

Assignment 3: Case Study Indigenous Community and Aracruz Celulose

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## Introduction

The purpose of this assignment was for our team to analyse a case study involving multiple stakeholders in conflict with Aracruz Celulose, a private, cellulose pulp company in Espirito Santo, a state in southeastern Brazil. This challenge focused on a highly contentious dispute over land, with multiple stakeholders representing unique and contradictory perspectives, that impact and intersect with larger economic and social agendas. Each member of our team represented a stakeholder and we initiated dialogue to present and analyze the diverse perspectives, discuss options, and find a solution that addressed the shared interests of all parties.

The company under analysis is Aracruz Celulose, founded by a Norwegian who felt the need to alleviate poverty and saw an opportunity to create development. He integrated economic, environmental and social factors into their corporate strategy, with the aim to improve the life of Indigenous communities. Aracruz now provides social programs, job skills training, scholarships and community projects, and they employ thousands of people. Aracruz stimulates growth in local economy, and is the only forestry company publicly traded on the Dow Jones Sustainability Index. It is one of Brazil's best companies to work for and since its inception, Aracruz contributes to the improvement of life of communities in which it operates (Read, Todd, & Osland, 2008) and has been conciliatory in repeated attempts to resolve the conflicts arising from land claims.

This case study focused on the land dispute initiated in 1998, when Aracruz signed a twenty-year agreement with FUNAI (Indigenous groups) to increase reservation land by 2,571 hectares, as well as provide R\$13.5 million in assistance (Osland & Osland, 2007). Four years into the agreement, the FUNAI wanted to renegotiate and Aracruz agreed, and again, three years later, the Indigenous communities demanded an additional 11,000 hectares, but this time Aracruz

took the issue to court. The judge ruled in favour of the company, which incited protesters to blockade roads and block employees from the community from getting to work. Squatters invaded and seized the pulp mill for a month and Aracruz in turn, suspended all payments and social programs to the Indigenous community, as their agreement had been undermined. Community members, businesses and organizations were directly impacted by these protest actions, as their economic well-being is intertwined with the ongoing success of Aracruz.

Aracruz was garnering attention by international NGOs who focused on their environmental practises, the claim of land restitution for the Indigenous, and their exploitation of worker's rights. The NGOs claimed that Aracruz was doing irreparable damage to the ecosystem and that their reforestation programs were stripping the forest of diversity. Further, they believed the land belonged to the Indigenous people who have been displaced and driven into poverty. NGOs voiced concerns over Aracruz' labour practises when they outsourced workers which impacted the union and reduced salaries. Using publicity and international influence, NGOs pressured the World Bank, and the Norwegian and Swedish governments to divest in the company, which the later did eventually.

Each member of our team represented a stakeholder and their perspective. We met online early in the course and set a timeline to establish the work of the team and then to hold our stakeholder discussion meetings and reflections. The following is the work of all team members who collaborated to explore perspectives, options and solutions that met the goals of all stakeholders.

### **First Team Dialogue and Solution**

The stakeholder meeting held on August 22, 2016, brought together multiple stakeholders with different perspectives and assumptions on the Aracruz Indigenous dispute. Each stakeholder

came to the meeting with a different lens on the situation, after completing research and analysis on their assigned roles they became advocates for their role. Senge (2016), asserted that without balancing advocacy and inquiry conflict can arise. The meeting commenced with each group advocating for their role and why their assigned role is virtuous in this dispute.

Dolinko, advocated for Aracruz Celulose which she asserted “Aracruz never caused the landless problem” (personal communication, August 22, 2016). This statement was further supported by Wilcox who stated “they have done as much as they can in this dispute, they have already given back land to the people” (personal communication, August 22, 2016). His support of the pulp company was further represented by the fact that Aracruz had also compensated the indigenous people by providing social programmes such as education bursaries.

The role of the Indigenous communities and the Landless Workers Movement (MST) was held by D. Losing. In contrast, she believed that the social programmes offered by Aracruz do not actually benefit the people and a solution needs to be found to help the indigenous people be self-sufficient. Further to this, she stated “the Indigenous people do not have land to maintain their livelihood and their goal is regaining the land they have lost” (personal communication, August 22, 2016).

The Non-Government Organizations’ (NGOs) position on this dispute is that the corporation (Aracruz) has caused economic disparities for the people they support (the Indigenous) and the impact to the environment is an international concern. In addition, according to Amazon Watch (2016), they asserted that they partner with Indigenous and environmental organizations to ensure that human rights, corporate accountability and the Amazon ecosystem is preserved (para 6). The NGO’s opposed the reforestation of eucalyptus monoculture and asserted

that this type of reforestation actually further damages the environment (Noyes, personal communication, August 22, 2016).

The FUNAI (the National Indigenous People Foundation) role was presented by S. Wilcox, who exemplified the fact that FUNAI must maintain the will of the government and represent the people at the same time. He stated “they (FUNAI) are walking a fine line and have had no successes to date; they are bit of a toothless organization” (personal communication, August 22, 2016).

P. Sharma effectively advocated for the community, claiming that they want to work towards a peaceful resolution, with the goal and desire of reducing poverty for the people living within these communities.

The stakeholder meeting concluded the dialogue with the inquiry “who has the power in this dispute?” It was mutually agreed upon that there was a perceived power struggle between the NGOs and Aracruz Celulose. The collective NGO group used social movements to garner support for their causes and could appeal globally for sustenance and funding. The legitimacy of many of these NGO groups were probed and the question arose whether financial gain may be a secondary motive for some of the NGOs. There was a mutual agreement amongst the stakeholders that the government has the most power. They have the governance to ensure corporate social responsibilities (CSR) are maintained. However, they have limited involvement in this dispute and could it be that they risk too much by exercising their power?

Our stakeholder dialogue session was successful. When people come together with different views, polarities that can lead to conflict can occur, we were able to successfully recognize this early on in the meeting and apply the principles of competition and cooperation (Mayer, 2015). By applying this conflict paradox to our dialogue we collectively were able to

come to some agreed solutions on the dispute between Aracruz and the Indigenous people. There must be a synergistic approach to resolve this dispute and this can be achieved by bringing all the stakeholders together.

### **Stakeholders Working towards the Sustainable Development Goals (SDGs)**

#### **The National Indian Foundation (FUNAI)**

FUNAI is the official indigenous agency of the Brazilian state. Its institutional mission is to protect and promote the rights of indigenous peoples in Brazil. FUNAI also coordinates and implements protection policies to isolated people and recently contacted tribes. It is also their role to promote policies aimed at sustainable development of indigenous peoples. FUNAI promotes ethno-development actions, conservation, restoration of the environment within indigenous lands, and to control and mitigate the possible environmental impacts from external interference to indigenous lands.

FUNAI is guided by several principles, among which stands out is the recognition of social organization, customs, languages, beliefs and the traditions of indigenous peoples, seeking to reach full autonomy in Brazil, striving to reach to a democratic and multi-ethnic state.

#### **Landless Workers Movement (MST)**

The following principles are the directing guidelines of the MST movement; Fight for land, Fight for land reform, and to fight for a more just and fraternal society. Workers and landless workers support and engage in initiatives that seek to solve the serious structural problems of their country, such as social and income inequality. The MST participates in organizations seeking to transform reality and ensure their social rights. Nationally, they participated in the National Forum on Agrarian Reform, the Coordination of Social Movements

of permanent or short-term campaigns. Internationally, they are part of the Via Campesina, which brings together social movements from five continents.

### **Non-Government Organizations**

The World Rainforest Movement (WRM) is an initiative set up in 1986 by a group of activists from different countries to facilitate, support and reinforce the struggle against deforestation and land grabbing in countries with forests and forest-dependent communities. The WRM's main activity is to support the struggles of Indigenous peoples, and traditional and peasant communities for the recognition and respect of their role in and practices of forest conservation, as well as to guarantee their collective rights over their territories. The international secretariat team receives input and guidance for its activities from community organizations, social movements, NGOs and indigenous peoples' organizations in countries in Africa, Asia and Latin America.

### **Fibria (formerly Aracruz)**

Fibria believes in constructive relations based on trust and partnership, grounded in commitment and respect. They are driven by their vital force, determination and passion to produce results that are important to the population's quality of life, health, education and culture. They seek to earn respectable profits that bring benefits to all, by using resources in a sustainable manner. Fibria's vision and mission statement are very business orientated leaving many gaps, but their statements echo the statements of all the above listed stakeholders.

All of the stakeholders fall under the Brazilian government's policy of trying to reach the Rio+20 SDG goals. Brazil's policy towards the SDGs is quite vague as they seem to focus more on the reduction of consumer waste (export issues) than on the sustainability of production



practices (domestic methods of production). In other words, the reason they cannot meet the goals is not their fault, it is that the demand is too high for their product. It is the consumer who should change not the producer.

### **Second Team Dialogue and Solution**

The second stakeholder dialogue resulted in concrete recommendations from the team for multi-stakeholder collaboration with a focus on resolving the conflict both in the short-term and long-term. The first recommendation requires the involvement of a neutral third party mediator. Karns, Mingst & Stiles (2015) assert that “mediation is a key tool for peaceful settlement of disputes”. They also asserted that “for mediation to have a chance, a conflict must be at what is called a hurting stalemate or ripeness” stage, which was apparent in the Aracruz case (p. 296). The stakeholders discussed the need for the mediator, specializing in conflict resolution, to play the role of “catalyst for change” (Karns, Mingst & Stiles (2015). It was also evident during the second dialogue that the government’s “inaction contributed to the stalemate, as such, the mediator should be appointed by the government and would hold international legitimacy and recognition in the area of conflict resolution. As an example, a report by the World Bank and the International Organization for Migration (2013), conducted a report on the land disputes in conflict affected areas in the Philippines and recommended “considering non-formal judicial mechanisms as a primary tool for land dispute resolution and should be emphasized in any attempt to more systematically address land conflict” and that “a dedicated institution to mediate land conflicts may be necessary to more robustly tackle what is a pervasive problem” (p. 3).

The case study lacks accurate data and several discrepancies amongst the stakeholder’s interpretation of the facts are presented. As such, the second recommendation is that a fact-finding mission be conducted on impacts of Aracruz operations on local residents such as

changes in socio-economic status, impact on rate of employment, and rate of poverty will help alleviate misconceptions and build trust. The facts should be publicly shared and reviewed by the stakeholders through focus groups allowing citizens to better increase their understanding of facts, stakeholder perspectives, pros and cons of various options and to allow for engagement and interactive dialogue resulting in resolutions to the long-standing dispute.

The third recommendation is that all **stakeholders be directly involved in the mediation** through evaluation of the facts that are provided and publicly shared by the mediator and secondly, through presentation and support of various resolutions which align with the Sustainable Development Goals, such as planting of trees or civil engagement.

The fourth recommendation is that the **government take the lead** and ensure that actions are aligned with both short-term and long-term Sustainable Development Goals. Each stakeholder would present their proposals for a sustainable resolution for the government and public to consider. The government would provide a method for the citizens to have a voice in the final decision through a democratic process such as focus groups and ultimately, a referendum allowing citizens to take ownership of the outcomes.

## **Recommendations**

### **Federal Government of Brazil**

Based on a representative democracy, the Brazilian government holds the responsibility to solve issues related to its country from a local, national, and global perspective. The Brazilian Government also holds accountability for the implementation of the Sustainable Development Goals (SDGs) earlier discussed. Overlapping efficiencies and effectiveness can be realized by combining the efforts of resolving the issues of this case and consideration given to SDG

planning and implementation. It is, therefore, recommended that the Government of Brazil engage a global management consulting firm to meet these objectives.

### **Engage global management consulting firm**

The selected global management consulting firm must be one that serves governments, non-governmental organizations, businesses, and not-for-profits. It must help the stakeholder groups develop a fact base that contributes to conflict management and decision making on social, economic, environmental, and political issues.

An external global consulting firm will have proven credibility and legitimacy based on their neutrality and previous works demonstrating their knowledge, expertise, and results. Established and well respected firms will have solid relationships with intergovernmental organizations, regional organizations, and non-state actors. They would, ideally, have an office in the region and understand the importance of the 'local' element. A solid comprehension of the country's culture and the involvement of the communities most impacted by the resolution to issues and decision making is critical to successful outcomes.

### **Engage and establish a Steering Committee**

The selected firm will familiarize themselves with the situation as outlined by the government and the five stakeholder groups involved. They will formulate a benefits statement that outlines the purpose of the work they are engaged to conduct. It will then determine the local resources most appropriate to work with each party involved, with the capacity to assist them in establishing their own objectives, while bearing in mind the overall objectives as determined by the global firm. Representatives from these resources will help form a Steering Committee which will be responsible for governing the global firm throughout the process.

### **Engagement of Stakeholder Groups**

This is the most important part of the entire process for issue resolution and must be performed with a high degree of professionalism to ensure ‘buy in’ from all parties. Local consulting firms, with global group guidance, that includes a consistent and quality approach to data collection for all parties, will engage the party they have been selected to work with to begin full and factual representation of their needs. It is imperative that “trust” is established between the local firm and its stakeholder group at this stage for the process to begin.

### **Secure Integration Lead**

The Integration Lead will undertake the leadership role on behalf of the stakeholder group with which they are associated and assume responsibility as the “point person”. Together with the local consulting group, each group will determine the process of collectively identifying facts, analyzing data, determining needs, and selecting its preferred decision making model. The process allows each group to work through their own issues and come to a decision, based on their preferred method. This will lead to the development of a statement of prioritized benefits for each group.

### **Engagement of all stakeholders**

Once the benefits statements have been prepared by each party, the Steering Committee will ensure that they are in compliance with the guidelines set forth by the global consulting firm. They will also ensure that each and every stakeholder group has been equally and fairly represented, before bringing to the overall stakeholder group for discussion, and the process of working towards collective agreement begins. Needs are shared with the stakeholders in all parties and those that are of the same nature can be forwarded to a collective planning process

for implementation. Dialogue will be required among the stakeholder groups to address the gaps. It is imperative for the stakeholder groups to understand how interconnected they all are and to take into consideration how the actions of one group will impact the others. Smaller gaps may be bridged by simply bringing together the impacted stakeholders and working through to an agreement that will address the needs on everyone's behalf. Larger gaps may require the engagement of mediation services to help the impacted stakeholders reach agreement on what is required and how the issues can be resolved to the satisfaction of the parties involved. Decisions will be made based on the agreed upon method by all stakeholder's groups and governed by the Steering Committee.

Ultimately, however, the responsibility of implementing the solutions collectively agreed upon by the stakeholders lies with the government. Changing legislation, regulation and standards to fulfill the government's purpose as outlined in its Federal Constitution and its commitment to the Sustainable Development Goals will secure Brazil's place as a global citizen in a globalized world.

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