
INCIDENCE OF ECONOMIC POLICIES IN THE TRANSFORMATION OF THE PERUVIAN AMAZON IN AN INDUSTRIAL LANDSCAPE

Lucila Pautrat O.
Nicolás Merveille

Presentado en:
ADLAF Jahrestagung 2014
Globalisierte Naturen – Lateinamerikanische Perspektiven
Berlín, 26 – 28 June 2014
Konrad Adenauer Stiftung

The Amazon Basin and the biogeographic regions associated thereto, make up one of the regions with the highest global importance. With over 7 million km², representing approximately 40% of South America's area, it provides livelihood to no less than 30 million people in eight countries, including more than 350 ethnic groups and indigenous peoples (Keller et al, 2007)¹.

The Amazon biome spreads over the largest tropical rainforest on the planet and the most important river system in terms of flow, constituting the main global system of carbon sequestration. Added to this is an exceptional diversity of flora, wildlife and invertebrates, a complexity of ecosystems and unique landscaping, and a high variety of vital genetic resources for food security and future biomedical prospection.

Forests and aquatic resources provide environmental goods and services of incalculable economic, industrial, commercial, social, cultural, ethical and aesthetic value; they form part of the regulations over ecological and large-scale climate processes (such as the "El Niño" phenomenon - Southern Oscillation (ENSO), biogeochemical and hydrological cycles, and thermal regulation of the planet in a global warming scenario). Amazon forests provide food and energy to support more than 60% of the Amazon population.

However, in recent decades, the Peruvian Amazon has been being inexorably transformed by a rapid increase in mega projects associated with transport, energy and communications infrastructure; high-impact mining activities expansion (formal and illegal mining, oil, forestry); deforestation, land grabbing and traffic for the implementation of industrial projects; the invasion of indigenous territories and protected natural areas; population growth, unplanned urbanization and occupation; the increase of illicit crops, and the institutionalization of corruption associated with the consolidation of formal and informal economies sustained by drug trafficking, among other threats (Dourojeanni et al, 2009).

The said reality is due to various external and internal factors, including: an increase in global demand for natural resources and energy sources by industrialized countries and emerging economies; policies promoting investment with minimum environmental and social standards; a hike in the prices of metals and hydrocarbons at the international level; the consolidation of a primary exports-based market economy; inefficiency in the public administration to promote equitable and sustainable development at the regional and local levels; financial speculation and money laundering; as well as political interference from business groups, private enterprises and financial organizations in public expenditure and decision-making priorities regarding the economic occupation of the Amazon territory by granting access rights to the land, grants for the exploitation of natural resources and tenders aimed at the implementation of infrastructure projects.

1 Keller, M.; Melillo, J.; De Mello, W. 1997. Trace Gas Emissions from Ecosystems of the Amazon Basin. *Science and Culture Journal of the Brazilian Association for the Advancement of Science*, 49 (01), 87-97, February

Such initiatives are generating serious impacts as well as environmental, social and economic liabilities. If we take the cumulative impacts with regard to space and time of each of these initiatives, and all over the entire Amazon basin into account, one is to expect environmental degradation and loss of primary natural ecosystems with a high preservation value and unprecedented biodiversity (Laurance et al, 2011).

To this, one should add the results in terms of large-scale ecological alteration processes in a climate change scenario. To this regard, the last frontier of large tracts of tropical forest in the world is being transformed rapidly into savanna landscape. The implementation of extractive and road and energy infrastructure mega projects over the next 20 years will transform the Amazon landscape into an industrial and urban landscape with large areas of slums.

An analysis is made in this article of the trends of economic policies in Peru during the last 20 years, which have been boosting and promoting an aggressive drive of investments in the Peruvian Amazon, and how these policies respond mostly to private interests.

Macroeconomic and Institutional Reforms in Peru: 1990 – 2000

In 1990, Peru had one of the most critical moments of its Republican history. The Truth and Reconciliation Commission (TRC, 2003)² estimates that more than 30,000 Peruvians died, were tortured or disappeared due to political violence perpetrated by the Shining Path terrorist movement between 1980 and 1990. Alan García Pérez's Government (1985-1990) left the country in chaos, economic collapse and political crisis. Having nationalized the banks, no payments were

² The Truth and Reconciliation Commission, established by Supreme Decree No. 065-2001-PCM, as amended by Supreme Decree No. 101-2001-PCM, is a body responsible for clarifying the process, the events and the corresponding responsibilities, not only of the executors but also of those who ordered or allowed them; and in turn, propose initiatives to assure affirm peace and reconciliation among all Peruvians. <http://www.cverdad.org.pe/ifinal/>.

made on the foreign debt with the International Monetary Fund and the World Bank, which up to then was more than US\$ 1 billion; hyperinflation was 3398.6% in 1989, and 7481.7% in 1990 (BCR, 2014)³, the 1989 fiscal year's results were -10.9% of GDP, equivalent to 991.021 billion Nuevos Soles (BCR, 2014)⁴; the unemployment rate was higher than 60%, devaluation was more than 50%, there was a shortage of food, and the country was in a state of emergency due to terrorist violence. Faced with this disastrous situation, drastic economic and institutional changes were necessary, and they were prominent during the nineties.

After twenty years of internal armed conflicts (1975 - 1995), peace, national reconstruction and economic stabilization were pursued. It is in this context that during the past two decades, the Peruvian State concentrated its efforts on consolidating the macroeconomic policy adopted during the nineties as a result of adherence to the guidelines of fiscal discipline and reform of the Washington Consensus, which included: policies for the privatization of public enterprises, liberalization of the economy, opening of trade and finance, monetary, legal and tax stability, promotion of domestic and foreign investment; and prioritization of public expenditure on infrastructure. In order to put these reforms into motion, the Peruvian State not only adopted a number of legislative provisions designed to build confidence and promote a favorable climate for investment; it also undertook major institutional changes, such as:

- Adoption of a new Peruvian Political Constitution (1993), which amended the country's economic system and natural resources with respect to the 1979 Constitution.
- The creation of the National Tax Administration - SUNAT, and a reform of the tax system.
- The reform of the General Comptroller's Office of the Republic, the Constitutional Court, the Judiciary and the National Judicial Council, the latter being a constitutionally autonomous body responsible for appointing and supervising judges and prosecutors nationwide.

³ BCR Central Reserve Bank of Perú. 1992. Macroeconomic Statistics. <http://www.bcrp.gob.pe/estadisticas/cuadros-anales-historicos.html>

⁴ Ibid.

On the other hand, international financial organizations such as the International Monetary Fund, the World Bank and Inter-American Development Bank also became committed to the neoliberal guidelines and gave priority to credit lines and assistance in infrastructure and energy projects.

The balance of the implementation of these measures may be questionable from different perspectives, considering that each measure and the application as a whole, had favorable and unfavorable impacts. The August 1990 Economic Shock aimed at curbing hyperinflation, restoring the confidence of international financial institutions in Peru, launching an economic recovery process, and implementing a counterinsurgency fight which could put an end to armed conflicts. The economic shock had a dramatic impact on the Peruvian population, but in the short-term, it achieved the proposed macroeconomic objectives, creating the conditions necessary for a very slow national reconstruction full of sacrifices.

There is no doubt that the application of the iron hand of fiscal discipline is the great lesson to be learnt from this decade, as it allowed, among other measures, to overcome the above-described economic and political crisis. However, the efficiency of the neoliberal doctrine begins to show its limitations and problems as from the year 2000.

The measures sought to promote investment in Peru include those cited below:

- Financial, tax and administrative stability policies. The tax stability contracts entered into by the State with national or foreign capital enterprises helped shield the economic groups generating predation in mining, oil and forestry resources, without adequate environmental regulation without providing resources to the State, and exacerbating poverty in areas where the resources are extracted.
- The increase in the tax burden on small and medium enterprises, and a drastic reduction of State's bureaucratic apparatus, generated economic recession and unemployment.
- The development of road infrastructure and telecommunications allowed greater

connectivity in the country and accelerated economic recovery, as well as a greater dispersion of informality, crime and social unrest activities.

- Educational infrastructure works were increased, but without a real educational reform.
- It was decided to establish a competitive exchange rate, privatization of public enterprises and the removal of barriers to foreign direct investment, among others.

These measures created an environmental and social deterioration in the medium term (Ariela Ruiz Caro, 2007). On the other hand, this decade saw the presence of the Medellin and Cali cartels in Peru, consolidating a sustained economy in money laundering from drug trafficking, as well as networks of corruption at all levels of government, including partial control over drug trafficking by some sectors of the Armed Forces, and the remaining rebels (Crisis Group, 2008).

Institutional and Legal Framework for Natural Resources Management and Environmental Management

During the eighties, under the 1979 Constitution, the sectorial laws were reformed, emphasizing the ministerial nature of natural resource management. The Ministry of Agriculture⁵ regulated the development of agricultural and livestock activities, focused on management of resources: water, soil, forest, flora, fauna, protected areas and land in the Amazon region. The other productive sectors were also in the process of adapting their functions, structures and projections ahead of the new requirements for the return to democracy, the start of privatization policies, the promotion of industrialization and transfer of technology.

Thus far, the sectorial regulations contained principles and aspirations for sustainability and coordinated resources management, and some

⁵ The Ministry of Agriculture was created by Law No. 9711, dated January 2, 1943. The Organic Law of the Farming Sector and its Organization and Functions Regulations, were created on May 22, 1979, by Supreme Decree No. 027-79-AA.

control measures on the impacts of production processes; however, at the State level, there was still no framework to determine a National Policy for the Management of Renewable Natural Resources covering and linking all sectors. The beginning of the institutionalization of such principles became possible with the enactment of the Environmental and Natural Resources Code (1990)⁶.

Legislative Decree N° 613 provided an expanded development of the right to the environment and established State's obligations in relation to this right, noting that natural resources and the environment configure National Heritage. In addition, it incorporated principles associated with environmental justice; citizen participation in the definition of policies relating to natural resources; maintenance of ecological processes; prevention, control and remediation through environmental management instruments for extraction activities (mining, hydrocarbons and infrastructure); risk control in the face of natural damages; and it established administrative and criminal penalties, among others. The Code created the National Environmental System⁷ with the purpose of coordinating the implementation of the national environmental policy and ensuring compliance with the functions prescribed by law for each of the agencies of the national, regional and local governments⁸.

However, the Framework Law for Private Investment Growth (Legislative Decree N° 757)⁹ represents the fundamental basis of economic policy that Peru has been implementing for 23 years. It redefines the State's role in the legal security of investments and in its commitments to the environment. Its main guidelines are as follow:

- Ensure free enterprise and private investment in all sectors of economic activity and business or contractual arrangements permitted by the Constitution and the law.
- Social Market Economy is developed on the basis of free competition and free access to economic activity.
- The State guarantees economic pluralism.
- It repeals any reservation by the State, whether totally or partially, to carry out economic activities or the exploitation of natural resources, with the exception of those related to protected areas.
- It establishes equal conditions for economic activities by the State and by private companies.
- It declares of national need any private investment, whether domestic or foreign, in productive activities conducted or to be conducted in the border areas of the country.
- It sets the regime for legal security of investments with regard to tax matters, as well as the obligation of all public entities to adopt legal rules designed to standardize, reduce and simplify all administrative procedures and requirements representing obstacles to investment.
- It grants a law ranking status to legal stability contracts, which may also ensure tax stability.

Regarding the legal security of the environment, Legislative Decree N° 757 states that the State supports a rational balance between socio-economic development, environmental preservation and sustainable use of natural resources, guaranteeing legal security for investors by establishing clear environmental protection standards. It states that the sectorial competent authorities for matters related to the implementation of the Environmental Code are the ministries of the sectors relating to activities carried out by enterprises, which will determine the cases where environmental impact assessments are required, thus sectoring environmental competence^{10, 11}.

In this context the following legislation was adopted:

¹⁰ Articles 49, 50 and 51, Title VI.

¹¹ It repeals various provisions of the Environmental Code relating to protected areas, import of hazardous inputs and regulations governing extractive activities.

⁶ Approved by Legislative Decree N° 613, published on September 8, 1990.

⁷ "The National Environmental System was composed of all state institutions involved in research, evaluation, monitoring and control of natural resources and the environment, and the agencies and offices of the various ministries and government departments at the national, regional and local levels performing similar functions." (Art. 128 of Decree Law N° 611).

⁸ Article 129 of Legislative Decree No. 613.

⁹ Published on November 13, 1991.

- Creation of the National Protected Natural Areas System (Supreme Decree N° 010-90-AG)
- Classification of Ecological Crimes in the New Penal Code (Legislative Decree N° 635)¹².
- Confirmation of the UN Convention on Biological Diversity (Legislative Resolution N° 26181).
- Passing of Convention 169 of the International Labor Organization Legislative Resolution N° 26253).
- Creation of the Organic Law of the Ministry of Agriculture (Decree Law N° 25902) and the Decentralized Public Entities: National Institute for Agrarian Research - INIA; National Institute of Natural Resources - INRENA¹³; National Farming and Health Service - SENASA; the National Program for Watershed Management - PRONAMACH; the National Council of South American Camelids - CONACS, and the Special Land Titling Program - PETT.

The current Peruvian Political Constitution of Peru went into effect in 1993, changing the economic system into a social market economy. The State recognizes economic pluralism, stimulating the creation of wealth, guaranteeing freedom in labor, business, trade and industry, facilitating and monitoring free competition providing guarantees and granting assurances via law-contracts, and setting equal conditions for domestic and foreign investments¹⁴.

The 1993 Constitution recognizes the right to a healthy and suitable environment for the development of life for citizens as a fundamental right. It strengthens the heritage nature of natural resources, which are managed by the State on behalf of the Nation. It sets State obligations, as follows: promotion of the sustainable use of natural resources, conservation of biological diversity

¹² Published on April 3, 1991.

¹³ INRENA led the management of forests, soils, water resources and biodiversity during the period between 1992 and 2008. According to the World Bank, the INRENA presented serious technical and administrative limitations, which prevented it from guaranteeing sustainability of the resources under its management. World Bank, 2007. Environmental Analysis of Peru. Challenges for sustainable development. Executive Res. Lima, Peru. Page 36.

¹⁴ Articles 58 to 63 of the Political Constitution of Peru.

and protected natural areas, and promotion of sustainable development of the Amazon.

A series of standards have been enacted since 1994, aimed at strengthening the management of natural resources, such as the Law of Citizen Participation (Law N° 26300, amended by Law N° 27520), the Regulations of the Land Act, Law N° 26505 (Supreme Decree N° 011-97-AG), the Organic Law for the Sustainable Use of Natural Resources (Law N° 26821), the Law for Natural Protected Areas (Law N° 26834), the Law for the Preservation and Sustainable Use of Biological Diversity (Law N° 26839), the Law for Forest and Wildlife (Law N° 27308)¹⁵.

The Organic Law on the Use of Natural Resources, Law 26821¹⁶ provides that the State should ensure for the provision of the right to sustainable use of natural resources is to be performed in harmony with the interests of the Nation and the common good. It establishes the obligations and conditions for sustainability in the use of resources through private concessions.

Consolidation of Economic Model: 2000 - 2010

This decade witnessed Governments such as Valentín Paniagua's democratic transition (2000-2001), the Alejandro Toledo administration (2001-2006), and Alan García Pérez's second government (2006-2011), in which, the macroeconomic policy of investment promotion in traditional primary sectors (mining, hydrocarbons and fisheries) was consolidated, mainly to boost oil concessions, implementation of the Camisea Gas Project and the beginning of road infrastructure within the

¹⁵ The Forestry and Wildlife Act, Law N° 27308, passed in 2000, aims to standardize, regulate and monitor the sustainable use and preservation of forest and wildlife resources in the country. The State promotes national awareness for the responsible management of watersheds, forests and wildlife and carries out prevention and environmental recovery activities. It sets forth the mandatory nature of the Management Plans for all forms of access to forest and wildlife resources.

¹⁶ June 10, 1997.

IIRSA Project¹⁷ such as the southern Peru – Brazil inter-oceanic Highway. Added to this, there was the policy of trade liberalization through the start of the negotiations for Free Trade Treaties, the boosting of agribusiness, and the implementation of social programs for relief and reduction of poverty. This model, which has proven not to be very efficient to ensure sustainable and equitable growth for all social sectors, continues through 2014.

Moreover, the deterioration of natural resources and biodiversity in tropical countries was due to government corruption, which facilitates access, inequitable and unregulated use of resources¹⁸; as well as institutional, social and environmental impacts of increased drug impact on the formal economy.

Accordingly, the Peruvian Amazon has experienced a series of public and private investments on an industrial scale, intended for the use of its natural resources, with emphasis on oil and gas, mining, hydropower, expansion of industrial monocultures, road and telecommunications infrastructure, urbanization, fisheries and forest resources, among others. The aggressiveness of capital investments in the Amazon region and its social, environmental and institutional impacts is unprecedented, but it could be compared to the historical process of colonial plunder of the native peoples of the Americas and Africa through European colonization during the 15th, 16th, 17th and 18th centuries, with new modern forms of slavery, trafficking, forced labor and sexual exploitation of men, women and children.

This decade also saw a sustained growth of socio-environmental conflicts, which, between 2006 and 2014, are kept in an average range of 160 – 180 active environmental conflicts per month nationwide, reaching as many as 235 active conflicts in the month of July 2009 (Ombudsman, 2014¹⁹). This conflict is in part explained by the overlapping of rights concessions for extraction (mining and oil) activities on protected natural areas, indigenous

reserves for the protection of isolated indigenous peoples, other proprietary rights not legally registered as indigenous lands, lands of indigenous and rural communities, other rights of renewable resources granted by the State (forest concessions, ecotourism concessions or preservation concessions). These policies are expressed through confrontational speeches, such as President García Pérez's Dog in the Manger's address (2008), which led to a confrontation between the State and indigenous peoples, resulting in 33 people dead between Indians and police (Bagua Conflict, 2009).

With regard to the Peruvian case, the World Bank's Land Governance Assessment Framework (LGAF)²⁰ states that: "(...) regulations are set by sectors in an isolated manner without mechanisms to standardize the different sectorial interests. When in the same geographical area there are different interests and there are different regulations, and what usually happens is that one sectorial agenda is imposed on the others (...) It was further noted that this variability in the application of regulatory restrictions has been exacerbated by the transfer of duties to regional governments." (Endo, 2013, page 20).

Among the most important institutional reforms of this decade are the State's decentralization and modernization process²¹. Regarding the management of natural resources, the following provisions were adopted: Law for the Protection of Access to Peruvian Biological Diversity and Knowledge of Indigenous Peoples (Law N° 28216) and Regulation of Ecological and Economic Zoning (Supreme Decree N° 087-2004-PCM). The General Environmental Act (LGA) was enacted in 2006, configuring significant progress on the path to building a National Environmental System and Policy as it encodes – within one legal instrument - the principles governing environmental

17 Initiative on Regional South America Integration.

18 Terborgh, J. 1999. Requiem for Nature. Island Press. Washington D.C. USA, page 234.

19 Ombudsman, 2014. Social Conflicts Reports. In: <http://www.defensoria.gob.pe/conflictos-sociales/home.php>

20 <http://www.bancomundial.org/es/news/press-release/2013/04/08/world-bank-group-access-to-land-is-critical-for-the-poor>; Retrieved on 12/04/2014

21 The following regulations were approved: Basic Law on Decentralization (Law N° 27703), Organic Law of Regional Governments (Law N° 27867) and Municipalities (Law N° 27972), Framework Law on Management Modernization of State (Law N° 27658), and Organic Law of the Executive Branch (Law N° 29158).

management, such as the preservation and use of natural resources. In May 2008, the Ministry of the Environment and the Agency for Assessment and Environmental Control - OEFA were created by Legislative Decree No. 1013, being responsible for auditing, monitoring, controlling and sanctioning with regard to environmental matters. The National Environmental Policy (Supreme Decree N° 012-2009-MINAM) was approved in May 2009, and the Forest and Wildlife Policy (Supreme Decree N° 009-2013-MINAGRI) was passed in 2013.

Investment Policies Projections: 2012 – 2016

Various international organizations highlighted the consolidation of democratic systems and macroeconomic stability as the greatest achievements in Latin America during the past decade, as the result of sound macroeconomic management, an efficient implementation of fiscal discipline policies, implementation of policies promoting investment and trade liberalization, confirming the relative success of the Washington Consensus Program (1989) (ECLAC, 2013)²². The economic growth of Latin American countries was also due to an increased global demand for natural resources by industrialized economies and emerging economies, in particular the growth in China, Brazil and India; as well as the increase in prices of exported commodities, including metals, oil and agricultural products.



Source: IMF, BCRP.

Source: Ministry of Economy and Finance, 2011.

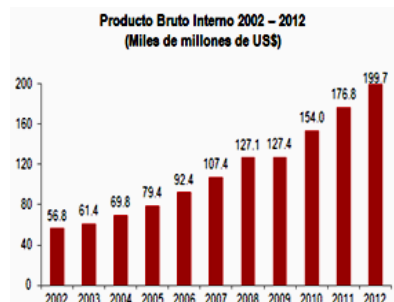
Economic Growth with Social Inclusion

Sector Report 2006 – 2011. Lima, Perú. 106 p.

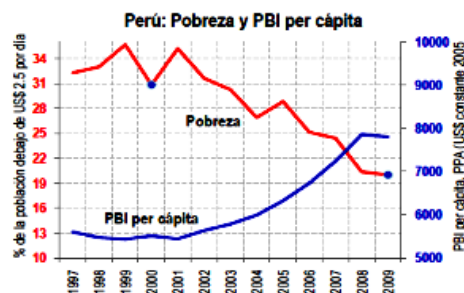
During the last decade, Peru experienced an

²² ECLAC, 2013. 2012 Latin American Economic Outlook. Transforming the State for Development. UN ECLAC, OECD, Development Center. Page 30

average annual economic growth of 6%, from US\$ 56.8 billion in Gross Domestic Product - GDP in 2002, to US\$ 199.7 billion in 2012²³.



Source: PROINVERSIÓN, 2012.



Source: IDB, 2012.

Despite this promising scenario, and though the National Institute of Statistics - INEI (2012) argues that the Poverty Index in Peru fell by 16.6 points over the past years (from 42.4% in 2007 to 25.8% in 2012), the substantive limitations have not yet been overcome to ensure that such development is equitable and sustainable, so that not only improvements are evident in macroeconomic indicators, but especially that there is a reduction in infringements on citizens and the natural environment derived and justified in favor of growth. These limitations include:

- High levels of poverty in the regions with a greater high-impact extractive (mining and hydrocarbons) activities and larger revenues from canon, unequal distribution of income and economic growth benefits.
- Shortfall in the provision of and access to basic drinking water, electricity, sanitation, health and education by the State for the most remote and vulnerable populations.
- Weakness and institutional inefficiency of public administration at the national and regional levels to manage public resources and

²³ MEF, 2013. Multiannual Macroeconomic Framework 2014 – 2016. Lima, Perú. page 45.

social programs.

- High levels of social conflicts in the regions with the greatest incidence of extractive economic activities.
- High social and environmental impact of the liabilities arising from economic activities, particularly from mining activities and increase in infrastructure works.
- Substantial increase in illegal activities (illegal mining, illegal logging, land invasion, increase in illicit crops, drug trafficking, money laundering, and other activities.)
- Increase in organized crime (hired killers, criminal gangs, and others.)

On the other hand, the financial crisis in the U.S.A. and Europe, beginning in 2008 and the fall in international prices of metals and raw materials played an important role in slowing growth. Nevertheless, macroeconomic stability has made it possible to relatively well mitigate the impacts of the global financial crisis, maintaining fiscal solvency. The Peruvian Ministry of the Economy and Finance - MEF argues that GDP growth projections in 2014 will be 5.7%, despite the projected global growth cuts for this year (IMF: 3.8% in 2014 versus 3.1% in 2013). Limitations on the institutions and governance of the country also affect a contraction of investment in the mining and hydrocarbon sectors²⁴.

In this context, the priority of the MEF for 2014 lies in unlocking and accelerating the implementation of investments for a short-term goal of stimulating the economy, avoiding a fall in potential GDP, increasing the country's productivity and competitiveness, through such measures as: "reducing the infrastructure gap; administrative simplification to facilitate investments, formalization and business development; diversification of productive supply based on a strategy of greater added value, promoting competition and internationalization, greater financial deepening, development of the capital market; proper design of actions of environmental sustainability²⁵."

Having goals such as maintaining a 6% annual

24 MEF, 2013. Multiannual Macroeconomic Framework 2014 – 2016. Lima, Peru, page 45.

25 Ibid.

growth, and achieving a level of private investment equivalent to 30% of GDP by 2016, the State has provided the following immediate measures to accelerate the implementation of investments:

- Easing the time for the issuance of the Certificate of Non-Existence of Archaeological Remains, authorizations for water use and easement rights. (Supreme Decree N° 054-2013-PCM)
- Declaring a public necessity the execution of 69 infrastructure projects, which are of national interest and large-scale, accelerating procedures for expropriation of the land needed for such works. (Law N° 30025)
- Providing for the creation of a Specialized Investment Follow up Team to institutionalize the continuous support of investments in the country. (Supreme Decree N° 104-2013-EF)
- Approving special environmental provisions, and adding flexibility to the requirements for approval of environmental impact assessment studies. (Supreme Decree N° 060-2013-PCM)
- Modifying various provisions to facilitate investment and to promote productive development and business growth. (Law N° 30056).

Meanwhile PROINVERSIÓN²⁶ has identified 32 projects worth US\$ 15.8 billion, of which 12 projects were awarded between July 2011 - July 2013, and 20 projects will be awarded between August 2013 and December 2014 (US\$ 12.8 billion). The MEF has identified 31 projects to unlock procedures, amounting to nearly US\$ 22 billion, while it approved regulations governing Priority Co-Financed Private Initiatives, which aim at creating a fund to co-finance private initiatives that contribute to closing infrastructure gaps.

26 PROINVERSIÓN is a public agency responsible for implementing the national policy for the promotion of private investment; it is part of the Ministry of Economy and Finance. It promotes the incorporation of private investment in public services and public infrastructure through Public - Private Partnerships, based on public and private initiatives of national competence and to provide support to sub-national government entities, at their request. It also provides information and guidance services to investors and helps consolidate a favorable and attractive environment for private investment, in line with the economic and political integration plans.

The main investment projects include the following:

- In 2012 the initiative for the Integration of Regional Infrastructure in South America – IIRSA, had a portfolio of 544 projects with an estimated investment amount of US\$ 130 billion, financed by the IDB and the CAP (Little, P. 2013)²⁷.
- In the context of implementation of the Agreement between the Government of the Republic of Peru and the Government of the Federative Republic of Brazil for the supply of electricity to Peru and export of surplus to Brazil, signed in 2010, Finer and Jenkins identified 151 bids for the construction of hydroelectric dams in Andean countries, representing an increase of over 300% in the number of existing dams (48). The majority (81) of these projects were located in the Marañón River basin (including the tributary rivers of Huallaga, Pastaza and Zamora)²⁸.
- “The expansion of the hydrocarbon sector in Amazon is concentrated in the Andean countries, where there are 263 of the 327 (equivalent to 80%) of existing oil concessions in the Amazon basin (...). Out of 327 blocks, only 25% of them are currently in the operational phase, indicating that the potential for expansion of this activity is huge. It is in Peru where rapid expansion of oil concessions is being experienced and where companies are betting that they would be more successful. Between 2004 and 2009, the area of the Peruvian Amazon under concessions tripled to cover 659.937 km², equivalent to 84% of the Peruvian Amazon²⁹”.
- “In total, there are 52,974 mining areas in the Amazon covering 1,628, 850 km² or 21% of the basin’s area. Of this, Brazil shelters approximately 80%, and Peru - ranking second - 11%³⁰”

27 Little, P. 2013. Megaproyectos en la Amazonía [Megaprojects in the Amazon]. A geopolitical and socio-environmental analysis and proposals for better government for the Amazon. Red Jurídica Amazónica [Amazon Legal Network] - RAMA, Articulación Regional Amazónica [Amazon Regional Articulation] - ARA, Derecho, Ambiente y Recursos Naturales [Law, Environment and Natural Resources] - DAR. Lima - Peru. Page 96.

28 *Idem*, page 35.

29 *Idem*, page 41.

30 *Idem*, page 47.

On the other hand, Dourojeanni et al (2009)³¹ identified the following projects to be developed in the Peruvian Amazon between 2009 and 2021:

- “52 hydroelectric plants in the Amazon basin would produce 24,500 MW, of which, 26 would be in the Jungle and an indefinite but significant number of kilometers worth of power transmission lines.
- 53 oil blocks granted over 35.3 million ha, (...), other types of concessions with 55 million ha (70% of the Jungle) and an indefinite number of kilometers of oil and gas pipelines.
- 24,818 titled mining rights on 10.4 million ha and 7,002 rights pending process in the Amazon basin.
- 4,486 km worth of improved roads, including 880 km of new roads and 2,089 km of paved roads.
- 2,000 km of railways, assuming that only some of the 7 proposals will be built.
- 4,213 km of waterways.
- 483,581 ha of new plantations for biofuels.
- (...) up to 23.8 million hectares in forest management concessions, plus other types of concessions and licenses, without mentioning exploitation, which is absolutely illegal³²”

Several studies agree that the environmental and social impacts of the proposals will be immeasurable, dramatically changing the landscape and living conditions in the Peruvian Amazon. This would lead to massive deforestation processes estimated between 60% and 90% of the current forest cover, incalculable loss of biodiversity, loss of ecosystem services and thermoregulatory alterations to the water regime; an increase of more than 50% of existing GHG emissions, increasing the planet’s temperature in a range between 2 °C and 6 °C (Little, P. 2013; Dourojeanni et al., 2009; OECD, 2012; IPCC, 2013).

31 Dourojeanni, M.; Bariandarán A., & D. Dourojeanni. 2009 Amazonía Peruana en 2012. Explotación de recursos naturales e infraestructuras: ¿Qué está pasando? ¿Qué es lo que significan para el futuro? [Peruvian Amazon in 2012 Exploitation of natural resources and infrastructure: What’s going on? What do they mean for the future?] ProNaturaleza. Lima, Peru. Page 161.

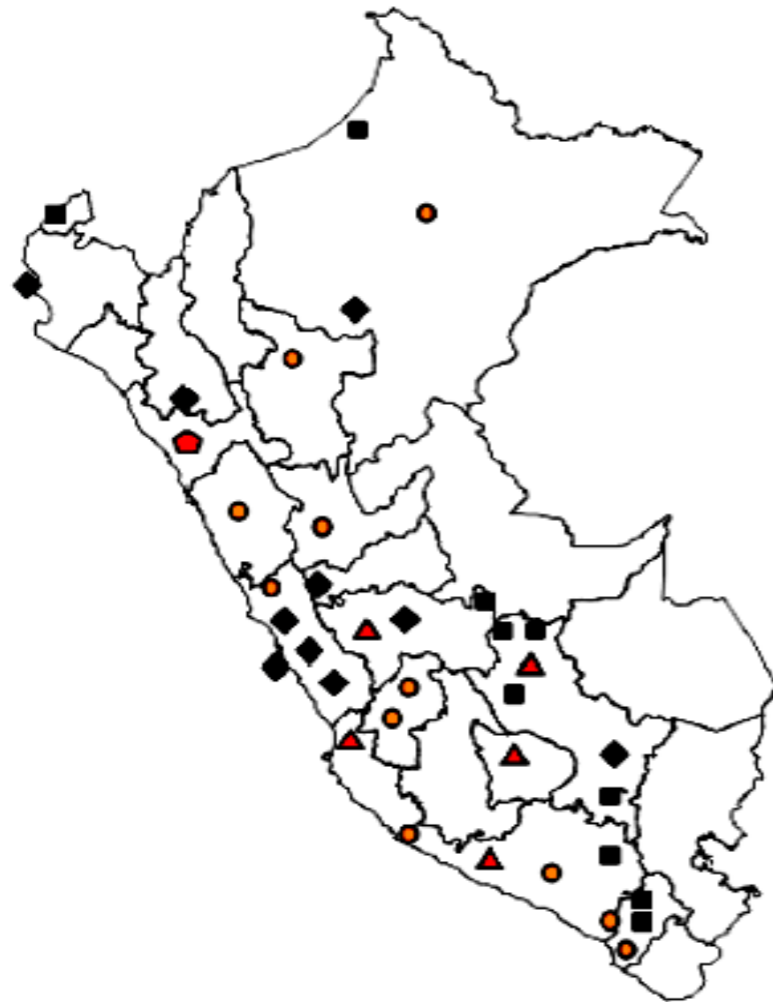
32 *Idem*, page 125.

Among the social impacts, Dourojeanni et al (2009) cite the following: migration and displacement of populations, spread of disease and increased incidence, invasion of indigenous land, protected areas and private property, food vulnerability by severe reduction of regional fishery potential increase in child labor, modern slavery and prostitution, disorderly growth of the urban population and slums, increased crime, social unrest and citizen insecurity.

Conclusion:

The rapid process causing a transformation of the Amazon biome towards a scenario of intense economic occupation of the territory is being influenced by several factors, including:

- The incidence of macro-economic policies for the promotion of investment, which turn environmental regulation more flexible and facilitate short-term financial speculation by financial groups and transnational business consortia. The relative success of the business as usual is made possible by the existence of institutionalized corruption and lobbying in the public and private sector systems.
- The increase in global energy demand and land, as well as rising food and commodity prices, as a result of an increase in world population.
- The geopolitical hegemony of the emerging economies, which is causing a shift in the institutional arrangements of negotiating blocks and financial institutions all over the globe, accompanied by a greater presence of Brazilian and Chinese commercial banks.



Main Investment Projects by Regions	Region
▲ Mining	
Las Bambas - Cu (Xstrata Copper)	Apurímac
Expansion of Cerro Verde - Cu (Copper IFreeport-MacMoran)	Arequipa
Torormocho - Cu (Chinalco)	Junín
Constancia - Cu (Hudbay)	Cusco
Marcona expansion - Fe (Shougang)	Ica
■ Hydrocarbons	
Energy Security and Development of the Southern Gas Pipeline (Convened)	Cusco, Arequipa, Moquegua
Lot 58 (Petrobras)	Cusco
Energetic South Node (Convened)	Moquegua
Expansion of gas pipeline and LGN (TGP)	Cusco
Extension of Lot 56 and 88 (Pluspetrol)	Cusco
Lot 57 (Repsol and Petrobras)	Junín, Cusco, Ucayali
Lot 67 (Perenco and Petrovietnam)	Loreto
Lot Z1 (BPZ Pacific Rubiales Energy)	Tumbes, Piura
● Electricity	
Chaglia Hydroelectric (Odebrecht)	Huánuco
Cerro del Aguila Hydroelectric 402MW (Inkia Energy)	Huancavelica
Molloco Hydroelectric - 300MW (Corsan / Engevix / Enex)	Arequipa
Cheves hydroelectric -166MW (SN Power)	Lima
Quiltaracsá Hydroelectric I - 112MW (GDF Suez)	Ancash
Reserva Fría of Ilo - 569MW5.69 (GDF Suez)	Moquegua
220KV transmission line Moyobamba - Iquitos (Convened)	Loreto, San Martín
500 KV Transmission Line Mantaro -Marcona – Socabaya	Huancavelica, Ica, Arequipa,
Montalvo (Convened)	Moquegua
◆ Infrastructure	
Electric Train of Lima and Callao - Line 2 (Convened)	Lima, Callao
North Pier Modernization. (APM Terminals)	Lima
Vía Parque Rimac (OAS S.R.L)	Lima
Paita Port Terminal (Tertir Terrninais / Cosmos / Translei)	Piura
Longitudinal de la Sierra - Tranche 2 (Convened)	Cajamarca, La Libertad
PTAR and Emisor Submarino La Chira (Hidalgo and Hidalgo)	Lima
IIRSA Centro - Tranche II (Dieviendos)	Lima, Junín, Pasco
Yurimaguas Port Terminal (Hidalgo and Hidalgo)	Loreto
Chincho International Airport (Convened)	Cusco
Work to supply drinking water for Lima (No Convened)	Lima, Junín
⬠ Agriculture	
Project CHAVIMOCHIC (Convened)	La Libertad
Telecommunications	
Band 1710-1770 MHz and 2110 - 2170 MHz - Blocks A and B (Convened)	Nationwide