (see: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Energy_production_and_imports). The Netherlands in particular is the country buying the most coal from Colombia, being the second largest importer after the United States. The magnitude of Dutch coal consumption should be qualified, however, because although the coal arrives in the port of Rotterdam, some of it is later transported to other destinations (Hawkins 2012). In Spain, where coal imports increased by 60% between January and June 2012, Colombian coal accounted for 30% of imports that year.

55 Valencia and Orjuela (2011, 30) add that in 2010, the cost to the treasury of the tax exemptions provided to the mining and energy sector (i.e., what the state does not receive by failing to collect taxes from them) was equivalent to 27% of the amount paid by the companies in royalties "that the government is giving back to them." But in the case of coal specifically, the cost of tax exemptions is equivalent to 41% of the royalties and taxes paid by the multinationals (Rangel 2012, 4).

56 Since 2007, it has also been present in **Antioquia**, through its subsidiary Carbones de la Loma S.A., **in the Pantanos-Pegagorcito polymetallic sulphides project** (see: http://www.imcportal.com/contenido.php?option=shownews&newsid=1025&render=page, and the report of the Switzerland-Colombia Working Group Ask! at: http://www.askonline.ch/fileadmin/user_upload/documents/Jahresberichte/Jahresbericht_2011_ask.pdf).

57 The complex is controlled by a consortium whose members – holding equal shares – are AngloAmerican (UK), BHP Billiton (Australia-Netherlands-UK) and **Xstrata** (which bought its share from Glencore in 2006). It operates in the departments of La Guajira, Cesar and Antioquia, through three subsidiaries: Coal Marketing Company Limited, Cerrejón Zona Norte S.A., and Carbones del Cerrejón LLC.

58 See: http://www.cerrejon.com/site/english/integrated-operation/exports-and-marketing.aspx

59 The Prodeco Group has a 39.76% shareholding in the railway operator Fenoco S.A. (Fenoco), which transports Colombia's coal to Santa Marta. Other coal companies also hold shares in Fenoco. In 2011, Prodeco declared that it owned 16 locomotives, 700 freight wagons and a railway line used to transport 20-22 million tonnes of coal per year (http://www.prodeco.com.co).

60 In the latter facility, the company had been awarded a private concession which it held until 2009, when the assets reverted to government ownership. Nevertheless, it has since been awarded temporary authorisation while the port operating company Puerto Nuevo S.A. (owned by Prodeco) builds a new port complex in Ciénaga which will be used specifically to export coal (http://www.prodeco.com.co).

61 See: http://www.cna.gov.co/1741/articles-311056_PlanNacionalDesarrollo.pdf

62 For example, it is estimated that about 800 workers in El Cerrejón suffer from diseases associated with their work at the mine, but the company refuses to acknowledge this (Hawkins 2012).

63 See: http://plataformaenergetica.org/content/3536; http://www.rebanadasderealidad.com.ar/funtraenergetica-12-05.htm; http://www.portafolio.co/economia/trabajadores-mina-glencore-levantan-huelga

64 See: http://colectivodeabogados.org/Amenazado-a-muerte-al-dirigente. In October 2012 there was another attack against a trade union leader representing workers at the Tec-solutions, Mansertem, Dimantec and Trateccol companies, which are all sub-contractors employed by Gecolsa-Caterpillar, Drummond, Glencore and Vale (http://www.kaosenlared.net/america-latina/item/34564-colombia-sicarios-atentan-contra-l%C3%ADder-sindical-del-carb%C3%B3n-en-el-cesar.html).

65 See, for example: http://www.censat.org/, http://www.conflictosmineros.net/, http://cms.onic.org.co/, http://ilsa.org.co:81/, Fierro (2012), Idárraga, Muñoz and Vélez (2010), RECALCA (2009), CENSAT (2005).

66 See Bermúdez (2012).

67 At a session of the European Parliament in 2008, the International Tribunal of Opinion "Violation of Human Rights in Colombia as a State Crime" had already accused Glencore and Xstrata, together with other transnationals, of responsibility for practices that violate human rights (see: http://omal.info/IMG/pdf/declaracion_tribunal_de_bruselas.pdf).

68 See: http://justiciaypazcolombia.com/Muere-bebe-de-20-dias-de-nacido, http://www.reprisk.com/downloads/mccreports/19/110415%20Spotlight%20on%20Glencore.pdf, http://elmercuriodigital.es/content/view/25746/127 /

69 Communities already seriously affected by the La Jagua mine, such as El Boquerón and El Haltillo, are today under intense pressure due to the mining expansion plans (see Centro de Estudios para la Justicia Social "Tierra Digna" (2012) and Pensamiento y Acción Social (2011a)).

70 According to the National Development Plan 2010-2014, the country still has 7,062 million tonnes of coal reserves.

71 In October 2012, Indepaz and International Alert published a report on the impacts of all the projects in the mines, the railways and the ports associated with coal mining in Cesar and La Guajira (see: http://www.indepaz.org.co/wp-content/uploads/2012/10/PERFILES-PROYECTOS-SNSM-NOVIEMBRE-DE-2012.pdf)

72 See: http://www.reuters.com/article/2011/02/25/us-glencore-idUSTRE7101DC20110225

73 The Wayúu people comprise 40% of the population of La Guajira. Idárraga, Muñoz and Vélez (2012, 80) describe in detail how far the violent assaults and attacks on these indigenous people have gone, as a result of El Cerrejón.

74 See also: http://www.salvalaselva.org/noticias/4733/colombia-se-salva-el-rio-rencheria

75 See: http://www.eclac.cl/noticias/paginas/8/33638/2012.03.16-ALADI.pdf

76 Peru supplies 33% of Europe's imports (EC 2010, 81).

77 For information on Glencore in Los Quenuales, specifically with regard to labour and environmental conflicts, see: http://goo.gl/vq3QY, http://www.conacami.pe, http://www.conflictosmineros.net/

78 See: http://eeas.europa.eu/delegations/bolivia/documents/eu_bolivia/informe_anual_07_08_es.pdf

79 Between 2002 and 2005, COMSUR produced 74% of the zinc, 48% of the silver and 52% of the lead, and was also an important exporter of tin (Díaz 2011, 23).

80 For example, if 54.5% of the ores exported were metals (refined) in 1994, in 2010 this proportion was only 23.5% (Díaz 2011, 24).

81 97% of the investments in mining in 2007 came from private companies (Díaz 2011, 21).

82 See: http://www.comibol.gob.bo/nuestra_identidad/La_Refundacion_de_la_COMIBOL

83 See: http://www.glencore.com/sinchi-wayra.php

84 See: http://www.argenpress.info/2009/05/transnacionales-mineras-tienen-un.html

85 See: http://www.fobomade.org.bo/art-1109

86 See: http://plataformaenergetica.org/obie/content/2882

87 See, for example: http://www.cedib.org/, www.fobomade.org.bo, http://www.aininoticias.org/, http://www.lidema.org.bo/, http://oiedc.blogspot.com.es/, Ribera (2010).

88 See: http://goo.gl/3q90r

89 See: http://www.fobomade.org.bo/art-1109

90 According to the Bolivian government, although the plant had been valued at 109 million euros in 1999, the value estimated by the BNP Paribas bank for it to be privatised was 11 million euros. The British consortium Allied Deals paid that amount to Bolivia, but failed to take into account the assets and minerals stored there which were worth 12.2 million euros. The consortium then went bankrupt and sold its shares in Vinto to COMSUR for 4.6 million euros. Following the overthrow of Sánchez de Lozada, COMSUR in turn sold all its mining assets to Glencore, for 156 million euros (see: http://www.jornada.unam.mx/2007/02/16/index.php?section=economia&article=031n1eco and http://www.olca.cl/ocmal/ds_conf.php?nota=Conflicto&p_busca=161).

91 See: http://goo.gl/liwy8

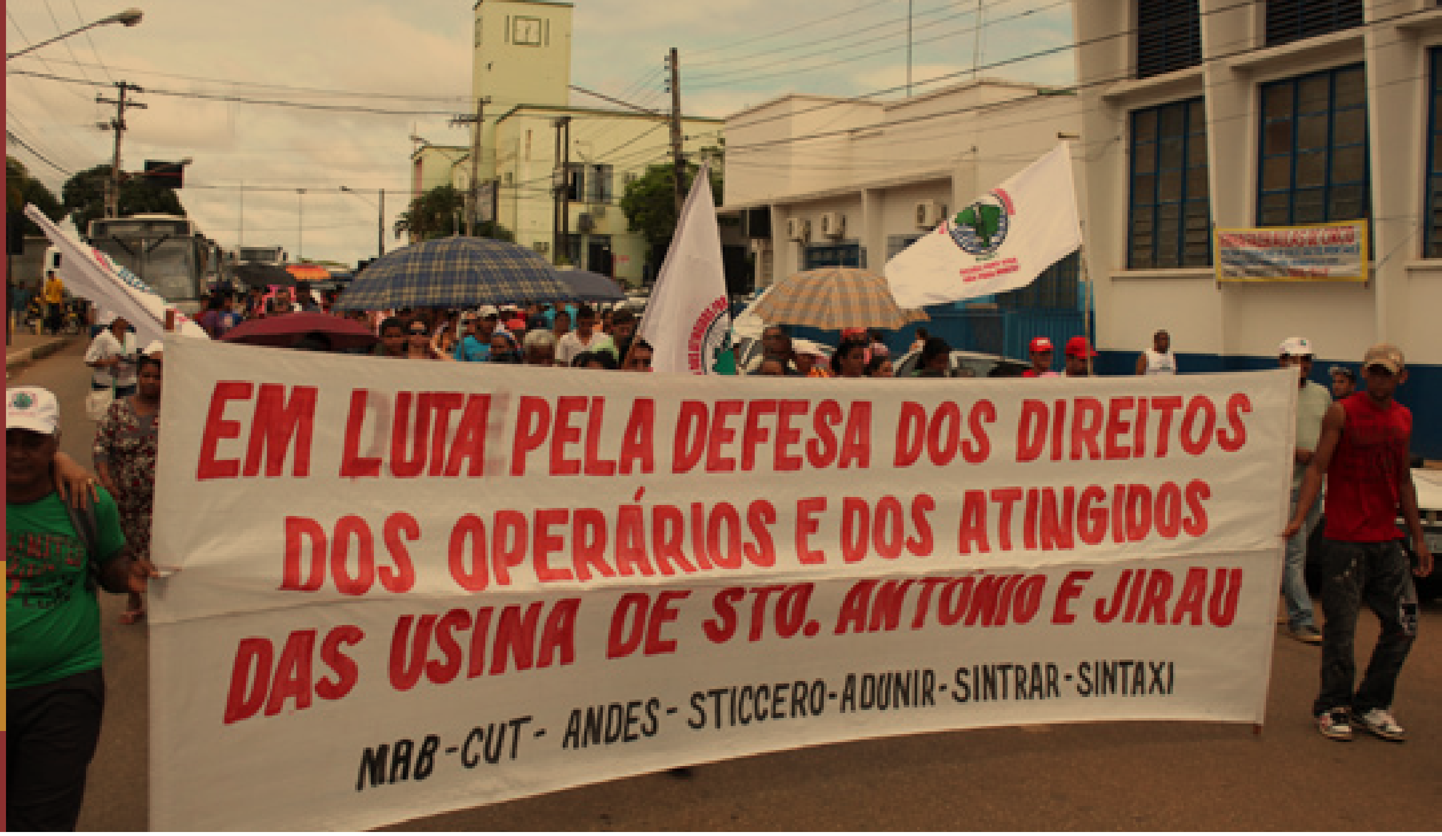
92 See: http://www.la-razon.com/economia/Glencore-firma-nuevo-acuerdo-Comibol_0_1667233276.html

93 See: http://cedla.org/obess/content/11620

94 Glencore also has offices in Morocco, Mozambique and South Africa. See the map of Glencore's operations around the world: http://www.glencore.com/operations.php.
95 For a full historical overview, see: André-Dumont (2011).
96 According to a 2007 report by the International Rescue Committee, 5.4 million people have died since 1998 as a result of the armed conflict in the country (1998-2003), considered the most deadly in the world since the Second World War, and as a result of the humanitarian crisis.
97 See: http://www.revenuewatch.org/countries/africa/democratic-republic-congo/country-data.
98 See: http://goo.gl/0AoL2
99 As Kilomba (2010, 22) points out, the reform of the mining law took place "*in perfect agreement with experts from the World Bank*," with the aim of "*reassuring the private and public sector partners*" as well as attracting foreign investment in the mining industry. See also: Democratic Republic of the Congo Emergency Multisector Rehabilitation and Reconstruction Project (PMURR) Report N° PIDD10904. And: *Rapport du séminaire sur la contribution du secteur minier à la reprise rapide de l'activité économique congolaise tenu au grand Hôtel, du 22 au 23 avril 2002, Kinshasa (RDC).*
100 See: http://www.katangamining.com. **For a more detailed description of the structure of KML, see Annex IV**.
101 See: http://www.glencore.com/katanga-mining.php and http://www.glencore.com/mutanda-mining.php
102 See: http://goo.gl/1GRg8
103 See: "Glencore Preliminary Results 2011," March 2012.
104 See, for example: Global Witness (2012), Nordbrand and Bolme (2007), Gouvernement de la Province du Katanga (2007), Peyer and Maillard (2011), ACIDH (2011), Tsurukawa et al. (2011), Peyer and Mercier (2012), Bourget (2012), and Sweeney (2012).
105 Several reports state that artisanal miners have been working in Tilwezembe since 2010 and selling minerals to KML, although the company does not mention this in its reports. See, for example, Peyer and Mercier (2012, 10-21).
106 See: http://www.glencore.com/pasar.php and http://www.pasar.net.ph/f_ourstory.htm
107 See: http://www.glencore.com/moreno.php and http://goo.gl/Z3A0D
108 See: http://www.hcdbahiablanca.gov.ar/adesarrollo/21229305269.pdf
109 See: http://biodiesel.com.ar/5684/inversion-millonaria-en-la-provincia-de-santa-fe
110 As mentioned before, Argentina is one of world's three main exporters of soya products, but it is also the largest exporter of sunflower oil. Most of the oilseed grains produced in the country are destined for the crushing industry: 80-85% on average in the case of soya and 88-92% in the case of sunflower.
111 See: http://www.mecon.gov.ar/inforegio/oleaginosos.pdf and http://www.mecon.gov.ar/peconomica/docs/Complejo_Oleaginoso.pdf
112 See: http://www.thestar.com/opinion/editorialopinion/article/1271936--prime-minister-harper-s-free-trade-strategy-endorses-conflict-ridden-mining-industry. Of the 43 cases brought by mining, oil and gas companies prior to November 2011, 25 were claims against Latin American countries (http://goo.gl/7a2dE). On the economic interests of a large number of the players in arbitration cases, see also Olivet and Eberhard (2012).
113 See Llistar and Vargas (2012, 26) for a list of the BITs signed between European and Latin American countries.
114 See: http://goo.gl/7a2dE
115 To start with, Europe's plan was to sign an agreement with the entire Andean Community of Nations (CAN). The European Commission then decided to act against the fragile unity of the CAN – thus infringing its own mandate – and negotiate only with Peru and Colombia, because Ecuador and Bolivia had refused to accept an FTA format (Kucharz and Vargas 2010). Indeed, **Bolivia proposed that the economic asymmetries between the European and the Andean countries should be acknowledged; called for issues that would lead to a reduction in the role of the state and public services, or place restrictions on public policies on economic, social, environmental and cultural matters, to be excluded from the negotiations; and objected to the commodification of agriculture, environmental services, biodiversity and traditional knowledge** (Buxton 2007).
116 For example: Teitelbaum (2010); Arroyo, Rodríguez and Castañeda (2009), Aguirre and Pérez Rocha (2007), Torrelli (2003), Barreda (2004). On civil society opposition to the FTA in Colombia and Peru, see: http://www.bilaterals.org/spip.php?article22226&lang=en. Several other publications and articles can be found at: http://www.tni.org/es/work-area/alternative-regionalisms
117 The full text of the FTA can be found at: http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147704.pdf. On civil society protests, see: http://www.enlazandoalternativas.org/spip.php?article1076, http://www.enlazandoalternativas.org/spip.php?article1075, http://www.ecologistasenaccion.org/article24563.html
118 Colombia is about to introduce a change to its Constitution that extends the jurisdiction of the military courts to cover crimes such as extra-judicial executions, forced displacement, and sexual violence against women, among others (http://www.bilaterals.org/spip.php?article22270&lang=en). Given the relationship that has been established between the actions of paramilitary groups, the army, and the operations of the transnationals in Colombia, particularly in areas rich in natural resources, this constitutional change could lead to an increase in impunity in the country.
119 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Towards a comprehensive European international investment policy. http://goo.gl/Fp3BM. See also: http://trade.ec.europa.eu/doclib/press/index.cfm?id=591
120 See: http://europa.eu/legislation_summaries/external_trade/r11022_es.htm
121 http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/. The state of play of the EPA negotiations on 14 November 2012 can be consulted at: http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf.
122 See, for example, the case of fishing in Senegal described in Tarafa, Ortega et al. (2009).
123 See, for example: http://www.traidcraft.co.uk/get_involved/campaign/stop_epas, http://taxjustice.somo.nl/casestudy/the-stop-epa-campaign-highlights-lost-trade-taxes/, http://www.quiendebeaquien.org/spip.php?rubrique67,http://goo.gl/EBfd1, http://goo.gl/I8CdX, FOEI 2008a, 23-24; FOEI 2008b; Tarafa, G., Ortega, M., et al. 2009, 40; VSF 2012, 43-45.
124 The term **commodity** refers to a basic product, a **raw material that has been standardised and typified** so that it can be allocated a price on the international market. It then becomes an asset whose value does not vary according to its quality or where or how it is produced. There are **three categories of commodities**: agricultural products (wheat, maize, sugar, cotton, soya, coffee, cocoa and orange juice concentrate are the main ones), metals, and energy commodities (especially oil, coal and gas).
125 http://www.reuters.com/article/2012/08/21/grains-glencore-idUSL6E8JL7NY20120821
126 Not just anyone can participate in the stock exchange. Right from the start, it has been a sort of private club, where members are only admitted if they can prove they are sufficiently solvent.
127 See an explanation in Chantry, Duch and Vargas (2011).
128 A description of Glencore's hedging strategy can be found in Glencore (2011, 27).
129 Quoted in the United States Senate report (PSIUSS 2009).
130 With regard to this, see Chantry, Duch and Vargas (2011).
131 See: http://www.onlinedmc.co.uk/index.php/Glencore_Energy_v_Transworld_Oil
132 These are commonly known as "price-makers."
133 For an account of one recent failed attempt by the United States government, see: http://www.nytimes.com/2012/11/20/opinion/a-step-back-for-derivatives-regulation.html?ref=opinion. The US government has been trying to regulate financial derivatives ever since the Roosevelt era. The market has always managed to exert sufficient pressure to obtain the exemptions it wants, however, as it did once again in this recent case. For more information on this subject, see Chantry, Duch and Vargas (2011).

# Chapter 3:
# IIRSA-COSIPLAN and European capital's responsibility

**[Mónica Vargas]**




The previous chapter assessed the degree to which Europe's metabolism requires raw materials from the global South. Consideration of the social and environmental impacts associated with obtaining these resources must also take into account the series of mega-projects to build the infrastructure required to transport them, without which capitalist globalisation would not be possible. As has been well documented in recent years, a process of increasing ***territorial reorganisation*** is taking place in the peripheral countries, with the aim of enabling capital to take control of strategic areas and resources, as well as cutting the cost of transporting goods to the places where they are consumed. This reorganisation often implies the violation of peoples' rights, and is consolidating the role of the most impoverished countries as commodity exporters. In Latin America, clear examples of plans based on infrastructure mega-projects are the former Plan Puebla Panama (today the "Mesoamerica Project") and the Initiative for the Integration of Regional Infrastructure in South America (IIRSA).

*The infrastructure mega-projects represent the physical side of trade agreements*, and their development follows the same correlation of forces inherent in these agreements. Nevertheless, one peculiarity that has been observed, at least in Latin America, is that *the implementation of these plans does not stop with the failure of negotiations on an agreement*, such as those on the Free Trade Area of the Americas (FTAA). Instead, **the plans for infrastructure mega-projects are in line with a global strategy** within the globalisation process, which has been analysed and documented by Andrés Barreda (2005a and 2005b). This involves organising territories in productive corridors which link regions, countries and cities to each other. Within the corridors, works of infrastructure are linked in *an intermodal transport system* (connecting different means of transport such as railways, shipping, roads, air transport, etc.). This is then used to produce and distribute millions of tonnes of goods around the world every day, as well as facilitating the extraction of natural resources. It should be remembered that this intermodal transport system may be *exclusive*. It does not usually integrate equally all the people and regions in which it is installed, and instead gives priority to wealth creation in response to specific interests. In the case of the Americas, it is undeniable that the experience so far of implementing the mega-infrastructure plans has not just increased public debt in the countries where the projects are carried out, but has also interfered dramatically in the lives of the people affected.[134]

Now, if there are links between the EU's metabolic requirements and the mega-infrastructure plans, **there is also public and private responsibility for their implementation, in the context of a growing financialisation of the infrastructure projects**. This is the aspect that will be examined in this chapter, focusing on the case of the mega-projects in South America. The criteria for selecting this region were as follows: the dynamism with which IIRSA is currently being implemented, with Brazil in the driving seat; the need to set the mega-projects in context, given the recent creation of the Union of South American Nations (UNASUR) and the South American Infrastructure and Planning Council (COSIPLAN); and the strength of popular resistance to IIRSA. After a review of these plans, and the support they are receiving from Europe, the focus will shift to the particular case of the mega-dams in Brazil's Amazon region, the construction of which is already showing the extent of the damage they may cause in a region that is increasingly strategic in different ways, including for European capital. It is important to remember that **IIRSA is not a unique case**, and that the processes involved in this initiative are taking place in similar ways in other continents. Likewise, the working methods of a bank like the Brazilian **National Bank for Economic and Social Development** (BNDES) may also be of interest to other regions, as it is currently expanding its sphere of action to Africa.

## 3.1 Interests at work in South America's infrastructure mega-projects

### From IIRSA to COSIPLAN, via UNASUR

IIRSA arose from a proposal made by the **Inter-American Development Bank** (IDB) and the **Andean Development Corporation** (CAF), which was adopted by the South American governments in the year 2000.[135] **Technical coordination** of the initiative was delegated to the two banks that came up with the proposal, together with the Financial Fund for the Development of the River Plate Basin (FONPLATA). These three institutions drew up an "IIRSA Action Plan" which was approved in December 2000.[136] The Plan was based from the start on the approach known as "**Integration and Development Hubs**," which represents a **new form of geo-economic planning for South America's territory**. The hubs are complemented by "Sectoral Integration Processes," which refer to "*measures to identify and remove obstacles of a regulatory and institutional nature with the aim of improving competitiveness and promoting sustainable growth in the region.*"[137] The map below shows the IIRSA hubs.



**Map 3. IIRSA Integration and Development Hubs**


Source: www.iirsa.org

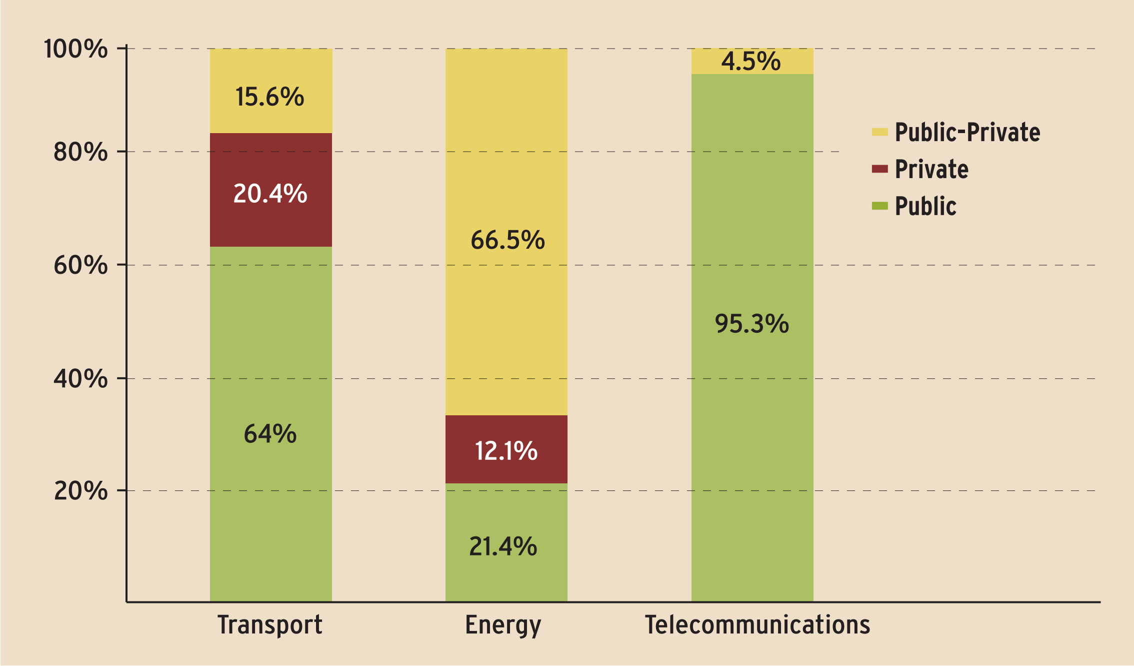
As various South American organisations have been pointing out since IIRSA was launched,[138] **the Initiative's hubs should be seen as coinciding with the most important areas in terms of non-renewable natural resources (minerals, gas, oil), water and biodiversity** (plants, animals, micro-organisms and the traditional knowledge associated with these). Thus, the Initiative is undertaking a spatial restructuring of South America based on capital's interest in reserves of strategic resources and the most "suitable" ways to transport goods. Here it is important to emphasise that the projects involved in the Initiative do not encompass all the infrastructure mega-projects being taken forward in South America, because the government of each country (especially Brazil) also has its own plan.

The IIRSA Project Portfolio has been developing since 2003, and in 2010 it comprised 524 projects with a total estimated cost of 74,751.90 million euros. As **Table 6 (Annex VI)** shows, the MERCOSUR-Chile Hub and the Peru-Brazil-Bolivia Hub are the ones where the most costly projects are located. In fact, while nearly **30% of the portfolio as a whole concerns**

**electricity generation**, the investment in this is concentrated in these two hubs (IDB/INTAL 2011, 97). It can be deduced from the IIRSA projects database[139] that 100% of the funding for energy in the Peru-Brazil-Bolivia Hub and 75% in the case of the MERCOSUR-Chile Hub **is destined to be spent on building dams**.[140] In 2004 an Agreed Implementation Agenda was defined for 2005-2010 (*Agenda de Implementación Consensuada* - AIC). This comprised the 31 IIRSA projects seen as taking priority, representing a cost of 10,906 million euros and located in seven of IIRSA's hubs.[141]

With regard to the **origin of the investment, it is striking that most of it is public funds**. Indeed, **46% of the total cost is covered entirely by the South American countries' treasuries**, 37% is covered by public-private partnerships and 17% is financed by the private sector. According to IDB/INTAL (2011, 101) and the IIRSA database,[142] the largest amounts of public investment come from Brazil (some 27-35 billion euros) and Argentina (21-25 billion euros), followed by Paraguay (5-9 billion) and Bolivia (3-7 billion euros). This public investment implies **an increase in the debt burden for several South American countries** because it is largely financed by loans, many of which are being awarded by the very same financial institutions that promoted IIRSA. The graph below shows the type of financing envisaged for each sector.

**Figure 4.** **Type of financing for the IIRSA Project Portfolio, 2010**




Source: IDB/INTAL (2011, 99)



Today, it is impossible to think about IIRSA without considering the leading role that Brazil's **BNDES** is increasingly playing, in line with Brazil's geopolitical interests in the region, as well as the aggressive global expansion of Brazilian capital.[143] It can therefore be concluded that **Brazilian capital has a particular interest in the implementation of IIRSA**. The following sequence of events may often be detected in the major infrastructure projects: funding is requested from the Brazilian government; BNDES makes funding available; the contracts with the neighbouring country provide for Brazilian consultancy services or equipment; Brazilian companies access BNDES funds in advantageous conditions and set up consortia with companies based in the countries where the infrastructure projects are located. According to Carvalho (2011), this chain of events implies that Brazilian companies are able to obtain important benefits, while the neighbouring countries increase their level of public debt and suffer the social and environmental consequences of the mega-projects.

Physical integration cannot be separated from economic integration, since the former seeks to facilitate the latter. Both processes depend on the prevailing correlation of forces at the geopolitical level in the Americas. The idea for IIRSA was in fact launched **in the context of the negotiations around the Free Trade Area of the Americas (FTAA)**, and promoted by the same players who were lobbying for the FTAA agreement to be signed.[144] Nevertheless, the Initiative has not been able to insulate itself from the changes that have taken place in relation to the failure of the FTAA. These changes have to do with the decision of several Latin American countries to build a power bloc to counteract the hegemony of the United States. This led to the setting up of the **Bolivarian Alliance for the Peoples of Our America** (ALBA), promoted since 2004 by Venezuela and Cuba.[145] This political initiative was accompanied by the design of an economic integration policy based on an aspiration different to that of the FTAA.[146] In addition, a clear **rapprochement took place between Venezuela, Brazil and Argentina**, as reflected in the signing of the Brazil-Venezuela Strategic Alliance in 2005, and Venezuela joining MERCOSUR in April 2011. These two developments are in line with the consolidation of a new political space in the subcontinent with the creation of the **Union of South American Nations (UNASUR)** between 2008 and 2011. Various councils have been set up as part of the Union, including the **South American Infrastructure and Planning Council (COSIPLAN)**. This was created with the mandate of promoting the "*development of infrastructure for regional integration, recognising and giving continuity to the achievements and progress made by IIRSA, and including these in its scope of work*" (UNASUR 2009). The Strategic Action Plan includes instruments designed to finance the COSIPLAN Project Portfolio, with an estimated investment of 90,324 million euros (IDB/INTAL 2012, 85). The Council also has a **Priority Projects Agenda**, comprising **31 "structured" projects with an expected investment of between 10,619 million and 16,262 million euros**.[147] **Annex VII** shows the amounts of investment envisaged for the COSIPLAN priority projects. The share of public investment in the COSIPLAN individual projects is estimated to be 35%, private investment would cover 30% and the rest would come from public-private partnerships (FIESP 2012, 300). Most of the projects will be financed by Brazil's BNDES, but funding may also be provided by Venezuela's Bandes, Argentina's Banco de Inversión y Comercio Exterior and the regional Banco del Sur (Zibechi 2011).

## A development strategy for capital, which continues to fragment the territory and leave it depopulated

COSIPLAN is a new institutional framework in which the logic of physical integration envisaged by IIRSA continues to predominate, though with certain differences. It also claims to enjoy greater public acceptance and legitimacy due to the creation of UNASUR (IDB/INTAL 2012, 80). The projects implemented by COSIPLAN respond to **Brazil's geostrategic interests in the region**. Thus, for example, the strengthening of the Guianese Shield Hub (or "Amazon-Orinoco" Hub) involves the integration of the land, river and air transport system, the integration of the electric power system and the possible construction of a gas pipeline that would enable Venezuela, Brazil and Argentina to be interconnected. With regard to this, Zibechi (2012) comments that "*the aim is to establish a connection between the Amazon and Orinoco river basins, and forge a common economic space between the North of Brazil and the South of Venezuela*." This region is strategic from the point of view of biodiversity, river systems, energy, and minerals (iron, uranium). **The inter-oceanic projects required to ensure a smooth flow of trade with the Asia-Pacific countries, and with China in particular**, are also being taken up again in COSIPLAN.

Now, where there does not appear to be any major difference is in the standpoint from which the IIRSA and COSIPLAN infrastructure mega-projects are planned. It is still an outlook that has no connection with the needs and demands of local communities. Instead it responds to the needs and interests of capital, with an approach to "development" that has already been demonstrated to have lost legitimacy since it causes so many social and environmental conflicts. With regard to this, Carvalho (2011) observes that IIRSA does not seek to integrate South America, but rather to "*connect its territories to capitalist globalisation: it is a strategy of fragmentation from the social-territorial point of view*." Thus, "*far from promoting a more equal development, it tends to aggravate the differences between countries and within each nation*." According to this Brazilian researcher, the consequence of the development model promoted by IIRSA, based on the "Integration Hubs," **is to leave vast areas of South America empty of economic activity and population**. In fact, as a result of the infrastructure mega-projects, small-scale family farming and small-scale extractive activities "*are tending to be replaced by capital-intensive industries also characterised by the intensive use of natural resources*" (2011).

There is much resistance to the South American mega-projects. One example is the indigenous umbrella organisation *Coordinadora de Organizaciones Indígenas de la Cuenca Amazónica* (COICA), which in 2012 launched a regional campaign on the impacts of IIRSA in the five Amazon region countries (Colombia, Brazil, Peru, Bolivia and Ecuador). The aim of the campaign was to safeguard the territories and resources of the indigenous peoples of the Amazon from the implementation of mega-projects.[148]

## The role of the EU and the EIB

The integration of Latin America's infrastructure is considered one of the EU's priorities for the continent. In 2005, the Communication *"A stronger partnership between the European Union and Latin America"*[149] stated that in order to *promote economic development and investment, regional and sub-regional integration is also of crucial importance to the EU, which supports the intensification of the process, especially by means of association agreements and free trade agreements*. This would be accompanied by ***enhanced territorial integration***, *currently hampered by the region's geographical configuration; thus, an improved inter-connective infrastructure network should be developed in sectors such as transport, water and energy*. Two of the mechanisms used for this purpose are regional development cooperation and the specific mandates of the European Investment Bank (EIB).

The Regional Indicative Programme, set out as part of the EU's Regional Strategy for Latin America 2007-2013 (EC 2007), envisaged spending 139 million euros on regional integration (25% of the total budget). The EU also set up the **Latin America Investment Facility (LAIF**), a financing mechanism launched at the EU-LAC Summit in May 2010, which combines "*grants (non refundable financial contributions from the European Commission and other donors) with loans of multilateral or bilateral public European Development Finance Institutions and Regional Latin American Banks.*"[150] This mechanism was provided with a total budget of **125 million euros for 2009-2013**. Its policy is always to "mobilise additional financing," and therefore little EU funding is provided for projects.[151] The projects approved so far by the LAIF do not belong to IIRSA or COSIPLAN, but it is nevertheless important to monitor what this financing mechanism does next.[152]

The EIB, for its part, has been making loans to Latin America since 1993, under a mandate from the EU Council, called ALA, which also includes loans to Asian countries. Under the ALA IV mandate, covering the period 2007-2013, the EIB is authorised to lend up to 2.8 billion euros to Latin America.[153] These loans seek to support European capital in Latin America, promote the transfer of technology from the EU and foster regional integration (EIB 2009, 1). **A 5-year**

**Memorandum of Understanding between the EIB and the IDB** was signed in 2004, and this was extended in 2009 for an indefinite period. The MoU expressly mentions the EIB's desire to participate in the Plan Puebla Panama / Mesoamerica Project, in IIRSA, and in the Sustainable Energy and Climate Change Initiative (SECCI).[154] The EIB states that it will have up to 2.9 billion euros available for financing projects in Latin America that are related to the plans for the integration of regional infrastructure. The condition which projects must meet if they are to receive EIB loans is that "*they include a European private sector involvement or are otherwise eligible for EIB financing*." To be eligible for EIB funding, projects must also "*be either privately owned or commercially-run public sector entities*," and the sectors eligible for investment are: "*industry, agro-industry, mining, tourism, energy, communications, urban development, sustainable energy, climate and other revenue-generating infrastructure*." The MoU stipulates that "*the EIB and the IDB may independently finance different components of a given project, or interrelated projects*" (EIB 2009).[155]

**Annex VIII** presents a list of the **loans awarded by the EIB for infrastructure projects in South America**. European capital is involved in practically every case. In the table in this annex, **two projects directly linked to IIRSA** are highlighted. The first is the loan for the expansion of the privately-owned container terminal in Montevideo, Uruguay, which is linked to an IIRSA project entitled "Expansion of land infrastructure in sea ports" (MERCOSUR-Chile Hub), financed by the IDB and by Uruguay.[156] The second is a loan currently being assessed for a project in Paraguay (Construction of a high voltage power transmission line between Villa Hayes and Yaciretá), which forms part of the "Itaipú-Asunción transmission line," a project in the COSIPLAN Project Portfolio.[157]

## European capital's involvement and the financialisation of infrastructure projects

This section will highlight only some general trends in European capital's involvement in the infrastructure mega-projects, although its involvement in Latin America generally warrants investigation. According to ECLAC, in the decade of the 2000s, Europe's Foreign Direct Investment (FDI) in Latin America amounted to an average of 23 billion euros per year (2012, 62). In keeping with the size of this investment are the multiple negative social and environmental impacts it generates, which have been increasingly denounced by civil society in recent years, particularly with regard to the systematic violation of the Rights of Peoples.[158] In the last decade, European capital has been getting involved in different components of the infrastructure mega-projects, as illustrated by the examples in the table below, which refer only to projects in South America.



**Table 3. Examples of European transnationals' involvement in mega infrastructure projects in South America**

| Headquarters country | Name of company | Sector | Involvement in mega-projects |
|---|---|---|---|
| | Siemens | Electronics | Angra 3 Nuclear Power Station (Brazil) |
| | Voith Siemens | Turbines and generators | |
| Austria | Andritz Group | Turbines and other metal structures | Belo Monte, Jirau and Santo Antonio mega-dams in the Amazon (Brazil) |
| France | Alstom | Energy equipment | |
| Spain | Grupo ACS | Construction, transport, services, logistics | 27% of its sales revenue comes from LAC,[159] equivalent to about 228 million euros in 2011. Through Cymi Holding, it is involved in the power transmission line between the Madeira and Araraquara mega-dams (Brazil) |
| Spain | Iberdrola[160] | Electricity generation, manufacturing of wind turbines (through Gamesa) | Belo Monte mega-dam in the Amazon, 10 wind farms in the states of Río Grande do Norte and Bahia (Brazil).[161] |
| Spain | Abengoa | Bioethanol production, power transmission | Construction of the power transmission line between the Madeira and Araraquara mega-dams (Brazil). |
| France | GDF Suez and International Power[162] | Construction, hydro-electricity | Installed capacity of 11,489 MW in LAC, providing 5% of its revenue. Construction of the Jirau and Estreito mega-dams in the Amazon, as well as the Angra 3 Nuclear Power Station (Brazil); construction of the Liquefied Natural Gas terminal in Mejillones and the Monte Redondo Wind Farm (Chile); construction of the Ilo 2 and Chilca Uno gas-fired power stations[163] and the Quitaracsa dam (Peru). |
| France | Areva | Nuclear energy, power transmission | Angra 3 Nuclear Power Station (Brazil); power transmission line between the Madeira and Araraquara mega-dams (Brazil). |
| Italy | ENDESA (Enel) | Construction, hydro-electricity | HidroAysén mega-dam (Chile) and Angra 3 Nuclear Power Station (Brazil) |
| Norway | Arcadis | Engineering | Belo Monte mega-dam in the Amazon (Brazil) |
| Switzerland | ABB | Construction, hydro-electricity, engineering | Power transmission line between the Madeira and Araraquara mega-dams (Brazil). |

Prepared by ODG using information from: Banktrack database, CEPAL 2012, Grupo ACS 2011, UNCTAD 2012, GDF Suez 2011a and 2011b.

**Goldman Sachs: "building the world"**

*"To attract the needed capital, the BRICs, N-11 and GCC (as well as other developing countries) may well need to adapt their regulatory systems and move towards market pricing – even in politically sensitive sectors such as water and electricity. Governments will need to lead a shift in the public perception of infrastructure as free or nearly-free 'public goods'. Subsidized electricity and water for farmers, and cheap urban water and waste systems, should come under review."*

Source: Goldman Sachs (2008, 14), quoted by Hildyard (2012)

Europe's private-sector banks have also been denounced for their involvement in the implementation of projects of this type. The HidroAysén mega-dam in Chile, for example, has so far been financed – and/or may in future be financed – by Deutsche Bank, Santander, BBVA, Caja de Madrid, BNP Paribas, Crédit Agricole, ING Bank, HSBC and RBS.[164] BBVA and Santander may also get involved in the Angra 3 nuclear power station in Brazil.

In the last few years, one particular phenomenon has started to be observed in infrastructure projects all over the world: **they are becoming financialised through the involvement of an increasing number of private equity funds** of various sorts.[165]

The book by Hildyard (2012) is particularly recommended on this subject. It argues that this private equity infrastructure finance is part of a **wider project whose purpose is to enshrine markets as the means through which infrastructure is not only financed but its disposition decided**. Banks like Goldman Sachs (*see box*) are the architects of this project. Thus, private sector financing of infrastructure is seen not simply as a passive beneficiary of reforms that "must" be taken forward, but rather as *the driver of both financial innovation and the consolidation of market power*. This financing is seen as stimulating the dismantling of onerous restrictions on investment, the liberation of pension and insurance funds, the growth of derivative-based products, the development of bond markets and the opening up of developing country economies to foreign banks. In accordance with this view, private finance demands that government interference be kept to a minimum, while at the same time calling for an increase in state subsidies for the private sector, in the form of public-private partnerships, government credit guarantees, and other mechanisms. Thus, the supposed private sector financing is in fact provided by the state, which becomes more indebted in the process. This leads to a massive transfer of wealth from the public to the private sector, while at the same time any potential losses are socialised. Infrastructure projects have been turned into financial assets that earn juicy profits. It is no longer a question of "financing



development," but instead "developing finance." And in the complex architecture created by the deregulation of financial markets, public funds (such as public pension funds and sovereign wealth funds) and development finance institutions (World Bank, IDB, CAF) are also getting involved, backing the private equity funds and acting in all but name as private sector financial vehicles (Hildyard 2012, 3, 4, 47).

In Latin America, the communities affected have already started to denounce these private equity players.[166] The private equity sector maintains a close relationship not only with the banks but also with the companies active in the construction and management of infrastructure projects. A case in point is Brookfield Asset Management, a Canadian asset management company that took control – in partnership with the Spanish firm Abertis – of 3,200 km of motorways in Brazil which belonged to the OHL company.[167] These funds may also invest in companies directly, as illustrated by the case of the Newmont Mining Corporation (Newmont) from the United States and the Minas Conga project (expansion of the Yanacocha mine in Cajamarca, Peru), which has been heavily criticised by civil society groups. More than 20 private equity funds (from the United States, Europe and Asia) have invested and hold shares in this company.[168] Another case is that of Citi Venture Capital International, which has invested in Transportadora de Gas Internacional SA, the largest natural gas transportation company in Colombia.[169] **Annex IX provides examples of European private equity funds (or funds that include European capital) that are currently active in Latin American infrastructure projects**. It is important to emphasise that funds of this type are notorious for their opacity and volatility. Nevertheless, they warrant increasing attention when it comes to assessing responsibility, as do the FTAs and other trade agreements that ensure capital's impunity.

## 3.2. The case of the dams on the Madeira River

This section will look at an example of the social and environmental destruction caused by South America's infrastructure mega-projects. It is worth recalling that four of the IIRSA-COSIPLAN hubs directly affect the Amazon region, one of the most vulnerable areas in the world from the social and environmental point of view. This region's immense strategic value means that the land and its inhabitants are under pressure – usually violent – from all sides (Carvalho 2011). Some of these sources of pressure, which are often inter-related, are: the expansion of the agricultural frontier by and for agribusiness, the advance of the oil industry and mining, including exploration and prospecting, deforestation associated with

Santo Antonio mega-dam in the Amazon region, August 2011, and indigenous leaders at the "9ª Romaria Da Terra e Das Águas de Rondônia," Iata District, Rondonia, Brazil. Photos: ODG, 10 July 2011

*"We are here to show you that we, the indigenous peoples, are alive. Since the time of our ancestors, people have come to the Amazon to take away its riches. We have not come here with a desire for revenge, but to claim our rights as Brazilian citizens who defend the forest, which is not a piece of merchandise. In the name of capitalism, these huge projects are destroying the Amazon. How many peoples have been destroyed in the name of civilisation? We are human beings, and we are the future of Brazil. We don't want dams and we don't want carbon credits. We want justice, autonomy and equality for all peoples (...)."*

Statement by the Rondonia State representative of the Coordination of Indigenous Organisations of the Brazilian Amazon (COIAB), at the "9ª Romaria Da Terra e Das Águas de Rondônia," Iata District, Rondonia, Brazil, 10 July 2011.

*"I sometimes get the feeling that there are demonic forces bringing our country down, refusing to allow progress, refusing to let us have the energy security we so desperately need." "We are not going to stop. We have a responsibility to this country's growth and its people's wellbeing. We will not allow ourselves to be intimidated by protests that come mainly from abroad. We will preserve our environment as never before, but we will steadfastly defend this country's economic expansion (...). In the next few years we will be producing an additional 61,100 MW of electricity, and 32,000 MW of it will be from hydropower."*

Statements made by Brazil's Minister of Mines and Energy, Edison Lobao, on 29 September 2009 and 3 January 2012 (http://goo.gl/qxgVC, http://goo.gl/HH2bC).

logging, and hydropower.[170] This section will focus on the construction of hydroelectric power stations, since these are part of a process that is forging ahead in spite of widespread social protest. As part of the Growth Acceleration Programme (PAC),[171] Brazil plans to build – and/or is in the process of building – 48 large dams (with a generating capacity of more than 100 MW), and 30 of them are located in the "Legal Amazon." Indeed, Brazil's *Energy Expansion Plan* envisages that between 2011 and 2020 an average of one dam every four months will be built in the Amazon (Fearnside and Pueyo 2012).[172] The other Amazon Basin countries have dozens of similar projects.[173] The aim of these projects is not to generate electricity for local communities in the region, but rather to meet the growing needs of other industries. The purpose of **the Belo Monte mega-dam on the River Xingú**, for example, is to generate electricity for the mines worked by the Brazilian company Vale (iron ore in Carajás, copper in Salobo), the US company Alcoa (bauxite in Juriti), and the UK company Anglo American (nickel in Jacaré).[174]

One of the main projects in the **IIRSA/COSIPLAN Peru-Brazil-Bolivia Hub is the Madeira River Hydroelectric Complex**, which includes the Santo Antonio and Jirau dams; a power transmission line between the dams and the industrial cities of Madeira, Porto Velho and Araraquara in Eastern Brazil; the bi-national Riberao dam on the Madeira River (which is not yet going ahead); and the Cachuela Esperanza dam in Bolivia (currently under appraisal). The **Santo Antonio** hydroelectric power station, 7 km away from the capital of the State of Rondonia, Porto Velho, will generate up to 3,569 MW.[175] The contract was awarded to the MESA consortium - Madeira Energia S.A. The members of the consortium were seven companies, the investment fund FIP (Fundo de Investimentos e Participações Amazônia Energia, comprising the Spanish bank Santander and the Portuguese bank Banif), and the investment fund FGTS. At one point, **Banco Santander** had a 10% share in the consortium but it gradually reduced this and eventually sold its entire share. **Nevertheless, it still plays an important role because it is the "Agent Bank" leading the group of banks that are financing Santo Antonio** (Maeso, Reyero and Vargas 2010). After the concession was awarded, the Santo Antonio Energia company was set up.[176] Its shareholders currently include the Brazilian companies Eletrobras-Furnas (39%), Odebrecht

**Map 4. Peru-Brazil-Bolivia Hub**

Source: IDB/INTAL (2011, 74)

**Map 5. Hydroelectric dams on the Madeira River (Brazil and Bolivia)**


Prepared by ODG, based on Molina, Ledezma and Vauchel (2009)


March by workers on the Jirau and Santo Antonio projects and people affected by the dams, Porto Velho. Photo: courtesy of MAB, April 2011

Investimentos em Infrestrutura (17.6%), Odebrecht construction (1%), Andrade Gutierrez (12.4%), Cemig (10%), and FIP da Amazônia, comprising the FGTS investment fund and the Canadian investment fund Maple Leaf Financial Corporation (20%).[177] The cost of the Santo Antonio project has been increasing since 2008: in 2011 it was estimated at 5,728 million euros[178] and in 2012 at 6,111 million. The project is being financed by BNDES, FI-FGTS and Fundo Constitucional de Financiamento do Norte. Apart from the Brazilian construction companies already mentioned, the project is being implemented by Grupo Industrial do Complexo Rio Madeira (GICOM), which comprises the French transnational **Alstom**, the Austrian transnational **Andritz** and the German transnationals **Voith** and **Siemens**.

The generating capacity of the **Jirau** mega-dam, 120 km away from Porto Velho, was initially set at 3,450 MW, but this was increased in 2011 to 3,750 MW. The contract for the dam project was awarded to the Energia Sustentável do Brasil (ESBR) consortium, formed by the French transnational **GDF-Suez** (60%), the Eletrobrás subsidiary Eletrosul (20%), and Companhia Hidro Elétrica do São Francisco - Chesf (20%).[179] The estimated cost of the dam is 4,576 million euros, and 60.8% of this cost will be covered by BNDES (ESBR 2011).[180] The electricity generated by Jirau and Santo Antonio is destined to supply the industrial cities in the South-East of Brazil. The companies involved in the different stages of the power transmission line from the dams are: the Integração Norte Brasil consortium, made up of the Brazilian companies Eletronorte (24.5%), Eletrosul (24.5%) and Andrade Gutierrez Part. (25.5%), and the Spanish company **Abengoa** (25.50%); **Cymi Holding S/A, which belongs to the Spanish group ACS**; and the Madeira Transmissão consortium, formed by the Brazilian companies Cteep (51%), Furnas (24.5%) and Chesf (24.5%). Other corporations involved in this transmission line are the French company **Areva**,[181] contracted by Cteep, and the Swiss company **ABB**, contracted by Abengoa.[182]

The section below provides a brief summary of some of the main conflicts generated by the Madeira dams:[183]

- **Affected area:** While the companies admit an affected area of 271 km$^2$ for Santo Antonio and 302.6 km$^2$ for Jirau,[184] according to research by CIPCA (2011b, 51) the total area that will be affected by both dams amounts to 7,930 km$^2$, and the projects carry the risk of flooding part of Bolivia's Amazon region.
- **The fight for compensation for the affected communities**: In Brazil, the dams have displaced more than a million people, but it is estimated that 70% have not received compensation.[185] It is striking that **each construction company determines its own policy for dealing with the affected communities in Brazil**. MAB states that ***everyone***

***whose everyday life has been changed by the construction of a dam is affected***. Damming any river in the Amazon basin will have an impact on the whole watershed, thus affecting the lives of a large number of communities of small-scale farmers, fishers and indigenous peoples located near the Amazon's multiple tributaries. Therefore, the people affected are not only the ones directly displaced due to the flooding of the reservoir area. In the case of Jirau, the company has only acknowledged that the dam will have an impact on 400 families, but MAB points out that the number is much higher than this and argues that the impact on Bolivian territory should also be taken into account. In the case of Santo Antonio, the company only admits that 1,729 families will be affected, but according to MAB the real number would be approaching 5,000. Furthermore, only 19.7% of the families acknowledged as being affected have been relocated. Fishing has collapsed entirely in the areas near the Santo Antonio hydroelectric power station, but no compensation has been provided to more than 3,000 fisherfolk whose families depend on this activity (MAB 2012).

- **Technical faults:** Jirau and Santo Antonio represent **the testing ground for the Amazon mega-dams, since they are the first of the large-scale projects in the region**. They have encountered a series of problems and caused damage that had not been envisaged. For example, this is the first time that bulb-type turbines (supplied by Alstom, Andritz, Voith and Siemens) have been used on a large scale. These ran into problems as soon as they started operating, as they overheated.[186] Furthermore, in January 2012, the opening of the Santo Antonio dam's gates caused landslides that dragged the houses of 70 families in the Porto Velho area into the river.[187]
- **Labour disputes:** It is estimated that 22,000 people are working on the Jirau project, living on the construction site, while Santo Antonio has 20,000 workers living on the outskirts of Porto Velho. The vast majority of the workers are men who have come from the most impoverished regions of Brazil. Since 2009, the construction work has been halted by a series of strikes in which workers denounced appalling living and working conditions, as well as the absence of appropriate safety standards. **38 Jirau workers** contracted by an outsourcing company were freed by Brazil's Ministry of Labour in 2009 after having been found in a ***situation of slave labour***.[188] The presence of drug trafficking and incidents of rape have been denounced on the Jirau construction site, as well as **accidents (some fatal) that go unreported by the companies**.[189] The protests reached a peak in March 2011 when a riot broke out, during which 70% of the Jirau construction workers' camp was destroyed and the Military Police were called in (CPT 2011, Dhesca 2011).
- **Human rights violations:** In 2011, the Brazilian Platform for Economic, Social, Cultural and Environmental Human Rights found evidence of: migration to Porto Velho 22% higher than what had been envisaged when the impact of the Jirau and Santo Antonio dams was assessed; a 44% increase in murders and an 18% increase in cases of exploitation and sexual abuse of children between 2008 and 2010; and a 208% increase in cases of rape in Porto Velho between 2007 and 2010 (Dhesca 2011).
- **Indigenous peoples' rights:** Jirau and Santo Antonio are having a direct impact on the Karitiano and Karipuna indigenous peoples, and an indirect impact on a number of indigenous communities on both sides of the border. **Annex X shows indigenous peoples' territories and the presence of peoples living in voluntary isolation in the areas affected by the Santo Antonio and Jirau dams** in Brazil.[190] With regard to this, it is important to point out that when the presence of a community of this type is confirmed in an area, the law in Brazil is relatively strict about the projects that can be carried out there. It is striking that **the social plans of ESBR, the Jirau construction company**, include providing financial support to the state agency for indigenous peoples, FUNAI – precisely the institution responsible for detecting uncontacted communities.[191] In addition, the power transmission line between Porto Velho and Araraquara will have an impact on the Juininha, Uirapuru, Taihantesu, Vale do Guaporé, Nambikwara, Pirineus de Souza and Tubarão Latundê indigenous territories (Verdum 2012, Annex 3, 18).
- **Environmental destruction:** Besides deforestation, the area covered by three Biodiversity Conservation sites has been drastically reduced by flooding. A series of irregularities have been recorded since 2007 in the process of awarding environmental licences, and blatant

Karitiana indigenous community in the area affected by the dams on the Madeira River, Rondonia State, Brazil. Photos: ODG, July 2011 pressure was exerted on the Brazilian Institute for the Environment and Natural Resources (IBAMA) to award these licences.[192] Later, **the companies were able to shift the location of Jirau by 9 km and increase the size of the Santo Antonio project without carrying out new environmental impact assessments**. The impact assessments that were carried out failed to take into account the social and environmental impacts of the power transmission line, without which the two hydroelectric power stations would be pointless. The dams on the Madeira have set a precedent here - the Belo Monte construction companies obtained authorisation for a substantial modification of their project without carrying out new studies.

- **"Clean" energy:** Although they are often described as sources of "clean" energy, several studies show that **hydroelectric power stations built in tropical regions emit significant quantities of greenhouse gases**. This is associated with the land that is flooded. For example, Fearnside and Pueyo (2012) state that the main gases emitted by dams are $CO_2$ and methane. These not only come from the reservoirs but are also produced when the water comes out of the turbines. These researchers found serious errors in the calculations of the emissions from Brazil's large dams that had been estimated by the country's authorities.

## Notes

134 Monitoring of the mega-infrastructure plans in Latin America and the Caribbean can be found at: http://www.bicusa.org/regions/latin-america/projects-to-watch/
135 See: http://www.iirsa.org/Page/Detail?menuItemId=41
136 See: http://www.iirsa.org/Page/Detail?menuItemId=53
137 See: http://www.iirsa.org/Page/Detail?menuItemId=59
138 With regard to this, see for example the reports by Acción Ecológica (www.accionecologica.org) and Fobomade (www.fobomade.org.bo), Zibechi (2006, 2011, 2012), and Molina and Vargas (2005).
139 See: http://www.iirsa.org/Page/Detail?menuItemId=70
140 This is an estimate, given the confused nature of the information held in this database.
141 The complete list of AIC projects, together with information on their funding and the investor and beneficiary countries, can be found in IIRSA (2010a, 149-156).
142 See: http://www.iirsa.org/Page/Detail?menuItemId=70
143 At a total of 64 billion euros, the value of the loans awarded by the Brazilian bank in 2010 was three times that of the loans provided by the World Bank, while the loans approved by the IDB totalled 9,438 million euros (see: García 2011; http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/The_BNDES_in_Numbers/; http://goo.gl/aVwMC; http://www.iadb.org/en/annual-meeting/2011/annual-report,2674.html). See also Carvalho (2006).
144 The IDB was one of the main advocates of the FTAA in the region (see, for example: http://www.iadb.org/en/news/webstories/2001-05-01/idb-to-help-countries-get-set-for-trade-pact,9275.html).
145 For more information, see: http://www.alianzabolivariana.org/ and http://www.alba-tcp.org/en.
146 This led to the development of the Peoples' Trade Treaty (TCP) (see: http://es.wikipedia.org/wiki/Tratado_de_Comercio_de_los_Pueblos and http://www.alba-tcp.org/en/contenido/alba-tcp-agreement-0).
147 The first amount is mentioned by IDB/INTAL (2012, 86) and the second by FIESP (2012, 31).
148 See: http://radiolvs.cnr.org.pe/ninterna.html?x=12090
149 COM (2005) 636, see: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0636:FIN:EN:HTML
150 See: http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/laif/index_en.htm
151 In 2010 the amount available for grants was €34.85 million. In 2011, an additional €40 million were approved. (See: http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/laif/index_en.htm)
152 See : http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/laif/projects_en.htm
153 As well as the ALA mandate, the EIB channels loans through the Energy Sustainability and Security of Supply Facility (ESF), which has been provided with a budget of 4.5 billion euros. The ESF was created by the EIB in 2007 and is not backed by an EU budget guarantee. The countries eligible for EIB financing, providing that a framework agreement is in place, are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela (EIB 2011). The EIB operates in the Caribbean under the Cotonou Agreement, which provides the funding for the EIB Investment Facility (IF) aimed at the ACP (African, Caribbean and Pacific) countries.
154 The 2004 text refers to the "Plan Puebla Panama" and the 2009 amendment updates this to refer only to the "Mesoamerica Project." The MoU also mentions involvement in SIEPAC, a plan linked to the Mesoamerica Project.
155 An analysis of the role played by the EIB in IIRSA until 2006 may be found in FoEI (2006). This report reveals that between 1993 and 2004, more than 90% of the EIB's loans for Latin American countries were actually awarded to European companies. Gas de France, Repsol, British Gas and Shell received millions of euros for contracts in the oil and gas industry (FoEI 2006, 6).
156 See: http://www.iirsa.org/proyectos/detalle_proyecto.aspx?h=650
157 See: http://www.iirsa.org/proyectos/detalle_proyecto.aspx?h=317
158 There is an extensive literature on the presence of European capital in Latin America and the negative consequences of its interference. Some of the most important publications are: Llistar and Vargas (2012), Fernández and Carrillo (2010), Carrión, J. (2010), González and Gandarillas (2010), Ramiro, González and Pulido (2007) and Gavaldà (2003). See also the cases presented before the Permanent Peoples' Tribunal at its different sessions since 2006, at: www.enlazandoalternativas.org
159 See: http://www.grupoacs.com/index.php/es/c/areasdenegocio_construccion. ACS is present in every Latin American and Caribbean country except Cuba, Honduras, Haiti, the Guyanas, Bolivia, Paraguay and Uruguay.

160 The ACS Group controls 19% of Iberdrola (see: http://www.iberdrolainforme2011.com/file/pdf/A_Estructura_propiedad.pdf).
161 Important allegations of human rights violations have been lodged in relation to the Isthmus of Tehuantepec Wind Farm (Mexico), run by Iberdrola and Gamesa (see: http://tierrayterritorio.wordpress.com/2012/09/18/declaracion-de-san-dionisio-del-mar/ and http://www.diariodelistmo.com/vernota.php?id=27554).
162 The French government controls 36% of this company's shares (see: http://www.gdfsuez.com/actionnaires/).
163 GDF Suez is the largest private-sector power generation company in Brazil, the second largest in Peru, and the largest in the Northern Region of Chile (CEPAL 2011, 179).
164 See details of their involvement at: http://www.banktrack.org/
165 From 2002-2007, according to the World Bank, the value of infrastructure projects in the global South with private sector participation amounted to some 464 billion euros, 10 times as much as the loans made by China for infrastructure projects, and far outstripping the entire value of the development assistance provided to the South for infrastructure by the 33 OECD countries over the same six-year period (Hildyard 2012, 6).
166 To offer just one example, in the case of the wind farms in the Isthmus of Tehuantepec (Mexico), the Ikojts indigenous nation has denounced the plunder and destruction of natural resources in their territory as a result of the "San Dionisio" wind energy mega-project taken forward by the Mareña Renovables consortium, formed by the Macquarie Mexico infrastructure fund, Fondos nacionales para la infraestructura (FONADIN), PGGM, the Dutch Pension Fund and Mitsubishi (see: http://goo.gl/gmOXV).
167 See: http://goo.gl/jIEY8. To give an idea of the importance of these funds, it should be pointed out that this firm's "renewable energy" portfolio is managed by the company Brookfield Energy Partners, which operates hydroelectric dams with 5,000 megawatts of installed capacity across 67 river systems in the United States, Canada and Brazil. Brookfield manages four private equity funds in the energy and transport sectors in Latin America, and has announced its intention to invest in the HydroAysén mega-dam in Chile (Hildyard 2012, Annex 1, 32).
168 See: http://www.banktrack.org/show/dodgydeals/minas_conga_mining_project#tab_dodgydeals_finance, and http://www.newmont.com/our-investors/stock-data/ownership-profile. On the resistance in Cajamarca, see: http://www.fame2012.org/en/2012/10/16/conga-iachr/
169 This company has "a 3,679 km pipeline network with access to Colombia's two largest gas basins representing over 90 per cent of the country's proven reserves" (Hildyard 2012, Annex 1, 43).
170 In addition, in the sphere of the **green economy** biodiversity is increasingly playing a major role as just another resource to be commercialised, and also on which to speculate financially (Forero and Ortiz 2012).
171 See: http://www.pac.gov.br/
172 See also: Ministério de Minas e Energia do Brasil (2011).
173 Brazil's National Electric Power Agency (ANEEL) estimates that the Amazon has the potential to generate 106,000 MW of hydropower, surpassing current installed capacity in the entire country (2008, 57). A map of the dams under construction and planned in the Amazon basin as a whole can be found at: http://dams-info.org
174 See: http://amazonwatch.org/work/belo-monte-dam, http://www.xinguvivo.org.br/
175 See: http://goo.gl/67cC2
176 See: http://www.santoantonioenergia.com.br/site/portal_mesa/en/home/home.aspx
177 In 2011, Banif sold its shares to Maple Leaf (see: http://goo.gl/OOEL9)
178 15 billion Brazilian Reals.
179 See: http://www.energiasustentaveldobrasil.com.br/socios-acionistas.asp?lg=2
180 See also: http://www.banktrack.org/show/dodgydeals/rio_madeira_dam_project#tab_dodgydeals_finance
In September 2012, BNDES approved an increase in its funding for Jirau (http://goo.gl/JItp6).
181 See: http://goo.gl/6t78d
182 See: http://www.abb.com/industries/ap/db0003db004333/137155e51dd72f1ec125774b004608ca.aspx
183 For more information, see: http://www.mabnacional.org.br/; Switkes and Bonilha (2008); Maeso, Reyero and Vargas (2010); CIPCA (2011b).
184 See: http://goo.gl/70Bv6 and http://www.energiasustentaveldobrasil.com.br/caracteristicas.asp?lg=2
185 See: http://goo.gl/bcPKu
186 See: http://goo.gl/f6uG2, http://goo.gl/PXdSo and http://goo.gl/GT2Bs
187 See also: http://goo.gl/i7avG
188 See: http://goo.gl/uqfmo
189 Interview with former workers on the Jirau Project and Pastoral de Migrantes, 21 and 22 July 2011, Porto Velho.
190 The Consejo Misionario Indígena (CIMI) has highlighted the risk that the two dams pose to 18 uncontacted communities in the Madeira river basin on the Brazilian side. The list of peoples can be found in Annex IV of Dhesca (2011).
191 See the press release put out by the company on 25 September 2012 at: http://www.energiasustentaveldobrasil.com.br/arquivos/INDIOS%20CAPACITACAO.pdf and http://goo.gl/Ualqx. In December 2011, FUNAI published a news item on the Coordenação Regional do Madeira official blog (http://crmadeira.blogspot.com.es/), announcing that it had **confirmed the presence of an uncontacted community in the River Purús area in the Madeira watershed**. The news was also circulated on the Coordenação Twitter feed (https://twitter.com/coremadeira/status/144852133496369152) and published on other websites (http://www.cedefes.org.br/index.php?p=indigenas_detalhe&id_afro=7586), **but it was swiftly removed from the FUNAI website with no further explanation** (see: http://www.projetobr.com.br/blog/luisnassif/funai-encontra-povos-isolados-proximos-ao-rio-madeira).
192 See: Switkes and Bonilha (2008), Maeso, Reyero and Vargas (2010), Dhesca (2011).

## Conclusions

*"We are faced by a direct confrontation between the large transnational corporations and the states. The corporations are interfering in the fundamental political, economic and military decisions of the states. The corporations are global organizations that do not depend on any state and whose activities are not controlled by, nor are they accountable to any parliament or any other institution representative of the collective interest. In short, all the world political structure is being undermined.*

*The large transnational firms are prejudicial to the genuine interests of the developing countries and their dominating and uncontrolled action is also carried out in the industrialized countries, where they are based. This has recently been denounced in Europe and in the United States and resulted in a US Senate investigation. The developed nations are just as threatened by this danger as the underdeveloped ones. It is a phenomenon that has already given rise to the growing mobilization of organized workers including the large trade union organizations that exist in the world. Once again the action of the international solidarity of workers must face a common enemy: imperialism."*

Speech by Chilean President Salvador Allende to the United Nations, 4 December 1972 (http://www.marxists.org/archive/allende/1972/december/04.htm)

Forty years have gone by since Allende spoke these words. His message seems relevant today more than ever. Throughout this report, the aim has been to reveal the architecture of impunity that protects European capital in particular, although the reflections it offers could be extrapolated to all the transnational corporations around the world, including those based in the emerging economies.

As Berrón and Brennan point out (2012, 2), we need to strengthen a "***social response to build counter-power, which identifies the different levels of resistance and can bring them together in greater coordination***." This report has sought to contribute to this by linking the spheres of the real-real economy, infrastructure mega-projects and financialisation with an analysis of the operations of transnational corporations and trade agreements. It has also underlined the need to remain vigilant and monitor the physical scaffolding which is put in place to enable the agreements in FTAs and AAs to become reality, as described in the case of IIRSA.

It is also important to emphasise that in the context of the growing financialisation of the global economy, the example of Glencore's activities is only the tip of the iceberg which must be resisted by civil society organisations that have traditionally denounced the transnationals. Until now, their work has mainly focused on the social, environmental and labour impacts produced by these companies in the real economy. Now this work needs to be combined with a focus on the banking sector. The corporations are beginning to act directly in all spheres of the economy, including the system that allows them to engage in financial speculation (Teitelbaum 2012, 8). There, they operate in a world where they no longer need FTAs, EPAs or AAs, in a financial system that is completely de-regulated. This is why it is necessary not only to understand how these companies operate but also to look for new ways to respond. As Hildyard (2011) puts it, a "**well-functioning market**" **is in fact the working of a system placed at the service of private interest**, a system that makes it legal and legitimate for one person to accumulate wealth at another's expense. The market is neither the place nor the means to raise funds to serve the public interest. Financial derivatives are instruments that only intensify the pernicious and anti-democratic character of the market. Therefore, it is not a question of making this system "a bit fairer." It must be dismantled altogether.

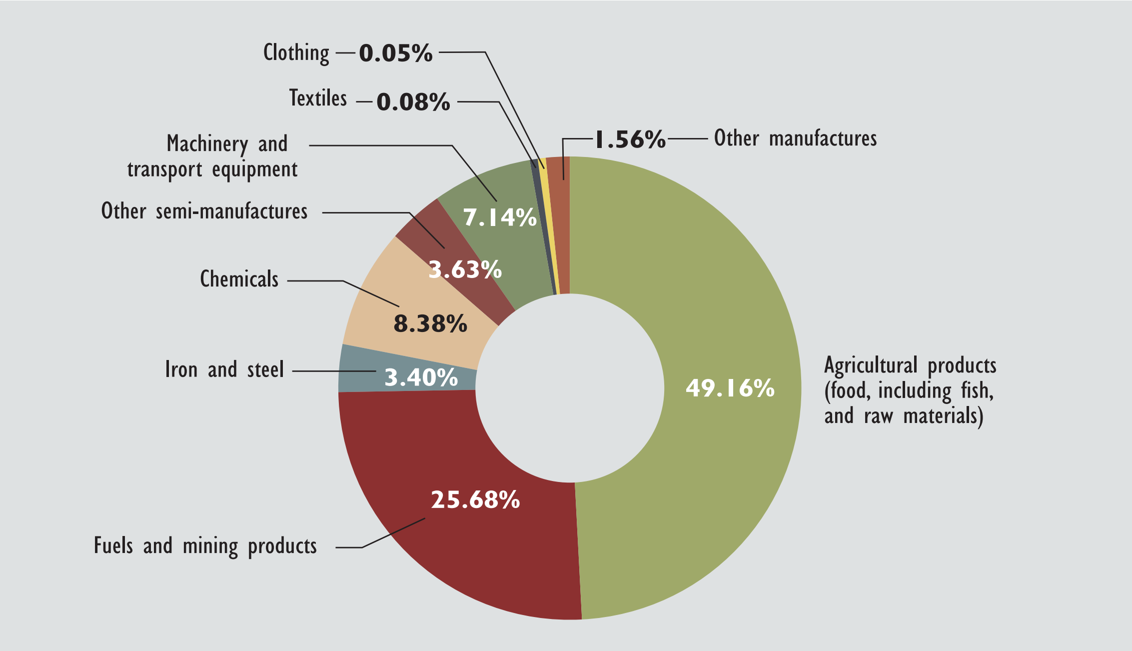
With the current multidimensional crisis, as foreseen by Allende, corporate power is also digging its claws into the flesh of people in the rich countries. As well as controlling their consumption patterns and destroying their cultural and natural heritage for decades, it has now orchestrated an attack on public services and the social and labour rights of these peoples. Fortunately, an increasing number of protests are taking place in these countries. Examples of the struggle to defend rights and reject public spending cuts are now evident all over Europe. In this context, we need to multiply alliances and coordinate resistance and local campaigns. The success of every specific act of resistance is reinforced if it is coordinated at the global level, "*to prevent [TNCs] from moving to other places where [they] will try to apply the same strategy*" (Berrón and Brennan 2012, 2).

Through initiatives such as the ***Global Campaign to Dismantle Corporate Power and Stop Impunity***, the networks campaigning against free trade, and those carrying out the important task of monitoring the financial sector and the "green" economy, we must unite all our forces and organise against the "super-rights" and "super-powers" of the large corporations. One key component of this will be to put in place an ***International Peoples' Treaty***, with the aim of proposing economic and political alternatives, as well as establishing binding legal mechanisms and an International Tribunal to enforce them, ensuring that corporations will be held accountable for their actions and punished for their crimes against society and the environment. We have no other choice. Neither do we have much time.

# Annexes

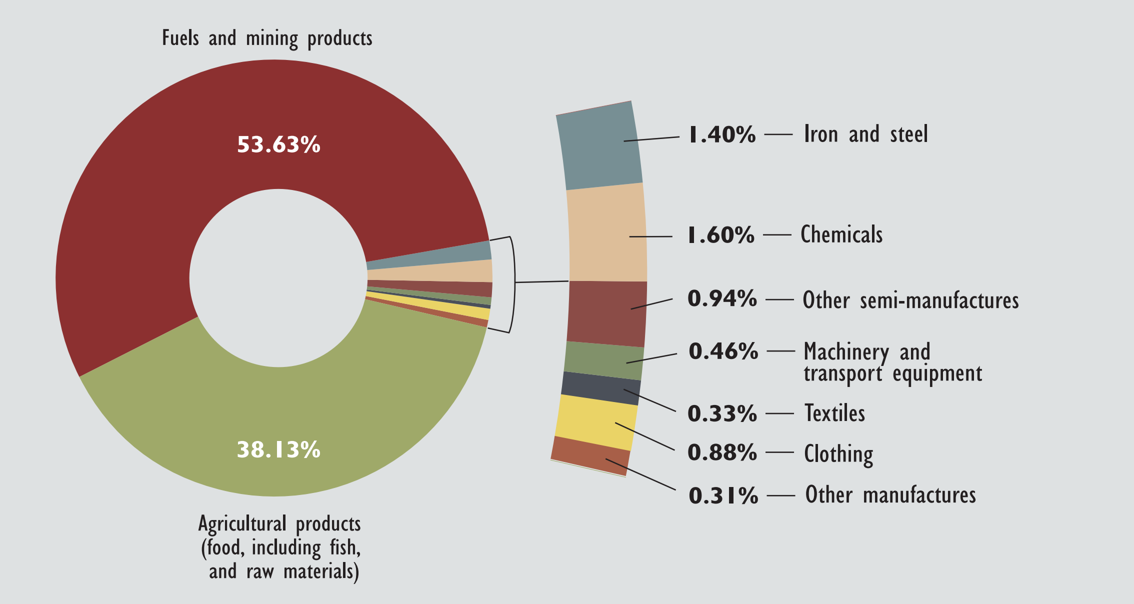
## Annex I. Exports from South America and Africa to the EU

**Figure 5.** Distribution of exports from MERCOSUR* to the EU 27 (2011)



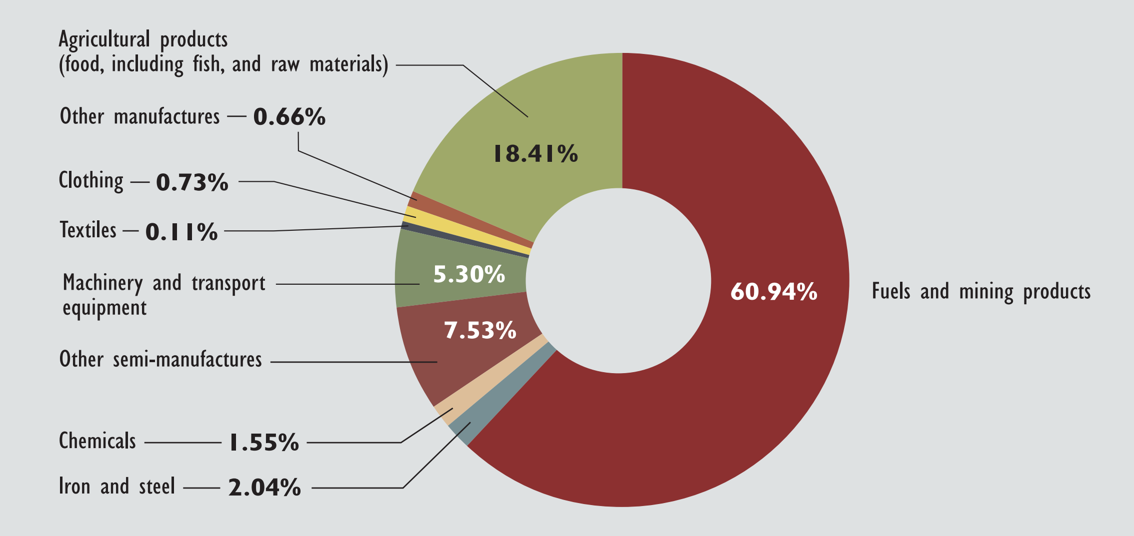

* Argentina, Brazil, Paraguay, Uruguay
Prepared by ODG based on figures from Eurostat and DG Trade. Calculations are based on the value in millions of euros.

**Figure 6.** Distribution of exports from the Andean Community* to the EU 27 (2011)




* Bolivia, Colombia, Ecuador, Peru
Prepared by ODG based on figures from Eurostat and DG Trade. Calculations are based on the value in millions of euros.

**Figure 7.** Distribution of exports from ACP member states in Africa* to the EU 27 (2011)




* Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe.

Prepared by ODG based on figures from Eurostat and DG Trade. Calculations are based on the value in millions of euros.

## Annex II. The EU's mineral dependence on Latin America and Africa

**Table 4.** Europe's imports of 14 most critical minerals, from Latin America and Africa

| Critical raw material * | Main producing countries (2008 and 2009) | Main sources of imports to the EU (2007 and 2006) | Import dependence |
|---|---|---|---|
| Antimony | China 91%<br>Bolivia 2%<br>Russia 2%<br>South Africa 2% | Bolivia 77% | 100% |
| Beryllium | United States 85%<br>China 14%<br>Mozambique 1% | United States, Canada, China and Brazil | 100% |
| Cobalt | Democratic Republic of Congo (DRC) 41%<br>Canada 11%<br>Zambia 9% | DRC 71% | 100% |
| Fluorspar | China 59%<br>Mexico 18%<br>Mongolia 6% | China 27%<br>South Africa 25%<br>Mexico 24% | 69% |
| Graphite | China 72%<br>India 13%<br>Brazil 7% | China 75%<br>Brazil 8%<br>Madagascar 3% | 95% |
| Niobium | Brazil 92%<br>Canada 7% | Brazil 84%<br>Canada 16% | |
| Platinum group metals | South Africa 79%<br>Russia 11%<br>Zimbabwe 3% | South Africa 60%<br>Russia 32%<br>Norway 4% | 100% |
| Rare earths | China 97%<br>India 2%<br>Brazil 1% | China 90%<br>Russia 9%<br>Kazakhstan 1% | 100% |
| Tantalum | Australia 48%<br>Brazil 16%<br>Rwanda 9%<br>DRC 9% | China 46%<br>Japan 40%<br>Kazakhstan 14% | 100% |
| Tungsten | China 78%<br>Russia 5%<br>Canada 4% | Russia 76%<br>Bolivia 7%<br>Rwanda 13% | 73% |

* The minerals in this table were chosen from the list of the 14 minerals considered critical for the EU, and are the ones produced by countries in Latin America and Africa.

Prepared by ODG, based on figures from EC (2011, 26)

## Annex III. Europe's commodities business

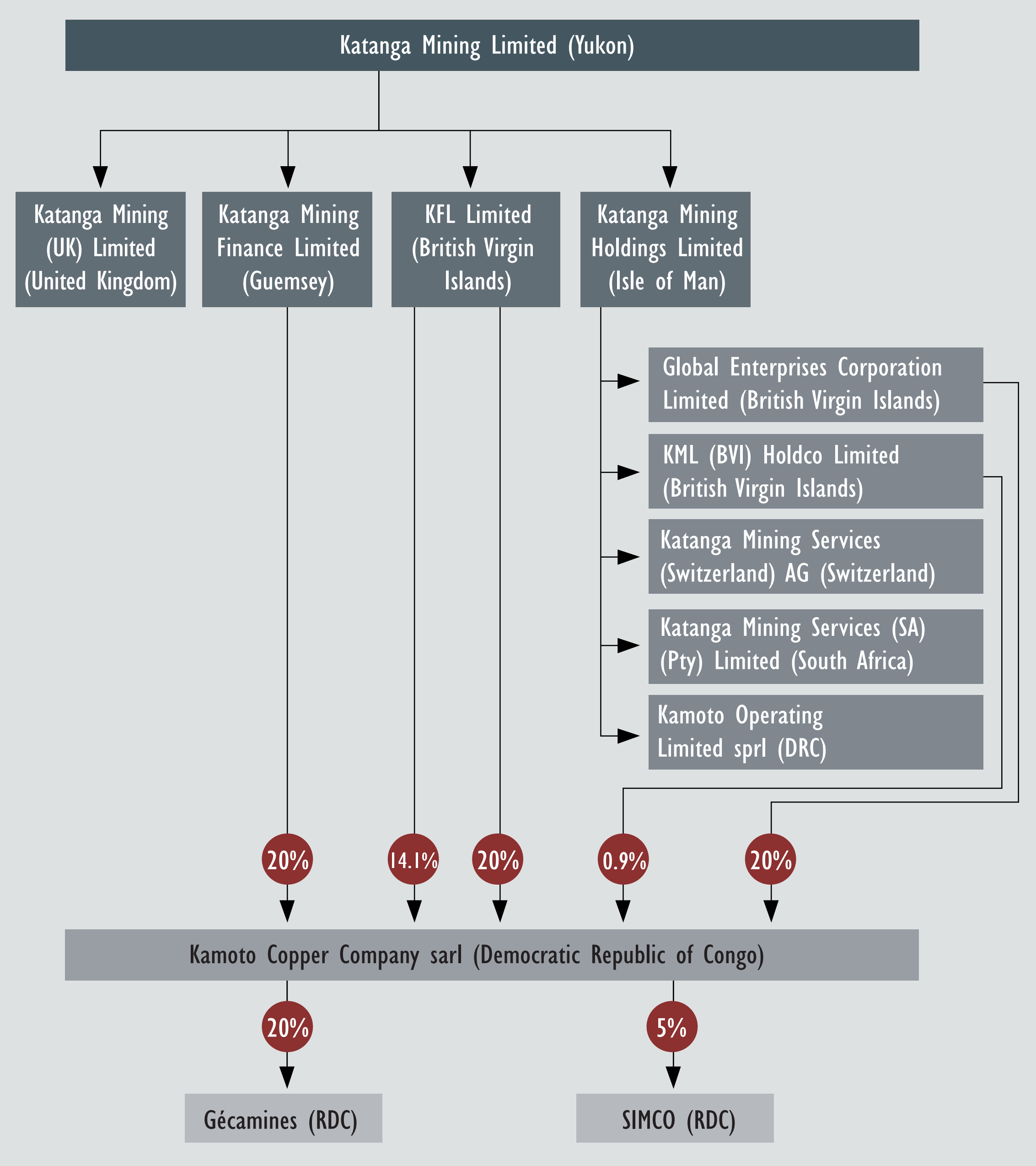
**Table 5.** Main European corporations in the commodities sector

| Headquarters country | Company name | Sector and details |
|---|---|---|
| Switzerland | Glencore International | Metals and minerals, energy and agricultural products. |
| | Xstrata | Mining |
| | Mercuria | Oil and coal |
| France | Louis Dreyfus | Trading and processing of agricultural commodities (cotton, rice, cereals) and energy products. |
| | Total | Involved in the entire oil and gas production chain, including petrochemicals and fertilisers; coal; solar energy. |
| The Netherlands | Royal Dutch Shell plc | Oil, gas and petroleum products, wind energy, chemicals. |
| The Netherlands and Germany | Argos (formerly North Sea Group) | Oil and petroleum products, minerals, agrofuels. |
| The Netherlands and Switzerland (Geneva) | Trafigura | Crude oil and petroleum products, non-ferrous metals, concentrates and refining, maritime transport and storage. |
| | Gunvor International B.V | Controls one-third of Russia's crude oil exports. Specialises in the trade, transport and storage of oil and petroleum products, as well as gas and coal; carbon emissions trading. |
| | Vitol Group | Oil and petroleum products, coal, natural gas, sugar, agrofuels and carbon emissions trading. |
| Germany and The Netherlands | Mabanaft GmbH & Co. KG | Oil and petroleum products |
| United Kingdom | Arcadia | Oil |
| | BP Plc. | Oil, gas and petroleum products, agrofuels (first and second generation). |
| | Rio Tinto Plc | Aluminium, copper, diamonds, minerals, coal, uranium, molybdenum, gold, titanium dioxide, salt, iron. |
| | Anglo American | Platinum group metals, diamonds, copper, iron, coal, nickel. |
| | Vedanta Resources | Production of aluminium (bauxite mines), copper, zinc, iron. |
| | Antofagasta | Copper, freight transport by road and by rail, water distribution. |
| Italy | ENI | Oil, gas and petroleum products |
| Spain | Repsol | Oil, gas and petroleum products |

Prepared by ODG based on information from: http://www.forbes.com, http://goo.gl/LC37V; http://www.telegraph.co.uk/finance/commodities/8451455/Top-ten-global-oil-and-commodities-traders.html,; http://goo.gl/xTahn

## Annex IV. Diagram of the inter-corporate relationships between Katanga and its subsidiaries

**(with the jurisdiction of incorporation in parentheses)***




* The subsidiaries are wholly owned unless stated otherwise.
Source: KATANGA MINING LIMITED. *Annual Information Form for the year ended December 31, 2011*

## Annex V. Glencore and Credit Suisse: the perfect marriage

*"Commodities had their best first half since 1973 this year [2008], as the prices for oil, coal, copper, aluminum and other natural resources hit new records. Even though the global economy is currently slowing, the commodity market continues to grow at annual rates exceeding 15 percent. The global commodity market is currently estimated to generate more than 23 billion dollars of annual revenues, out of which approximately 40 percent, or 10 billion dollars, are earned by financial institutions active in the sector. Proprietary trading – transactions that affect a firm's accounts – make up nearly half of the revenues that financial institutions reap from the commodity markets. The remainder of the revenue comes from structured products and trading flows. "(...) That's why Credit Suisse decided to partner with Glencore to establish a full-fledged commodities platform," says Adam Knight, co-head of Global Commodities at Credit Suisse.*

### At the Forefront of Innovation

*Since executing its first power trade in June 2005, Credit Suisse's commodities team has been at the forefront of developing new commodities markets. In September 2007, Credit Suisse (...) set up a market in cobalt, followed by the establishment of an over-the-counter market in iron ore, one of the world's largest physical commodity markets in May 2008. "Commodities are expanding as an asset class, with the complexity of trades that can be done increasing and the number of commodities that can be traded rising too," says Knight. If someone wanted to trade in iron ore or cobalt just a couple of months ago, this person would have had to get a physical contract with a producer. "Now, we trade swaps in each of these commodities. This is evidence of increasing maturity and development of the commodities business," Knight explains. The trading desk built up by the Commodities Group today offers a full spectrum of commodity underlyings including oil and refined products, coal, metals, agricultural commodities such as wheat, soybeans, milk and sugar, in addition to North American gas and power, and emissions. The range of investment products involving these commodities span from commodity indices to physical precious metals, structured notes, warrants, funds and certificates.*

### Partnership with Glencore

*A key element of Credit Suisse's offering is the alliance with Glencore International AG, one of the world's largest natural resources companies. The partnership began in 2005 with oil and oil products, and was later extended to cover base and precious metals, as well as agricultural products. It combines Glencore's leading position in physical commodity trading with Credit Suisse's expertise and strength in derivatives, emerging markets, structured products and risk management. (...)"*

Source: Credit Suisse, 24 October 2008
(http://goo.gl/MDkv8)

## Annex VI. Financial information on the IIRSA mega-projects

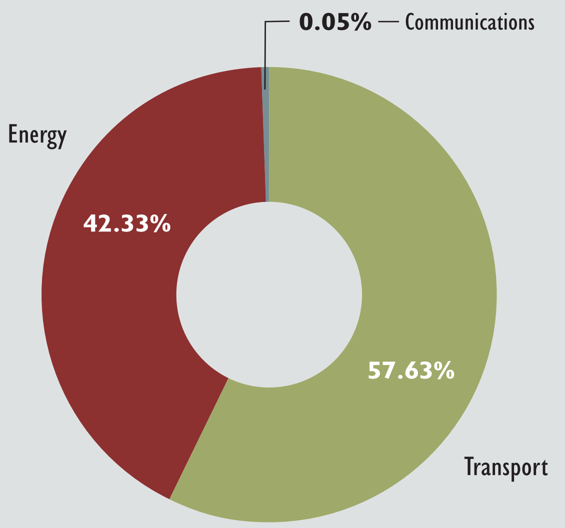
**Table 6.** IIRSA Project Portfolio 2010, by hub

| Hub | Number of projects | Estimated investment (in millions of euros) |
|---|---|---|
| Amazon Hub | 58 | 4,200.28 € |
| Andean Hub | 64 | 5,815.64 € |
| Capricorn Hub | 72 | 7,327.02 € |
| Guianese Shield Hub | 25 | 1,318.12 € |
| Paraguay-Paraná Waterway Hub | 95 | 5,193.01 € |
| Central Interoceanic Hub | 55 | 4,296.87 € |
| MERCOSUR-Chile Hub | 107 | 27,869.81 € |
| Peru-Brazil-Bolivia Hub | 23 | 16,644.57 € |
| Southern Hub | 27 | 2,109.90 € |

Source: IDB/INTAL (2011, 96)

The graphs below show the sectoral composition of the IIRSA Project Portfolio, giving an idea of the type of projects that had been prioritised by 2010.

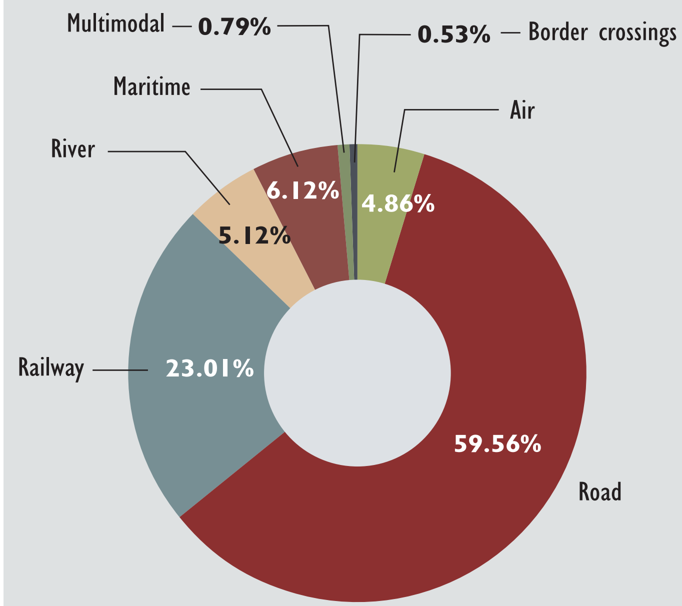
**Figure 8.** Composition of the IIRSA Project Portfolio in 2010, by sector




| Sector | Investment (in millions of euros) |
|---|---|
| Transport | 43,076.9 € |
| Energy | 31,640.3 € |
| Communications | 34.8 € |
| Total | 74,751.9 € |

Prepared by ODG based on figures from IDB/INTAL (2011, 97)

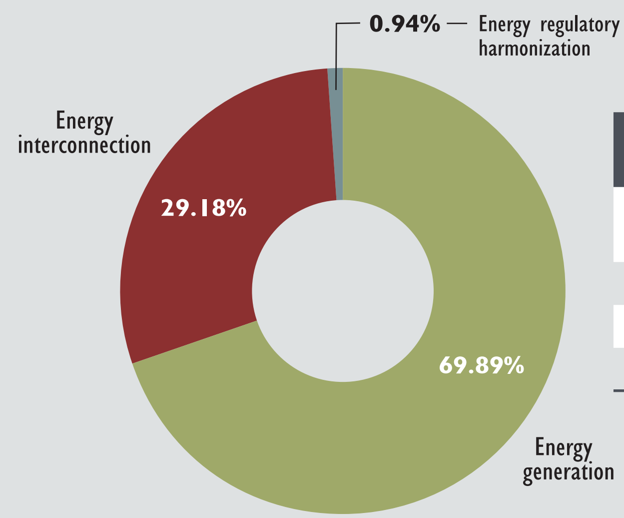
**Figure 9.** Financing of transport projects in the IIRSA portfolio, 2010 (financing by subsector*)




| Subsector | Investment (in millions of euros) |
|---|---|
| Air | 2,092.25 € |
| Road | 25,657.18 € |
| Railway | 9,913.26 € |
| River | 2,206.65 € |
| Maritime | 2,637.34 € |
| Multimodal | 341.95 € |
| Border crossings | 228.25 € |
| Total | 43,076.88 € |

* Percentage of total IIRSA financing for the transport sector
Prepared by ODG based on figures from IDB/INTAL (2011, 97)

**Figure 10.** Financing of energy projects in the IIRSA portfolio, 2010 (financing by subsector*)




| Subsector | Investment (in millions of euros) |
|---|---|
| Energy regulatory harmonization | 295.84 € |
| Energy generation | 22,112.58 € |
| Energy interconnection | 9,231.84 € |
| Total | 31,640.26 € |

* Percentage of total IIRSA financing for the energy sector
Prepared by ODG based on figures from IDB/INTAL (2011, 97)

## Annex VII. COSIPLAN priority projects

**Table 7.** Expected investment in COSIPLAN priority projects

| HUB | Countries | Number of structural projects | Number of individual projects | Expected investment (in millions of euros) |
|---|---|---|---|---|
| Amazon | Brazil, Peru, Colombia, Ecuador, Venezuela | 3 | 25 | 2,709.80 € |
| Andean | Colombia, Ecuador, Venezuela, Peru | 5 | 11 | 2,864.20 € |
| Capricorn | Argentina, Bolivia, Brazil, Chile, Paraguay | 5 | 18 | 2,706.92 € |
| Guianese Shield | Guyana, Suriname, Venezuela, Brazil | 3 | 4 | 817.36 € |
| Paraguay-Paraná Waterway | Argentina, Bolivia, Brazil, Paraguay, Uruguay | 4 | 15 | 1,175.18 € |
| Central Interoceanic | Bolivia, Brazil, Paraguay | 4 | 7 | 4,170.99 € |
| MERCOSUR-Chile | Argentina, Bolivia, Brazil, Uruguay, Chile | 6 | 7 | 1,725.27 € |
| Peru-Brazil-Bolivia | Peru, Brazil, Bolivia | 1 | 1 | 92.56 € |
| TOTAL | | 31 | 88 | 16,262.28 € |

Source: FIESP (2012, 31)

## Annex VIII. EIB loans for infrastructure projects in South America (2005 – 2012)

| Year | Organisation / company awarded the loan | Amount (in millions of euros) | Purpose of the loan / Project financed | Country of project implementation |
|---|---|---|---|---|
| 2005 | Andean Development Corporation (CAF)[193] | 40 | Funding for projects in which European companies are investing (directly or indirectly), or projects that involve a transfer of European technology or know-how. Priority is given to projects undertaken in the private sector, and to the financing of infrastructure aimed at fostering regional integration – a key objective of EU policy in South America. | --- |
| 2006 | Otecel S.A. | 40 | Rollout of the GSM telecommunications network in Ecuador. This is a 12-year loan that benefits from a guarantee offered by the EU budget to cover political risk. | Ecuador |
| 2006 | Telefónica Móviles S.A. [Grupo Telefónica, Spain] | 40 | Rollout of the GSM telecommunications network in Peru, designed to extend coverage to various regions of the country and increase capacity in the major cities. | Peru |
| 2006 | Telefónica Móviles Colombia S.A [Grupo Telefónica, Spain] | 100 | Rollout of the GSM telecommunications network for mobile phones in Colombia. This is a 12-year loan that benefits from a guarantee offered by the EU budget to cover political risk. | Colombia |
| 2007 | Telefónica del Perú S.A. [owned by Telefónica Internacional S.A., a subsidiary of Telefónica S.A., Spain] | 60 | Expansion of different services platforms (including fibre optics and wireless connections), access networks, digitization of lines (ADSL), telephone switchboards and systems that use internet protocols (private online networks and satellite connections). | Peru |
| *2007 | Terminal Cuenca de la Plata S.A. and Nelsury SA [subsidiaries of Katoen Natie group, Belgium] | 27.9 | Expansion of the privately-owned container terminal in Montevideo, Uruguay. | Uruguay |

| Year | Organisation / company awarded the loan | Amount (in millions of euros) | Purpose of the loan / Project financed | Country of project implementation |
|---|---|---|---|---|
| 2008 | Tim Celular [Telecom Italia Group] | 200 | Funding for the expansion of the digital mobile telecoms network in Brazil using 2G and 3G technologies. This is the first project based on UMTS broadband technology to be financed by the EIB outside Europe. | Brazil |
| 2008 | Telefónica Celular del Paraguay SA (Telecel) [subsidiary of Millicom International Cellular, Luxembourg] | 68.5 | Expansion of the GSM mobile phone network. | Paraguay |
| 2009 | Telefónica Móviles Colombia S.A. [subsidiary of Grupo Telefónica, Spain] | 100 | Increase in capacity and geographical expansion of an EDGE-enabled mobile telecoms network and introduction of third-generation UMTS technology in Colombia. | Colombia |
| 2009 | VW Argentina S.A. [subsidiary of Volkswagen Group, Germany] | 170 | Investment in the VW factory in Pacheco, Argentina, for the manufacturing of a new light commercial vehicle designed to transport goods and passengers, specially adapted for use on rural roads in Latin America. | Argentina |
| 2010 | EDP-Energias do Brasil S.A. (EDB) [Portuguese company] | 90 | Expansion and upgrading of power distribution networks held under concession by the company in the states of São Paulo and Espírito Santo (Brazil). | Brazil |
| 2010 | Companhia de Gás de São Paulo (Comgás) [British Gas and Shell are majority shareholders in the company] | 100 | Expansion of Comgas' natural gas network by 2,500 km and upgrade of the company's facilities in São Paulo, Campinas, Baixada Santista and Vale do Paraíba (Brazil). | Brazil |
| 2010 | ArcelorMittal Brazil S.A. [company based in Luxembourg] | 130 | Modernisation of the ArcelorMittal group's three main factories in Brazil (Tubarão, Vega do Sul and Cariacica, in the states of Santa Catarina and Espírito Santo). | Brazil |
| 2011-2012 | Tim Celular [Telecom Italia Group] | 200 | Increase in capacity and geographical expansion of GSM and UMTS broadband mobile telecoms networks in Brazil. | Brazil |
| 2011 | BNDES | 500 | 25 climate change mitigation projects in Brazil, with small and medium-size investments in the renewable energy and energy efficiency sectors. | Brazil |
| 2011 | Eólica Monte Redondo [subsidiary of GDF-Suez, France] | 55.3 | Hydroelectric power station in Laja (Concepción, Chile), with 34 MW generating capacity. | Chile |
| 2011 | VW Argentina S.A [subsidiary of Volkswagen Group, Germany] | 76 | Modernisation and expansion of the VW factory in Córdoba, Argentina, which produces gearboxes for VW's small and medium-size vehicles assembled in Argentina and Brazil and destined for the Latin American market. | Argentina |
| 2011 | EcoEnterprises Capital Partners [Venture capital fund based in Costa Rica] | 5 | Investment in projects run by EcoEnterprises Fund II, an investment fund that targets small and medium-sized enterprises in South America (projects involving the "sustainable" use of biodiversity resources).[194] | South America |
| 2011 | Quito Metropolitan District | 200 | Construction of the first metro line in Quito, Ecuador, with the involvement of the Spanish company Metro de Madrid S.A. | Ecuador |
| 2012 | Elektro Eletricidade e Servicos S.A. [owned by Iberdrola, Spain] | 100 | Renovation and expansion of the company's power distribution networks in the states of São Paulo and Mato Grosso do Sul (Brazil). | Brazil |
| **Loans currently in the EIB pipeline [195]** | | | | |
| *2012 | Administración Nacional de Electricidad | 75 | Construction of a high voltage (500 kV) power transmission line between Villa Hayes and Yaciretá (Paraguay), approximately 300 km in length. | Paraguay |
| 2012 | BANCO ITAU BBA SA. | 75 | Funding for small and medium-sized enterprises in the North and Northeast of Brazil. | Brazil |

** Projects directly linked to IIRSA*

Prepared by ODG using information from the EIB database (www.eib.org).

# Annex IX. European private equity funds (or funds that include European capital) active in Latin American infrastructure projects

| Fund Name (headquarters country) | Associated funds | Information on investments and institutional investors involved |
|---|---|---|
| **LATIN AMERICA** | | |
| Altima Partners / Capital Elements (*United Kingdom*) | Capital Elements Latin America Private Equity Fund (based in the tax haven of Guernsey). | Altima Partners is an investment fund manager with assets worth 767 million euros. It founded Capital Elements in 2008 to invest in agriculture and renewable energy [196] in Latin America. |
| Aureos Capital (*United Kingdom*) | Aureos Latin America Fund (141 million euros)<br>Emerge Central America Growth Fund<br>Central America Fund | Aureos is a private equity group backed by the UK government. Its main institutional investors include CDC Group, Norfund and FMO (the Development Finance Institutions of the UK, Norway and the Netherlands respectively), as well as Multilateral Development Banks, commercial banks, pension funds and others. Aureos controls 16 regional funds in Asia, Africa and Latin America. The Aureos Latin America Fund invests in construction and manufacturing companies, financial services and fast-moving consumer goods (FMCG) in Mexico, Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Bolivia, Peru, Ecuador and Colombia. |
| Darby Overseas Investments, Ltd (*United States*) | Darby Latin American Private Equity Fund (in association with BBVA) | Investments in:<br>- the Argentinean company CCI, which holds important toll road concessions.<br>- Gas Transboliviana S.A., the company that operates the Bolivia-Brazil gas pipeline.<br>- Termobarranquilla S.A., the company that controls the largest gas-fired power plant in Colombia. |

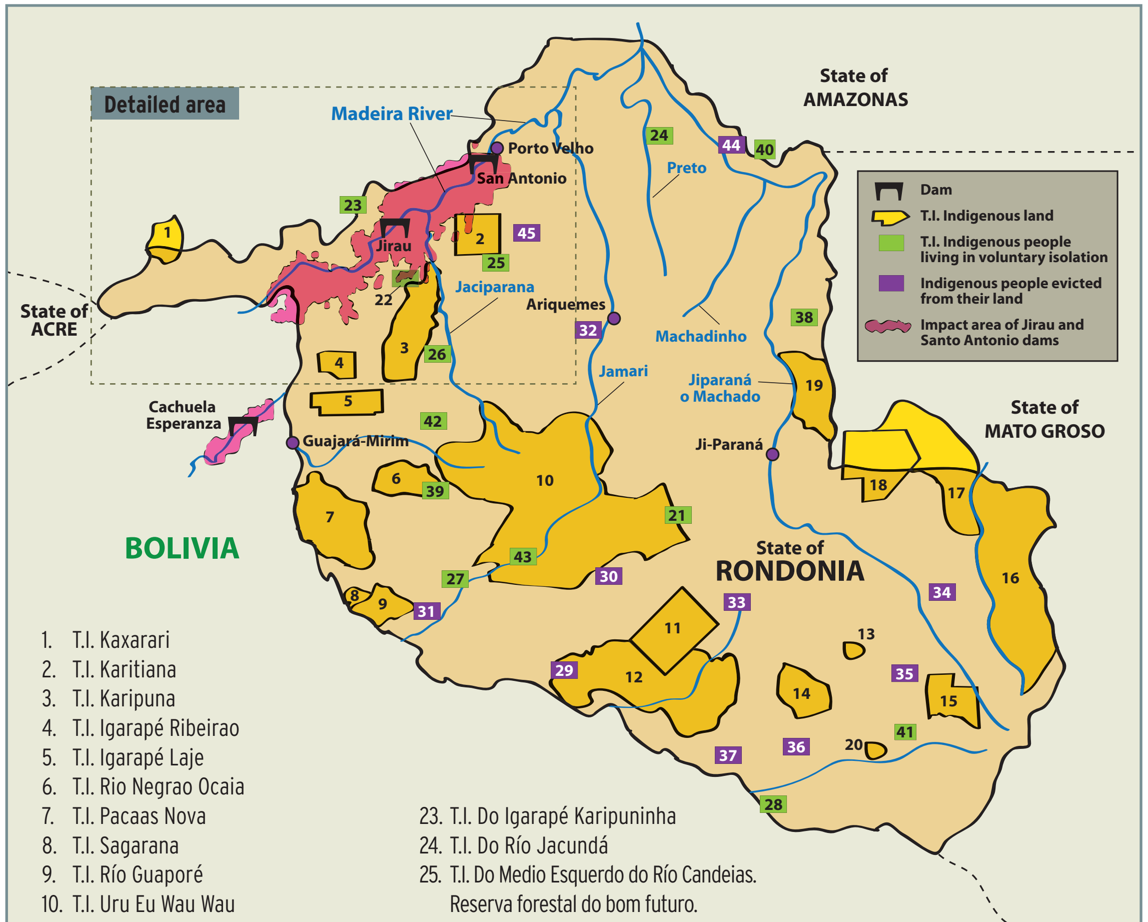


| Fund Name (headquarters country) | Associated funds | Information on investments and institutional investors involved |
|---|---|---|
| **BRAZIL** | | |
| Advent International | | Advent's institutional investors include the Development Finance Institutions of the UK (CDC) and the Netherlands (FMO), as well as the International Finance Corporation (IFC, part of the World Bank Group). Advent's private equity funds include 5 infrastructure investment funds in Latin America, which operate airports in the region (Mexico City and six airports in the Dominican Republic).<br>It recently acquired more than 50% of the Paranagua SA Container Terminal in one of Brazil's main ports handling soya exports and the largest port in the south of Brazil. [197] |
| **CHILE** | | |
| Santander Private Equity (*Spain*) | Santander Infraestructuras I | Santander Private Equity belongs to Banco Santander. It specialises in infrastructure. Together with Abertis, ACS and Skanska, it has invested in Chile's central highway. |
| **COLOMBIA** | | |
| Ashmore Investment Management (*United Kingdom*) | Ashmore Colombia Infrastructure Fund (with capital of 575 million euros). | Ashmore controlled the Brazilian power distribution company Elektro before selling it to Iberdrola for 1,800 million euros. It received funding from the IDB, CAF and IFC for its infrastructure investment fund in Colombia, which it jointly established with the Colombian investment bank Inverlink and Macquarie Funds Group. The fund focuses on electricity generation, transport and the hydrocarbons sector (oil and gas). |
| **PERU** | | |
| Conduit Capital (*United States*) | Conduit manages three funds: Latin Power I, II and III. It is currently seeking to raise capital to launch Latin Power IV. | Investors in Latin Power III include not just the CAF but also the Development Finance Institutions of Germany (DEG) and the Netherlands (FMO), among others. Until April 2012, this fund invested in Kuntur Transportadora de Gas, a company involved in the development, construction and operation of a 1,085 km pipeline to transport natural gas from the Camisea gas field to the cities of Cusco, Juliaca, Arequipa and Ilo-Matarani. The development of the Camisea gas field has been widely denounced for its adverse impact on indigenous communities, human rights violations and the destruction of dozens of hectares of Amazon rainforest in Peru. |

Prepared by ODG based on information from Hildyard (2012), Annex 1.

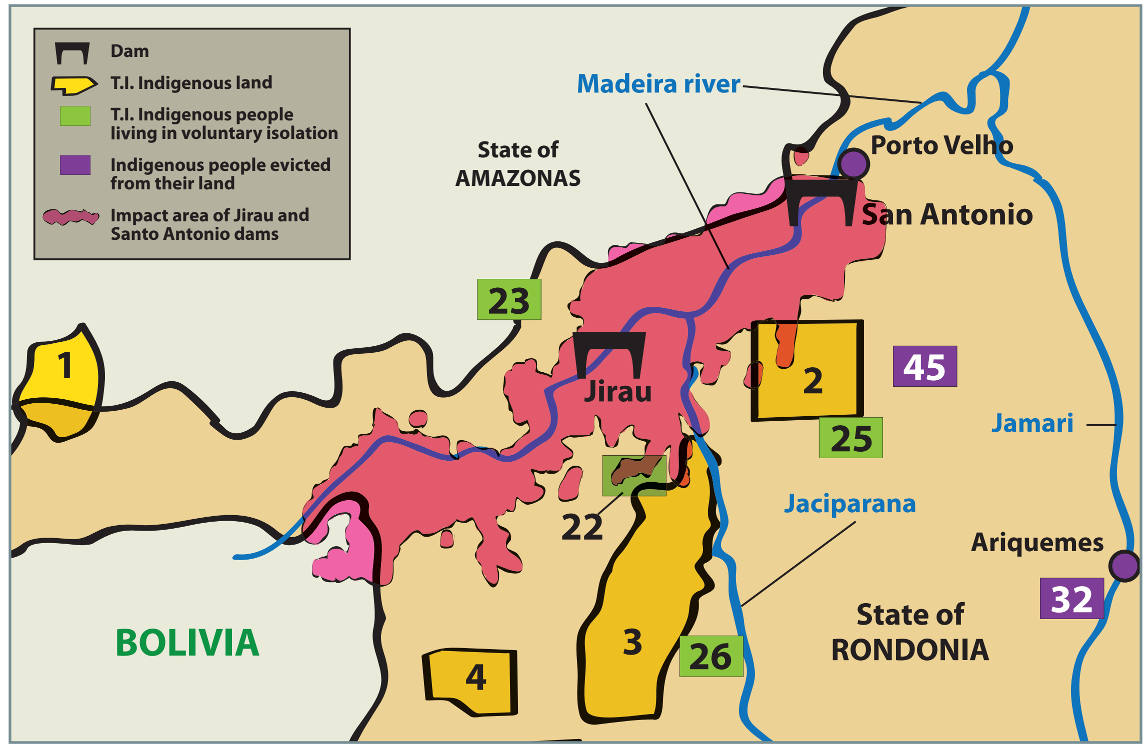
# Annex X. Hydroelectric dams (Jirau and Santo Antonio) on the Madeira River and indigenous peoples (Brazil)

**Map 6.** Indigenous territories, peoples in voluntary isolation in the State of Rondonia (Brazil), and location of the mega-dams




1. T.I. Kaxarari
2. T.I. Karitiana
3. T.I. Karipuna
4. T.I. Igarapé Ribeirao
5. T.I. Igarapé Laje
6. T.I. Rio Negrao Ocaia
7. T.I. Pacaas Nova
8. T.I. Sagarana
9. T.I. Río Guaporé
10. T.I. Uru Eu Wau Wau
11. T.I. Río Branco
12. T.I. Massaco (semi-isolation)
13. T.I. Kwazá
14. T.I. Río Mequens
15. T.I. Tubarao Latundé
16. T.I. Aripuaná
17. T.I. Roosevelt
18. T.I. Sete de Setembro
19. T.I. Igarapé Lurdes
20. T.I. Omeré
21. T.I. D Bacía Superior do Río Muqui (Jururei - semi-isolation)
22. T.I. Bacia do Río Mutum Paraná
23. T.I. Do Igarapé Karipuninha
24. T.I. Do Río Jacundá
25. T.I. Do Medio Esquerdo do Río Candeias. Reserva forestal do bom futuro.
26. T.I. Da Bacia Superior do Río Jaci-Paraná
27. T.I. Serra da Cutia
28. T.I. Pántano
29. T.I. Miquelenos
30. T.I. Puruborá
31. T.I. Cujubim
32. T.I. Ariquém
33. T.I. Jabutí
34. T.I. Paumelenos
35. T.I. Cassupá/Salamai/Massaká
36. T.I. Kampé
37. T.I. Wajuru
38. T.I. Rebio Jaru
39. T.I. Rio Novo e Cachoeira do Río Pacaas Novas
40. T.I. Cabeceira do Río Marmelo e Maicizinho
41. T.I. Índio do Buraco na Fazenda Modelo
42. Parque estadual Guarará Mirim
43. Povo Viraparaquara
44. T.I. do Río Machadado
45. T.I. Karitiana do Río Candelas






Prepared by ODG based on: Map of Indigenous Peoples produced by and courtesy of CIMI (Conselho Indigenista Missionário), 2011; and CIPCA, "Represa Cachuela Esperanza. Posibles consecuencias socioeconómicas y ambientales de su construcción" (*The Cachuela Esperanza Dam: potential socio-economic and environmental consequences*), presentation given at the International Seminar "Cachuela Esperanza en la Cuenca Internacional del Río Madera" (Cachuela Esperanza in the Madeira River International Watershed), 14-15 June 2011, Cochabamba, organised by CEADESC (http://www.ceadesc.org).

## Notes

193 With regard to these so-called "global" loans, ie loans provided to national or local banks (intermediaries), FoEI observes that between 1995 and 2005 they accounted for 14.5% of the total lent by the EIB to Latin America, and that the "intermediaries" are often "unwilling to share information about what is getting financed with these EIB loans, and it is impossible to determine whether they follow the policies of the EIB or those of the EU" (2006, 7).
194 See http://www.ecoenterprisesfund.com/index.php/about-us
195 On 16 October 2012
196 Under "renewable energy," these funds include hydroelectric mega-dams and wind farms, for example.
197 See: http://www.portosdoparana.pr.gov.br/modules/conteudo/conteudo.php?conteudo=281

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Founded in 1974, the Transnational Institute (TNI - www.tni.org) is an international network of activist researchers that carries out critical analyses of the global problems of today and tomorrow. It aims to provide intellectual support to movements struggling for a more democratic, equitable and environmentally sustainable world.

The Observatory on Debt in Globalisation (ODG - www.odg.cat) is a centre for activist research on North-South relations and the generation of debt between communities contracted as part of the current process of globalisation. Its work includes the struggle for social justice and environmental justice worldwide.


Forty years after Salvador Allende denounced corporate power at the United Nations General Assembly (December 1972), millions of people all over the world are involved in struggles against the social and environmental injustice generated by transnational corporations. Working together or in parallel, in multiple ways, and in all sectors of the economy, people are defending their territories, seeds, water, forests, food, biodiversity, health, culture, etc., from the aggressive actions of the transnational corporations, which expand their power in a system of "*accumulation by dispossession*."

*Impunity Inc.* is a report produced as part of the ***Global Campaign to Dismantle Corporate Power and Stop Impunity***. Through three case studies, it aims to provide inputs for reflection on the "super-rights" and "super-powers" of transnational corporations.

The report describes the abuses and violations of fundamental labour rights taking place on a day-to-day basis in the export-oriented garment factories in **Morocco**, highlighting the responsibility of the Spanish transnational **Inditex**. It outlines a similar situation in **Nicaragua**, focusing on the role of **Pescanova**. In both cases, it explains how all this occurs in the framework of the **Association Agreements imposed by the European Union (EU)**, in a context where *Lex Mercatoria* and the protection of corporate interests continue to take priority over the basic needs of human beings. The report also looks at **Europe's social metabolism**, examining the consequences of the EU's substantial dependence on the increasingly strategic raw materials that it imports from impoverished countries. The cases of **zinc mining in Bolivia, coal mining in Colombia and cobalt mining in the Democratic Republic of Congo, together with soya and sugar cane production in Argentina and Brazil**, are used to illustrate the harmful impact of **Glencore's operations**, analysing the extent to which trade agreements ensure the impunity of the large corporations. Glencore's involvement in financial speculation on commodities is also described. *Impunity Inc.* then goes on to look at the physical scaffolding of free trade, focusing on the roll-out of the infrastructure mega-projects in South America (**IIRSA-COSIPLAN**), and highlighting European capital's involvement in these infrastructure projects and their financialisation. A separate section is devoted to the case of the **mega-dams being built on the Madeira River in the Amazon**, with the participation of **Banco Santander, GDF-Suez, Abengoa, Voith, Siemens** and other European companies…