

Alcoa and Votorantim violate OECD Guidelines for Multinational Enterprises by committing socio-environmental crime

Civil society organizations will file a complaint with the Organization for Economic Cooperation and Development (OECD)

The corporations Alcoa Alumínios S.A. and the Companhia Brasileira de Alumínio (CBA), which is part of the Grupo Votorantim, violated several human, economic, social, cultural, and environmental rights in the construction of the Barra Grande hydroelectric plant in the states of Santa Catarina and Rio Grande do Sul. The companies are majority shareholders in the consortium responsible for the construction of the plant, namely, Baesa – Energética Barra Grande S.A.

The formation of such a consortium is a common financial and political strategy among large corporations because it protects the corporations' image from risks incurred in new business ventures and especially from breaches of social and environmental responsibility.

The corporations violated the OECD Guidelines for Multinational Enterprises by utilizing an environmental impact assessment conducted by the company Engevix Engenharia S.A. in 1999. This assessment fraudulently certified the environmental viability of exploring the hydroelectric potential of the Pelotas River, which is a tributary of the Uruguay River. As a signatory to the OECD Guidelines, Brazil must prevent its environmental laws from being indiscriminately violated. Despite being aware of the fraudulent nature of the assessment, the Baesa Consortium went ahead with the exploration and used the flawed assessment to justify its disregard for its commitments to sustainable development.

Given this situation, the Movement of Populations Affected by Dams (Movimento dos Atingidos por Barragens – MAB) and Land of Rights (Terra de Direitos) will file a complaint with the OECD's National Contact Point for Brazil, which is located in the Treasury Department's International Affairs Division. This is the first case to be brought to the OECD by a social movement and non-governmental organization in Brazil.

The OECD Guidelines for Multinational Enterprises are non-binding recommendations addressed by governments to multinational enterprises operating in or from adhering countries. The Guidelines are supported by the 30 OECD participating countries and nine non-Member countries (Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia). They provide voluntary principles and standards for responsible business conduct.

During the administration of President Fernando Henrique Cardoso, the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) disregarded the deficiencies of Engevix Engenharia's environmental impact assessment. Of the 8,138 hectares slated to fall below the submersion line or in the flood plane, 2,077 hectares are primary, virgin forest; 2,158 hectares are secondary forest in an advanced state of regeneration; and 2,565 hectares are riverside vegetation. In other words, Alcoa and CBA/Votorantim benefited from the omission of the fact that 70% of the area affected by the project is of extreme biological importance.

At the moment that fraud was detected in the environmental impact assessment, the project was in the final stages, but the Baesa Consortium acted as if it was completed and irreversible. Alcoa and CBA/Votorantim claim to be uninvolved and uninterested in the venture's procurement procedure, which falls under the jurisdiction of the National Electric Energy Agency. They conveniently forgot, however, that

they will benefit directly and concretely from the allocation of resources and investment if the hydroelectric potential of the Barra Grande is exploited.

On September 15, 2004, the Baesa Consortium and the federal government negotiated an "Agreement to Alter Behavior", in which the Consortium agreed to take measures to mitigate its socio-environmental damages and compensate the victims of those damages. The Consortium used the opportunity to obtain an Authorization to Clear Vegetation. In addition, on December 22, 2004, the Consortium committed itself to sending the timber taken from the to-be-submerged forests to be used for the construction of low-income housing. The Baesa Consortium also agreed to attend to and indemnify those people affected by the project who had been, until that point, ignored by Baesa.

The consortium that includes Alcoa and CBA/Votorantim is now lobbying IBAMA, the Ministry of Mines and Energy, the Ministry of the Environment, the Attorney General, and the Public Federal Ministry in order to obtain an operating license that will allow the overflow of the dam's reservoir. However, the political agreements that enabled the venture to continue with the clearing of vegetation have still not been fulfilled. It is feared that, once the reservoir is filled, Baesa's commitments will not be honored, and the environment and local communities will suffer.

The Movement of Populations Affected by Dams and Land of Rights hope that the National Contact Point's condemnation of this type of conduct by multinational corporations operating in Brazil will stimulate more socially and environmentally responsible behavior on the part of strategic business ventures involved in regional and national development. Ultimately, it falls upon the Brazilian Government to define its role in the regulation of business activities. The Government must regulate economic activities while fulfilling its obligation to uphold human, economic, social, cultural and environmental rights.¹

Movimento dos Atingidos por Barragens

Terra de Direitos

The preparation of this case has been supported by IBASE (www.ibase.br) and SOMO (www.somo.nl). Both organizations are members of OECD Watch (www.oecdwatch.org).

¹ More information: <http://www.apremavi.com.br/index.htm>, <http://www.apremavi.com.br/news/pnews054.htm> and <http://www.apremavi.com.br/dossie/pbarragrande.htm#ecoagencia3> (information in Portuguese).