

# Oil in the Amazon

## Is Sustainable Development Possible?

by

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This case study is a historically-based role play game set in Cusco, Peru, in the year 1998. A group of stakeholders has gathered to discuss a development proposal. As you read the following, strive to remain in that time period and be aware that this is a work of historical fiction written for educational purposes; although some of the institutions and people are real, others are not, and are instead composites intended to represent authentic viewpoints. At the appropriate time, your instructor may provide further details regarding the accuracy of the narrative.

“How can we achieve agreement between stakeholders over a project as controversial as oil-drilling in the Amazon?” This question dominated discussions within the boardroom of nonprofit Perú Sostenible after accepting their assignment from President Fujimori.

The controversy began weeks earlier when Argentinian-based oil company, Pluspetrol, proposed to develop 800 km<sup>2</sup> of untouched Amazon wilderness. In a joint press conference with their partner, highway company Carretera Amazona, the spokesperson for Pluspetrol said, “This state-of-the-art project will supply Peru with 100% of their natural gas and 50% of their electricity. It will create thousands of jobs and yield \$200 million per year in royalties to the Peruvian government—a win-win for all Peruvians.” The spokesperson for Carretera Amazona agreed that “the project will make energy abundant and affordable. We also see this project as a springboard towards our company building an eventual interoceanic highway through the Amazon to Brazil. A highway like this does not yet exist, and as a Peruvian company we are excited about the billions of dollars in trade deals such a highway would facilitate.”

President Fujimori certainly supports building an interoceanic highway, but for now his administration remains focused on resource extraction, which they view as less controversial politically. Eight years



*Figure 1.* Map of Peru. The red area on the globe represents the country of Peru, which is then represented by the white area on the expanded view. The country is divided into various regions; the green region is the province of Cusco. The yellow dot within this region represents the city of Cusco, and the orange dot to the north represents the proposed development site.

earlier when Alberto Fujimori was elected president of Peru, he was still a political novice. Voters were attracted to his campaign promises to restore economic stability and to defeat Sendero Luminoso. This communist guerilla organization had slaughtered tens of thousands and destabilized Peru's interior for over a decade. Fujimori largely kept his campaign promises. In 1992, just two years after his election, Fujimori captured the leader of Sendero Luminoso, and the forested interior of Peru is now being opened up for development. Economically, there are now 16% fewer Peruvians living in poverty, and Peru has had one of the highest GDP growth rates in South America. Although Fujimori's military style and ruthless methods intimidate many political opponents and non-governmental organizations (NGOs), his overall approval has remained above 60%.

One Peruvian is determined to prevent the oil-drilling project from getting off the ground. Tupaq Kunya, a lawyer for indigenous rights, has a reputation for fighting what he sees as capitalistic intrusions into the indigenous territories of the Amazon. In a recent interview for Peru's leading newspaper, *El Comercio*, Kunya asserted, "I, and the hunter-gatherer Machiguenga people I represent, stand in solidarity against this outrageous proposal. Oil explorations of the early 1980s led to the enslavement of previously uncontacted Amazon tribes and the introduction of devastating western diseases. The native Amerindians had no natural immunity to these diseases, and one tribe lost over half their population. Now, once again a foreign, greedy, oil corporation seeks to violate the culture, rights, and wishes of the native peoples of Peru."

Several environmental organizations join indigenous groups in their opposition to the proposed development. *El Comercio's* news article quoted a representative from US-based Conservation International: "The proposed region of development is within one of the world's 34 biodiversity hotspots. These hotspots make up just 2.3% of the Earth's land surface but support half of the Earth's species. Building new roads would degrade and fragment virgin rainforest. These actions, along with the illegal logging operations that inevitably follow, would cause irreversible damage to one of the most biodiverse regions of Planet Earth."

In the news article President Fujimori dismissed both Tupaq Kunya and Conservation International as "misguided obstructionists who would keep ordinary Peruvians in poverty so that beetles can keep munching on their cacao leaves." Fujimori asserted further that "the interests of the Machiguenga and other indigenous peoples are best served by providing them with the health care and education they desperately need."

*El Comercio's* news article was widely read, and a few days later riots broke out between environmental activists and the national police on the streets of Lima. Several ethnic Amerindian protesters were brutally injured.

The US-based Inter-American Development Bank, which is responsible for financing the oil development project, expressed alarm at these protests. In a hastily-arranged press conference, a bank spokesperson said, "As the largest financier of economic development in Latin America, we are appalled by the violence of recent days. As part of our deep commitment to environmental and social sustainability, we are not willing to fund this project further until Pluspetrol convinces us they can adequately address the critical environmental and social aspects of their proposal."

Under intense pressure from the Inter-American Development Bank, Fujimori reluctantly agreed to call a meeting of stakeholders in Cusco to try to iron out a deal that satisfies the bank. For this meeting Fujimori designated as mediator a representative from Perú Sostenible, a local NGO interested in promoting development that balances economic, social, and environmental concerns.

### *Player Descriptions*

Each student will participate in a "role play" game as one of eight players described below. Each player will also be given a separate handout with confidential information and specialized readings. This information should be shared with other players only if you think it helps to advance your interests as a stakeholder. To learn more you should consult your readings, search the internet for relevant information, and ask the game master to clarify whatever remains unclear.

- *Pluspetrol* (capitalist camp) is a publicly-traded, multinational company based in Argentina and founded in 1976. They operate oil and gas facilities in South America and Northern Africa and hire tens of thousands of employees. They specialize in the extraction, transport, and refinement of liquid fossil fuels.

- *Carretera Amazona* (capitalist camp) is a well-respected highway construction company based in Cusco that employs hundreds of Peruvians on road-building projects throughout southeastern Peru. At the request of Perú Sostenible, Carretera Amazona provides the facilities for the stakeholder meetings.
- *Alberto Fujimori* (capitalist camp) was elected president eight years ago in 1990 and is largely credited with restoring strong macroeconomic growth to Peru. Despite Fujimori's Japanese ethnicity, he maintains high approval ratings among Peruvian Amerindians, which is important politically, given that 45% of Peruvians are ethnically Amerindian, and 37% are Mestizo (blend of Amerindian and Spanish).
- *Conservation International* (oppositionist camp): The donors of this US-based NGO are passionate about the conservation of biodiversity. Their ultimate goal is to protect nature and global biodiversity by preserving habitat and minimizing human interference. They developed the widely-used “biodiversity hotspot” concept.
- *Tupaq Kunya* (oppositionist camp) is a lawyer with FECONAPU, a group that represents indigenous rights in Peru. He attends the meetings on behalf of the Machiguenga, an Amerindian tribe of hunter-gatherers that lives in the area of proposed oil-drilling and has almost no contact with western civilization. Kunya speaks the language of the Machiguenga and is one of only a few westerners trusted by them to visit their jungle villages.
- *Inter-American Development Bank* (neutral camp) is US-based and finances more economic development within Latin America than any other bank globally. As core principles, the bank promotes environmental sustainability, reducing socioeconomic inequality, and adapting and mitigating against the negative effects of climate change.
- *Perú Sostenible* (translated as Sustainable Peru; neutral camp; the mediator during game play) is a well-established, widely-respected, and fiercely patriotic NGO that promotes three purposes within Peru: economic development, environmental conservation, and strengthening Peruvian society and culture. When these purposes come into conflict and tradeoffs are necessary, Perú Sostenible has a track record of forming compromises that do not consistently favor or disfavor any of the three areas—economy, environment, and society.
- *Daniela Garcia* (neutral) is considered an up-and-coming journalist for Lima-based *El Comercio*, the oldest and most influential newspaper in Peru. She has a reputation for accurately representing all sides of a complicated issue. She wrote the news article that preceded the riots in Lima, and she has been assigned by her editor to cover the stakeholder meetings in Cusco.

### *Game Instructions / Agenda for Stakeholder Meetings*

Prior to the stakeholder meetings students will have time to discuss strategies with other students playing the same role, and possibly with additional players. In Cusco, Pluspetrol will present their original proposal, and the Inter-American Development Bank will summarize their concerns. Then the mediator (Perú Sostenible) will lead discussions in an attempt to address the bank's concerns. At the culmination of this meeting the board of directors for the Inter-American Development Bank will decide whether to fund the proposed development, and under what restrictions, if any. To add “real life” unpredictability to the negotiations, the game master might intervene...or not. At the end of the game students will reveal their secrets, and whether the game outcome represents success for them. Confidential sheets for each player will be distributed prior to the start of the game.

To prepare for next class meeting, answer the questions below using textbooks and/or websites (e.g., Wikipedia).

### *Questions*

1. Briefly explain the procedures involved with setting up an oil-and-gas drilling operation, starting with how to choose a suitable location for drilling, and ending with how to transport the oil and gas to a refinery.
2. How does deforestation affect biodiversity, and what can be done to minimize negative effects?
3. Why are uncontacted tribes particularly susceptible to western diseases, and what strategies best protect tribes from western diseases?
4. What are the three pillars of sustainability, and how do they apply to this case study?