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Consequences of Environmental Projects on *Development*:
Pilot Case Study of a Company-Community Partnership
in Espírito Santo - Brazil
- M. A. Thesis -

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It is God who arms me with strength and makes my way perfect (Psalm 18:32)

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ZUSAMMENFASSUNG

Einführung

Ziel dieser Magisterarbeit ist es, die Möglichkeiten und die Grenzen von Partnerschaften zwischen großen Unternehmen und kleinen sozialen Gruppierungen im forstwirtschaftlichen Bereich anhand einer Erfahrung im brasilianischen Bundesstaat Espírito Santo näher zu untersuchen. Die Erforschung von „company-community partnerships“, wie solche Zusammenschlüsse im Entwicklungshilfebereich und in der Fachliteratur genannt werden, ist eingebettet in Studien über neue Möglichkeiten der Regulierung der Interaktion zwischen staatlichen und nicht-staatlichen Akteuren – auch *Governance* Studien genannt. In der vorliegenden Magisterarbeit wird ein eigener *Governance*-Ansatz herausgearbeitet, der auf Studien von Mitra (2006), Risse (2007) und Lewy/Newell (2005) basiert. Die ersten zwei Autoren bieten Instrumente für die theoretische Einbettung von *Governance* in einen post-kolonialen Staat, wogegen die zuletzt genannten Autoren weisen auf die wachsende Bedeutung von nicht-staatlichen Akteuren in Bereichen des öffentlichen Lebens, wie z.B. in der Regulierung und Kommerzialisierung von Holz, hin.

Der analytische Rahmen der Magisterarbeit wird vom Neoinstitutionalismus vorgegeben. Zunächst werden zwei relevante Varianten des Neoinstitutionalismus vorgestellt, anschließend wird die *Rational Choice*-Variante näher erläutert und das spieltheoretische *Rationale* als analytisches Werkzeug für die Betrachtung der Interaktion der Akteure, deren Präferenzen und Handlungsoptionen verwendet. Ziel ist es zu analysieren, wie die Partnerschaften zustande kommen und was für Bedingungen für nachhaltige Partnerschaften erfüllt werden müssen.

Die Feldforschung wurde in Espírito Santo, einem im Südosten gelegener Bundesstaat mit 3.408.365 Einwohnern aus verschiedenen Bevölkerungsgruppen in Brasilien, durchgeführt.

Das brasilianische Unternehmen „Aracruz Zellulose“ ist seit den 60er Jahren in Espírito Santo tätig. Aus eigenem Anbau von Eukalyptusbäumen auf einer 286.000 Hektar großen Fläche in den Bundesstaaten Espírito Santo, Bahia, Minas Gerais und Rio Grande do Sul produziert es Zellulose für die Papierherstellung und erwirtschaftete in den letzten Jahren 27% des weltweiten Marktes für Zelluloseherstellung. Der Markt für die Nutzung von Eukalyptusholz sowohl für die Papierindustrie als auch für die

Herstellung von Möbeln erfuhr in den letzten Jahrzehnten sowohl in Brasilien als auch weltweit einen *Boom*. Die Eukalyptusproduktion mit dem Zweck der Zelluloseherstellung begann vor etwa vierzig Jahren mittels staatlicher Subventionen. Die Entstehung eines *agro-industriellen Komplexes* in Brasilien, zu dem der forstwirtschaftliche Sektor gezählt werden kann, diente der Fortentwicklung der brasilianischen Ökonomie während der insgesamt zwanzigjährigen militärischen Diktaturzeit. Die Ausbreitung der Eukalyptusproduktion im Südosten Brasiliens erfuhr mehr und mehr Kritik von sozialen und Umweltschutz- Bewegungen im Laufe der Jahre und gilt als heutzutage sehr umstritten. Anfang der 90er Jahre, schließlich nicht zuletzt auf Grund des *Erdgipfels Rio 1992* in Rio de Janeiro, wurde das globale kollektive Bewusstsein von Nachrichten über Abholzungen u.a. im Amazonas-Gebiet überflutet, und neue Initiativen zur Reduzierung menschlicher Ausbeutung natürlicher Ressourcen erhielten erneute Aufmerksamkeit. Im Rahmen der weltweit interdisziplinären Debatte über die Notwendigkeit des Trachtens nach einer *nachhaltigen Entwicklung* gewannen kommerzielle Branchen wie die des monokulturellen Anbaus von Eukalyptus an Bedeutung – im Rahmen der Debatten über *environmental Governance* allerdings wurde seitdem die Regulierung der Verfügung über natürliche Ressourcen seitens der Unternehmen und lokalen Bevölkerungsgruppen im Namen einer umweltfreundlicheren Entwicklung mehr und mehr befürwortet.

In diesem Sinne wurden in den letzten Jahren weltweit Partnerschaften zwischen Unternehmen und lokaler Bevölkerung im forstwirtschaftlichen Bereich initiiert, die einerseits den Unternehmen mehr Zugang zu Anbauflächen und die Legitimation als sozialverantwortliche Organisationen gewähren und andererseits der jeweiligen Bevölkerung mehr Möglichkeiten der Kommerzialisierung ihrer Holzproduktion ermöglichen sollte.

Die Interaktion zwischen sozialen Akteuren im Rahmen einer solchen Partnerschaft steht im Zentrum der Untersuchung dieser Magisterarbeit. Das Programm „Forestry Partners“ wurde im Jahre 1990 vom multinationalen Unternehmen „Aracruz Zellulose“ mit der Einwilligung des Bundesstaates Espirito Santo implementiert und zielt darauf hin, Kleinbauern und anderen sozialen Gruppierungen im Umfeld des Unternehmens die Möglichkeit des Anbaus von Eukalyptusbäumen anzubieten. Der Anbau von Eukalyptus erfolgt nach Vorschriften und Anweisungen des Unternehmens und die Produktion wird von der lokalen Bevölkerung übernommen. Es besteht die Möglichkeit eines kleinen Gewinns, z.B. aus der guten Verwaltung der unternehmerischen

Ressourcen, die dem einzelnen Bauern zur Verfügung gestellt werden, oder auch aus den 3,5% der Holzproduktion, die der Kleinbauer für sich behalten darf. Das Unternehmen hat seit dem Anfang des Programms Kontakte zu mehreren Gruppierungen aufgenommen und mit ihnen Partnerschaften dieser Art geschlossen. In dieser Magisterarbeit werden die Interaktionsmuster zwischen dem Unternehmen und Kleinbauern der Region Domingos Martins, im Hinterland des Bundesstaats Espírito Santo, sowie zwischen dem Unternehmen und den indigenen Bevölkerungsgruppen der *Tupinikim* und *Guarani*, in der Region Aracruz, anhand eines neo-institutionalistischen *Governance* Modells untersucht.

Fragestellung, Hypothesen und Methodologie

Die Fragestellung, die beantwortet werden muss, ist folgende: können Partnerschaften zwischen Unternehmen und kleineren lokalen sozialen Gruppierungen eine Art der *Governance* im Forstwirtschaftssektor hervorbringen? Um diese Frage zu bejahen, bedarf es zweier Grundvoraussetzungen: der ökonomische Nutzen, der Akteure dazu bringt, eine solche Partnerschaft einzugehen, müssen erkennbar sein. Des Weiteren, sollte die Partnerschaft beidseits in der Perzeption, also in der subjektiven Wahrnehmung der Akteure, als vorteilhaft (als eine *win-win* Situation) angesehen werden. Meine zwei Hypothesen, die der Beantwortung der Fragestellung dienen sollten, sind folgende: die Partnerschaft stellt eine Gewinnsituation für alle Beteiligten dar, wenn (1) ökonomische Bedingungen durch die Vertragsschließung und Programmdurchführung, nach Ansicht der Partner, ausreichend erfüllt werden und (2) wenn andererseits auch die Bedingungen sozialer, kultureller und politischer Art in den Augen der beteiligten sozialen Gruppierungen befriedigt werden. Die erste Hypothese hat zum Ziel, allgemeine Bedingungen für eine solche Partnerschaft zu erforschen. Hier gilt es zu herauszuarbeiten, ob und welche konkrete Gewinne aus einer Partnerschaft zwischen Kleinbauern und Unternehmen für alle Beteiligten entstehen können. Die zweite Hypothese dient der Evaluierung der Qualität der Partnerschaft anhand von Kriterien wie der Beteiligungsmöglichkeit der Akteure in der Partnerschaft und des Respekts seitens des Unternehmens vor kulturellen und identitätsbezogenen Werten der Gruppierungen.

Ziel dieser Arbeit ist es, anhand von unterschiedlicher Literatur aus Disziplinen wie der Politischen Wissenschaft, der Betriebswirtschaft und der Forstwirtschaft sowie anhand

der Befragung von einzelnen Beteiligten in einer konkreten Partnerschaft in Espírito Santo zu beweisen, dass, während die Erfüllung von Hypothese (1) für das Entstehen von Partnerschaften im forstwirtschaftlichen Sektor ausreicht, Hypothese (2) gegeben sein muss, um ein dauerhaftes Gelingen der Partnerschaft zu gewährleisten.

Am konkreten Beispiel der brasilianischen politischen und sozialen Realität werden Fragen wie die der Marktöffnung im Zuge der Re-Demokratisierung des Landes in den 90er Jahren, die des historischen Problems des Landbesitzes vor allem von indigenen Bevölkerungsgruppen und die der ebenfalls historisch bedingten Ausbeutung natürlicher Ressourcen wieder aufgegriffen.

Kapitelstrukturierung

Kapitel 1 und Kapitel 2 umreißen den theoretischen und analytischen Rahmen dieser Magisterarbeit darzustellen. Das erste Kapitel bietet in erster Linie einen Überblick über die Debatten, die *Governance* in der Politikwissenschaft geführt werden, und bemüht sich um die Frage der Möglichkeiten und Grenzen der Übertragbarkeit des *Governance*-Ansatzes auf „Räume begrenzter Staatlichkeit“ (Risse 2007) und andere post-koloniale Staaten (Mitra 2006).

Das zweite Kapitel stellt den analytischen Rahmen der Magisterarbeit vor. Nach der Einführung in die Begrifflichkeit der „Institution“ und der Vorstellung des „Neoinstitutionalismus“ werden zwei der drei bedeutendsten Schulen des Neoinstitutionalismus präsentiert und anhand deren Übereinstimmungen, Differenzen und ihrer Bedeutung für die vorliegende Studie analysiert. Der *Rational choice* Neoinstitutionalismus bekommt einen besonderen Stellenwert in Kapitel 2. Das spieltheoretische *Rationale* wird genutzt um Interaktion zwischen Akteuren in der Partnerschaft zu verstehen und deren Gewinnoptionen anhand ihrer Präferenzen zu erfassen. Die analytische Matrix, die die Präferenzen und Handlungsoptionen der Akteure aufzeigt, wird mit konkreten Daten aus der Feldforschung ergänzt.

Die Kapitel 3, 4 und 5 haben zum Ziel, Elemente aus dem theoretischen und analytischen Ansatz auf den brasilianischen Kontext anzuwenden. Kapitel 3 führt den Leser zunächst in den makro-politischen Kontext des Landes ein und fasst die Gründe und Konsequenzen der marktwirtschaftlichen Liberalisierung Brasiliens im Laufe der 90er Jahre zusammen. Meines Erachtens, kann die Frage der *Governance* in Brasilien nicht von zwei entscheidenden Phänomenen abgekoppelt werden, der Liberalisierung

und der Re-Demokratisierung des Landes. Beide Aspekte, sowohl ökonomischer als auch politischer Hinsicht, trugen dazu bei, dass die nicht-staatlichen Akteure sowie die Unternehmen mehr Möglichkeiten der sozialen Partizipation und der Gestaltung des politischen Lebens erhalten haben.

Kapitel 4 bietet ein Panorama der Politikfeldanalyse des Forstwirtschaftssektors in Brasilien. Ziel ist es, anhand einer historischen Zusammenführung von Erkenntnissen über die Entwicklung des Forstwirtschaftsbereichs in Brasilien zu verstehen, wie die Regulierung der Nutzung von natürlichen Ressourcen in Brasilien historisch gehandhabt wurde und wie die Mechanismen der gemeinsamen Steuerung des Forstwirtschaftsbereichs durch staatliche und nicht-staatliche Akteure in den 90er Jahren entstanden sind. Kapitel 4 erklärt, welche gesetzlichen Rahmen geschaffen wurden, um Partnerschaften zwischen Unternehmen und kleinen Gemeinschaften zur Nutzung natürlicher Ressourcen zu ermöglichen. Kapitel 5 wendet das spieltheoretische *Rationale* auf die Interaktion der drei Hauptakteure dieser Studie an, nämlich der Kleinbauern der Region Domingos Martins, der indigenen Bevölkerungsgruppen der Tupinikim und Guarani und des entsprechenden Unternehmens in der Region Aracruz. Kapitel 6 widmet sich der Analyse der Fallstudie in Espírito Santo. Dort werden die zwei oben angeführten Hypothesen wieder aufgegriffen und anhand des theoretischen Teils analysiert. Die Verifizierung der ersten Hypothese und die Falsifizierung der zweiten werden diskutiert und Generalisierungen vorgenommen.

Ergebnisse

Die Literatur über neue Regierungsmodi in der Politikwissenschaft zeigt, dass Studien über *Governance* und insbesondere die Studien über die so genannte *environmental Governance* zur Analyse von Abkommen zwischen nicht-staatlichen Akteuren in verschiedenen Sektoren der (nationalen) Ökonomie nützlich sein können. Einige Themen, die in der Magisterarbeit angesprochen werden, wie z.B. die mögliche Interaktion zwischen Akteuren der in der Fallstudie untersuchten Konstellation, erweisen sich als spezifische Charakteristika dieser Fallstudie. Andere Themen, wie z.B. die allgemeine Machtverteilung zwischen schwachen und starken Akteuren, Ressourcenverteilung oder soziale Regulierungsmechanismen *im Schatten des Staates*, sind auch für andere Bereiche der Politikwissenschaft von Interesse.

Die Literaturrevision über *Governance* im Allgemeinen und über *company-community partnerships* im Spezifischen sowie die Auswertung der empirischen Daten, gewonnen aus der Befragung von Indigenen, Kleinbauern, eines Vertreters des Unternehmens, eines Vertreters der lokalen Behörde für Forstwirtschaft IDAF und eines ehemaligen Mitarbeiters der indigenennahen Regierungsbehörde FUNAI zeigen, dass diese Art der Partnerschaft tatsächlich einen ökonomischen Mehrwert für Kleinbauern in Domingos Martins bedeutet. Die Kriterien, die für die Analyse der Partnerschaft aufgestellt wurden, nämlich deren ökonomischer, sozialer und umweltbezogener Nutzen aus Sicht des Kleinbauern bzw. des Indigenen, wurden im Falle der Kleinbauern positiv bewertet. Die Interviewten beurteilen die Partnerschaft mit dem Unternehmen anhand der eigenen Präferenzordnung, die im Kapitel 5 untersucht und im Kapitel 6 diskutiert wird, als positiv. Für sie stehen ökonomischer Nutzen vor den sozialen (kulturellen Rechte) und umweltbezogenen Nutzen. Der soziale Nutzen erlangt eine zweitrangige Rolle. Die Landrechte der Kleinbauern sowie deren Kultur werden im Rahmen der Partnerschaft respektiert. Der umweltbezogene Nutzen konnte von den Kleinbauern nicht beurteilt werden und erfuhr ebenso eine zweitrangige Stellung in der Beurteilung des allgemeinen Nutzens, der aus der Partnerschaft gezogen wird. Anders bei den Indigenen: in der Partnerschaft mit dem Unternehmen gaben sie den immateriellen sozialen und umweltbezogenen *issues* größeren Wert als dem ökonomischen Nutzen, den sie aus der Partnerschaft zwischen 1998 und 2005 gewannen. Im Vorfeld der Aufnahme der Partnerschaft zwischen Unternehmen und Indigenen stand ein Streit zwischen beiden Parteien um das Recht auf die Nutzung von 18.000 Hektar Land in der Munizipalität von Aracruz. Die Partnerschaft scheint vom Unternehmen vorgeschlagen worden zu sein, um die Streitfrage zu schlichten. Die Indigenen entschieden sich für den Kampf um ihre, mit dem Land verbundenen, identitätsbezogenen und kulturellen Rechte und verzichteten auf den ökonomischen Nutzen der Partnerschaft durch die Vertragsauflösung mit dem Unternehmen im Jahre 2005.

Somit kann die erste aufgestellte Hypothese bestätigt werden. Für die Entstehung einer Partnerschaft ist es notwendig, dass die Präferenzen und Gewinnoptionen beider Parteien offensichtlich sind, und dass diese auch von allen Beteiligten als Gewinne angesehen werden. Die Interaktion zwischen Unternehmen und Kleinbauern in der Region Domingos Martins zeigt, dass eine Partnerschaft aufgrund perzipierten/wahrgenommenen ökonomischen Nutzens etabliert werden kann. In der Präferenzordnung dieser Kleinbauern bekam der ökonomische Nutzen eine weit höhere

Wertung während der soziale oder der umweltbezogene Nutzen eine eher unbedeutende Stellung zugewiesen wurde.

Nehmen hingegen gerade ideelle Werte und damit verbunden die Frage nach dem sozialen und umweltbezogenen Nutzen einen höheren Stellenwert in der Präferenzordnung beteiligter Partner ein als der rein ökonomische, kann die Partnerschaft nicht als nachhaltig bezeichnet werden. Dies wird deutlich in der Beziehung zwischen dem Unternehmen und die Bevölkerungsgruppen der Tupinikim und Guarani. Werden kulturelle und identitätsbezogene Rechte der Bevölkerung außer Acht gelassen, kann die Partnerschaft zum Scheitern verurteilt sein. Die zweite Hypothese ließ sich folglich in der Fallstudie nicht wiederfinden. Die zweite Hypothese führte diese Arbeit jedoch zu dem generalisierbaren Ergebnis, dass sowohl ökonomische als auch soziale und umweltbezogene Nutzen (solange sie für die jeweiligen Partner für wichtig gehalten werden) allesamt politische Werte sind, die in der Policy-Implementierung einer Partnerschaft mitberücksichtigt werden sollten. Im Falle der brasilianischen Indigenen wurden sie anscheinend instrumentalisiert um die Partnerschaft bewusst zu beenden. Die zweite Hypothese kann außerdem in der Literatur zur Zertifizierung von Holz wiedergefunden werden: die *FSC* Normierungen zeigen auf, dass sowohl ökonomische als auch kulturelle und umweltbezogene Kriterien eine Partnerschaft zwischen Unternehmen und der lokalen Bevölkerung bestimmen sollten.

Zusammenfassend ist zu sagen, dass Partnerschaften im forstwirtschaftlichen Bereich in Brasilien anhand des Beispiels in Espírito Santo durchaus positive Auswirkungen auf die ökonomischen Grundlagen von Kleinbauern haben, für die indigene Bevölkerung jedoch bedeuten sie noch keine nachhaltige Möglichkeit der gemeinsamen Nutzung von natürlichen Ressourcen.

Somit zeigen sich aus der Sicht der jeweiligen Beteiligten deutlich Chancen, aber auch Grenzen solcher Partnerschaften, die es in dieser Arbeit anhand der Anwendung des neo-institutionalistischen *Governance*-Ansatzes auf *company-community partnerships* in der brasilianischen Realität zu erforschen galt.

INTRODUCTION

“Of the several processes that all human societies in all ages have had in common, none has been more fundamental than their continual interaction with their natural environment”
(Guha 2000: vii).

Throughout the centuries, mankind has been developing methods of producing and reproducing its relationship with its own environment in a dialectical movement of both transforming nature and being transformed by it.

Since the consolidation of the first nation states some five centuries ago and the slow transition from the Middle Age to the Enlightenment, the belief in a bottomless pool of resources called nature, along with the discovery of the “New World” served as a motor for exploiting raw materials of all kinds, and the exploration of natural resources knew no bounds (Becker 2004; Perlin 1991).

The myth of development pursued by the countries of the northern hemisphere since the industrial revolution in the middle of the nineteenth century, and also pursued intensively by those in the southern hemisphere since the Second World War, has taken nature hostage as though it would only be freed after reaching its most advanced stage. Some may call it the irony of history, others may simply call it its *progress* – the past century witnessed the emergence of independent political actors in the southern part of the globe through decolonization processes. At the outset of the twenty-first century, the relationship between man and nature seems inevitably determined by the dominant capitalist production mode. In fact, it also seems to be nearly reaching exhaustion.

The responsibility for sustainable shared living seemed to exceed the capacities of the nation states. The post-war period, in particular the years after the 1970s, saw the proliferation of so-called “green politics”, and the emergence of a variety of actors laid the ground for new channels of political participation. Environmental issues had finally made it necessary to consider new perspectives in political interaction. The debate between preservationists and developmentalists was finally incorporated in the *Brundtland* report on Earth’s “common future” and the (in-)compatibility of development and socio-environmental issues, published in 1987 by the UN Commission for Environment and Development. The report established the broad usage of the highly criticized concept of ‘sustainable development’, which mankind has interpreted as a license to continue searching for development, under the prognosis that there will still be resources left for future generations. According to the report, the concept of

'sustainable development' defines as 'sustainable' the use of resources bearing in mind the necessities and desires of future generations and as such, seems to preach a kind of *cross-generational economic, social and environmental justice* in which the present generation as well as future ones will be equally blessed with economic, social and environmental benefits. This notion of "sustainable development" becomes highly problematic when applied to the countries of the southern hemisphere. There, *intra-generational justice* - meaning the sharing of economic, social and environmental benefits among the present generations - remains the greatest challenge for any kind of development (Gutman 1994 *apud* Marques et al 2003: 21, see also Born 2002). From the nineties onwards, after the United Nations Conference on Environment and Development, or *Earth Summit*, in Rio de Janeiro in 1992, the North and South joined efforts to define parameters for sustainability involving state and non-state actors.

At the dawn of the present twenty-first century, a more widespread understanding of non-sustainable modes of production as the main cause for environmental changes, such as the global climate change, has already been established in collective thought. Businesses and other non-state actors, which were once the main agencies responsible for predatory development, have frequently been invited to contribute technology and know-how with the aim of achieving sustainability. Further, in a still diffuse exchange of roles, their discourses have been absorbing many of the claims originally made by the *organized civil society*, those of social and environmental responsibility.

The interaction between private actors, the state and national populations has been challenging the traditional perception of the steering state- in environmental matters, new governance mechanisms are arising both in northern and southern countries. Ultimately at stake are both a more environmentally friendly way of exploring natural resources and also, particularly in countries in the political south, the survival of communities that live off and are surrounded by natural resources, such as forests. The title of this thesis, "Consequences of Environmental Projects on Development: pilot case study of a company-community partnership in Espírito Santo, Brazil"¹, indicates

¹ Because thorough definitions of "environment" and "development" and its criticisms are not among the major aims of this thesis, I provide generic explanations for each concept, being aware that those do not cover the variety of meanings surrounding them [those concepts]. Under *environment*, the *Concise Oxford Dictionary of Politics* understands a derivation "from the French verb *environner* [italics in the original], to surround. (...) The concept of environment, though, arose in the mid-nineteenth century. It was given force by a range of new ideas that human beings are, to an important degree, formed by their surroundings. These included Darwin's discovery that the survival of species depends on their suitability to their surroundings and the German geographers' theories of the importance of the environment (*Umwelt*) [italics in the original] in determining economic and cultural differences between peoples" (2003:173). For development, the same source states that it is a "normative concept referring to a multidimensional process. Some people argue that development must be relative to time,

two phenomena which are also discussed in broader lines in this thesis: the first is the growing willingness of industries, governments and local communities to become involved in the common intention of securing own living standards and protecting or managing well their (environmental) surroundings, and the second, the enhancing possibilities for environmental protection to go hand in hand with development, as the *Brundtland* report pointed out in the Eighties. Today, the concatenation of environment and development seems much more acceptable to common sense than some years ago, when in the South, the idea of environmental protection was understood as a maneuver from northern countries to hinder the south's development. This common understanding, potentialized by real economic and political improvements in Latin America and Eastern Europe, turned sectoral initiatives, such as in the forestry sector, more intrinsically social.

In Brazil, one of the richest of the so-called countries of peripheral capitalism, with over 60% of its national territory covered by the Amazon rainforest and endowed with a variety of flora and fauna that to this day has still not been fully catalogued, the debate over the dichotomy between development and preservation of the environment dates back to earlier than the historic Earth Summit of 1992. The economic cycles the post-colonial state gone through and the historical notion of the abundance of natural resources were responsible for serious damage to Brazil's environment and a more ecological conscience was closely related to social and economic matters (Pádua 1992). In certain intellectual circles, the debate on the way in which nature and environmental damage were perceived were intrinsically related to concrete social problems, such as poverty and lack of formal education (*ibid.*). The proclamation of the Republic in 1889 and successive regime changes throughout the past century demonstrated the frailty of the government's resolve to pursue a coherent policy with regard to environmental issues. On the other hand, developmentalist and nationalist ideas of progress paved the way for economic growth based on the exploration of non-renewable resources such as gas, oil and rare types of wood, at the expense of the rights of traditional populations such as indigenous communities, *quilombolas* (descendants of fugitive slaves that founded autonomous communities, living according to traditional pan-African traditions) and the rural peasantry in general.

space and circumstance, and dismiss any universal formula. (...) More fashionable now are notions of environmentally sustainable development, or development that meets the needs of the present without compromising the ability of future generations to meet their own needs (...)(...) Democratization, accountable government, and a respect for human rights have also recently become more prominent as features of political development contained by the generic sense of development" (*ibid.* 148-149).

Government incentives for ambitious projects to modernize production in specific sectors of the economy can thus be viewed as inherent to government purposes, regardless of the political regime in power at the time. The agro-industrial complex for instance, which comprises the industrial forestry sector, became one of the sectors to receive more fiscal incentives, especially in the 1960s and 1970s, in accordance with the government's policy of expanding Brazil's participation in the foreign timber and fruit markets. The prosperity of the industrial forestry sector in Brazil was doubtless due to the high investments in the cellulose industry as well as to the ability of exogenous trees – mainly *eucalyptus spp* and *pinus spp* – to adapt to the tropical climate. Lima (1993:46) points out that the cellulose industry was probably the sector responsible for the impressive expansion of the eucalyptus monoculture worldwide. One negative aspect of the growth of the planted forestry industry was the unsolved problem of land property in parts of the country, which led to the expansion of plantations on properties that are under dispute until the present day. Another was the incompatibility of the prosperity and technology of the industrial forestry complex with the poverty and traditional modes of cultivation used by smallholder farmers with whom they shared the same geographical space. After the 1988 democratic constitution, fiscal incentives for the already well established industrial forestry sector were stopped. The decade to come would pose serious challenges to the sector with regard to its social and environmental sustainability. At the beginning of the nineties, agreements between smallholder farmers and large businesses were implemented in the states of Minas Gerais and Espírito Santo, the states with the biggest presence of the industrial forestry sector after the state of São Paulo, the largest producer of pulp and cellulose in the country. Though the “Forestry Partner” program implemented by the Aracruz Cellulose company was not the first initiative in this area, it is certainly the most well-known and successful partnership in the sector².

² This work relies on the definitions of *companies*, *communities*, *forestry* and *partnerships* as proposed by the specialized literature of the subject. Mayers/Vermeulen (2002:i) define the above mentioned concepts as follows. “*Companies* [in italics in the original] include large-scale corporations through small-scale private enterprises – the key feature being that they are organized for making profit. *Communities* [in italics in the original] include farmers and individual local “actors” as well as community-level units of social organisation such as farmers’ groups, producer user groups and cooperatives. When community groups organise for profit, there is an overlap between ‘company’ and ‘community’. *Forestry* [in italics in the original] is the art of planting, tending and managing forests and trees for goods and services. It may take place in dense forest, open woodlands, agroforestry, smallholder woodlots, and commercial scale plantations. *Partnerships* [in italics in the original] are relationships and agreements that are actively entered into, on the expectation of benefit, by two or more parties. (...) [T]he term partnership [describes] a very wide range of contracts and informal arrangements between companies and communities. Partnerships are meant to share risk between the two parties, and third parties often play important supportive roles”.

The program was launched in 1990 in some municipalities of Espírito Santo and Minas Gerais and was based on a contractual agreement between the company and smallholder farmers to plant eucalyptus trees on a small scale on the farmers' properties, which were ultimately to be purchased by the company. The program soon extended to almost all of the 78 municipalities of the state of Espírito Santo and today is one of the most favored alternatives to the traditional economic activities of smallholder farmers in the region. It was also adopted in the state of Espírito Santo by two indigenous communities of the municipality of Aracruz – the *Tupinikim* and the *Guarani* – between 1998 and 2005.

Much has been written about partnerships between companies and communities from organizational and technical points of view (see Mayers/Vermeulen 2002, Andrade/Dias 2003). Though this dissertation necessarily draws on interdisciplinary views on the subject, my aim is to examine the constellation of such partnerships from the perspective of governance approaches, as developed in political science research over the past few years. The analytical framework of this work is based on the rational choice neo-institutionalist school of thought which provides a framework for the analysis following an empirical-analytical deductive model. For that, the relationship of both groups, smallholder farmers and indigenous communities, with the company were objects of study.

Partnerships, as indicated in third sector literature, have been appointed as a solution found by companies and states to improve gains for themselves (for companies, a material gain, for the state, the possibility of drawing out from the responsibility of providing goods for populations) as well as for rural communities in the forestry sector. Several modes of partnerships have been documented in Latin America, Africa and Asia. Many characteristics such as the land tenure situation, the type of contractual agreement between partners, and the amount of involvement on the government's side (through agencies or policies) have played an important role in their typification in research. Whether partnerships can improve from “raw deals to mutual gains” (Mayers/Vermeulen 2002), remains to be further researched in many contexts. This is the purpose of this thesis.

Aim, Methodology, Core Question, Hypotheses, Empirical Data

This work aims to analyze partnerships between communities and businesses in the forestry sector in Brazil. The background question to be answered is whether business-

community partnerships can be considered a governance mode³ in the forestry sector in Brazil. Conclusions shall be drawn on the case of the “Forestry Partners” program of the firm Aracruz Cellulose, in the state of Espírito Santo.

My methodology – the road map from theory to practice – is theoretically based on studies of governance in general and environmental governance in particular⁴ within the analytical framework of the neo-institutional rational choice approach (chapters 1 and 2). Using these theoretical and analytical *glasses*, I attempt to analyze the development of governance and interaction between state and non-state actors at national level (chapters 3, 4, and 5) and at local/case study level (chapter 6).

While the theoretical framework for the present analysis relies on recent political science literature on governance and policy implementation, the analytical framework is based on a neo-institutional approach to the interaction between the partners. The model of analysis, drawing on rational choice and game theory literature, identifies the main actors in the partnership, aims to analyze the fulfillment of socio-economic demands by looking into *the contractual agreement* between these parties and examining the partners' perception of the agreement itself, touching the role of the state and its agencies as mediators and issues such as culture and identity. The puzzle to be solved is whether, given *the economic benefits out of the contractual agreement between partners in this specific partnership program* and *the actors' opinion about the partnership*, such partnerships can be considered a durable win-win situation.

The hypotheses raised are: The partnership can be a win-win situation for both partners (1) *if* the economic demands of both partners are sufficiently met in their own view; and (2) *if* other social needs that should be equally important for participants are met as well⁵.

The first hypothesis aims at identifying overall governance patterns. The second aims at identifying durable governance patterns. My personal aim is to show that while the first hypothesis can be validated in many cases, the second hypothesis is decisive for durable governance to take place.

³ Though the concept of governance shall be discussed in depth later on, for now we can note that governance modes, as suggested by Mitra (2006:9), are modes with the ability of transforming “citizens into actors and stakeholders”.

⁴ Chapter 1 shall discuss the denomination of governance as “environmental”, pointing to new modes of concerted action between state and non-state actors as far as the management of natural resources is concerned.

⁵ In *third sector* literature on company-community partnerships, the definition of governance seems to focus more on the fulfillment of economic criteria (Mayers/Vermeulen 2002). Based on literature on environmental governance, I propose further in chapter 1 a broader concept of governance which considers social and cultural needs and benefits (such as environmental sustainability, participative structures and rights and identity, for instance) as important as economic ones as *conditio sine qua non* for its own durability.

Other contextual elements were also taken into consideration while analyzing literature on the topic: the institutional framework and empirical material such as questions of land ownership, which form the basis for contracts regarding the exploitation of natural resources, the structures of participation under which negotiations and contractual agreements take place, and environmental issues, such as the existence or possibility of nature-friendly exploitation of natural resources.

Structure

This M.A. thesis is structured as follows:

The first two chapters aim to present the theoretical and analytical framework of the thesis. The first chapter begins by offering a panorama on the discussion of governance literature and its limits and possibilities when applied to post-colonial states. It also discusses the matter of the role of the state in new mechanisms of governance and how this has been debated in recent political science research.

The second chapter presents the analytical framework of this M.A. thesis. After an introduction to the concept of *institution* and the embedding of this concept in two of the three neo-institutionalist approaches in political science, rational choice is detailed as to accentuate its contribution to this thesis: the rationality of social actors when voluntarily entering a game interaction, such as in the case of the “Forestry Partners” program. The *rationale* behind game theory is thus used to explain interactions between the partners in this specific case study. Whereas the analytical matrix of interaction was roughly designed before the field visit, it was only possible to complement it after collecting and analyzing the field data.

The Chapters 3, 4, and 5 aim to apply elements of the theoretical and the analytical approach to the Brazilian context. Chapter 3 introduces the Brazilian macro-political context and resumes the question of state involvement in social and economic regulation by describing the motives and consequences of the commercial liberalization the country went through in the 1990s, the years following redemocratization. In my judgment, matters of governance in the Brazilian context have to be discussed in the light of both phenomena - democratization and liberalization. In short, the chapter shall suggest that the Brazilian state gradually withdrew from its interventionist position in many sectors of the economy and social life, laying the ground for new kinds of social regulation and for the increased social responsibility of non-state actors, such as

businesses. Chapter 4 takes a more detailed look at forestry policies in the target country, offering an overview of the exploration of forestry resources in Brazil and the regulation of their use. The aim is to show how forestry policies at the beginning of the 21st century open up possibilities for mechanisms of interaction between businesses and communities regarding the management of natural resources, setting up the juridical framework for company-community partnership models to come into existence. Chapter 5 applies game theory *rationale* to the actors of the targeted case.

Chapter 6 is devoted to the analysis of the case study in Espírito Santo, to the verification of the two proposed hypotheses and to generalizations at theoretical level based on results obtained from the case study.

The concluding chapter summarizes my findings.

Results and Generalizations

The literature used shows that questions of governance, in particular of environmental governance in specific economic sectors, have been at the center of research in numerous disciplines in many countries (Mayers/Vermeulen 2002). While some of the topics referred to here may relate specifically to this social arrangement between social and political actors, other questions regarding power, the distribution of resources, social arrangements under the shadow of the state, and so forth are familiar to political science learning.

This thesis's hope was to contribute to a better understanding of the limits and opportunities of company-community partnerships by analyzing one sample case in Brazil. The aim was to analyze the community-company partnership between both groups, smallholder farmers and indigenous communities, and a multinational company in the case of the "Forestry Partners" Program in Espírito Santo. The analysis was based on (1) the evaluation of governance mechanisms in the forestry sector and in the program itself, and (2) the interaction between actors in the program, under the auspices of the two hypotheses raised: (1) governance in this specific context takes place if economic benefits are perceptively met, and (2) other material and immaterial benefits that make the partnership durable are also perceptively met.

Results were therefore obtained through the progressive investigation of the concrete case of the "Forestry Partners" program (first through bibliography and then through the analysis of empirical data) and through permanent recurrence to the theoretical

framework of governance and the analytical framework of neo-institutional rational choice and game theory.

The steps can be resumed as follows: First, the Brazilian political context and forestry sector were presented and discussed. Next, a logical analysis of interactions between (1) the company and smallholder farmers and (2) the company and indigenous communities, having as influencing actors the IDAF and the FUNAI respectively and based upon conditions of the contractual agreement, was made.

The results pointed to the satisfaction of hypothesis (1). The analysis of the contractual agreement leaves margin for producers to profit from selling timber to the multinational, giving them the opportunity to meet their own material needs of timber supply from their properties with eucalyptus trees and further allowing them to profit from approximately 3,5% of timber produced for the company in their properties, which according to the contract, will belong to them. All interviewees of the smallholder farmers group consider their economic demands as met; they evaluated the relationship with the company as a profitable one. All three stated that the “deal” with the company “paid off”, since they received all inputs (seeds and fertilizers, for instance) from the company at the beginning of the contractual agreement and were able to make a margin of profit after the first eucalyptus cycle⁶. Even overall disadvantages are seen as acceptable in the face of profits. For instance, though it is technically possible to leave the program after harvesting the eucalyptus trees first agreed in the contract, the tendency is for farmers to consider renewing the contract, since there are no legal wood buyers in the region to whom they would be able to sell their produce at better prices. This generates a long term dependency on the company, which could be combated, for instance, if the government were to offer programs to enhance productivity and communication in the eucalyptus chain of commerce.

Reasons for entering the contract on the smallholder farmers’ side were the cultivation of otherwise unproductive land and the possibility profiting from eucalyptus as a secondary economic activity in which they do not invest initial capital. Hypothesis (1) therefore seems to be validated: concrete economic benefits are generated by the program and perceived by their participants. Further, it is acceptable for farmers to join the program even if gains are low. The rational farmer seems to enter into interaction at the sole condition that economic benefits be higher than zero. While economic benefits are at the focus of the interaction, environmental issues, participative structures and

⁶ Interviewee P3 had not harvested the eucalyptus plantation from the contract but also rated the participation as positive.

other issues seemed of secondary importance. During the period of time in which indigenous communities and the company maintained the contract (1998-2005), the first hypothesis could also be verified. Indigenous communities could also profit

Hypothesis (2), however, was falsified in the second interaction mode, i.e. the one between indigenous communities and the company. The break of the agreement came about because the indigenous' preferences were of a symbolic nature, which outweighed the immediate economic benefits from the selling agreement. For them, issues such as the protection of the environment, the importance of participative structures, the recognition of the eucalyptus forests as exogenous to their culture, and the sense of not being respected in their identity became issues of more importance than the relationship to the company. The politization of those issues stimulated the reaffirmation that the area where eucalyptus trees had been planted was in fact indigenous land. This was strengthened by the communities' ancestral relationship to the place where they had been living for generations (in the case of the Tupinikim) and the place the Guarani communities believed was appointed for them in a dream by their past spiritual leader. Therefore, projects and programs in which cultural, social (and by extent environmental) benefits are not seriously taken into account have a higher probability to fail along the way. They cannot become durable if those issues, when judged of importance by participants, are not met.

At empirical level, I encountered similar patterns of monocultural production and similar agreements between companies and communities within Brazil and in other parts of the world. In the Amazon region, so-called "family forests" are being developed with the aim of creating new possibilities for *colonists* to canalize the wood production from their properties to small/medium sawmills in the region. The advantage of these ventures is the steady legalization of wood cutting and commerce, which has historically been the greatest problem in the region. As for other countries in the southern hemisphere, similar initiatives, such as joint forestry management in parts of India, have been initiated with the aid of international finance agencies, such as the World Bank. Though the question of land ownership is not the same, since there is less private forestry in India, a multiparty/agency constellation seems to be necessary in order to achieve "sustainable" management of forests involving traditional populations and international aid, which also results in "hybrid regimes" of social regulation.

At theoretical level, I found that it is not only necessary to look at the fulfillment of projects regarding their material/economic benefits but is it also necessary to evaluate

the quality of partnerships before rating them as a durable mechanism of governance. Actor's preferences which exceed economic gains, encompassing above all cultural and identitarian issues, have to be taken into consideration when designing and implementing a company-community partnership.

According to the findings systematized under the aggregate variables of *economic, social* and *environmental benefits* (see chapter 6), the relationship between the company and the indigenous communities show the potential conflicts between actors when these do not share the same rationality⁷. Different preferences influence channels of communication between actors. Further, though the institutional framework (in this case forestry policies and the contractual agreement) allows a number of actions, different rationalities based on different preferences will lead to different handling options. Unless those are negotiated in a sufficient manner by partners, mechanisms of social regulation tend to of limited durability.

I suggest that the weight of important social, political, cultural, and identitarian rights linked to environmental issues should influence the ultimate choice of communities to cooperate with companies or not. Rationalities' conflicts, which are strategic and political in their nature, go beyond the borders of Brazilian reality.

Generalizations based on the results of this thesis are therefore possible at theoretical level and point to reflections on further interdisciplinary research regarding the durability and quality of relationships between forestry sector's stakeholders with different interests.

⁷ Expressed in the arguments of the indigenous communities, for instance, when they unilaterally terminated the contractual agreement with the company. The interaction between the company and the indigenous communities is emblematic for a situation in which different logical reasoning (and, thus, different preferences) lead to conflictual handling actions. While the company rendered means available for the funding of social projects in the communities in parallel to the forestry management program "Forest Partners" (fulfilling the communities' economic and social needs), the indigenous' pled for their lands back, without eucalyptus trees, and pointed to the importance of the fulfillment of cultural and symbolic needs, which were not taken into account by the company (see Andrade/Dias 2003 for an analysis of the company's strategic action from an organizational point of view).

CHAPTER 1 – TOWARDS AN ANALYSIS OF GOVERNANCE

Introduction

The idea of governance is embedded in the context of the institutional theories of political science. The present chapter aims to narrow down the definition of governance, primarily from this point of view.

The chapter offers a state of the art on the concept of governance by drawing on relevant political science literature on the matter. It begins by generally discussing the concept and then moves on to a discussion of governance in political economy where the handling of non-state actors is being considered to have an increasingly significant impact on environmental issues. It highlights the strategic role of non-state actors amidst the discussion about *environmental governance* and discusses the role of the post-colonial state in this political constellation.

While authors such as Rosenau (2006) and Willke (2006) attempt to deliver a definition of governance suitable to change as observed in politics at global level, Renate Mayntz (2004; 2005) focuses primarily on the concept of governance at national level and presents us with a concept distinctly different from the state-centered “regieren”. Her contributions to a definition of governance as a concept beyond the idea of “politische Steuerung” have promoted fruitful debate in German political science literature.

Knill and Lehmkuhl (2002) evaluate governance when talking about the role of private/non-state actors in economy and politics within the boundaries of nation states. I will present the patterns of interaction between state and non-state actors here and will attempt to apply the given typology to the focus of this paper.

In the course of this text, recent scientific research on the phenomenon of environmental governance will be introduced. Environmental matters have extended national political boundaries, constituting an increasingly important part of the international agenda, bringing state and non-state actors to the negotiating table to discuss commonly accepted solutions. In this matter, the significance of businesses and their influence on environmental regimes at international level, and policy-making and implementation at national level, have often either been overlooked or underestimated. Levy and Newell (2005) take into consideration the presence of these powerful stakeholders in the environmental scenario. Studies on environmental governance highlight the limits and opportunities for nation states and point to the emergence of non-state actors, whose influence on the political scenario at national and international levels seems to be

increasing due to two phenomena: the globalization of markets and the increasing necessity of international regimes to deal with global/local environmental issues, such as the conservation and management of forests, climate and biodiversity.

Finally, I will analyze Risse's (2007) critical approach to governance when applied to states characterized by a "limited statehood", and, in this framework, introduce a neo-institutional approach to governance based on the work of Mitra (2006). Both authors state the importance of taking culture as well as rationality into account as elements in decision-making and components in interaction. Last but not least, Windhoff-Héritier (1980) renders important tools for the approach to policies and their implementation in preparation for the analytical framework of the chosen object of study – company-community partnerships in the Brazilian context.

1. 1. The Theoretical Framework of the Concept of Governance

The concept of governance has come to be widely used in social sciences, but has taken on a certain complexity influenced by the empirical realities of world politics today and the progressive development of scientific thought over modes of governing within political science and economics. Benz (2004:12) reaffirms the complexity of the term and its usage in the field of political science by asking if the concept of governance should be considered a *mere concept en vogue* or indeed *a useful concept in social science*.

Though a comprehensive overview of the concept of governance does not fit into the scope of this work, some initial words on its emergence and usage in current political science areas should help us to narrow down its scope.

The use of the word *gouvernance*, according to Cassen (2002 *apud* Benz 2004:15) can be traced back to 13th century France, coming to be used in England in the 14th century. First approaches to this concept indicate that in political science learning, governance distanced itself from a mere *definition* of governing and coordinating to a more thorough attention to *ways* and *modes* of governing. In this context, attention slowly began to move away from the nation state and hierarchical forms of government to other types of social/sectoral regulation within and beyond the nation state.

In a review of his own essays on recent developments in world politics, Rosenau (2006) refers to the present era as "marked by shifting boundaries, relocated authorities, weakened states, and proliferating nongovernmental organizations (NGOs) at local, provincial, national, transnational, international, and global levels of community (...)" and comes to the conclusion that "(...) the time has come to confront the insufficiency

of our ways of thinking, talking and writing about government” (2006:111). He identifies the emergence of clearly observable mechanisms of a so-called *global governance*, such as the emergence of what he calls “spheres of authority”, i.e. spheres of collective or individual action that are, for instance, not necessarily territory-bound (Rosenau 2006: 117). Those spheres generate new units and forms of self-regulation, extending by and by beyond traditional state authority.

Wilke (2006) identifies similar patterns of governance at international level, alerting his readers to the risk in existing social science of getting caught in the trap of state-centricity while analyzing new modes of international governance and overlooking so-called “contexts of governance” brought about through regimes, international law and treaties, and organizations. He emphasizes the complexity of actual governing scenarios at international level by underlining that patterns of individual action in such cases cannot be clearly identified. Governance mechanisms are mostly characterized by “hybridism”⁸ (Willke 2006:6). The author’s main concern lies on the analysis of which existing modes of governance will endure in world politics and which of them will slowly reach its limits in coping with complexifying political realities (ibid.). In their analyses of governance, Rosenau (2006) and Willke (2006) consider the changing balance of power between political actors and the proliferation of regimes that influence national politics – and both raise the question of the role of the state in this context.

The idea of governance emerged from the steering theory debates, in which the state occupied a central role in analyzing political structures and processes (see Risse 2007). In political science research, the concept of governance emerged in the nineties in the Anglo-Saxon region, reflecting the analysis of institutions in society as a way of identifying phenomena of social networking between various social actors such as the market, non-governmental organizations and society itself.

The usage of governance as a non-state-centered ‘*regieren*’ (such as suggested in the concept of *government*, *steering* or the German term *Steuerung*) reflected *changes in institutions and processes for political development and social regulation in the modern western nation state* (Mayntz 2004:66, my translation)⁹. Still, the first area of political

⁸ I refer to Willke’s concept of “hybridism” (2006) to characterize institutional setups in the forestry sector as “hybrid regimes”.

⁹ Renate Mayntz (2005) formulates a distinction between the concept of governance and *Steuerung*, a concept used in German political science literature within the scholarship of policy, based on the studies of the experiences of European state formation. For the referred scholar, the distinction is based on the role of the state within the political/social system. In the concept of *Steuerung*, the state exerts a predominant role as a coordinating institution, a central agent in policy-making and policy implementation within national boundaries. For Mayntz (2005), the concept of governance follows the same institutionalistic principle and, to some extent,

science where the concept of governance found concrete application was the field of international relations. The development of cooperation among states in various areas, voluntarily abiding by rules on an international basis without “obeying” orders from a supranational instance, such as in the unique case of the formation of the EU, show the actuality of the concept of governance in the political science sphere as well as the necessity of defining the term more precisely in this field. In this context, a much debated application for the concept has been the scientific explanation of the phenomenon of the growing distention of structures of power bound to the existence of the nation state. While still considering the nation state and its bureaucratic apparatus as a central source of governing power and authority, political scientists turned to an analytical investigation of the enhanced search for cooperation between states and sub-national institutions in international politics.

The concept of governance thus involves forms of regulation in an interdependent constellation of actors within or beyond the state, other than centralized in the figure of the state. This broad understanding of governance must be narrowed down for use as an analysis tool in political science. As an analysis tool, the concept of governance has to be understood according to the three dimensions of political science. In the *polity* area, the research of governance relates to the analysis of non-hierarchical structures of coordination or networks of institutions. As for the *politics* dimension, the analysis is directed at negotiations between social actors among themselves or between social actors and the state, and conflicts in networks between various actors. Finally, governance scholarship has also been concerned with adaptation to new or existing regulation patterns among social actors. In the *policy* dimension of political science, co-regulation of the production of public goods and management of networks would be a subject for analysis (Benz 2004: 21)¹⁰.

goes beyond the idea of *Steuerung* since it relies not on hierarchical coordination, instead, on vertically as well as horizontally determined relations of interdependence between political actors. In a sense, both concepts complement each other. In her words, governance “meint dann das Gesamt aller nebeneinander bestehenden Formen der kollektiven Regelung gesellschaftlicher Sachverhalte: von der institutionalisierten zivilgesellschaftlichen Selbstregulierung über verschiedene Formen des Zusammenwirkens staatlicher und privater Akteure bis hin zu hoheitlichem Handeln staatlicher Akteure” (Mayntz 2004:66).

¹⁰ Still within *policy* analysis, the examination of political coordination in various sectors of social processes has demonstrated that governments generally rely on other (private or public) actors to fulfill their needs in a specific political sector. A good example for that is the joint work of the German government and private enterprises over the past few years to solve the social problem of lack of sufficient trainee job offers for young people leaving school.

1.1.1. *Governance Debates in Political Economy*

For the purpose of this thesis, the concept of governance also draws upon significant studies of governance in political economy research (Levy and Newell 2005). Within this field, governance research also reached significant resonance in the past decade. The development of the capitalist mode of production in a given country, when cross-checked against its political-institutional framework, may offer a better understanding of the specificities of sectoral and national economies and the patterns of governance that are evolving. The analysis of different types of capitalism may ultimately reveal patterns of cooperation between states in times of growing economic globalization (Lütz 2006; Deeg 2006). According to the author, many scholars (see Lütz 2006) have developed typologies of capitalism in consonance with the economic, historical, and political-institutional features of given country groups. Michel Alberts (*apud* Lütz 2006:15) sees manifestations of capitalism as pertaining to two different groups. On the one hand, the Anglo-Saxon type, characterized by more flexible transactions and individualistic competition and on the other, the “Rheinian” type that pertains to European countries and Japan, characterized by decisions commonly based on consensus seeking. Vivien Schmidt identifies three types of capitalism, namely “market capitalism, a managed capitalism and a state capitalism” (Lütz 2006:15) and uses arguments similar to those of Alberts to correlate the type of capitalism with the emerging patterns of interaction between social and economic actors and the state. According to Lütz, Hall and Soskice developed the most thorough analysis of types of capitalism (2001 *apud* Lütz 2006:16). The distinction is made between a kind of “liberal coordinated capitalism” with low state intervention and the “coordinated type of capitalism” characterized by the presence of the state in the economic system and the relatively high importance of interest groups close to the state or traditional associations, such as labor unions, as actors in economics and politics. The definition of the type of capitalism seems important in an analysis of state and non-state actors' scope for action within a given economy/general political system, and, in particular, helps to set a framework for the analysis of private actors in the same setting¹¹.

¹¹ The typology of capitalism modes in groups of countries as proposed by Hall and Soskice (*apud* Lütz, 2006) forms the basis for analyzing the possibilities and limits to private actors' scope for action, and their relationships to public actors. It also allows reflections on the Brazilian type of capitalism, for instance, and on the role that different non-state actors have played in economy and politics over the last decades (see Chapter 3).

In political economy, the analysis can be conducted for something as far-reaching as an international economic phenomenon with implications for a large number of stakeholders, such as a study of interaction in finance markets, or it can be restricted to an analysis of governance mechanisms within a national economy or an economic branch.

The interaction between the nation state and its apparatus on the one hand and the multiple non-state actors within the national political system on the other deepens the analysis of governance patterns. Lütz identifies a growing tendency towards incongruity between political and economic boundaries in western economies (2006: 15). This means that while political boundaries mainly remain the same (even considering the unique case of the EU, political science scholarship still holds the nation state as a political, sovereign unit of analysis), markets are experiencing a kind of transnationalization, requiring a reconfiguration of the internal and external organization of businesses and new network patterns of relationships between public and private actors on a national and international scale. These changes pose challenges for nation states as well as for market agents, and the challenges are felt at all three levels: at the level of the state, which has to continue to provide welfare for its population in spite of growing economic and political interdependencies with other states, at meso level, the pressure on specific branches of the economy has been increasing because of the liberalization of markets and growing competition, and finally, at micro-level, local populations may feel increasingly powerless faced with the state's incapacity to solve problems generated, for instance, by markets. The environmental area has been one of the political areas where the *local* and the *global* meet, and where new patterns of governance have been emerging in search of solutions to the predatory treatment of nature and the impoverishment of local people due to diminishing natural resources. The study of new patterns of cooperation on issues directly or indirectly related to the management of the environment has been the subject of analysis in the field of "environmental governance". The area of environmental governance is of special interest to us because it affects the timber market. But before we come to environmental governance issues, a discussion of the application of governance concepts to developing countries is necessary.

1. 2. Institutions and Governance in Transitioning Societies

Scholarship on governance (Benz 2004, Mayntz 2004; 2005, Lütz 2006) refers to characteristics of governance based on the example of secularized modern western

states. For instance, Mayntz (2004) refers to changes in the modern German state, which has been progressively evolving from a corporatist to a neo-corporatist state due to the nature of relations between the federal state and interest groups in policy making and policy implementation. In her description of the features of governance in political economics, Lütz refers to models of sectoral governance that can be observed in western capitalist countries and divided into two typified blocs: the “coordinated capitalist countries” of the European region and the “uncoordinated capitalist countries” primarily found in the Anglo-Saxon region, alluding in both terms to characteristics such as the social and institutional nature of the two groups of countries and the consequences of these characteristics for more or less liberated modes of economy in each group (2006: 19).

The development of an analytical concept of governance applied to a changing society (Huntington 1976), such as India, and the development of a model to measure governance applied to the social and political reality of an emerging economy such as the Indian, which is characterized by a strong tradition and cultural values along with modern features of one of the largest democracies in the world, seem to offer an adequate framework for the analysis of governance in this thesis (Mitra 2006).

As a start, governance could thus be interpreted as “a dynamic interaction between structures and processes, institutions and actors, rules and their applications” (Benz 2003:21)¹². However, such a broad definition of governance seems imprecise and insufficient when applied to originally non-western societies. By analyzing the work of Mitra (2006), we shall try to understand the position of the state in a post-colonial society and its consequences for the idea of governance.

Mitra (2006) understands governance as *the rule of law*, translated into the capacity of the state to perform practically and discursively perform its duties of providing welfare and security, and safeguarding (and, to some extent, generating) the identity of its population. The state and regional elites are at the centre of the analysis of India’s governance and Mitra’s model (2006) demonstrates how the responsiveness of elites to the desires/anxieties of the population is, in the final analysis, responsible for the maintenance of order. Mitra’s model is useful for our analysis, primarily due to his sensitivity in analyzing the complex social and cultural context in India. It shows also how culture is intrinsically interwoven with westernized political institutions that assure the rule of law. However, his model cannot be applied to the object of study here, since

¹² In the original: “(...) das dynamische Zusammenwirken zwischen Strukturen und Prozessen, zwischen Institutionen und Akteure, zwischen Regeln und Regelanwendung“.

(1) the state (in the constellation of company-community partnerships we are analyzing here) intervenes as a mediator between the parties and (2) responsiveness to challenges resulting from the interaction between actors lies in the hands of both the parties involved in the partnership.

Still, Mitra's (2006) contribution to this work lies in the sensitivity with which he applies rational choice calculi to the post-colonial political and social reality in India. In contrast to India, where the state in formation was able to absorb, within its limits, social demands at the time of independence and catalyze them into political measures, paving the way for the establishment of a democratic political setup after 1947, the Brazilian state historically embodied a subjugating power, and was in the service of the rulers rather than the ruled. After independence in 1889, the state accommodated the demands of the agrarian elites in the period referred to as the Old Republic, then in a populist way (during and after the Vargas era, until 1964), and finally used a repressive apparatus until the mid-80s, favouring military cadres with the connivance of the urban middle classes. The state that came to be formed after the end of the dictatorship inherited administrative institutions that had been reformed to a certain extent but not intrinsically transformed, and the liberalization of the economy in the '90s reduced the state to the position of a mere mediator among other political actors, such as businesses and civil society. Liberalization and regime change in Brazil thus led to a significant change in the essence of the state, laying the groundwork for new governance arrangements between sectors and actors within society. The role of the state after the economic liberalization of the '90s and subsequent new arrangements in economic sectors will be elucidated in chapter 3.

Mitra (2006) thus paves the way for the application of his conceptual framework of governance to Brazilian society by highlighting the concomitance of culture, identity and rationality as decisive in the interaction between the actors in originally non-western societies¹³. Draude (2007:4) reaffirms our conclusion by identifying major significant points in Risse's (2007) arguments regarding "cooperative, non-hierarchical

¹³ His idea of governance places particular emphasis on the capacity of elites to react reciprocally to social demands in a political system, this paper will therefore solely refer to some of the arguments presented by the author with regard to his neo-institutional approach of governance, especially his interview questions while used in analyzes of "governance" in India were the inspiration of the questionnaire used in this thesis. Thus, Mitra's (2006) understanding of governance can be stated to have had a contribution to the micro-level analysis of the target company-community partnership in the southeastern part of Brazil.

forms of decision-making” and their consequences for the notion of state, especially in countries with limited statehood¹⁴.

When thinking about governance in political scenarios such as these, governance theorists consider problematic the diminishing significance of the state as one of the main pillars, if not the central one, of implementing political choices. The “need of the shadow of hierarchy” (ibid: 6) reflects the very idea presented in discussions about modes of governance in western democracies – the implicit centrality of the state in social regulation. According to Draude (2007), western concepts of governance tend to dichotomize public and private actors, essentializing both as if to “re-map” the relationships according to classical notions of the function of the state and society. When observing the “non-westerness of non-western societies” (ibid:9), elements such as culture, tradition and identity are at stake and not, as many would naively think, phenomena like *clientelism* and corruption, by the way also existent in western societies. Again, Risse (2007) enlarges the notion of governance in non-western societies to highlight the problems of the degree of statehood found there. He adds that the political reality does not point to either limited or unlimited statehood, since in both cases statehood is given and that, further, a situation of limited statehood needs to be evaluated by analyzing specific criteria within the given state, such as sovereignty and legitimacy. Using the Brazilian case as an example of limited statehood, the author mentions that on the whole, the country depends on the existence of a state of law and the government exerts its ruling competence over most political issues, while specific questions, such as the lack of police control in some parts of the Amazon region, remain unsolved.

1.3. Environmental Governance

Concepts of governance have been applied to many fields of study and levels of social reality, consolidating interdisciplinary relations between social science scholars. For instance, the understanding of the market as an institution has been enhancing the synergies between concepts of governance in political science and economics, according to Benz (2004:16). Within the field of international relations, environmental governance has been receiving much attention since global climate change has been influencing the policies of nation states as well as demanding the commitment of other

¹⁴ According to Risse (2007:8-9), countries with limited statehood are those geographically located outside the OECD borders where the level of “statehood” specially with regard to three governance functions (security, state power/Herrschaft and welfare) is not sufficiently given. The standard of comparison is the concept of a democratic state of law.

non-state actors to engage in joint efforts to prevent and mitigate the negative implications of man's interference with nature.

The concept of environmental governance logically derives from the idea of “new patterns of individual action” in the field of politics and has been defined by Levy and Newell (2005:2) as

“(…) the broad range of political, economic, and social structures and processes that shape and constrain actors’ behavior towards the environment. Environmental governance thus refers to the multiple channels through which human impacts on the natural environment are ordered and regulated. It implies rule creation, institution-building, and monitoring and enforcement”.

What appears to be a thin, broad-based definition is in reality a definition that is open to the extremely different patterns of interaction among actors in a multi-level arena. The authors identify the area of study as one that involves many different stakeholders, ranging from local communities to multinational corporations (henceforth MNCs) and, above all, an area in which the state increasingly *needs* to count on partnerships. The globalization of media discourse, especially of western origin, has served as a catalyst in publicizing issues such as the consequences of the capitalist world’s mode of production on the public sphere.

Environmental issues, especially those regarding the perception of global environmental change, have doubtless been posing a challenge to the nation state in its role as sovereign political unit as well as a challenge at international diplomacy level. According to Pattberg (2007:389), the emergence of new patterns of governance, be they international, regional or subnational/public, originates in from major changes in world politics: “First, the locus of authoritative problem solving does not rest with governments and their international organizations alone. Authority is indeed relocated in many different settings, involving public-private as well as purely private actor constellations. Second, the predominantly confrontational relation between companies, governments, and civil society has been complemented by partnership as one possible mode of interaction. And third, cooperation is getting more and more institutionalized, resulting in social practices that effectively govern specific issue areas” (Pattberg 2007: 389).

Biermann and Dingwerth point out that the recognition of environmental change constrains the role of nation states in a twofold manner (2004). One of the constraints that challenge the efficiency of the nation state is the fact that environmental change “increases the demand for mitigative and adaptive action, which places additional stress

on the overall capacities of nation states to promote and protect the welfare of their populations” and further, it “increases the mutual dependence of nation states, thereby further undermining the idea of sovereignty as enshrined in the traditional Westphalian system” (2004:2).

In political science, scholars of both international environmental politics and comparative environmental politics have been studying the political phenomena in response to the apparently common challenge of environmental change. Both fields observe patterns of interaction between nation states and non-state actors (Biermann/Dingwerth 2004). The cited authors refer to two streams of thought in political science; one believing that good practices and technological innovations spill over from one state to another (with some states taking the lead in developing innovations and adapting national policies to environmental demands – see Jänicke, 2007) and the other, most specifically within the institutionalist stream of thought in the field of International Relations, believing in the power of cooperation between states and their compliance with international agreements. In both research fields, the nation state seems to play a significant role as an actor, though it is precisely environmental problems that threaten its sovereignty in decision-making.

The emerging mechanisms of environmental governance place the state in an unclear position. Its importance is however still undeniable.

The phenomenon of an international political arena marked by the existence and (un-)coordinated cooperation among actors has been paving the way for new patterns of governance in environmental issues. Biermann/Dingwerth see the emergence of what they term “collaborative governance” in this scenario – modes of coordination of individual action involving various actors at various levels (Knill/Lehmkuhl 2002:86) – as a characteristic of global environmental governance (Biermann/Dingwerth 2004:12). A system of “mutual supportiveness” (Sanwal 2002) is becoming increasingly necessary in order to face global challenges and find solutions. In this context, businesses are important stakeholders, since many of them invest in areas that are environmentally sensitive (Clapp 2005:23), which makes them key actors in environmental politics. Levy and Newell (2005:47) come to the conclusion that “business plays a central role in the industrial activities that account for many of the adverse environmental impacts afflicting the planet (...)”. The authors go on to reaffirm the ultimate necessity of involving businesses in negotiations and policy-making processes because “(...) at the same time, its [business’s] technological and financial

resources could potentially make a major contribution toward mitigating and reversing these impacts” (ibid.).

The emergence of global markets and the continual strengthening of the so-called MNCs, potentiated by emerging information technologies and capital flows, testifies to the relevance of these actors to political science in general and to studies of governance in particular.

1.3.1. Patterns of (Environmental) Governance involving State and Non-state Actors

Knill and Lehmkuhl suggest that the growing significance of private actors in the context of globalization is a sign of “changing governance conditions” in the national as well as in the international sphere (2002: 85). The growing importance of non-state actors, such as businesses and to some extent other non-governmental organizations, seems, to some political scientists, to be a sign that the decision-making/strategic power of national governments is waning in the face of social problems that cannot be solved within the scope of the state and due to the limits faced by nation states to regulate flows of transnational information, the integration of markets and other types of social networks (ibid.), acknowledging that authority is increasingly found “outside formal political structures” (Pattberg 2007:386).

Knill/Lehmkuhl suggest expanding the concept of private actors to include those who, in some sense, generate direct or indirect common goods¹⁵ but fall out of the scope of “humanitarian or environmentalists organizations” (2002:85). By roughly defining governance as “attempts at collective problem-solving outside hierarchical frameworks”, they suggest a typology of interactions between state and non-state actors, taking into consideration the regulatory structures that already exist in the state (the institutional context in which the actors are rooted) and the type of policy problem (2002:86-87). The typology presented by the authors mentioned above is a valuable tool for examining relations between the state and non-state actors, as well as for identifying the governance capacity of each party in a given constellation. In some policy areas,

¹⁵ Hérítier (2002:1-2) understands that changes in patterns of governance are, in general, the result of new modes of solving “collective-action problems” under a threefold consideration: the consideration of (1.) simultaneous levels of (inter-) actions among and (2.) new constellations of actors, and (3.) the changing role of the state in the provision of common goods. Based on vast literature, Hérítier defines common goods in two manners: the first one, takes into consideration its properties and considering three types of common goods and differentiates them on the basis of accessibility (if open to all, open to some, or open to according to certain people/groups according to defined exclusivity criteria) and consumption (non-rivalry and rivalry consumption). The second one relates to the “normative options” derived from the concrete ideas of accessibility to all and non-rivalry consumption such as the general education or general health services within a state (ibid.).

where the state either provides common goods in association with non-state actors or retains for itself the responsibility for supervising the provision of common goods by non-state actors, conflicts of various kinds may occur. Knill/Lehmkuhl mainly describe problems in the *coordination* between the state and non-state actors, and in *agreement* between the parties as far as the provision of goods and services is concerned (2002:87-88). The institutional setting, i.e. the regulation framework in which the parties operate, may also define the governance mechanisms in a given sector. Finally, broader political scenarios contribute substantially to the governance capacity of states as well as other actors. In the case of the Brazilian state, the federalist structure, the nature of law-making and law implementation and the distribution of power among governmental agencies may be of crucial importance as far as its cooperation with other (non-state) actors is concerned.

The model developed by Knill/Lehmkuhl (2002:93 et sqq.) to assess patterns of governance involving public and private actors is based on an ideal weberian typology. The four ideal types of interaction in the matrix proposed by the authors are based on the correlation between the governance capacity of public actors (defined as *high* or *low*) and the governance capacity of private actors (also attributing to them the values *high* or *low*).

When the governing capacity of the state is *high* and the governing capacity of private actors is *low*, the authors describe this as *interventionist regulation*. Here, responsibility for providing a certain common good lies with the state, and the state itself possesses the institutional means to regulate the given sector when those goods are to be supplied by private actors. This is the case in industries that are still hierarchically controlled by governments, being the case in part of the health sector in Brazil. Here, the manufacture of pharmaceutical products for treating HIV/AIDS as well as the production of certain types of vaccines are either undertaken by the federal government itself and distributed to the population as a whole or are supervised by the government when supplied by private parties. In the domestic macroeconomic sphere, state control of private enterprise in industries supplying essential services such as energy, oil and telecommunications was implemented during the era in which these services were privatized. In the 1990s, so-called national regulatory agencies were created to monitor the performance of these sectors (Caristina 2006:117) ¹⁶.

¹⁶ Those were, for instance, the ANEEL (Agencia Nacional de Energia Elétrica – National Agency of Electrical Energy), the ANATEL (Agencia Nacional de Telecomunicacoes – National Agency of Telecommunications) and the ANP (Agencia Nacional do Petróleo – National Oil Agency).

If the governance capacity of both public and private actors is rated as *high*, it should be possible for these actors to cooperate. The authors refer to this scenario as *regulated self-regulation*. Here, the state has the possibility of intervening in the process by actively supplying goods should the private initiative fail to do this. An example in this respect would be the mode of self-regulation established by the Brazilian press under the initiative of various press associations in 1970, at the time of the military dictatorship, to create a council for self-regulated publicity (CONAR), responsible for instance for the quality and content of advertisements on the radio, in the printed press and on TV (Caristina, 2006:120).

When the governance capacity of public actors is *low* and that of private actors is found to be *high*, private actors should be able to provide goods and depend on a low degree of intervention by the state. This scenario is referred to as *private self-regulation*, in which the state does not have sufficient means to supply the goods and is thus reduced to a moderator between the private actors who provide them. In both cases in which the governance capacity of private actors is high (that of *regulated self-regulation* and *private self-regulation*), the possibilities of regulation of private actors on a voluntary basis may open up channels of cooperation between those and public actors. In the Brazilian context this can be the case in industries that exploit certain natural resources, such as the timber sector. Though legislation has allowed a more thorough regulation of the development of the timber sector in general terms since the 1990s, the sole fact that the state does not actively participate in timber activities opens the floor to private enterprises as the main stakeholders in the exploration of natural resources of this kind. The poor controlling capacity of the state, for instance in the Amazonian region, enhances the responsibility of private actors for self-regulation in their activities there. External factors may trigger the setting up of private regulation mechanisms within an economic branch. *Eco labels*, for instance, are becoming increasingly important for forestry products that originate in developing countries as proof of the social and environmental sustainability of private activities in these regions.

The final setting proposed by the matrix relates to situations in which the governance capacity of both public and private actors is limited and thus, *low*. This results in a scenario of *interfering regulation*, where “public interference in markets (...) occurs on an ad hoc basis” (Knill/Lehmkuhl 2002:97). Still, the state may intervene when it is necessary to minimize negative externalities (ibid.).

As mentioned, one of the fields where cooperation between state and non-state actors has been most evidently noted is that of environmental politics¹⁷. Pattberg (2007) argues that what he calls private governance emerges from two different sets of conditions: those at a macro-level, relating to far-reaching changes to projected production, the regulation of commerce and developments in the international community. With restrictions (see Gulbrandsen 2004), so-called eco-labeling procedures such as the one proposed by the Forest Stewardship Council have resulted in the definition of standards for extraction and trade in timber that depend on high acceptance in environmentally concerned markets among developed countries.

In the area of the Brazilian Legal Amazon, for instance, the federal government and the governments of the federal states face problems concerning the widespread illegal logging of timber for commerce, the unsustainable way of extracting timber (this often has to do with illegal extracting processes), the exclusion of rural communities, slave descendents and indigenous people in the timber extraction and trading chain, and the frequent failure to impose sanctions for environmental crimes¹⁸. Within studies of global environmental politics, *third sector* as well as academic literature on environmental governance in general have presented criteria for evaluating mechanisms of (state and non-state) co-regulation of exploration of natural resources. Inspired by these literary contributions in general and by the literature on regulation of sustainable management of forestry resources in particular (FSC 1996, Mayers/Vermeulen 2002)¹⁹, the criteria that seem to be common to environmental governance discussions are those that insist on “environmentally responsible, socially beneficial and economically viable” (FSC 1996:3) development of the forestry sector. I have operationalized these notions into variables for the analysis of company-community partnerships in Espírito Santo, which shall be introduced in chapter 5 and analyzed in more detail in chapter 6.

¹⁷ The growing institutionalization of environmental governance by private actors beyond national borders is exemplified by the creation of the Forest Stewardship Council, an initiative of non-governmental organizations with the support of businesses and local actors to develop certification procedures for producing and marketing timber products and non-timber products.

¹⁸ Programs launched largely on the initiative of non-state actors, such as the World Bank, in collaboration with the national government in an attempt to increase efforts to preserve and manage forests in a sustainable manner in Brazil have had positive results. The Pilot Program for Tropical Forests PPG7, launched in 1991-1992 as a joint action between industrial countries and international organizations, achieved significant results as regards the progressive inclusion of small peasants and local communities in forestry policies, and represented an advance in the discussion of land rights in the Amazon, as well as exerting pressure on the forestry policy for that region.

¹⁹ As proposed, for instance, by the non-governmental eco labeling organization FSC – the Forest Stewardship Council, founded in 1993 with the aim of proposing solutions for the “responsible stewardship of the world’s forests”, is composed of three chambers (social, environmental and economic) and counts on massive participation of environmentalist organizations (see bibliography and Andrade/Dias 2003:186).

The economic, social and environmental benefits of partnerships were taken as criteria for the evaluation of the case study.

1.3.2. Governance in “Hybrid Regimes” and Policy Implementation

The recognition of the continuous emergence of so-called hybrid regimes (Newell 2005), which have already been subject to studies in international environmental politics as well as international political economy research, draws attention to the analysis of policy implementation within those regimes, of how they are formed, with what kind of purposes, involving which kind of processes, and leading to which kind of outcomes and impacts. At this point, we can consider reviewing the interaction approaches mentioned above, realizing that the governance approach to be applied in this work is based on the assumptions that: (1) new mechanisms between the state and non-state actors are being built without the state necessarily taking the lead; further, (2) we realize that governance requires legitimizing instruments for its fulfillment, such as a specific kind of interaction between political actors and, of course, the prior acknowledgement of a series of social actors as political actors which are to be brought to the negotiating table; (3) the specific administrative and rule-based character of the dynamic interaction between acknowledgeable partners must exist; and (4) one of the outcomes of interaction must be the provision of common goods, be they of a direct (such as the provision of water) or indirect nature, such as the protection of the environment. In addition, (5) the governance mechanisms must take into consideration the limits and boundaries of culture, identity, history and other features of the given social environment. Research has been pointing out that general governance mechanisms can be applied only with limitations to post-colonial and transitioning societies.

Bearing an enlarged²⁰ governance concept in mind, comprising considerations on relationships between private and public actors mentioned above, we shall use the tools provided by Windhoff-Héritier (1980) to analyze the “Forestry Partners” program of the company Aracruz Cellulose as a forestry management policy in the state of Espírito Santo. Please, note that we can only talk about policy implementation in this context having assumed that policies (1) may be actively placed on the political agenda by non-state actors under *the shadow of the state* and (2) are thus as subject to scrutiny as

²⁰ I use the term “enlarged” to denote that I consider the multiplicity of aspects under which this concept is discussed in political science, including analyses in the area of environmental governance and the studies of governance applied to post-colonial states.

governmental policies, since the research agenda proposed by Windhoff-Héritier applies first and foremost to governmental policies.

Windhoff-Héritier (1980:220) points out that when researching policy, it is also necessary to research the phase between the adoption of a political decision and its actual implementation. We shall use the tools for analyzing policy implementation, specifically the interaction of actors, to approach company-community partnerships.

In the forestry sector, new solutions have been developed for including low-income producers in commercial forestry activities so that they are granted access to the marketplace (Vidal 2005). To exclude smallholder farmers in general from the benefits of “market linkages and access to technology, capital and capacity building” (Vidal 2005:ii) would constitute *bad* social and environmental business practice and could damage companies' legitimacy. Besides, the cooperation of the forest industry in general with local communities has been identified as one of the most promising strategies of relieving the existing pressure on tropical forests worldwide (ibid).

According to Vidal (2005:18), two forestry company-community agreements exist in Brazil, namely community forestry systems, mainly in the Amazon region, and what she terms “out-grower programs developed by forest plantation companies”.

The Aracruz Cellulose program, one of the best-known programs within the second type of joint forestry management, was created 18 years ago, involving smallholder farmers in the states of Espírito Santo and Minas Gerais in the southeast of the country.

According to Windhoff-Héritier, one of the structural prerequisites for programs is the democratic framework of the given country, which allows parties with diverse individual interests to propose and negotiate political decisions (1980:22). Implementation of the program presupposes the existence of potentially opposed rationality criteria, which must be satisfactorily accommodated. In our case, as in other similar cooperation situations, the different rationalities guiding each of the actors involved in the process (smallholder farmers, indigenous and the company) define whether or not partnerships between them can be established.

Anticipating the nature of the outcomes – be they individual or collective, or be they of a material or immaterial nature – is decisive to the establishment of criteria. In our case, the attraction of the program seems to be due to individual material gains such as the increase of individual incomes, but also on immaterial (collective) goods, such as the idea of contributing to the environmentally sustainable use of forestry resources (1980:41). The policy implementation research proposed by Windhoff-Héritier includes

the characterization of the group to which the program is to be proposed, and its classification as socially weak or strong (1980:41), since this will influence its role in implementation (*active* or *passive*). This type of program also relates to the *code of behavior* it implies (1980:43). Through its internal regulations and a potential sanction system, it creates patterns of behavior and expectations among its participants. According to Windhoff-Héritier (1980:46-47), the program types will be accompanied by steering mechanisms based on appeals of behavior. The steering mechanisms may be based on provisions in the form of proposals or imperatives; they may have a moral appeal; may occur on a symbolic level or may be of an indirect nature (for example, where the implementing actor shape a particular form of behavior by serving as an example). Or, such as in our case, steering mechanisms can offer incentives to serve as stimuli for complying with the rules of the program. Participation stimuli are a requirement for programs on a voluntary basis such as company-community agreements in the forestry sector. According to Windhoff-Héritier (1980:51), *one of the preconditions for the successful achievement of a program's goal lies in the accurate evaluation of motives that cause actors to join the program*²¹. According to the patterns proposed by Windhoff-Héritier (1980:53), we could interpret the partnership as a self-implementing one, where the state is present as a framework steersman. The organization behind the implementation of the partnership, the company in this case, would be the most active party. A second organization (a governmental agency), itself a receiver of (intermediary) benefits, remains responsible for inspecting the program. The final addressees receive benefits from the program if they comply with the rules (1980:54).

As mentioned before, Levy and Newell (2005:7) pointed out the multiple character of social regulation in hybrid regimes in what they termed “environmental governance”. While other governance approaches until now offered theoretical assumptions about roles and rules in hybrid regimes, the authors identify governance arrangements evolving into “complex, multiparty negotiations”. According to Mayers/Vermeulen (2002:ii), “partnerships [in the forestry sector] are of considerable interest in the search for effective governance mechanisms in the age of opportunities and threats created by globalization”. Bearing in mind that the phenomenon of partnerships between communities and companies in the forestry sector has been occurring in other parts of the world, too (*ibid.*), the aim of this thesis is to have a glimpse into the contractual

²¹ Freely paraphased from the original: “(...) eine Voraussetzung dafür, dass diese Strategie zur Verwirklichung des Programmziels greift, liegt in der richtigen Einschätzung der Motivationsstruktur der Adressaten“.

arrangement between company and communities reached through negotiations between actors from a governance point of view, in the specific context of the implementation of Aracruz Cellulose's "Forestry Partners" program in Espírito Santo.

Conclusion

The purpose of this chapter was to point out the polyphony of discourses on governance definitions, the role of the state in times of globalization, and the hybrid regimes emerging nationally and internationally which are characterized by consorted policy arrangements between partners, such as in public-private partnerships and other private scenarios, as for example, the company-community partnership to be analyzed here. The chapter aimed at identifying different aspects in each of the contributions to the idea of governance and moreover, drew more thorough conclusions about the importance of weighing the application of the idea of governance into post-colonial contexts (Risse 2007, Mitra 2006).

As Draude (2007) points out, different analyses of the governance discourse will define different rankings for the individual actors such as the state, state actors, private actors and society as a whole. Ideas of governance developed in western democracies often reach their limits when theorizing about governance types and even about the function of specific actors in partially non-western contexts. Different governance ideas lead to different notions of the state and pose different challenges to it and to private actors such as businesses and civil society. It seems unquestionable that, even though there are divergences on the position of the state as the provider of common goods and as the ultimate or implicit steersman in social regulations, societal forces, be they social networks or businesses, are assuming an active role in policy-making both in domestic and international scenarios.

As state and non-state actors are admitted to cooperate in many areas, the present chapter also proposes the idea of placing the case study for this M.A. thesis into the framework analysis of policy implementation, as proposed by Windhoff-Héritier (1980). The idea was to embody governance into a policy implementation strategy and to provide an analysis of governance in this specific situation using the policy analysis instruments, which fit into the rational choice approach to be used in chapter 2.

Finally, the chapter elucidates once more the central idea of the text: to understand governance by analyzing forestry policies, such as the company-community partnership in the timber sector. For this purpose, the chapter discussed Windhoff-Héritier (1980)

and returned to reflections on governance in the environmental area (Levy/Newell 2005) and the specificity of embedding non-state actors in such arrangements.

My idea of governance comprises (1) the understanding that the state's role has been changing due to liberalization processes of different kinds (commercial, financial, political) and that, specially in post-colonial contexts, the state has been assuming a mediating function in governance among non-state actors, necessarily having to consider factors such as culture, history and identitarian conflicts to accommodate national and subnational political demands. Further, my idea of governance (2) does not aim at explaining general interaction among state and non-state actors within or beyond the borders of a nation state but is instead applicable to the analysis of specific sectors of government/economy (in this case, the environmental area/the forestry sector); (3) it necessarily draws on political economy to understand mechanisms and purposes of interaction among social actors and (4) draws on policy analysis as an instrument for evaluating the implementation of sectoral interactions. Fifth, my idea of governance for the forestry sector in a post-colonial state necessarily comprises normative guiding principles for *sustainable development*²². Literature on environmental governance suggests the emergence of normative criteria for the analysis of policies and joint undertakings between state and non-state actors and among non-state actors in the management of natural resources (see FSC 1996, Mayers/Vermeulen 2002). For the purpose of this study, some of those elements are categorized and evaluated. For now, I have argued that governance comprises mechanisms of social regulation between actors, be they state or non-state ones, based upon the consideration of each of the partners' social, economic, and cultural needs and rights – all this against the background of a rational behavior towards the use of natural resources.

Governance in the forestry sector means a complex social interaction between state and non-state actors (or only between non-state actors) embedded in culture and context, time and space, counting on a sometimes more sometimes less visible mediating function of the state (through its agencies/laws) to ensure profit and well-being of all actors (especially local communities and indigenous peoples) in the (commonly shared) management of natural resources.

²² Some of these principles can be recognized in the *Brundtland* report, although the referred concept has to be evaluated critically. The Brundtland report refers to a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” as we can read on <http://www.worldinbalance.net/agreements/1987-brundtland.html>; 10.03.2008.

To answer the question of whether a company-community partnership fulfills the established idea of governance under the premise of the verification of the two hypotheses proposed in the introduction shall be the ultimate aim of this paper.

CHAPTER 2 - A NEO-INSTITUTIONAL APPROACH TO GOVERNANCE

Introduction

This chapter aims to introduce the analytical framework of this study. It begins by giving an overall definition of the term “institution”, as proposed by North (1991), and then makes an excursion through the types of neo-institutionalism relevant to this study²³, criticizing the supposedly rigid frontiers between them. It justifies the decision to use the rational choice model for this work and applies the game theory model to the company-community partnerships in Espírito Santo.

The chapter aims to link the theoretical framework, which is based on the understanding of governance detailed in chapter 1, with the empirical data available for this study. I shall argue that while a neo-institutional approach to governance as proposed in chapter 1 provides a theoretical framework for explaining the emergence of company-community partnerships in the forestry sector, rational choice offers an adequate insight into the possibilities of interaction between partners in the target case study. Game theory *rationale* helps us to understand interaction in concrete terms, emphasizing the interests and preferences of each of the partners. The last part of this chapter presents the main actors in this study, briefly discusses the interests of each actor and the direct and indirect relationships between them.

2.1. Neo-institutionalism and the Concept of Institution

The concept of *institution* played a fundamental role in the political science scholarship of the '70s and '80s. While North (1991:97) defines institutions as “humanly devised constraints that structure political, economic and social interaction” and that consist of two features: “both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)”, Zimmermann (2006), who refers to the neo-institutional scholarship in his analysis of political participation in Brazil, goes on to distinguish four main features of the concept of “institution” – namely that institutions *constitute a pattern of social relations that possess a regulation character, tend to be stable and have a stabilizing character and enforce their legitimacy, if necessary, through sanctions* (2006:18). The link between (political) institutions and democracy is also taken into account by neo-institutionalists:

²³ The sociological neo-institutionalism was not discussed here as it is of secondary relevance for this analysis. A formal presentation of it can be found, among others, in Hall and Taylor (2003).

democracy depends on acceptable social and economic conditions in general as well as on the framework provided by existing institutions (Zimmermann 2006: 16)²⁴.

According to Zimmermann (2006:13), the Eighties witnessed a return of academic interest in the formation and dynamics of institutions in the public sphere. Not least institutional (trans-) formation experienced by the post-Cold War Western states within the liberal capitalist world order of the present century and the emergence of unique institutional arrangements such as the European Union brought significant attention to the topic of institution research. While the “old” institutionalist school of thought, in the context of the critical debate of behavioralist and structuralist (or systemic) theories, favored the study of formal political institutions, primarily the state, neo-institutionalism amplified the concept of the institution by emphasizing the existence and effectiveness of informal institutions alongside formal ones, the transformations institutions undergo under the influence of political actors and that institutional frameworks are as decisive in the outcomes of politics as the preferences of political actors (see Zimmermann 2006).

In their much-quoted book “Reinventing Institutions”, March and Olsen (1989) review political science scholarship up to the seventies and criticize the secondary importance of the analysis of political institutions which were seen by behavioralists as mere “arenas” for political action (1989:1). The authors plead for a return to the importance of analyzing “the organization of political life” (ibid.). Representatives of a so-called state-centered institutionalism (Kato 1996), March and Olsen criticize the way political theories were being developed, stressing the excessive importance given to *exogenous forces* in analyzing politics. Instead of seeing the *state* as “important to the ordering and understanding of collective life”, March/Olsen (1989:3) affirm that political scientists had started to search for explanations exclusively in social *contexts*. Furthermore, they criticize modern political theory for seeking explanations for political phenomena at micro-level, thus being *reductionist* (ibid.:4). Another point of criticism has to do with the idea of the *utilitarian* character of human decision-making, as though human choice solely relates to the consequences of immediate micro events. Instead, the authors propose the idea of human choice being constrained by the existence of an institutional framework(s). In addition, the authors criticized the tendency of modern political

²⁴ The author points out that the neo-institutionalist scholarship seemed, and seems, less interested in the genesis or the ultimate goals of an institution. In general terms, neo-institutionalist scholarship focuses on processes of institutionalization.

theories to pursue an instrumental view of political events, as though they were to be evaluated as “strategic moves by self-conscious political actors” without considering their embedding institutions. Finally, March and Olsen criticize the understanding of history as an evolutionary mechanism towards efficiency – they disapprove of the notion of institutions being formed to achieve a given social equilibrium. According to their critique, institutions would function as structures providing equilibrium and thus would be detached from their *historical path* (1989:7). Their critics are ultimately based on the problematic of the description of “political behavior as institution-free” (1989:171). The authors instead suggest an idea of institutions based on what they call norms of *appropriateness*: rules and routines that are actively shaped and that themselves shape the participants in political life (ibid.).

To summarize, neo-institutionalism stresses the significance of institutions within the political process as setters of “options as well as restrictions for political action” (Mayntz/Scharpf 1995 *apud* Zimmermann 2006: 15) and March and Olsen’s criticisms paved the way for more recent debates on the importance of institutions as shapers of political reality, seeking to “bring the state back in”.

2.2. Two Neo-Institutional Schools – Historical Institutionalism and Rational Choice

According to Hall and Taylor (2003), three schools of thought have emerged under the scope of neo-institutionalism: historical neo-institutionalism, rational choice neo-institutionalism based on political economy and sociological neo-institutionalism. Common to the three kinds of institutionalism are questions of how to analyze the relationship between institutions and political behavior and, further, how to explain the emergence of institutions and institutional change (Hall/Taylor 2003:194).

Historical institutionalism, while still drawing upon structuralism, retained the idea of a political life as a system whose parts would “interact with others, influencing them”. (ibid.: 195) and in which institutions would regulate and eventually structure the political reality. The authors state that structural functionalism as well as pluralism and neo-marxist theories had an influence on historical institutionalism. Their concept of institution relates more to the rules within the organizational structure of political/economic communities (ibid: 196). The emphasis seems to be more on formal institutions. It is important to mention in this context that historical institutionalism takes into consideration the asymmetries of power that exist within institutions, and that it considers how institutions react to changes in processes or factors that have a direct

influence upon them (Hall/Taylor 2003). Historical institutionalists attribute to institutions the role of impacting political behavior inclusively by, among other things, shaping them morally and through the use of culture, incorporating symbols that influence an individual's interpretation of his/her own world. Finally, historical institutionalists place great emphasis on the historical development of institutions – their *path dependency*. This also has a major influence on the preferences of individual actors.

Rational choice neo-institutionalism has its roots in the economics scholarship of the 1950s, which defended the primacy of rationality in general political behavior. A thorough understanding of the neo-institutional approach and its relevance to the field of political science leads us to revisit the beginnings of one of the best-known variants of rational choice theory, namely positive political science, also known as the Rochester School (Amadae/de Mesquita 1999). The Rochester School defined new parameters for the comparative political science in general, establishing an axiomatic, quantitative, and a less norm-oriented analysis of political life. Questions concerning the emergence of institutions and primarily the ways of reaching equilibrium among them also became one of the cornerstones of research while the unit of analysis for rational choice theorists was the *homo oeconomicus*, the rational, gain maximizing actor.

Hall and Taylor (2003:205) refer to four basic characteristics of rational choice theories in general: their emphasis lies, for instance, on behavioral characteristics of the actors but not on their psychological features. Rational choicers use a simplified model of interaction, in which the preferences of the actors are set up transitively according to the actor's projected rational calculus. Their behavior is thus predictable, since their joining the institutional arrangement can be seen as a utilitarian maneuver to reach rationally established goals. Still according to Hall/Taylor (*ibid.*), rational choicers face dilemmas of collective action when they try to maximize their gains in situations of political life. The "prisoners' dilemma" and the "tragedy of the commons" illustrate the suboptimal gains for the collectivity and consequently for individual actors when one actor behaves with the sole intent to maximize his/her own preferences at the expense of others – and at the expense of resources also available to others. Furthermore, the authors point out that rational choice scholarship emphasizes the strategic interaction, institutionally embedded, in determining outcomes of political and social life. Interaction is thus a product of the maximization of preferences and gains and the evaluation of expected maneuvers from the other actor's side. Rational choice scholarship ultimately views

institutions as a *voluntary and rational construct* of actors that recognize the necessity of interacting with others. One of the most determining characteristics of rational choicers is their assumed driving force for interacting and setting up institutions: they focus on strategic calculi instead of historical impersonal forces.

However, according to Diekmann/Voss (2004), some assumptions within the rational choice approach, or better, some rational choice approaches have gone beyond the restricted idea of a *homo oeconomicus* trying to maximize his gains at all bearable costs while interacting with others. These authors point to variants of rational choice theory that consider the non-material interests of actors and the influence of social structures within a given context as part of the analysis (Diekmann/Voss 2004:13).

When we consider that the goal of rational choice theory is to explain “collective effects resulting from assumptions regarding individual handling, embedded in a social context” (Diekmann/Voss 2004:14, my translation)²⁵, game theory seems an adequate tool for analyzing social interaction since it narrows down complex interactions to a simpler form, allowing a better insight into the preferences and handling options of actors.

In short, the premises in rational choice theory can be summarized as follows (Diekmann/Voss 2004): the theory is based on actors deciding on their own resources and restrictions, building their preferences according to these and faced with two basic options (to cooperate/interact or not to cooperate/not to interact). *The theory encompasses rules of choice and these set the premises for the actor’s maneuver*, according to Diekmann/Voss (2004:15). Therefore, the hypotheses highlight the *explanans* for the given sample of social interaction while the theory’s aim is to generalize the analysis of social interaction and apply it at macro-level²⁶.

In her essay “Historical Institutions in Comparative Politics”, Thelen (1999) points out similarities between historical institutionalism and the rational choice approach. A reflection on this issue is relevant for the present work since the analysis of the case of company-community partnerships in Espírito Santo not only draws on a rationalist model of interaction but also relies on features of historical institutionalism when answering political and social questions. For Thelen (1999), the theoretical approach to

²⁵ In the original: “(...) die Erklärung kollektiver Effekte aus Annahmen über individuelles Handeln, eingebettet im sozialen Kontext”.

²⁶ In the words of the authors mentioned above (2004:21), the “rational-choice Theorie geht zwar von individuellen Akteuren aus, jedoch ist dieser Ansatzpunkt nur Mittel zum Zweck der Erklärung kollektiver Effekte und sozialer Prozesse auf der gesellschaftlichen Makroebene“.

social reality as proposed by historicalists and the empirical approach as proposed by rational choicers are unnecessarily and inappropriately dichotomized. The different emphases on analytical units (for historicalists, the analytical unit would be the way institutions are viewed and for rational choicers, the way “players” are defined) deliver a false view on how research is taking place in the two schools. In this matter, Thelen (1999) points out that differences do not relate to the specific question whether the rational choice tradition prioritizes empirically oriented research as opposed to a theoretically oriented work done by historicalists, but rather to the different outsets of reflection in setting up theories for approaching the object of study²⁷.

While both schools show similarities in their approach as well as in the way they specify analytical units, there are differences regarding the role of preferences in analytical models. While rational choicers regard preferences as being known, exogenous and thus not changeable, historicalists understand them as endogenous, meaning that they are not just a feature of the agency, but can be also influenced by the institutional framework itself (Thelen 1999: 375). The author points to the necessary contextualization of the actors’ attempt to maximize their preferences in both traditions. While rational choicers generalize/universalize preferences within a preferably clear institutional setup, historicalists draw on the possibilities of intrinsic interactions between institutions and actors, resulting in changes in preferences depending on a specific context. The third point of divergence between the two traditions relates to what Thelen (1999:377) calls “the micro-foundational versus (a) macro-historical research”. The major difference behind these ideas is that rational choicers search for a strategic behavior of individual or collective actors in a specific institutional (micro-foundational) setup while historicalists would supposedly research macro(-historical) scenarios without asking for a detailed account of strategic behaviour of specific actors. What Thelen (1999) means is that when rational choice analysis does not specify strategic relations or key players in an analysis, its micro-foundational appeal closely resembles the macro-historical research done by historicalists. The concept of agency, of identifying the key actors as players (in the rational choice sense), can basically be obtained through empirical study, and this resembles the attempt of historicalists to

²⁷ The idea developed among rational choicers that a relevant problem from a political science point of view probably means a deviation from general prediction explains, for instance, the importance of incorporating counterfactuals in research. This also validates the attempt of the rational choice school to approach objects of study by setting up general models of analysis where causal relationships among actors are possible thanks to the existence of an institutional framework.

understand “the way actors and their interests are constituted historically” (Thelen 1999:178, footnote). The last point of false divergence is based on the matter of defining the concept of institution – while rational choicers see institutions as functional, coordinational setups, historicalists see them as historical setups, influenced by time and actors. Thelen (1999:379) notes that North’s later works (e.g. North, 1991) contain a historically embedded comprehension of institutional developments and their characteristics applied to various countries. While originally, rational choicers nurtured a functional view of institutions based on their focus on individual choices of action, some research within the school has gone beyond a “materialist-oriented” analysis of social reality, embracing historical elements which would be inherent to the historical institutionalism. However, the study of the types of institutionalisms, their differences and similarities, points to an interesting element of neo-institutional theories which shall be touched on at a later stage in this work – there are “different explanations for how norms and culture fit into the analysis of political outcomes” (Thelen 1999:377).

2.3. Rational Choice and Game Theory as Analytical Tools

Rational choice can be considered a theory aiming at extensive explanatory power though methodologically based on an individual approach instead of a holistic one. For the purpose of this thesis, it is necessary to make a few comments on how rationality is perceived in neo-institutional rational choice and how the actors behave, or are expected to behave, when constellations of interaction are analyzed according to game theoretical models²⁸.

According to Johnson (1993:74), rational choice theorists are primarily “preoccupied with determining what *rational* can mean in the realm of social and political interaction”. Notions of rationality are a valuable tool for analyzing the rationality of actors in a given social and political set up. While Hobbesian and Machiavellian concepts of the rational actor and his/her preferences prevailed at the outset of rational choice theory, the perceptions of rationality in positive political theory have their roots in Scottish Enlightenment thinking and were largely influenced by Hume and his concept of instrumental rationality. According to Sugden (1991:754), however, philosophical

²⁸ At this point, it is relevant to state why game theory seems to be an appropriate analytical tool for the overall analysis of company-community partnerships. The relevance, in my judgment, lies in the discussions of concept(s) of rationality and on the focus on actors and their preferences/preferable gains. Game theory, according to Scharpf (2006:128 et sqq.) offers a way of simplifying complex, multidimensional interactions and distinguishing, for analytical purposes, the actors and their handling options.

perceptions of rationality²⁹ did not remain limited to the idea of rational thinking as in Hume, mainly based on the psychologically driven desires of the actor. Perceptions behind the idea of rationality as in the neo-institutional rational choice also take Kantian premises of a rational actor into consideration. For Kant, so the author (ibid.), rationality was deeply related to the individual's capacity to decide autonomously. The basis for rational choice in Kant is no longer explained in psychological terms but using a rational term – coherence (ibid.). In rational choice analyses, the concept of rationality seems to be above all a functional one, drawing on the materiality of observed reality and on the information available to participants in the interaction to help solve the puzzle of how stability and political order are generated (Kunz 2004). Other basic premises in rational choice theories relate to the existence of a *rational actor*. The rational actor exercises choices based on egoistic interests to maximize their gains, limited only by the contextual and institutional frameworks of interaction (ibid: 10). Further, rational choice assumes that the rationality of a social actor is something inherent to all human beings, and thus detached from *cultural, temporal and social bounds* (ibid.). Rational actors are constantly in contact with other rational actors, interacting with the objective of fulfilling their primary interests.

Among social theories of action, game theory has been a useful tool for social theorists to approach interactions of *strategic interdependence* between actors in the sense that the behavior of one actor will exert immediate influence upon the behavior of the other actor. According to Johnson (1993:75), game theory is “(...) the most systematic social scientific analysis of strategic action” and has been a widely known tool for the logical analysis of social and political interactions. Patterns of interaction can fit into different formalized analytical tools such as the *zero sum game*, the *chicken game* and the *prisoners' dilemma*, and are formalized tools of political science (Pfetsch 2000:43). Though there are critics from other schools of thought regarding game theory because it is viewed as a reduction of social relations into mere strategic interaction (ibid.), game theory has proved to be a good analytical tool for identifying the preferences of actors and predicting their choices and the ultimate outcomes of interaction. The simplicity of the logical model, drawn usually upon a 2x2 matrix of interaction between two partners may be seen as a weakness of the theory, however methodological steps of identification of main actors, preferences and ultimate choices should allow a prediction

²⁹ Instrumental rationality is understood here as “a source of hypothetical imperatives” (ibid.), which means that one person would behave according to what he/she expects to achieve as outcome or consequence of his/her behavior.

of the outcome of the interaction. For the purpose of this thesis, though game theory is applied in a range of complex situations, I shall focus on the role of the actors and the definition of preferences and their orientations.

2.3.1. Application of the Theoretical and Analytical Framework to the Case Study

The case study presented here is that of a relationship established between a multinational company which produces cellulose from its eucalyptus monocultures in the state of Espírito Santo and two different groups – smallholder farmers and indigenous communities. The “Forestry Partners” program consists of a contractual agreement, which allows both groups to grow eucalyptus trees and sell timber to the company, it is a contract under (1) civil law that fits into a wide national institutional framework which allows the commercial exchange of private goods and, further, (2) under specific forestry law which regulates commercial forestry in general and the eucalyptus cultivation in particular. Thus, the contextual and institutional framework encompasses the state and its overall regulation mechanisms in the forestry area. Through its agents, the state indirectly influences the interaction matrix, which initially comprises *en gros* the two groups of peasants and the company.

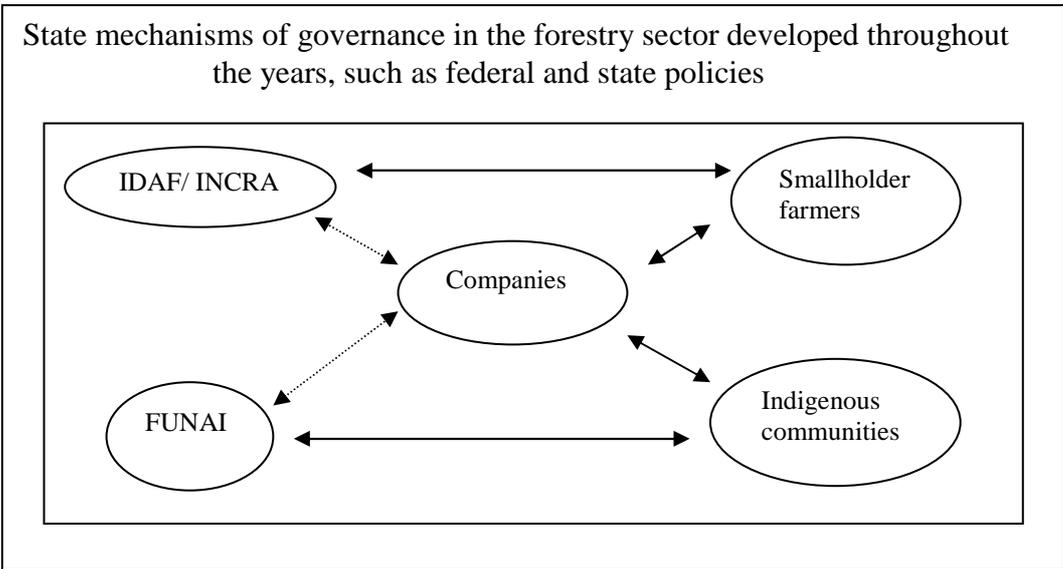
As for the characterization of actors, the company can be considered a corporate actor (Scharpf 2006:101), since decisions are made in a top-down manner, dictated by the company’s own interests. The company’s agent in this case is the technical advisor of the program, who is responsible for signing the contracts with producers in the name of the company and is also the person responsible for evaluating the progress of the farmers’ plantations. The interests, or expected utility (Kunz 2004: 43), of the company seem to be clear: the company hopes to be able to produce more timber to its established standards by “borrowing” land from third parties and it hopes to achieve a broader moral acceptance in the region by involving the local rural population in the production of timber, giving them the impression of sharing a common objective of striving for economic benefits and social and environmental sustainability.

Farmers and indigenous peoples seem to have an interest in achieving economic benefits. The social and political reality of both groups on the one hand and the nature of the contractual agreement on the other point to the fact that farmers will only cooperate individually with the company, while the indigenous communities Tupinikim and Guarani negotiated and entered into the contract as a collective actor. The two groups differ essentially from one another as regards their cultural background. The

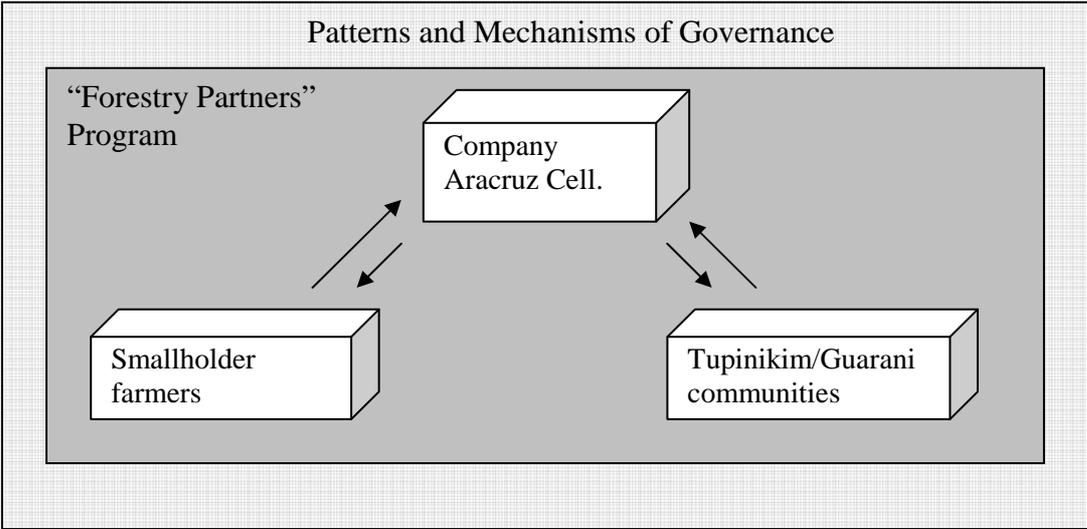
smallholder farmers in the hill country of the state of Espírito Santo are for the most part descendants of German immigrants brought to the region in the peak of the economic cycle of coffee production in Brazil. The Tupinikim community has been living in the state since times immemorial, having been joined by the Guarani over 40 years ago, when these arrived in the region, having come by foot all the way from the southern part of Brazil. Initially though, their interests seem to be the same: both groups seek to maximize their gains by planting trees on potentially infertile or unused ground. Through its forestry policies and regulation agencies, the state opens up the juridical and institutional possibilities for such partnerships to come into being and thus promotes such interactions' constellations. General government guidelines in the forestry sector are provided by the Ministry of the Environment (*port.* MMA), at operational level, by (1) the overall agency for the management of natural resources (*port.* IBAMA), and (2) the agency of property regulation INCRA (National Institute of Colonization and Agrarian Reform). At state level, the IDAF exerts a direct influence on the management of natural and planted forests, as well as evaluating agreements between companies and communities. Regarding indigenous communities, the IDAF has no such powers. Since the indigenous in general are directly under the tutelage of the federal government, the National Indigenous Foundation (*port.* FUNAI) is the only government agency suitable to serve as mediator between communities and companies. Overall, the pattern of governance observed in the forestry sector in the state of Espírito Santo is that of the regulated self-regulation, as proposed by Knill/Lehmkuhl (2002), mentioned in chapter 1. That is to say, government regulation seems to follow (1) clear patterns as to the policies that allow the growth of commercial forestry under specific circumstances, such as the protection of existing native trees in the state, and (2) clear mechanisms for evaluating forestry activities by the IDAF.

The diagram below shows (1) the actors and contextual/institutional elements involved in the constellation of commercial agreements between companies and other groups in the forestry sector. It (2) differentiates between their levels of influence: the bold arrows indicate *direct* influence and the dotted arrows, *indirect* influences between actors.

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Still, not all the relationships shown above are of interest in this thesis, although indirect relationships between actors are certainly significant in predicting the outcome of the partnership. Returning to a logical analysis of partnerships between the three main actors in our study – the company, smallholder farmers and indigenous communities – and applying our theoretical framework, the analysis is as follows:



The arrows show the interaction between the actors, which is determined by individual (in the case of smallholder farmers), aggregate (in the case of indigenous communities), and corporate (in the case of the company) preferences and interests (Schapf 2006:95 et

sqq.). Detailed information on the actors` preferences and interests shall be provided in chapter 5, where the neo-institutional rational choice approach is applied to the specific relational interaction between those actors in the context of Espírito Santo.

For now, it is sufficient to establish a clear idea of the relationship between the case we are analyzing here and the theoretical and analytical framework, considering the existence of interests and relationships between the actors as illustrated above.

Conclusion

The aim of the previous and present chapters was the introduction of the theoretical and analytical framework of this thesis and their application to the specific case study to be analyzed. Chapter 1 lays the theoretical foundation by responding to the question as to what kinds of governance patterns have been emerging between state and non-state actors, especially in sectors related to the economics of natural resources. Chapter 2 presents two neo-institutionalist schools relevant for this study, discussing in further detail aspects of rational choice theories such as rationality and preferences. It aims to connect theory and practice, as observed in the state of Espírito Santo.

The next four chapters deal with the theoretical framework of governance and the analytical framework of neo-institutional rational choice and game theory applied to Brazil in general and to the state of Espírito Santo in particular. From a governance point of view, chapters 3 and 4 explain the role of the state in conducting the liberalization and democratization process in the 1990s (chapter 3) and the evolution of forestry policies (chapter 4) allowing new mechanisms of governance to emerge in the forestry sector. Chapter 5 and 6 apply the knowledge gathered in chapters 3 and 4 to the discussion of chapters 1 and 2 so as to understand the specific relationships between the actors engaged in the “Forestry Partners” Program.

CHAPTER 3 - THE BRAZILIAN POLITICAL AND ECONOMIC CONTEXT

Introduction

The purpose of this chapter is to present the Brazilian political framework in a historical perspective by giving an overview of the economic and political features of the formation of the nation state mainly after the promulgation of the republic in 1889, covering the two large periods of dictatorship and reaching the nineteen nineties which brought with them the country's economic consolidation through market liberalization and the redemocratization. Though the outline of political and economic characteristics in this work dates back to 1889, the history of forestry policies can be traced back to colonial and imperial Brazil and the next chapter will touch on this topic. For the purpose of this work, this chapter aims to present the political framework of the Brazilian context, shedding light on the evolution of the state and its role. The aim of the chapter is to introduce the political and economic features of the country's formation and to show that the liberalization of the economy in the 1990s led to a certain rearrangement of the roles and purposes of the state, opening possibilities for the emergence of private-public partnerships and other efforts of consortial decision-making between public and private actors³⁰.

Since a thorough analysis of Brazil's economic history exceeds the scope of this paper, the general idea is to offer an explanation of the political and economic setting that shaped forestry policies in the past centuries.

For the purpose of this work, chapters 3, 4, and 5 shall mirror the structure of chapters 1 and 2, to improve the cohesion of the work as a whole and give a better insight into the case study from a neo-institutional point of view. While this chapter highlights democratization and liberalization as elements that enhance new governance possibilities in Brazil, chapter 4 offers a historical panorama of forestry policies, indicating options for interaction between state and non-state actors in the forestry sector. Finally, chapter 5 studies the target case from a rational choice game theoretical point of view, detailing the preferences and choice patterns of the actors involved.

³⁰ We shall see in the next chapter that the cellulose production sector benefited from establishment of a Brazilian agro-industrial complex (henceforth AIC) up until the re-democratization (Andrade/Dias 2003). The AIC is characterized by the dependency on high public financial investments and the participation of the state as a stockholder through its bank BNDES, and the "relationship of political neo-corporatist interchange in the process of management of public policies related to its configuration" as Andrade and Dias (2003:92) pointed out.

3.1. The Brazilian Political Context in an Historical Perspective

The federative republic of Brazil is the fourth largest democracy in the world in terms of population³¹ and ranks among the ten largest economies in the world today. Over the 508 years of its formal existence, the country has experienced three types of political regimes. Having been under colonial rule until 1822, it became a free empire until the proclamation of the republic in 1889. Under coalition rule by agrarian elites until the coup d'état of 1930, the country remained the under civilian dictatorship of Getúlio Vargas until 1937, then democratically electing the same dictator who stayed in power up to 1945. The democratic intermezzo lasted until 1964 when the country fell under military rule, coming peacefully to redemocratization 20 years after, in 1985. The political shifts in Brazil have doubtless had a major influence on the political and economic development of the country.

The real appropriation by the Portuguese of what is today Brazilian territory occurred some thirty years after the arrival of the first ships from Portugal on April 22, 1500. The year 1530 marks the beginning of effective exploration of the land and resources by the Portuguese crown. When reached by Portuguese ships under the Crown's mandate to search for the enlargement of commercial alternatives, the territory that is today called Brazil served largely as a source of raw materials, spices, and minerals. It was not planned to colonize the area having permanent settlement in mind. The first settlers reported on the richness of the territory and its inhabitants. The policy of exploring the resources was accompanied by a minor investment in the settlement and infrastructure of the land (Holanda *apud* Zimmermann 2004: 72). In the first colonial years, the extraction of timber and other natural resources served to mitigate the economic crisis in the recently formed nation states of the Iberian Peninsula. The regulation of raw material extraction was ordered directly from Portugal and, in the years to follow, the colony's administrative apparatus would be solely be geared to the provision of goods for the European markets. The history of the first hundred years of the country's existence witnessed the formation of a small agrarian elite, representing the Portuguese Crown overseas. The economy was at first largely based on the exploration of one particular type of timber, whose red color was used to dye textiles. It was abundantly found in the Atlantic biome along the Brazilian coast, which is almost inexistent today – and Brazil owes its name to it (Bernecker 2000:28).

³¹ See detailed information on the Brazilian political system and economy in the contribution of Frances Hagopian in Almond, Gabriel A./ Powell Jr., G. Bingham, (eds.). 1996. *Comparative Politics Today – a world view*. New York: Harper Collins, 556-607.

The political system in colonial times was largely based on the exploration of natural resources in the territories distributed in 1532 by the Portuguese sovereign *Dom João III* to 15 nobles of his court – the so called *capitanias hereditárias*³² which represented the first division of the territory in 15 horizontal land strips: some of the actual states have retained the name and position given to them at that time (see Caldeira 1997:24).

Along with the appropriation of territory came the establishment of social relations with the aboriginal population. The well-known Brazilian sociologist Freyre constructed a scheme for analyzing the initial social relations in colonial Brazil. In his “*Casa Grande e Senzala*”, the pictorial representation of the social relations between agrarian elites and the slavery system pretends to sociologically legitimate the harmony of the system by demonstrating intra-societal relations at a cane mill.

For Zimmermann (2004), the composition of society in Brazil, unlike other colonies, was strongly influenced by the colonists from the Iberian Peninsula. He points out (based on Freyre and Holanda, see Zimmermann 2004: 71) that *there are authors that defend the thesis that the origins, the character, the institutions, the state and the balance of powers of/within the Brazilian society are grounded in the Iberian tradition*³³. North (1991:110) reaffirms this idea by stating that the Iberian “conquerors imposed a uniform religion and a uniform bureaucratic administration on an already existing agricultural society” which lasted far longer than the political independency of the Latin American states. Other authors see the political system in Brazil not as a reflection/the image of the Portuguese system but as something born out of the special political and social circumstances in the early colonial times (see Lamounier 2005).

Colonial rule was replaced by a political arrangement between the crown and its heir, bringing about the independence of the country in 1822. This formal arrangement secured the power of the agrarian elites and drew the ultimate frontiers of the empire.

The period between 1822 and 1889 is characterized by the emergence of republican parties and abolitionist forces. The republican state was founded in 1889 – unbeknown to the Brazilian people. At the dawn of the twentieth century, the so-called “Old Republic” that replaced the monarchy managed to dictate a specific political rhythm in the country, characterized by the political and economic supremacy of the south-eastern region over the other regions. The southeast region, where the capital of the country –

³² The idea of the administration of the colony in *capitanias hereditárias*, agrarian political-economic units, under direct Portuguese rule forms the basis of today’s federalist political structure in Brazil.

³³ In the original: “andere Autoren vertreten die These, dass der Ursprung, der Charakter, die Institutionen, der Staat und die Machtverhältnisse der brasilianischen Gesellschaft in der iberischen Tradition begründet sind“.

Rio de Janeiro at the time – was located, was able to channel its economic power (coffee production and cattle breeding) into political power, being supported by social mechanisms of coercion such as patronalism and *caudillismo*. This era was soon overcome by the dictatorship of Vargas, who in spite of populist maneuvers to legitimize his power, extended suffrage to all citizens of 18 years of age, including women, introduced labor laws, and launched the industrialization process in Brazil.

According to Lamounier (2005), the Vargas era saw Brazil grow from a nation defined by archaic oligarchic bonds of power and social cohesion to a nation preparing for the modernization of its own means of production and the establishment of networks of power beyond the politics of the three traditional political centers of what had been the Old Republic: an exchange of power, benefits, and political influence between the federal states of São Paulo, Minas Gerais and Rio Grande do Sul. Still, Lamounier affirms that the country had not yet faced a “true democratic question” (2005:134) since the Old Republic officially lasted from the promulgation of the republic in 1889³⁴ until the so-called Revolution of 1930, a military coup catalyzed by the armed forces that brought the governor of the state of Rio Grande do Sul in the South of the country, Getúlio Vargas, to the seat of the federal government in Rio de Janeiro.

At his time, Vargas embodied features of a true weberian charismatic leader, who might have officially inaugurated the concept of populism in Brazil. His legacy to the political system and to the election of the presidents to come was the strong plebiscitary appeal of his governing style, favored by the fact that even during the dictatorship of the *Estado Novo*, the voting pool was enhanced enormously because of the inclusion of women in the political arena after the promulgation of the Constitution in 1934.

To summarize the political features of this period, Vargas was able to architect a strong executive based on a largely fragmented and consequently weak party constellation ranging from right-wing federalists to communists, unevenly represented throughout the country. Special features of the political environment of the time were the politicized media as the source of information for the general public and highly politicized armed forces. They had a self-given mandate of zeal for the “honor of the country” (Lamounier 2005) which made itself noticed in the political sphere at a later stage of the country’s history. Vargas relied on the broad support of other elites before coming to power and throughout his dictatorship. Though initially reticent about the administrative capacity

³⁴ This was a political arrangement between the local elites with the consent of the monarch to rescue the political structure of the state in spite of the failing monarchy – a top-down initiative without the consent and the participation of the general population.

of the *getulist* state, the emerging business class, which was supported by incoming foreign investments, ended up supporting his government, which sealed the transition from an agro-exporting society to an urban-industrial one (Diniz 2003:67). At this point in Brazilian history, the state incorporated the function and responsibility for the economic progress of the country, delivering incentives for investments in many industrial sectors, such as energy. By regulating the industrial sector and creating the legal and institutional means for workers to politically organize themselves under its own auspices, the state was making a political pact with both social groups. The monopoly of the state in delivering essential services and in managing natural resources, such as minerals and water reservoirs, were established in the federal constitution, which paved the way for the centralization of decision-making in political economy in the hands of the (dictatorial) governments to come.

Vargas' final successor, Juscelino Kubitschek, could not count on the popularity that was linked to the personality of Getúlio Vargas, but his government showed signs of continuing to promote Vargas' nationalist and developmentalist ideals. The construction of Brasília as the new capital and the transfer of the federal government to the middle of the country signaled that the aim of the new government to "regain" power over the whole territory, and the construction of transportation infrastructure along and through forest areas of the Amazon region, such as the pharaonic *Belém-Brasília* highway, showed both the project of integrating the Amazon region into the production network already established in the South and Southeast and maintaining the region as an attractive source of raw materials for foreign markets (Becker 2004).

The democratic intermezzo that preceded the military dictatorship of 1964 was characterized by the resurgence of a plurality of intellectual poles in many cities like Recife, Rio de Janeiro, São Paulo, for instance, openly rethinking the destiny of the country³⁵. The economic boost at the outset of industrialization in the country in the 1930s was succeeded by a slump in economic growth in the '50s and '60s which promoted political instability. As the government of João Goulart, elected after Juscelino Kubitschek³⁶, had proven to be aligned with more socialist government structures, there was enough evidence in the eyes of the conservative forces as well as in

³⁵ One of the most brilliant examples is the work of the educational philosopher Paulo Freire, the inventor of an alphabetization method based on the language and desires of the popular classes, discursively acknowledging for the first time the political existence of those masses. Paulo Freire's extraordinary experiences of socialization of knowledge among the poor while he was a governmental member in the north-eastern city of Recife rendered him the status of enemy of the state, thus obliging him to leave the country and seek exile abroad, where his master-piece "Pedagogy of the Oppressed" came to be written.

³⁶ After Juscelino Kubitschek, Jânio Quadros was elected to presidency, staying in office for 6 months.

those of international observers to convince the social collective of the “reddening” of the country’s political elites, which had to be suppressed.

If the end of the democratic period in Brazil was really due to its economic failures and consequent political instability, the military intervention that led to military dictatorship seems to have been almost inevitable³⁷.

All in all, two characteristics can be said to have marked the instauration of the military dictatorship. Firstly, it had the large support of the urban middle classes and, secondly, the *putsch* relied on the ultimate discursive justification that the aim of the military forces was that of finally freeing the country from corruption (Lamounier 2005). The General Castello Branco assumed power after the coup that overthrew the populist president João Goulart in 1964. There were substantial internal conflicts within the military cadres about how to proceed when they came to power. When the cadres assumed power, there was no *architected short or long term political project* for the country (see Lamounier 2005)³⁸. Those sectors of society that ultimately stood for the coup would later value the benefits of the regime to the industrial consolidation of the country. In the end, the creation of a broad industrial and transportation infra-structure allowed the government to claim, at last, its sovereignty and power over the remotest corners of the Brazilian territory.

The military dictatorship, though initially internally unorganized and externally weak, constituted a rupture of the constitutional order of Brazil. The depth of this rupture became evident at the latest after the radicalization of the regime in 1968, through Institutional Act 5, which is frequently referred to in Brazilian history and which withdrew all political and civil rights and imposed severe censorship on the Brazilian press. Nonetheless, in the institutional sphere, some continuity could still be recognized: the maintenance of electoral processes for secondary posts within the national bureaucracy and the – sometimes artificial – maintenance of a two party system. The existence of a party system during the years of the dictatorship certainly contributed to some civil mobilization during the transitional years from dictatorship to democracy in

³⁷ According to Lamounier (2005), other interpretations of the end of democracy in Brazil were based on political-institutional analyses of the situation of the country at that time. Those analyses pointed to the frailty of the party system and the weakness of the legislative process. Another plausible explanation for the collapse of democracy and the possible historical roots of its fragile existence can be found in the *sociology of development* scholarship. It would be relevant to see whether the collapse of the democratic experience was a “paradox consequence of the strengthening of the political and electoral dispute (i.e., among the representative subsystem) without a substantive progress in matters of deconcentration (in the sense of the improvement of social conditions and the reduction of income inequality) (Lamounier 2005:139). The same author refers to Lipset saying that, under the given conditions, “the system could become instable” (ibid.).

³⁸ The initial idea seemed to be that it was necessary to temporarily bring order to the country and then to hand over control to civilian power, an idea which was to be abandoned later on.

the early eighties. Another institutional continuity of major political significance was the maintenance of the federalist organizational structure of the country and the maintenance of the political importance of the state governors³⁹. The historical political force of state executives and its importance as a pillar of civilian representation in the country was evidently overseen by the regime. The strategic error of allowing direct elections for governorship in the capitals of the states at the beginning of the eighties, where the opposition was able to regain concrete political power, served as a catalyst for the transition.

The outset of democratization in Brazil was discouraging for many and led to speculations that a transition to civilian power was indeed impossible. Tancredo Neves, the first civilian to be elected by the dictatorial election board to take over the presidency in 1985, died before assuming office, and his vice president José Sarney, a member of the former dictatorship party, assumed the presidency up to the direct presidential elections in 1989.

The end of the eighties marked the beginning of the liberalization of the Brazilian state and economy. Fernando Collor de Melo, the first directly elected president, would take the first institutional steps at the beginning of the nineties that paved the way for the commercial opening of the country. This process would be finalized some years later, by the end of the second mandate of the former *dependence* theorist, Fernando Henrique Cardoso, in 2002.

3.2. The Brazilian Economic Liberalization in the Nineties and its Implications

As seen in the previous section, the Brazilian economic development is historically related to market demands on the one hand, having been driven throughout history by cycles either of exploration of natural resources such as water, timber and minerals or by the cultivation of raw products for consumption primarily in foreign markets. On the other hand, economic development was one of the legitimizing pillars of the state and it was the sphere in which governments historically demonstrated their executive power and their political projects for the country.

³⁹ The issue of federalism did for a long time not constitute the center of attention of political science research (Camargo 2001). Federalism as “political engineering and model of state organization” (Camargo 2001:69) did not “move” social science research in Brazil as much as issues concerning a presidential system *versus* parliamentarianism or the study of political parties and electoral system. However, the study of the federalist constitution of Brazil constitutes an important tool for the comprehension of internal/regional political and economic dynamics, especially at the time of institutional rupture such as in the transitional years roughly between 1980 and 1985 (see Abrucio 1998 and Kugelmas 2001).

The economic cycles that were exhausted from colonial times until the end of the Old Republic/beginning of the first civil dictatorship in 1930 were the ones of wood along the coast, gold in the south-eastern hinterland, sugar cane in the Northeast, rubber in the North, and coffee in the Southeast. All economic cycles brought with them social consequences which cannot be underestimated⁴⁰.

During the Vargas era of 1930 to 1945, state-based developmentalism served as a pillar for his populist government, and during the second dictatorship in 1964, the military intensified the relationship between the state and the economy. Their economic policies were successfully sustained by the concerted decision of three specific actors: *national businesses/industries, international businesses/industries, and the state itself* (Diniz, 2003:67). The redemocratization of the country, induced by the military regime itself, brought with it the serious questioning of a state-based development. At the end of the eighties, the challenge of market globalization and the serious consideration of the criteria established by the World Bank and the IMF began to be incorporated in both conservative and social democrat political agendas. Still, the state as a monopolist of main industry sectors and the most important provider of essential services had remained so in the definitive text of the first promulgated constitution after redemocratization, dated October 1988.

We must bear in mind that the rearrangement of political forces to start commercial liberalization was neither the country's first initiative towards, nor its first contact with massive foreign capital and investments in the industrial sector. The age after Vargas also witnessed the presence of multinationals in the Brazilian industrial pool, though not yet in the services sector. The existence of direct foreign investments in the industrial sector fitted in with the politics of economic progress of the dictatorial regime (Garcia 2004: 15). Diniz (2003) mentions the role of the industrial sector in supporting the coalition that overthrew João Goulart with the aim of establishing a type of development his social and populist aims would not be able to bring about. As the

⁴⁰ The rubber cycle, initiated in 1850 in the eastern Amazon region, gave birth to a system of exploration of local labor and attracted small rural workers from the southern regions of the country and landless peasants from the Northeast in the booming rubber production period (1870-1910) in search of better living conditions (Lessa 1991: 25-27). When Asian rubber began to become more attractive to foreign markets in 1913, the economy of the Amazon region went through crisis (ibid: 33). Nevertheless, the prosperity of other economic cycles, such as the coffee cycle at the beginning of the century, had legitimized whatever regime was currently in power. The political stability of the so called Old Republic, for instance, which was also termed *the republic of coffee with milk*, was based on the revenues obtained from the prospering coffee production and cattle breeding businesses. The *power of the colonels*, exerted from 1889 until 1930 and based on the governments of the states of São Paulo, Minas Gerais and Rio Grande do Sul, should not be underestimated. The structure designed to exert a major influence on political regulation at national level and to ensure that the national power would be in the hands of executives who were sensitive to the importance of the coffee production cycle.

military's economic project began to fail in the 1970s, for internal reasons such as the government's insufficient administrative resources to maintain the strategy of import substitution and for external reasons such as the oil crisis, the industrial class began urging for market-driven regulation of Brazilian economy⁴¹. In the 1990s, constitutional reforms that were necessary for restructuring the economic order and putting an end to state monopolies in the service sector were launched by the Collor government suffered under political stagnation during Itamar Franco's transitional government, and were finally completed in a record time of 125 days (Garcia 2004: 65), during the second year of Cardoso's mandate.

The difficult economic situation of the country at the end of the dictatorship and its low credibility with international financing institutions seemed to demand the restructuring of economic policies in general and seemed, further, to require a commitment to political liberalization along with the liberalization of markets. The compliance with the macro-economic principles of what from then on became known as the *Washington Consensus* of 1989 was initiated at the beginning of President Collor's government. The principles set by the representatives of the international community and financial agencies such as the World Bank, the IMF and the Inter-American Development Bank touched the core of the macro-economic setup of the country. The Brazilian economic liberalization benefited from, and was probably also strongly influenced by, the international liberalization wave at the end of the eighties caused by the transformation of many eastern-european economies. The end of dictatorships in the Latin American context equally speeded up the effect of commercial liberalization among Brazil's neighboring countries (Guimarães 1995, 22). The country's economic policies in the past decades had been based on import substitution, the imposition of tariff barriers and governmental incentives which aimed at reducing the costs of overall investment and production costs (Guimarães 1995:3). The incorporation of advice from the international community into the Brazilian economic agenda demanded substantial transformations at an institutional and juridical level, which had already been tentatively initiated during President Sarney's government, through its *Nova Política Industrial*, coming to pass already in 1988.

The economic policy, and above all the industrial policy of President Collor de Melo's government, can be considered a turning point in industrial politics in the country.

⁴¹ Diniz highlights (2003:58) the importance of the strategic options of elites and their political coalitions in the determination of the country's new political course and in the country's insertion in the international system in the 1990s.

According to Guimarães (1995:4), the central axis moved from an investment in productive capacity to an investment in competitiveness. The idea was to push Brazilian industries into competition against each other and in foreign markets by offering technological incentives and reducing market protection. This reduction in market protection would be achieved through the “reconstitution of customary tariffs as the basic protection [and regulation] instrument” (Guimarães 1995:4-5, my translation). One of the measures at juridical level to assure this dynamic was, for instance, the abrogation of the conceptual distinction between national and foreign businesses under Brazilian law. Another major reform, started at juridical level, was the slow attempt to increase competition in oligopolized sectors such as energy and telecommunications, among others (ibid:6).

Itamar Franco’s cabinet did not impose major changes to the political course already defined during Collor’s presidency. From 1992 to 1994, the idea of commercial liberalization seemed to be accepted as inevitable and the probability of its full implementation in the short term was assured by the nomination of the sociologist Fernando Henrique Cardoso as Finance Minister in 1994. His policy of stabilizing the economy by introducing what was termed the *Real Plan*, which brought the Brazilian currency in line with the U.S. Dollar, ended up being the most successful instrument of controlling the high inflation rate and paved the way for Cardoso’s candidacy for president national elections of the same year.

During Cardoso’s eight-year presidency, economic liberalization was completed from a legal and institutional point of view. His most significant achievement regarding economic restructuring was to pass the constitutional amendments that made the privatization of national industries possible⁴². Intra-parliamentarian cohesion would not have been one of the main influences on the necessary constitutional amendments passed in 1995 had it not been for the constant pressure exerted on government by lobby groups from the industrial sector with the purpose of influencing voting sections in parliament in favor of commercial opening and equal treatment of national and foreign

⁴² Specialists agree that Cardoso was able to aggregate a rare majority in congress, though he achieved this by negotiating political favors, which gave him the necessary votes to change the constitution. However, the fast implementation of his cabinet’s ambition was only possible by recurring to so-called “provisional measures”. This institutional tool available to him as the head of the executive, a presidency’s governing tool inherited from the times of dictatorship, made it possible to literally push congress, with its many other interests, to vote for the necessary amendments during his first mandate. As the head of the executive branch, Cardoso abused of his power of editing “provisional measures”, bills of law which actually have the legal power of a law for a period of 30 days (which can be extended for another 30 days), and must then be debated and approved by congress within a given time frame. Though “provisional measures” were meant for a possible state of emergency, over 5.000 of them were edited during Cardosos’ two mandates – a clear sign of the executive’s supremacy in legislative matters.

companies under the law. The third major catalyst for the commercial reopening of the country was the ideologically laden belief in a new liberal Brazil, unable to defeat the consequences of globalization, unprepared for international commercial competition and, above all, eager to win the confidence of foreign investors and the international community in general (see Garcia 2004).

The privatization of major national companies such as the mineral company *Vale do Rio Doce* had a split repercussion among the population in key cities of the country. The selling of stocks of national companies to foreign companies which were allowed to borrow government money for that purpose through the Brazilian development bank BNDES⁴³ was seen as a betrayal and a threat to the sovereignty of the state. Massive discontentment with the lack of improvement in the overall employment situation, the financial ruin of small and medium businesses that were unable to survive in the suddenly competitive national market in the nineties, and the difficult economic situation at the end of the decade, with the crises on the Mexican, Asian, and later on Russian, stock markets presented Cardoso with a difficult and, on the whole, less successful second term.

After eight years in presidency, Cardoso's PSDB and its coalition stepped down from power. The colorful coalition between the Laborers' Party PT and liberal parties won the national elections of 2002, bringing the ex-metal worker Luís Inácio Lula da Silva to the presidential office. The economic course set from 1990 to 1998 was faithfully followed by Lula's cabinet and thus, the Brazilian economic agenda was characterized by high continuity during the first socialist term.

Overall, the state was able to introduce major elements of a thorough state reform in the political agenda during the nineties, one of these being the rationalization of public spending through the privatization of national companies and thus a break with the state's discretionary power over the country's industrial sector.

Conclusion

The nineties saw a major shift in the state's role as a provider of common services and in the governmental agenda regarding the industry sector in general. Economic liberalization had the following consequences for the national industrial sector: the pursuit of increased autonomy by reducing fiscal incentives and the attempt to improve

⁴³ See the "List of Acronyms".

the productive system by means of institutional regulation of internal and external competitiveness (Guimarães 1995).

The economic liberalization gave rise to improvements in the overall political scenario. The nineties can be recalled as the decade of reconciliation between international and national economic agents, partly because of changes to the recent Constitution that altered the status of state industrial monopolies and allowed economic regulation throughout the market and partly due to the acceptance of cooperation with financial institutions such as the IMF as a political sign of adherence to international rules of governance in times of globalization (Lamounier 2005:201).

Still, major difficulties in implementing the new economic policy agenda during this decade had to do with the slow process of redemocratization of overall political structures and the difficulty of identifying “new political instruments (...) adequate to the new pattern of industrial growth” in Brazil and the inexistence of governmental agencies that were already prepared to evaluate the implications of the commercial liberalization in each sector of the economy and to propose proactive adequacies for eventual course corrections (Guimarães 1995:25, my translation).

Nevertheless, the rather unharmonious path towards democratization and liberalization created new possibilities of interaction in the political and economic field for state and non-state actors. The next chapter shall examine the evolution of this political and institutional context in the forestry sector, paving the way for a discussion of company-community partnerships in chapter 5.

CHAPTER 4 - FORESTRY POLICIES IN BRAZIL AND ESPÍRITO SANTO

Introduction

This chapter aims to offer a panorama over the use of forestry and natural resources and its incremental regulation over the past centuries. Though records of forestry use for various purposes can be found in Brazilian historiography and are also present in textbooks, little information seems to be available about the real amount of damage caused to nature after the arrival of the Portuguese colonists in 1500. Few faithful reports can be drawn on as sources testifying to the actual condition of forests at the beginning of the first economic cycle – that of the *Pau-brasil* – in 1503. The idea of this chapter is to show how forestry regulation came into being. It identifies *path dependence* as far as the exploration of national resources is concerned. The myth of natural abundance, the (until now) little known resources of the Amazon region and the investment in a sequence of monocultures to satisfy external markets shaped man's relationship with nature over the last centuries. This chapter will briefly touch on the development of forest use and legislation from colonial times onward, trying to establish a historical sequence leading through imperial times, independence, Old Republic, dictatorship and recent improvements after the promulgation of the democratic constitution of 1988 and the wave of valuation of environmental issues in the 90s. The most recent developments in forestry legislation, particularly since 2000, show that the country continues to favour economic surpluses that can be extracted from the use of natural resources, though the aspect of *resources' management* seems to have moved to the foreground and the aspect of *sustainability* has found its place on the government's agenda. Efforts have been made to include communities, non-governmental organizations and other private partners in the management of natural resources on a normative level as well. This chapter will also tackle the issue of the efforts of the state of Espírito Santo to cope with the challenges of including (1) the population's participation and (2) the sustainability of forestry management in its political agenda.

4.1. Forestry Policies in Brazil: 1500-1822

As already mentioned, the first contact of the Portuguese with the nature and the inhabitants of the New World named by the lorrainian cosmographer Waldseemüller after the florentine Amerigo Vespucci – *America* – marks the beginning of mainstream

Brazilian historiography, and, with the arrival of the Portuguese, first efforts were made to map natural resources in order to draw up an inventory of the new property of the crown (Bernecker 2000:29).

The origins of the relationship between man and the environment in Brazil were mediated by the initial conclusion of the Portuguese colonists that there was no aboriginal high culture in the “new grounds” with which they could exchange goods. Nor was it possible to identify whether there were any valuable minerals or other materials of interest in the new territory⁴⁴. However, the first expeditions to explore the coastal territory, covered by what would later be called *the Atlantic forest* offered the newcomers a glimpse of the territory they were about to claim. In a comprehensive study on the timber market in colonial Brazil, Miller (2000) points out that the first natural resource in the new territory that was viewed as a commodity was timber, in particular brazilwood, which grew in abundance, and other hardwoods such as the durable *jatobás*, giant *jequitibás* and the extremely strong *massarandubas*, precious woods used in ship construction⁴⁵. He adds that “the real value of Brazil’s colonial forests consisted in its hundreds of timber species that were entirely new to Europeans, scores of which were stronger, larger, more durable and beautiful than any timbers available in temperate Europe or North America” (ibid:2)⁴⁶.

The image and significance of Brazil had the symbolic force of its economic value for external markets. What brought Brazil to life as a political unit was ironically its

⁴⁴ Soon after its frigates arrived in the tropics, the Portuguese crown was informed of the abundance of unknown species of trees as well as the ‘qualities’ of the natural environment and the native population. Perhaps one of the most emblematic testimonies to the first colonizers’ astonishment at the new land was the famous letter of *Pero Vaz de Caminha*, a royal scribe to the king, after the arrival of the Portuguese caravels on the coast of Salvador.

⁴⁵ An almost complete record of the noble woods explored exclusively by the crown during colonial times (1500-1822) and their usages can be found in Miller (2000:238-252).

⁴⁶ Of course, the first Portuguese settlers around 1530 could not have made a realistic evaluation regarding any dimension of the new territory. However, its virtues were to be publicized in order to legitimize the exploration of the new territory. In this connection, colonial chroniclers played a significant role in the establishment of Brazil as a place of exotic beauty, on the one hand, and on the other, a source of inestimable economic value for the crown. While some narratives, for instance those regarding the dimensions of trees and the diversity of fruits and animals, were close to reality, others combined exotic elements of the tropics with mythical ones, creating the idea of having discovered a Garden of Eden. The creation of myths by early settlers and clerical workers responsible for the civilization of the New World in their daily life narratives seems to contrast with the crude notion of Brazil as a great pot of natural treasures to be explored. What may have appeared as a paradox actually had a complementary character. In fact, the picture of Brazil as a source of new empirical knowledge about the world for humanists and as a source of quick profit for merchants represents the two sides of the same coin. The idea behind both discourses was that of stimulating possession of the unknown, of the still “unpossessed”, of the expansion of Portuguese power. Ultimately, both the renaissance and the mercantilist discourses formed the basis for the initial exploration of South American territory and for the extraction of the first marketable goods from the colony: timber. The religious ideology of the Catholic Church was discursively ruled out by the outstanding economic meaning of those new grounds for the Portuguese crown. The land that had been initially named Terra de Santa Cruz, recalling the importance of the church as the civilizing power, was renamed after the product that gave rise to the first economic boom in the colony – Brazil.

concrete importance to European trade. In the words of Pádua (1992:19, my translation), “the foundational act of Brazil was, therefore, a project of predatory exploration of nature – and this stigma encroached upon its own name”⁴⁷.

In Portugal, the idea of conservation of forestry resources as well as the protection of animals and water reservoirs had already been considered in legal documents such as the “Ordenações Afonsinas” and “Ordenações Manoelinas” of the fourteenth century (Nazo/Mukai 2001:77). The first measure taken by the Portuguese to legislate over natural resources in the New World was the edition of the *Regimento* of 1605 – 75 years after the first Portuguese settlements in Brazil, the crown approved this document dealing with the regulation of general timber extraction in new territories. The idea behind the document was partly to conserve trees in the new territory – the Portuguese forests had historically suffered from devastation – and also to establish a legal framework for its extraction and utilization. Miller (2000: 49) affirms that the “1605 *Regimento* would remain in effect after Brazil’s independence”, though initially defining conditions and limitations for the king’s monopoly of this noble natural resource.

As Portugal largely extended its legal framework to the colony, it claimed possession of the new lands, ordering its defense against Dutch and French colonial powers. Though Brazilian timber had soon been rated as being of higher quality and thus a potential source of immediate profit for the crown, the Portuguese claimed a monopoly on all species that were considered valuable for construction and security after 1652 (Miller 2000:18). These were protected “by law”, later to be referred to as “timber under the law”. The “madeiras de lei” (“timber under the law”) were inventoried and the latter introduction of the so-called “plans” of 1799-1800, royal recommendations regarding timber harvesting, came to act as codes of conduct for producers and landowners in dealing with public property (Miller 2000:55).

The regime of so-called donatary capitaincies, established for the purpose of a better governance of the colony in 1532 (Bernecker 2000:36), brought with it the colonization of the hinterland, the discovery of other treasures such as precious metals, the domination of other indigenous tribes, and investments in agriculture. According to Bernecker (2000) the model of capitaincies and the legal mode of land leasing which

⁴⁷ Pádua, an intellectual of ecological politics in Brazil, writes a lucid analysis of the relationship between man and nature in Brazil since its supposed “discovery” by the Portuguese. In the original he states that „O ator fundador do Brasil, portanto, foi um projeto de exploração predatória da natureza – e esse estigma está entranhado em seu próprio nome”.

was put forward by the Portuguese crown (ibid: 36) represented a transition from a medieval governance mechanism, similar to the feudal distribution of land, to a modern-day state administration. One characteristic of this interfacial regime of land distribution in the colony was, for instance, the crown's freedom to revoke donations to captains if they failed to conform with management rules, although donatary capitaincies were to be inherited – a characteristic of modern state intervention.

As early as the mid-eighteenth century, the extraction of brazilwood was already seriously threatened by the real scarcity of timber supplies on the coast (Resende 2006:26, Bernecker 2000:44). The regions most severely affected by the extraction of timber were the coasts ranging from the northeast of the country to the capitaincies of Rio de Janeiro and São Paulo at the southeastern coast. The existence of ports and the ease of transporting timber from the coast of Brazil to Europe transformed the coastal forests into the most attractive extractivist reservoirs in the first years of colonization.

However, according to Miller (2000), the extraction of timber from the Atlantic coast alone could not have caused as much damage as was stated in later times. The author offers good arguments based on primary documents that testify to the difficulty for merchants to penetrate the dense coastal forests constantly menaced by natural threats and by not always friendly native inhabitants. Much destruction was caused by the farmers themselves, who had the incumbency of populating new grounds and establishing agriculture upon them. The crown, showing poor managerial skills in dealing with recently discovered natural resources on colonial territory and overtaken by royal avarice, determined that the harvest of *madeiras de lei* should be done at the crown's service, even on private property and solely by registered fellers. Individual landowners were not allowed to commercialize *madeiras de lei* and were not to utilize them except on a small scale for their own domestic needs, for example to construct fences or mills (for these purposes, they were charged lower rates for the timber utilized). The possession of timber under the law thus meant that landowners had to cope with the damage caused by registered fellers entering their land to harvest without receiving compensation for the harm caused to existing crops or other trees that were utilized on the property. Further, the crown's control upon the *madeiras* and their right to "invade" land to obtain them constituted a direct and violent intervention of the crown in the settlers' lives. Finally, the necessity of expanding borders for agriculture provided a good incentive for clearing land by setting fire to trees. As a result, after obtaining possession of lands, landowners would destroy everything that could be

reclaimed by the crown as theirs. Miller (2000:8) points out that “the destruction in Brazil was uncommon as a direct consequence of Portuguese forest policy, which provided no incentives for conservation, few opportunities for timbering profits, and every stimulus for landowners to destroy what, by decree, did not belong to them”.

The commodification of nature went beyond the first years of effective colonization efforts and its initial damage to forests. In the mid-1500s, a sugar monoculture had already become the dominant cultivating mode in colonial Brazil and ensured the metropolis high revenues in the main cities since the production was almost entirely destined for consumption in European markets (Bernecker 2000:42). The region which was first utilized for the cultivation of sugar cane (and, later, for coffee production) belongs to a biome called “the Atlantic forest biome”, of which less than 10% of its original area⁴⁸ is left today. Three capitaincies, those of São Vicente, Rio de Janeiro in the southeast, and Pernambuco in the northeastern succeeded in starting what was later termed the “sugar cycle”, but the *pau-brasil* economy continued to be the most significant source of revenue for the crown. The region of Espírito Santo, which is of major importance for this paper, was among the first capitaincies to be founded in Brazil. Bernecker (2000:38) however, reviewing literature on the successes and failures of the first settlements, comes to the conclusion that Espírito Santo was not a major source of timber in the first colonial years mainly because the settlement there, under the responsibility of Vasco Fernandes Coutinho, did not function as well as expected, due to the constant conflicts with hostile native tribes in the region. The political and social development of Espírito Santo would not take place until more than 300 years after the arrival of the Portuguese⁴⁹. According to Schettino (2000:43), by 1888, 15.4% of the captaincy’s territory was under private possession, the other part of the territory consisted predominantly of public land. While the south of Espírito Santo was already generating revenue from the sugar culture that complemented subsistence agriculture, the north of the captaincy remained largely unexplored. The captaincy of Espírito Santo would play a far more significant role as late as 1850, as the coffee economic cycle and foreign immigration stimulated the economy there.

⁴⁸ Capobianco (2002:131). The same author mentions previously in the article that the Atlantic forest biome was originally spread over an area of approx. 1.306.000 km², an estimated 15% of the national territory, stretching itself over 17 states of the federation (ibid: 127) – today some 100.000 km² are estimated to be left. There are though, controversies surrounding the amount of forestry indeed left within the biome.

⁴⁹ As Miller (2000:85) remarks, „the distance of Espírito Santo’s forests from the ports of Rio de Janeiro and Bahia and the strength of the natives who were often belligerent and unafraid to attack colonists, worked together to keep the exploitation of local forests at a minimum throughout the colonial period”.

Pádua (1992), Miller (2000) and Nazo/Mukai (2001) analyzed records from colonial times from historical, economic, juridical, and ecological perspectives and reached the following conclusions: little was made to prevent the extraction of natural resources such as timber until they were exhausted in certain areas of the coastal Atlantic forest. The aim of rapidly establishing a “functioning” colony through settlements that could provide the expansion of the agriculture frontier to the hinterland in the name of the crown and could seek to satisfy the avidity for other commodities to meet the needs of international markets determined the handling of natural resources. Nazo/Mukai (2001) see the “Regimento do Pau-Brasil” of 1605 as the first law of forestry protection on Brazilian territory. Miller (2000) recognizes the crown’s ambition to protect timber sources – however, the idea of conservation and protection in colonial times was linked to economic objectives of private right of usufruct. Policies established by the public power to preserve natural treasures and assure the king’s monopoly over their exploitation were flaunted by colonists as well as by royal officials. Lack of control over the great land extensions and the nature of the law that completely excluded settlers from making a profit from timber commerce may have been the main cause of the overall low efficiency of colonial forestry policies in the Brazilian case. Another reason for the massive destruction of coastal forests in Brazil has to do with the very nature of the colonization of the New World: clearing the forests to live in them was a matter of salubrity and, above all, a matter of security, a way of controlling the immediate living environment. Forestry policies of the colonial period, still according to Miller (2000), generated a scenario similar to the “tragedy of the commons”. The fact that it was not possible to profit from the commercialization of precious wood resulted in a general liquidation of those woods existing in private properties in Brazil, causing the crown to profit less from these resources than it could have and leading it to establish a heavy-handed penalty system to deal with “copious legislation” established at the time (*ibid.*). Pádua (1992) analyzes the colonial period from an eco-political point of view and comes to the conclusion that the complementary existence of the discourses of “predatory exploration” and “laudatory rhetoric” of natural resources shaped collective thought both in the home country as well as in the colony.

Of course, the political and economic relationship of the Portuguese crown to the colony changed substantively after the arrival of the royal court in Brazil in the year of 1808 due to the Napoleonic invasion of the Iberian Peninsula. Scientific rationalism and the anthropocentric urge to empirically take stock of the nature of the tropics led the

Portuguese emperor *Dom* João VI to inaugurate a botanic garden in the capital Rio de Janeiro as early as June, 16th 1808 (Nazo/Mukai 2001:78). Towards the end of the colonial period, the preservation of the existing coastal nature was relegated to a second plan in the face of the growing urbanization and solidification of the Portuguese political dominion. However, the *sui generis* setup of a monarch governing his abandoned nation state from the colony gave rise to turmoils of various kinds in the metropolis, which led the crown to take the strategic measure of turning Brazil into an independent empire by appointing the heir of the Portuguese crown as *Dom* Pedro I, the first monarch of independent Brazil⁵⁰. Though other interests of economic and political nature certainly catalyzed the independence process, there remains little doubt that independence came to be a top-down maneuver that factually did not disturb the social *status quo* of Brazil's small population of settlers, banished criminals, and natives.

In summary, colonial Brazil was slowly incorporated in the Portuguese state from a legal point of view, through the extension of Portuguese conservation law to the New World; this also took place from a geographical point of view, thanks to the frontier-opening expeditions of colonists and their settlement with the purpose of exploiting natural resources and establishing agricultural economic activities. The economic aspect prevailed as the main driving force for colonization once the potential of its resources was detected, and the draining *ethos* collectively developed in the first years would become decisive for the relationship between man and nature in the centuries to come.

4.2. From Independence to the Proclamation of the Republic: 1822-1889

For practical reasons, this period is taken as an analytical unit. The political scenario ranges from the independence, effected by the heir of the Portuguese empire with strong financial support from one of the greatest economies of the time – England (Furtado 1971:32 et sqq.). The entire period is characterized by three monarchic regnancies: from 1822 to 1831, then from 1831 to 1840 and finally from 1840 until the Proclamation of the Republic in 1889. Scholars (Furtado 1971, Resende 2006) disagree on the precise historical moment at which the agricultural sector became a source of national revenues as important as the extraction of raw materials. However, at the time of the declaration of independence, a symbolic gesture by the monarch on the shores of the Ipiranga River in São Paulo, there was still no legislation regarding private and public land property.

⁵⁰ Official history registered a unique kind of interaction between the colonists and the colonized as the seat of the Portuguese empire was forced to move to the capital of its largest colony during the Napoleonic invasion of the Iberian peninsula in 1807 (Lustosa 2003).

In July 17th 1824, the regent prince extinguishes the captaincy system (Resende 2006:50). In the same year, the first imperial constitution was promulgated without mentioning any specific regulation of land issues. The sole mention of natural resources appears in the criminal code of the same year that reaffirmed the cutting of noble woods (*pau-brasil*, *perobas*, *tapinhoãs*, among others) as a crime. During the second half of the nineteenth century republican voices started demanding changes in power configuration. Anticipating the eventual end of slavery – Brazil was the last modern country to abolish slavery –, the monarchy issued the law 601 (Sept 18th, 1850), named “Lei de Terras”. This law had been established for the purpose of suspending the possibility of possessing land other than by its purchase from the government (Resende 2006:53). One of its idealizers, José Bonifácio, believed the measure would prevent *the black population under the slavery regime* from destroying forestry areas (Pádua 1992). In fact, in view of the existence of the “Lei de Terras”, the abolishment of slavery in 1888 relegated a huge population of freed slaves to the condition of landless to be subjugated as second class workforce in the framework of the suddenly installed liberal labor market. Discursively, Brazil was about to enter a new era of free commerce, nation building, progress and civilization – the continuing destruction of the forests would be a consequence of that.

The regulation of land possession after 1850, the state initiative of encouraging the immigration of foreigners as workforce, and the abolishment of slavery setting free more workforce for market purposes, signaled the close relationship of the arrangement of agricultural production to public policies at macro-level and to the positioning of Brazil as a land willingly capable of bearing large monocultures. The national project of keeping close dependence on foreign markets and political powers was not uncontroversial among the emerging Brazilian intellectuality.

The vanguardist preoccupation of the monarchy, especially that of Dom Pedro II, with the extinction of forestry areas in general and particularly in the region near the capital, Rio de Janeiro, where coffee plantations had taken the place of Atlantic forest regions, deserves to be mentioned. In 1862, the replanting of native species upon an area which had been cleared for coffee plantation in Tijuca, within the capital, rendered him the fame of having contributed to the ecological preservation and to the promotion of the *development of the Brazilian empire* (Nazo/Mukai 2001: 79). The uncoordinated and largely illegal anthropogenic pressure on timber resources was combated, at state level, with the issuing of the decree 4887 (Jan. 5th, 1872) legalizing private forestry activities

related to the commerce of wood (Resende 2006:55). The political setup of the republican period, lasting until 1889, was characterized by a recently established two party system, which drew its political power from the same economic basis – the agrarian regime of production based on a few large properties. The author (ibid.) stresses that during the republican outset, the preoccupation with state forestry resources diminished as the exploitation of those in private property was legalized in 1875. The relegation of the preservation of natural resources to the private domain was in consonance with the lockean exaltation of private property rights as one of the *ethos* of the political system in formation in Brazil. This national project drawn up by agrarian elites generated a kind of *private state*, as Fernando Henrique Cardoso puts it in his works – a state in which there are no collective interests, but instead, many juxtaposed individual ones.

4.3. Forestry Policies from the Old Republic (1889) to Late 1980s

The first republican constitution dated from as early as 1891 and its article 34 defined that the federal government was to legislate *over lands and mines* (Nazo/Mukai 2001:79). The constitution was in force until the end of the Old Republic, and a second constitution was promulgated in 1934 under the auspices of the *revolutionary* government of Getúlio Vargas. The 1934 constitution ruled “exclusive competence of the Union” in matters of hunting and in the same year, the first Forestry Code was promulgated by decree number 23.793 of January, 23rd 1934 (ibid.). According to Kengen (2001:22), one of the progresses institutionalized by the Forestry Code was the decentralization of power to control forestry activity by establishing of *Conselhos Florestais* (Forestry Councils) at the municipal, state and federal levels responsible for all forestry activities in the country. In the following years, in 1938 and 1941, separate institutes were created to regulate policies for the growth of special tree types such as *mate* herb and fir.

As for the emergence of eucalyptus plantations in the country, the first are recorded at the beginning of the 20th century and were cultivated by the *Companhia Paulista de Estradas de Ferro*⁵¹ in the region of Rio Claro, state of São Paulo, at the turn of the century for the production of “girders, telegraphic poles and wood for locomotives” (SBS 1990 *apud* Silva 1999:6). Forestry monocultures were introduced in Brazil at the dawn of the century specifically for economic purposes, though the growth of planted forests remained restricted to the southeastern region.

According to Silva (1999:6), the major part of the demand for wood was still supplied by native trees at that time. The Forestry Code of 1965 was a milestone in the regulation of forestry economics and brought major improvements to the existing legislation stating that *forests upon national territory were to be considered a common good owned by the Brazilian people* (Kengen 2001:24 et sqq.). The idea behind the statement was perhaps less democratic than it seemed – the federal government reserved for itself the right to *intervene*, eventually in order to *protect*. At the dawn of the military dictatorship, state intervention was being forcefully implemented in every dimension. The Forestry Code of 1965, though a product of the recently installed dictatorship, brought up issues of “forestry protection and forestry development”, as Kengen (2001: 24) would put it: the creation of legal reserves, conservation forests and areas of

⁵¹ Railway Company of the State of São Paulo.

permanent protection went hand in hand with financial stimuli for the development of the commercial forestry sector.

The expansion of monoculture plantations came followed suit with the approval of federal law 5106 (September, 2nd 1966), granting fiscal incentives from the federal government to build the forestry industrial complex. And these fiscal incentives would last until 1988⁵².

During the *getulist* government, forestry policies seemed unarticulated at institutional level and aimed at stimulating a few productive cultivations within the forestry sector. The myth of development had taken hold in the higher governmental echelon in the *getulist* republic. In the years to follow, the forestry sector was promoted by the organization of the private sector into a political association away from the government umbrella. The Sociedade Brasileira de Silvicultura (Brazilian Society of Silviculture, henceforth SBS) was founded in 1955 and played an active role in lobbying and negotiating with government partners to draw up a plan to offer incentives for private forestry on a large scale in the country. According to Kengen (2001:23), the government recognized that at this point, the regular supply of raw materials was one of the prerequisites for the industrialization of the country.

During the dictatorship, new policies were defined to manage the forestry sector. At that time, the IBDF⁵³, as it was then called, was responsible for “coal extraction, managed (...) native forests, deforestation, industrial complexes, domestic and external commercialization and the preservation of fauna and flora resources” (IBDF 1979:1). The researched guidelines for the forestry sector at that time seemed to direct the forestry sector towards more complex activities such as the management and incentive of planted forests, which were more compatible with the kind of development the country was seeking to achieve. The same document registers the importance of the reforestation sector for the entire economy by referring to the rise of employment rates after the establishment of the market of planted trees (ibid.). Further, at that time the government’s position was to encourage the growth of commercial forests so as to supply the growing timber sector⁵⁴. The market for commercial monocultures seemed to be rated as promising and the estimates for future benefits in the domestic market

⁵² The fiscal incentives were “a legal instrument that allowed individuals and legal entities to deduce up to 50% of the owed income taxes if their resources were applied to forestry projects” (Chichorro 1987 *apud* Silva 1999:6, my free translation).

⁵³ See “List of Acronyms”:

⁵⁴ The document of the IBDF (1979) carries out a first government evaluation at the acme of reforestation efforts in the 70s.

derived from financial investments in planted trees had been forecast by the IBDF (ibid:4). The proposals in the national guidelines for the forestry sector during that period can be understood as follows: apart from a preoccupation with the sensitive reduction of anthropogenic pressure on the forestry resources which were already threatened by immoderate exploitation in some areas of the country, the idea was to fulfill the government's aims of productivity and contribute to Brazil's presence in international timber markets. For that purpose, investments in a sector with long cycles of return such as those of planted forests had to be subsidized. Following the same line of argumentation, the government documents state that the twofold reasons for investing massively in planted trees (considering that this would be done by the private sector) were the "social benefits generated" by the sector and its "condition of column of important industrial sectors" (IBDF 1979:6).

In summary, the governmental position explicitly considered alleged social benefits on the one hand and the sponsorship of planted forests on the other as an incentive for the Brazilian timber potential to be taken advantage of. At the zenith of the military dictatorship in Brazil in 1974, another federal law, this time act 1376 of December, 12th 1974, had defined specific programs to promote the growing industry of paper and cellulose. The federal government seemed to have found the growth of planted forests one of the keys for the development of the agrarian sector paving the way for the private sector to join the emerging agro-industrial complex in Brazil.

The growth of forestry activity in general from the '60s onwards occasioned a growth in the number of government agencies at state level to regulate the sector. According to Schettino (2000), the first forestry institutes for the management of planted forests were created in São Paulo, Minas Gerais and Espírito Santo, which today are the three most promising producers of eucalyptus.

4.3.1. Forestry Policies in Espírito Santo

Espírito Santo was founded in 1535 being thus one of the first capitancies of colonial Brazil. The history of Espírito Santos' colonization is full of conflicts with belligerent indigenous and difficulties to the settlement's expansion through natural barriers. The eventual victory of its first captain, Vasco Fernandes Coutinho, over the obstacles posed by man and nature, led to the foundation of the city of Vitória, the present capital of the state, and to the establishment of villages and commerce along the Atlantic coast. As part of Brazil's southeastern region – the historically most developed and politically most interesting area in the country – Espírito Santo benefited from the investments in the coffee cycle of the eighteenth and nineteenth century, welcoming many European immigrants for that purpose. The coffee culture and the presence of German and Italian peasants to a large extent shaped the culture of the state. At the end of the 50ies however, the coffee cycle came to a bitter end due to the unforeseen *baisse* of prices in the foreign market and affected smallholder farmers all over the state. In the 60ies, Espírito Santo would witness the emergence of another culture very suitable to the geographic and climatic qualities of the state: that of planted eucalyptus forests. The first company to seriously settle in the state, in the municipality of Aracruz, was one of our main actors in this thesis – the Aracruz Cellulose.

The controversial history of the settlement of the company in the state incorporates in its origins the important matter of land property and land acquisition. During the last decades, the company established itself as one of the largest producers of eucalyptus, bringing considerable revenues for the state and invigorating the forgotten idea of the *forestry vocation* of the state (Schettino 2000:23). The growing incentive for the development of commercial forestry among smallholder farmers, in form of a “fomento florestal” (forestry incentive/management), was implemented in 1996 (Portaria n° 029/96 – IBAMA).

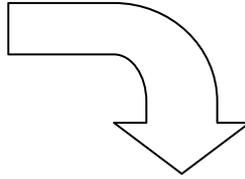
The forestry vocation of the state was also recognized in the National Forestry Program (*port.* PNF) and in the Integrated Forestry Plan (*port.* PIF) opening the possibility for smallholder farmers to join *public* or *private modes of forestry management* (*ibid.*). Both documents establish the legal framework that delimits the action of all actors in the forestry sector. Public forestry management, as foreseen by the legislation, is effected in partnership with public organs, and private forestry management is, according to Schettino (2000), done with private resources, often conceptualized by private companies in partnership with small rural workers. The anticipated benefits of

private modes of forestry management were, in the case of Espírito Santo, the reduction of the impact of the restraint on fiscal incentives for companies and, for the communities, the stable inflow of revenues out of agrarian products, since the coffee price in Brazil has oscillated considerably over the last decades.

The idea of establishing partnerships between companies of the agro-forestry business and local communities was originally developed in Minas Gerais in the late eighties (Schettino 2000:59), and was proposed by the company in the 90's for the states of Espírito Santo and Minas Gerais (Fomento Aracruz 2003: 4).

The federal and state governments institutionally supported the growth of managed forestry activities in the state. Schettino (2000) reports that the Institute of Forests of the state of Espírito Santo (*port.* IEF) was created in 1975 with the purpose of orienting reforestation and aforestation in the state. In the beginning of the eighties, the Institute of Lands and Cartography (*port.* ICT) was created to manage the forestry policy in the state, coming to be responsible for forestry in the end of the eighties and being substituted by the Institute of Agriculture, Livestock Farming and Forestry Defense (*port.* IDAF) in the 90's. Both the IEF and the ICT were institutionally linked to the government agency on environmental matters that preceded the IBAMA.

Policy incentives from the government have caused Espírito Santo to be, today, one of the southeastern states in Brazil with the best prerequisites for forestry and agriculture. With a total of 3.408.365 inhabitants spread over an area of 46.077.519 km² (IBGE, 2006), its revenues in wood production for the cellulose industry (*madeira em tora* – paper and cellulose) reached 293.777.000 Reais in 2006, making the region the second largest producer in the South East (24%), second only to São Paulo (65%) and ahead of Minas Gerais, with 11% of the production amount in local currency. It produced 5.269.324 tonnes of wood for paper and cellulose in 2006, being responsible for 18% of the total production in the South East, again second only to São Paulo (69%) and surpassing Minas Gerais (12%).



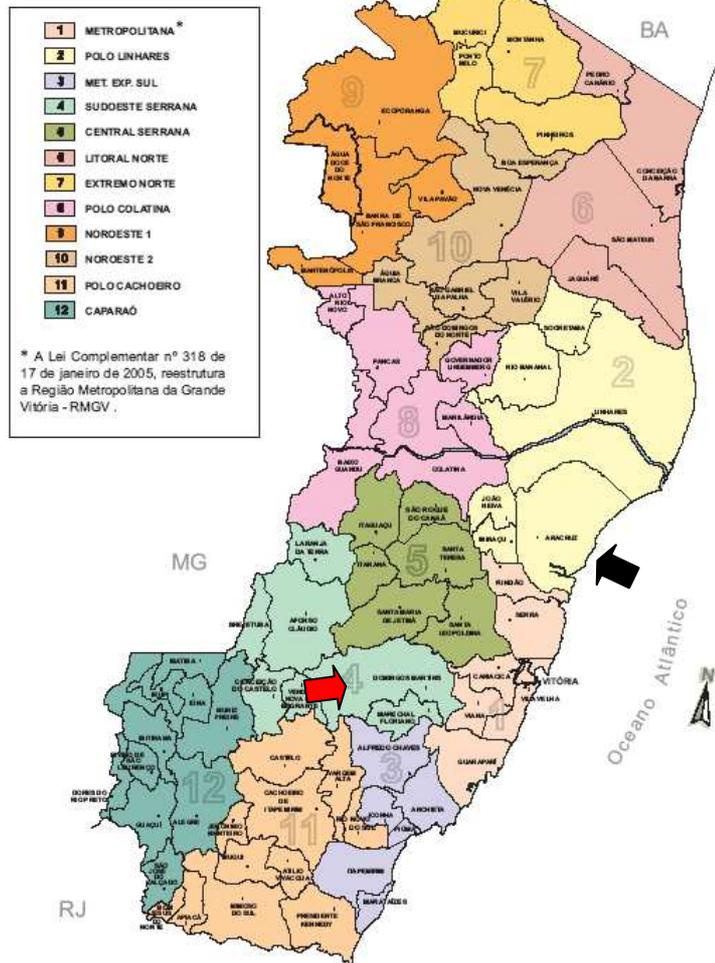
Divisão Regional do Espírito Santo Microrregiões de Planejamento

Lei 5.120 de 30/11/95 (DOE 01/12/95) alterada pelas leis:
Lei nº 5.469 de 22/09/97 (DOE 23/09/97), Lei 5.849 de 17/05/99 (DOE 18/05/99)
e Lei nº 7.721 (DOE 14/01/04).



Elaboração:
Instituto Brasileiro de Geografia e Estatística

Fonte: IBGE/IBGE



Map of Brazil, indicating the State of Espírito Santo⁵⁵ and, on the right, the State of the Espírito Santo⁵⁶: the black arrow indicates the municipality of Aracruz and the red arrow indicates the municipality of Domingos Martins

⁵⁵ source: www.duplipensar.net/images/geografia/mapa-espírito-santo.jpg; 16.03.2008.

⁵⁶ source: www.es.gov.br/site/cidadaos/mapas.aspx; 16.03.2008.

4.4. Forestry Policies from the Nineties Onwards

At the beginning of the eighties, the investment in the forestry sector made during the past decades by the federal government was showing results. However, changing events at a domestic and an international level impacted the relationship of the Brazilian state to forestry and economy. The end of the dictatorship brought with it a restructuring of the monetary incentive for the land's productive forces, and new political, economic and social elements emerged: the protection of human rights (a victory of redemocratization), the protection of nature and the liberalization of the economy after the end of the era of import substitution. The economic opening at the beginning of the nineties and the Earth Summit of 1992 in Rio, supported by a considerable number of non-governmental organizations, reframed national as well as international expectations of public and private actors in matters of *environment* and *development*.

Positive repercussions of the complex imbrications of the redemocratization process, the adjustment of the Brazilian economy to the international community's objectives and the fact that the *Earth Summit* took place in Brazil in 1992 represented the increased institutional opening to manifestations of the civil society in general (Camargo/Capobianco/Oliveira 2002:34). Among them, the creation of the National Council on Environment (CONAMA) with the participation of society members and the collective claims of the production of the Brazilian Agenda 21 surely contributed to a higher awareness of environmental issues among the population. One of the positive results of broad debates about the preservation of natural resources was the joint effort of federal and local governments along with private actors to expand *conservation areas*, resulting in 55% of the national territory being under *legal protection* today (ibid: 25). On the other hand, the Amazonian biome recorded losses of 156.893 km² of forestry area between 1992 and 2000, much of it due to the implementation of the "Avança Brasil" development plan, which stipulated infrastructure investments in *vulnerable areas* (ibid: 26).

The Forestry Code of 1965, still in force today, was subject of intense debate in the nineties. Deforestation records, especially in the Amazon, led the president to raise the amount of legal reserve areas from 50% to 80% of the total Amazon region by editing the "provisional measure" number 1736 in 1996 (Capobianco 2002:144). The cross-party ruralist fraction, responsible for the enlargement of the agrarian frontiers in the Eastern- and Southern Amazon, strongly opposed the idea. At institutional level, as we

can see, much was debated but idiosyncrasies in objectives were maintained at governmental level.

In 2000, a presidential decree approved the *Programa Nacional de Florestas* (National Program on Forests) following the recommendations provided by an IFF report (Intergovernmental Forum on Forests) and discussions within the Ministry of Environment. According to Smeraldi (2002:103-104), the general guidelines included (1) *the expansion of planted forests*, (2) *better management of native forests in public areas and (3) in private areas*, (4) *monitoring of illegal logging and related activities*, (5) *support of traditional forest peoples and indigenous communities* and (6) *the incentive of the commercialization of sustainably produced forestry products*.

Conclusion

This chapter starts with the initial attempts to regulate exploitation of natural resources in colonial and imperial Brazil. The near extinction of *pau-brasil*, which was perhaps the most emblematic symbol of Brazil's natural richness and symbol of its economic value for the Portuguese crown, was the result of a similar pattern of "tragedy of the commons", as Miller (2000:216) puts it. Though land was not common and forests were not entirely public, the crown's monopolization of timber production caused the "economic value of timber to the colonist to be zero, [causing] timber's annihilation a more rational choice than its conservation or even its harvest" (ibid: 224). In centuries to come, destruction would remain the link between man and nature in the Brazilian tropics. At the dawn of the twentieth century, the proclamation of the republic and the federalization of the country brought with them new hopes for a more conservationist type of national forestry legislation. These hopes were partly met by the Forestry Code of 1965, which outlived the end of the military dictatorship and the redemocratization of the country without substantial changes in its nature. This chapter ends with the description of the most recent developments in the country's forestry policy, such as the launching of the *Programa Nacional de Florestas* in the year 2000. The chapter presented divergences between decisions and actions that can unfortunately be traced during the entire development of forestry policy.

The box (4.2.1.) provided information on the legislative and institutional development of the forestry sector in Espírito Santo. The legislation enacted between the '60s and '80s was of vital importance for the establishment of an industrial pole of forestry production in the state. The legislation adopted after the redemocratization is

characterized by a less significant role of the state as instigator of commercial forestry in Espírito Santo, which now oversees partnerships between smallholder farmers and companies and welcomes initiatives of joint management of forestry resources when these are conducted on a private initiative.

CHAPTER 5 - A NEO-INSTITUTIONAL APPROACH TO THE ANALYSIS OF COMPANY-COMMUNITY PARTNERSHIPS

Introduction

This chapter aims to analyze the preferences, interests and actual choices of action of the actors involved in the “Forestry Partners” program, according to the logic of rational choice game theory. I will return to some thoughts that were briefly introduced in chapter 2 and, after detailing the Brazilian context and its actors, go one step further to analyze the actors’ interests. This last section lays the foundation for a presentation of my findings in chapter 6.

From the historical side, we saw that the proposal of a partnership between companies and communities was in line with general government policy for the forestry sector in the country from the 1990s onwards and, in this case, the partnership program was added to the proposal of the state of Espírito Santo as an incentive for cooperation in the timber sector (as stated in the general guidelines of *Plano Integrado Florestal*⁵⁷). The fact that the program was in line with government initiatives seems to have contributed to its legitimacy as a forestry management option for the region. I chose this particular case because of its significance in general literature about new methods of cooperation between non-state actors in the forestry sector, such as the WCSD (WSDS; Case Study 2004), and in *third sector* literature (Mayers/Vermeulen 2002). The sample state, Espírito Santo, is located in the southeastern region of the country, bordering with the states of Rio de Janeiro to the south, Bahia to the north, Minas Gerais to the west and the Atlantic Ocean to the east. Its geographical position was one of the reasons for the exploration of its natural resources as far back as the 16th century. The origins of its

⁵⁷ The *Plano Integrado Florestal* (henceforth PIF) was edited by the Ministry of the Environment/ IBAMA (Brazilian Institute of the Environment) under the rubric “Instrução Normativa n° 1, of September 5th, 1996” and it is a legal mechanism that regulates all reforestation efforts within the units of the federation in general (Chapter I, Section I – about “Forestry reposition”) and company-community partnerships in forestry management in particular (Chapter I, Section II – specifically about the “Plano Integrado Florestal”). Section III details the guidelines for joint forestry management. It states in its article 16, for instance, that all modalities of reforestation and management have to be registered in the IBAMA. Article 18 defines the duties of the company proposing the joint management plan and the unique paragraph defines the obligations of the “wood seller”, the smallholder. When crosschecking the information from the contractual agreement with the information of this piece of legislation, we confirm following data: (1) the contractual agreement rightly refers to the IBAMA as the ultimate government agency regulating the partnership, (2) the obligations of the company as well as of its counterpartners are described in the contractual agreement strictly accordingly to the PIF. According to the law, the company has to provide all inputs, seedlings and technical assistance when proposing a partnership to a smallholder. The contractual agreement states, also according to the law, the expected gains for both sides right away. The appendixes of the Instrução Normativa finally offer models of forms to be filled in by companies for the detailed inventory of all reforestation efforts.

political organization (a feudal-type system established in colonial Brazil to develop the silvi-agricultural potential of the region) date back to the beginnings of colonial settlement in that century (Miller 2000).

Based on a game theoretical model of encounters between rational actors, I suggest applying 2x2 matrixes to the interaction between the company and both smallholder farmers and indigenous communities. A further element of analysis is added here: assuming that the relationship company x farmers differs in its nature from the relationship company x indigenous communities because of the different cultural backgrounds of both groups, I will divide the matrixes into two sets, though both sets of matrixes follow the same principle of rational interaction. The concept of preferences in the matrixes indicates the gains and losses considered by each actor in each of the fields. The idea was to set up simple matrixes of interaction, incorporating contextual elements from literature and the interviews taken to render more accuracy to the analysis.

It is necessary to stress here that this work does not formalize the interaction between partners mathematically as would be expected in the framework of game theoretical analyses. The game theoretical *rationale* was applied with the sole purpose of studying the expected utility of choices and thus all actors' decision-making.

5.1. The Case Study

5.1.1. Conducting the Case Study

“A *case study is an empirical inquiry that*: investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” (Yin, 1990:23). Of course, case studies count on other characteristics than those mentioned by the author. However, in political science as well as in other social studies, there have been attempts to develop and accredit case study research in many ways, not all of them successful. The present study claims, therefore, to offer minimum conditions for the political science learning approach of company-community partnerships, with the aim of going beyond descriptive elements and trying to find explanations for the actors' handling options.

The case study draws upon a variety of sources of evidence, as Yin (1990) puts it. The attempt was to draw on literature about company-community partnerships from other areas of social and forestry sciences (in particular about these specific partnerships, though experiences in other regions of Brazil and of other countries were considered as

well), as well as relevant third sector literature. Further, the attempt was to gain a closer insight into the interaction of company and communities by visiting the region and interviewing the actors *in loco*⁵⁸.

In the nomenclature of case study design scholarship, the present case study can be considered a well-based pilot case study. As Yin points out, so-called pilot cases are those in which specific criteria for the analysis, such as the selection of the case itself according to geographical proximity and access to empirical data, are legitimized as such (1990:80). Pilot cases fulfill the role of “laboratory” for investigators, allowing them to observe different phenomena from many different angles or to try different approaches on a trial basis”, allowing them to improve existing criteria or develop new ones for further research in the matter (ibid).

5.2.2. Case Data Base

The case to be analyzed is that of a partnership between a multinational pulp and cellulose company with local groups in the federal state of Espírito Santo. To this end, it is necessary to give a brief account of the main actors’ profiles.

Aracruz Cellulose was founded in Espírito Santo in 1972 and is a leading Brazilian company in the production of cellulose for the fabrication of paper – according to its own sources, it is responsible for 27% of the global demand for cellulose⁵⁹. The company is directly or indirectly present in four federal states: Espírito Santo, Bahia, Minas Gerais and Rio Grande do Sul. It is a multinational controlled by three entrepreneurial groups (Safrá, with 28%, Lorentzen, with 28% and the Brazilian Votorantim, also with 28%) and the Brazilian Development Bank BNDES (with

⁵⁸ The validity was constructed using the tools of operationalization of key independent variables (inspired by *third sector* literature such as Mayers/Vermeulen (2002) and the FSC - Principles and Criteria for Forest Stewardship (1996), mentioned in my concept of governance in the first chapter) and the operationalization of procedures of research such as the analysis of the contractual agreement, the analysis of interviews and the analysis of relevant literature. As for the operationalization of variables, the variables were brought up in the proposed semi-structured interview – some variables were analyzed in more than one question.

The external validity in this case has to do with the capability of generalizing phenomena and their analysis. In this particular case, the generalization focuses not on the extension of my sample’s results to a larger universe, as Yin pointed out (1990:43), but generalization needs to be targeted at the theories used to approach my case study. The theory, according to Yin (1990:44) must then be tested by means of “replication” to one or more cases, after that the “results might be accepted (...) even though further replications have not been performed”. As Yin (1990:45) affirms, the replication logic is the one used in other types of experiments. The aim is to achieve reliability through (1) the attempt to clearly describe the procedures in achieving results in the three steps of analysis and (2) the possibility of proofing all primary material used. The provision of informational data on procedures of analysis allows other researchers to follow the steps detailed in this chapter (hopefully achieving the same results), and the sources of evidence used are either listed in the bibliography or the appendix.

⁵⁹ Source: http://www.aracruz.com.br/show_arz.do?act=stcNews&menu=true&id=12&lastRoot=8&lang=1; 23.02.2008

12.5%). Though Aracruz's initiative of setting up a kind of partnership for “fomento florestal”, or in English, a “Forestry Partners Program” was not the first of its kind, this model of partnership, which has been ongoing since 1990, has been by far one of the most successful and best known models of interaction between companies and communities in the forestry sector in Brazil.

The first group interviewed was that of smallholders in the Domingos Martins region. The municipality is located 44 km away from the main factory of Aracruz Cellulose. It is a mountainous region, with around 30.000 inhabitants and up to 80% of the population comprises German and Italian immigrants who had been recruited to work on coffee plantations in the nineteenth century. Until today, the region is occupied by smallholder properties characterized by subsistence agriculture. Two of our interviewees (F2 and F3) are of Italian descent and F1's ancestors were Pomeranians. All three were born in the municipality, are between 40 and 60 years of age and reside in the subregion of Paraju. The other main group interviewed was that of the Tupinikim and Guarani indigenous communities. While I1 was interviewed in the indigenous village of *Caieiras Velhas*, in the main building of the Chiefs' association, the female leader was interviewed in her home, in the village of *Pau-Brasil*⁶⁰. The Tupinikim have inhabited the municipality of Aracruz since times immemorial and the Guarani, though a nomadic community, settled in the region approximately 40 years ago⁶¹.

⁶⁰ Both interviewees spoke in the name of both ethnical groups, Tupinikim and Guarani. No member of the Guarani ethnical group was interviewed for the purpose of this thesis.

⁶¹ The denomination “Tupinikim” (and correlations that have been used along the centuries) derives from the expression *tupin-i-ki*, which is equivalent to “the neighbors of tupi”. The Tupinikim are an indigenous group which pertains to the Tupi nation that historically has been residing at the coasts of Brazil. Today, the only existent Tupinikim communities reside in the municipality of Aracruz, in the north of the state of Espírito Santo. Early documents state the existence of Tupinikim communities in the north of Espírito Santo and the south of Bahia, and there are estimations of the existence of about 55.000 Tupinikim at the beginning of Brazilian colonization. Residing at the time in capitaincy of Espírito Santo, the Tupinikim were exposed to acculturation by the Jesuits. The contact to the Portuguese introduced various kinds of diseases which ended up reducing the number of inhabitants. The first Jesuit settlement among the Tupinikim dates back to 1556 (see Loureiro 2006). The indigenous received from the Portuguese crown between 1610 and 1760 an area equivalent to 200.000 hectares of land in the same municipality. Loureiro (2006) researched detailed accounts about the living manners of the Tupinikim, their traditions and the number of villages which had been founded by them. Contacts to the white population started at the latest in 1940, when the state government sold 10.000 hectares of indigenous land, as though this land pertained to the state itself, to an Iron and Steel Company (the “COFAVI”), which was later bought by the company Aracruz Cellulose. As the company starts expanding its eucalyptus plantations, the Tupinikim are progressively confined into their villages, being harmed in their culture and liberty. The Guarani *Mbya*, which also reside in the municipality of Aracruz, are originally a subgroup of the Guarani nation of the southern part of Brazil. According to Teao (2007), the history of the Guarani *Mbya* in the region begins when they arrive in Aracruz after a 40-year pilgrimage, with the objective of finding the *tekoa*, the “land without evil”, where they would be able to live peacefully. According to the author, the *guata* (Guarani word for pilgrimage) of the Guarani are one key to their complex relationship to territory. The accounts of the existence of the Guarani in Espírito Santo date back to the 50's and 60's, where they have remained ever since. Studies of the FUNAI and other scientific literature render more information on the habits and traditions of the *Mbya*. While the Tupinikim speak Portuguese, the Guarani *Mbya* kept their original Guarani language. Although both ethnic

The actors who influenced the partnership were also included in the analysis. These were the IDAF, the institution responsible for defining and evaluating forestry policies in the state of Espírito Santo, and the FUNAI, the institution responsible for indigenous matters at federal level. One IDAF coordinator and one ex-employee of FUNAI were interviewed for this thesis.

While other studies of the partnership over the years have mainly focused on the actual economic gains generated by the communities that joined the program, this paper aims to look at the partnership itself and examine the interaction between the actors by way of identifying the possibilities and limits to the future existence of this model of partnership. Once more, the hypotheses raised are that (1) governance in this specific context takes place if economic benefits are perceptively met, and (2) other material and immaterial benefits that make the partnership durable are also perceptively met.

I would like to make a few comments on the data base used for the analysis.

The data base for the case study is composed of: a copy of the actual contractual agreement between the company and communities/farmers (individual actors), which was made available by the company itself through its technical advisor upon contact with the researcher. Interviews with actors directly involved in the partnership: three smallholder farmers of the region of Domingos Martins, in the hill country of the state of Espírito Santo, selected by means of personal contact with the local class association MPA⁶², according to the duration of their engagement in the partnership. The interviews with the three smallholder farmers and the MPA member were carried out on two non-consecutive days. The technical advisor was randomly selected from the group of technical advisors working at the company's headquarters in the municipality of Aracruz. The IDAF coordinator was appointed by the technical advisor. He was already in personal contact with the IDAF coordinator for the municipality of Aracruz and the interview with the coordinator took place in the framework of a one-day visit to the office of the company's "Forestry Partners" program, at the factory. The indigenous communities were chosen for their relevance in the region, though the interviews were conducted with decision-makers available on the day of the visit. The researcher spent most of the day in the community and had the opportunity to spend time observing the region. The NGO member was contacted through personal acquaintances in the regional

groups share peacefully the same geographical space, the Tupinikim are more open to contact with non-indigenous than the Guarani, who are more reserved. Today, according to the member of the chiefs' association interviewed, there are 3.083 indigenous living in the indigenous villages of the municipality of Aracruz, some 300-400 of them are Guarani.

⁶² See "List of Acronyms".

third sector organizations and this interview took place at the NGO member's place of residence, at the end of the day of the visit to the company. The idea of understanding the interaction between the company and the two sets of actors – the smallholder farmers as well as the indigenous communities – had the purpose of offering multiple sources of evidence and thus enlarging the possibility of and maintaining a chain of evidence.

5.2.2.1. The Interviews

I opted for a small sample of in-depth interviews (9 in total, 8 of which were utilized as sources for the current and subsequent chapters and 5 of which were the basis for chapter 6) with the following subjects:

- One technical advisor from the program office in Espírito Santo, located at the company's pulp plant in the municipality of Aracruz;
- the coordinator of the IDAF Institute in the same municipality;
- one representative of the chiefs of the Tupinikim and Guarani (indigenous) communities resident in the same municipality;
- one female Tupinikim leader;
- one representative of a smallholder farmers' class movement named MPA, which is active in the hill country of the same state, in a municipality called Domingos Martins;
- one member of the third sector, a former employee of the government agency for indigenous rights FUNAI; a total of three smallholder farmers (all three from the municipality of Domingos Martins).

Interviews were thus conducted with decision-makers from the company and government and with representatives of two social groups that interact with the company⁶³. The interviews analyzed were those conducted with the three smallholder

⁶³ As for the dependent variables used to identify governance, they were evaluated and rated according to the answers of research participants as presented in the appendixes. The partially semi-structured, partially narrative interviews were taken between December 2007 and January 2008 based on informal conversations serving as pre-test narrative interviews with experts in August 2007. The questionnaires were applied to all interviewees and they were said to feel free to submit additional information to the themes touched by the questions if they wanted to. The interviews had in average a duration of forty minutes, and the sequence of questions was altered according to the conversational flow given by the interviewee. The first group of questions (Q2-Q4) and to some extent Q11 and Q 12 aimed at identifying the status of land property, the formal relationship to the company (what is the relationship status to the company through contract/ periodicity of meetings with the company's technical adviser) and how the partnership was started. The following set of questions (Q5-Q9) aimed at

farmers and the members of the two indigenous communities. The other interviews were taken as source of additional information on the interaction between actors⁶⁴.

The municipalities were chosen according to the criterion of *geographical diversity* in the state: Aracruz is located at the northern coast of the state of Espírito Santo; Domingos Martins is located in the hill country of the same state. The smallholder farmers were selected for interview according to the length of time they had participated in the program. Interviewee 1 joined the program at its outset, in the nineties; Interviewee 2 five years ago, and Interviewee 3 two and a half years ago. Unfortunately, it was not possible to conduct an interview with a smallholder farmer who had not joined the program. The results of this interview would have been useful in establishing a control *N*. All the interviewees in the group reside in the municipality of Domingos Martins. The indigenous communities were included in the research for three major purposes: they reside in the direct neighborhood of the company, are currently involved in a land dispute with the company over 11.000 hectares of productive land in the same region, and they have seven years' experience with the partnership agreement (1998-2005), which was terminated once the 11.000 hectares of land were reclaimed by the indigenous communities in May, 2005.

In summary, each actor's interests, preferences and actual choices of action were learned from information gathered and sorted according to the following criteria:

identifying the perception of fulfillment of socio-economic demands such as the importance of forestry activities for single farmers. Q10 is a central question since it aims to discover if the interviewee sees benefits for partners engaged in the partnership and pursues the reasons for joining/not joining the partnership in his opinion. Questions 14 and 15 (see appendix) aimed to discover more about the relationship of farmers with governmental institutions/third sector institutions and aims ultimately to understand the role of the state in the partnership, through its institutions. Questions 17 and 18 aim to identify the view of farmers about environmental issues, for instance, their evaluation of the growth of eucalyptus in the region in general and in their properties in particular. The last question relates to the perception of the interviewees of the "future of such types of partnerships". Aim of this last question was to discover more about the perception of farmers on cooperation mechanisms and, ultimately, of governance of partnerships.

⁶⁴ The interviews with all participants followed the structure of the (governance theory) driven questionnaire in the Appendix II. The questions that did not apply to them were skipped. The information then was *reduced into expressive general statements* in order to render an overview of the empiric data available, those were grouped into the categories which were as such assumed as key variables for the analysis of actors' perceptions. A greater value was given to the perceptions of social groups which were categorised and interpreted (see chapter 6). The information gathered in the remaining interviews were compared, what Yin (1990) calls *pattern matching*, to the information on partnerships in general, learned from Mayers/Vermeulen (2002), and on the "Forestry Partners Program" in particular, learned from Andrade and Dias (2003) and Oliveira et al. (2006) and the company's publications about the program in its internet homepage. According to Cropley (2002:136 et sqq.), since the possibility of proving hypotheses by means of applying quantitative research methods is limited by its intrinsically limited objectivity, an adequate tool for reaching results is the *explicitation* of findings. In this case study, the interviews were "reduced" to meaningful statements, content units (*Inhaltseinheiten*) were marked in italics (see appendixes) and then sorted out according to the categories utilized. The categories were then aggregated into the three independent variables – fulfilment of *economic, social and environmental demands*, which are discussed in chapter 6.

economic, social and environmental benefits, taking into consideration the participative structures of the program, the perception of the institutional framework by the participants, general environmental issues and the participants' perception of governance.

5.2.2.2. The Contractual Agreement

The contractual agreement comprises 17 pages and I would like to present and analyze the main clauses⁶⁵ from the first seven pages in a nutshell. In the first paragraph, the agreement states the formal relationship between the company and communities/smallholder farmers. The firm is characterized as buyer and the other party, be it an individual or collective actor, defined the seller. The technical advisor is authorized to sign in the name of the company. The juridical framework is that of the Brazilian civil code and the contract stipulates adherence to the forestry legal framework⁶⁶.

Here, the state makes itself present through the governing mechanism of establishing the framework for policy implementation and for defining the agency responsible for implementing the framework and evaluating overall relationships in the commerce of natural resources, which would be the IBAMA.

The first clause defines the overall characteristics of the contract. At point 1.1, it seems relevant to highlight the status of the seller: he/she may be the owner or leaseholder of the property rendered available, and there must be an official registration of the property at the government agency responsible for land property matters, the INCRA. On the one hand, this secures the individual interests of the company, preventing them from signing contracts with untrustworthy parties and guaranteeing that they will be able to harvest the eucalyptus trees from these properties. On the other hand, this condition also exerts pressure on smallholder farmers, who would need to legalize their properties in order to be able to participate in the program.

⁶⁵ Clauses 5 (about the farmer's obligation to possess an official document for transporting timber), 9 (the company's obligation to pay taxes levied upon the contract), 14-16 (general dispositions) shall not be commented, see Appendix I (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

⁶⁶ As mentioned on page 1 "(...)atendendo às condições do Plano Integrado Florestal, registrado junto ao Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, o presente Contrato de Compra e Venda de Madeira", see Appendix I (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

The government member interviewed rated the company's intervention in such matters of land property and in the preservation of native species as positive, stating that the company contributed through the agreement to a better management of natural resources, fulfilling an informative role (see Appendix I). The first clause thus regulates the relationship between the two parties in the contract establishes the object to be sold and bought (termed "eucalyptus forest" in the contract) and determines how long the contract shall last. The contract states that farmers must register their land before they can conclude the contract. The second clause states that all resources for planting eucalyptus to be rendered available to the wood seller and to be converted into m³ of wood, shall be returned to the buyer six (6) years after having been rendered available at the time of harvesting. The wood price is that prevailing at the time the inputs were given to the seller. Paradoxically, there is no charge for these so-called "operational resources" if the seller complies with the contract and returns the whole amount of wood specified in the agreement⁶⁷. Point 2.5 is interesting: the seller is obliged to accept the "results of technical inspection"⁶⁸, made by the company's technicians. On the one hand, it seems *natural* that the company will send its own technicians to verify the growth of trees, but on the other hand, no other authority is referred to at this point as a possible mediator when evaluating growth. The third clause handles the obligations of the seller: (1) to obtain all legal licenses at all necessary levels to be able to sell the produced wood. This *rule-in-norm* is complemented by the *rule-in-use* (Andersson 2006: 28): the IDAF technicians seem to work jointly with the company to assure that all legal paperwork is completed before the contract is signed. Another obligation of the seller is to (2) conduct all planting, harvesting and transportation at their own responsibility and according to "environmental legislation and politics" (Appendix I:2), giving special attention to *native forests*, *areas of legal reserve* and *areas of permanent preservation* (ibid). In this clause, the company reiterates something that forms part of the obligation of producers under Brazilian forestry policy anyway. This might be viewed as a good sign, showing that the company supports legal initiatives of preservation. On the other hand, the company not only frees itself from the responsibility for harvesting or collecting the timber (disburdening itself from social costs) but it also imposes the burden of "sustainable timber production" on the

⁶⁷ There is no obvious monetary gain here – although interviewees assured that if one manages to spend less in harvesting, he/she retains the money received for that.

⁶⁸ In the original, termed "laudo de vistoria técnica", see Appendix I (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

smallholder farmers. Similarly, it requires that the farmers abide by environmental, labour, social security, labour health and job safety legislation while working on the field or employing third parties. In this same clause, the seller receives the offering of a percentage of native seeds calculated from the total amount of eucalyptus seeds he/she shall receive from the company (he may officially refuse to receive the native seeds). The fourth clause regulates what is apparently the only instance of joint decision-making: the chronogram of harvesting and wood delivery is defined jointly by the company's technical advisor and the smallholder farmer/community. Clause 6 regulates the actual gains obtained from selling timber. The seller is allowed to retain up to 3.5% of the total production of his/her planted forest and, according to clause 7, receives eventual bonuses if the contract should "function well". Clause 8 defines the price of wood to be sold/bought: all price adjustments are based on the average regional market price for community-managed eucalyptus trees. Clause 10 demands that all insurance documents provided by the company should be signed by farmers and clause 11 points out that the contract shall be terminated if the property encounters legal problems or if the contract is not properly fulfilled. Clause 13 ensures that the timber produced within the framework of the contract becomes "agrarian distress" and states that the company exerts full rights upon the timber. The company becomes mandatory procurator for commercializing the referred timber.

All in all, the contract seems to be much more beneficial to the company than to individuals or groups negotiating with it.

5.3. Game Theoretical Analysis of the Actors' Winning Options

Having re-examined the literature on rational choice (Amadae/ de Mesquita 1999) and game theory (Pfetsch 2000; Scharpf 2006), the most adequate way to research the interaction of players in this social scenario was to draw a simple two-by-two matrix of interaction, restricting the choices of both actors in a scheme of cooperation/non-cooperation and interpreting their preferences as motives to join the partnership or not. We shall keep in mind that the partnership for timber production was proposed by the company in the '90s, as a result of the end of federal subsidies for the timber sector and its interest in enlarging its production potential without having the legal means of purchasing more land. The idea of the *fomento florestal* matched the government's interests in offering possibilities of commercial forestry in Espírito Santo. We can therefore assume, based on the initial arguments that generated the idea of the partnership in the first place, that in this constellation of interaction, the company will

always want to cooperate/conclude such contracts, and the state will act as an intervening variable, participating directly or indirectly in policy implementation among communities. The *shadow of the state* is noticeable through the framework of forestry policies that it has been providing over the past decades, which have been characterized by a priority shift from the definition of key resources to be explored for the direct or indirect economic benefit of the state machinery to an environmentally friendlier exploitation of resources with the involvement of local communities in projects. The state is also represented by several agencies involved either directly with the process of partnership implementation such as the IDAF from the state of Espírito Santo, in control of the areas defined for the monoculture such as the IBAMA, in the defense of interests of a specific group among local communities – two indigenous tribes, such as the FUNAI.

Two premises may thus be added at this stage when setting the framework for the matrixes of interaction between the actors in company-community partnerships in Espírito Santo: the first premise is that the company, as the initiator of the of the “Forestry Partner” program, will always be willing to interact (cooperate) with smallholder farmers and indigenous communities. The second is that the state makes itself present in the partnerships at a macro-level by setting up the policy framework for the arrangement and at a micro-level, through its institutions, IDAF (in the case of producers) and FUNAI (in the case of indigenous communities).

As for the company, we learned from the interview with the technical advisor that the company clearly has economic interests when engaging in partnerships with communities. In talks with smallholder farmers, they too stated that they had an initial economic interest in joining. This might be one of the explanatory factors for the high probability of both partners in concluding a contract and for the exponential increase of participants in the partnership offered by Aracruz Cellulose over the years⁶⁹. The expectation of obtaining gains is thus, at first sight, high and economic benefits seem to be the most attractive argument for joining the program.

We can therefore depend on the premise that the company will want to cooperate and that the communities will be likely to cooperate, given the promises of profits stated in the program offer.

⁶⁹ Today, 18 years after the program has started, the company has reached the record of 3.000 contracts signed with smallholder farmers (source:<http://www.produtorflorestal.com.br/br/anos-programa2.jsp>; 26.02.2008)

	Company	
Communities	YES	NO
YES	Y, Y	Y, N
NO	N, Y	N, N

For analytical reasons, we will therefore eliminate the two scenarios in which the company would not want to cooperate from the analysis. If we specify the different actors involved in the partnership (differentiating between indigenous communities – **I**, and smallholder farmers – **F**) and consider the premises cited above, that the company is *per se* interested in cooperating with both types of actors and that the state exerts influence as a third party, four further possible situations remain to be analyzed. We shall therefore consider that the company has two counterparts, namely a non-representative sample of smallholder farmers of the hillside municipality of Domingos Martins and two indigenous communities living in the coastal municipality of Aracruz. The dependent variable is the partnership between the company and the community. To quantify its success, we must take a closer look at the possible interactions between the actors involved in the set up (the communities/farmers, the company, mediated by the state through its policies and advice) and the influence of explaining variables (subsumed under *economic, social and overall environmental benefits*) in the rank of preferences and handling options. The study of the context and the conduction of interviews showed that all the scenarios elucidated above can be found in social reality. Information gathered in the interviews delivered important information for the *ex post* completion of the game matrix presented here (Pfetsch, 2000).

The possible scenarios that can be generated from the disposition of interaction between the players are presented as follows:

Scenario A offers us a set up in which both the company and small farmers agree to enter the 6-year (equivalent to one cycle of growth of eucalyptus trees) contract of selling/buying timber. From Interviewee **1** we learned that, as the program started, the company took the initiative of proposing the partnership to the region's smallholder farmers. The program brought benefits to those first participants and became known in the region through word-of-mouth recommendation. The other two interviewees (F2 and F3) took the initiative of contacting the company to join the partnership⁷⁰.

⁷⁰ The company can be contacted through telephone and through the website, in which producers can fill in a form asking to be visited by the company's technical advisor.

Individual preferences are considered the key to handling options, so that K_1 is what partners bring into the partnership, e_1 are the expected gains (stated by interviewees F1, F2; F3 and the technical advisor to be of economic nature) at the initial point of interaction (t_1) that lead to the handling option “Yes” on both sides.

Company (C)	Smallholder farmers (F)
$K_1 + e_1$ in $t_1 \rightarrow$ Yes	$K_1 + e_1$ in $t_1 \rightarrow$ Yes

The fulfillment of economic demands, one of the benefits explicitly expected from the partnership, was confirmed by F1 (in the program for over 10 years), F2 (in the program for 5 years) and F3 (in the program for less than 5 years). F1 stated that she joined the program after a visit from one of the company’s technical advisors. She decided to “try out the partnership” because she had nothing to lose by doing so. And she reaffirms that it has produced revenues ever since. As she stated in the interview, “the plantation of eucalyptus renders us revenues because it is a culture that does not demand working force. In the first year of cultivation you will have to work a lot but afterwards it grows alone [meaning *autonomously* – note of the author]”⁷¹.

However, F1 evaluates the growth of eucalyptus as a positive investment only for those that possess an amount of land that would allow them to grow eucalyptus trees as *one of* their economic activities, not the *sole* economic activity. According to her⁷², other crops (be they corn or beans) cannot be grown alongside eucalyptus trees because the trees grow at a fast rate, overshadowing other crops and impeding their growth. This factually impedes the diversity of crops on a small property, preventing the producer from growing food for its own subsistence. Further, revenues from eucalyptus cultivation would come solely on harvest, 6 to 7 years after the seedling has been planted. F1 fortunately can diversify her production: she grows eucalyptus as one of her secondary economic activities, profiting from other crops such as coffee, corn and manioc, and from homemade products such as cookies and jams.

F2 and F3 decided to join the partnership after hearing about the good experiences of neighboring smallholder farmers and both affirm that the revenues from trading in

⁷¹ In the original: “Ele deixa uma renda boa porque ele nao tem mão-de-obra. No primeiro ano você vai trabalhar muito no eucalipto, depois ele vai sozinho”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

⁷² In the original:“(…) só que eu acho que pra quem tem pouca terra é ruim, porque é uma área de terra e se você quer plantar mais alguma coisa você *não tem pra onde correr*”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

eucalyptus are considerable (“some 50%” of his overall income, in the case of F2). F3 has not yet harvested his plantation but reaffirms the expectation of making considerable gains from the commerce with the company. Both F2 and F3 also state that a smallholder farmer cannot survive on eucalyptus cultivation alone. Still, F2 calculates the revenue from cultivating the minimum number of hectares required by the company and reaffirms that one would not otherwise produce anything on that soil⁷³. F1 and F3 mention explicitly that eucalyptus production renders more profits than the traditional coffee production of the region, which is also a main economic activity of smallholder farmers in Espírito Santo.

F2 cites criteria for evaluating the partnership as positive: “they gave me everything I needed to plant eucalyptus”⁷⁴. He assesses that if the smallholder farmer manages well the money that he/she receives from the company to produce eucalyptus, he/she will be able to make a profit. They were all aware of the relationship’s inequality and of the fact that the company would make greater profits than they would. They considered as a disadvantage the fact that they sell the wood to the company at the regional price prevailing when they signed the contract. F2, for instance, said that while the eucalyptus timber price was at 22 Reais/m (*estéreo*)⁷⁵ when he first signed the contract with the company, at the time of harvest the wood was rated at 37 Reais, which was the price for which the producer sold the wood to the company⁷⁶. F2 recognized that the agreement benefits the company more than the individual farmer but still rated the company as *serious* and reliable for the commerce of timber and states with regard to the actual business of selling wood to the company that after the wood is delivered, the company retains all the money invested in the smallholder farmer and *everything that is left* from that belongs to the farmer, which he rates as positive⁷⁷. Though not aware of the status of the company (he asked the interviewer to whom the company belongs), F3 rated the relationship as very positive as far as his economic benefits were concerned. When

⁷³ F2 in the original: “(...)se você tem 5 hectares, você vai produzir uma média de 1500 metros de madeira, desses 1500 vai sobrar tranquilamente uns 600 metros de madeira. 700 metros a 37 reais dá quase 30.000 reais. Onde não produzia nada, nada, nada” (phrase not contained in the appendix, only in the tape).

⁷⁴ In the original: “Eles me deram tudo o que era necessário para plantar eucalipto”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

⁷⁵ The measure “meter/estéreo” is a Brazilian unit of measurement equivalent to the volume in m³ of wood *stapled* (in a transporting trunk, for instance). It considers the total volume of wood stapled upon one another regardless the empty space between the wood.

⁷⁶ F2 says in the original: “O eucalipto quando eu vi na época tava 22 reais o metro estéreo. Hoje ele tá a 37 reais, só que eu vou entregar o metro de madeira no valor daquela época, entendeu? Não tem juros mas eu vou entregar [no valor daquela época], e eu me responsabilizo a bater o eucalipto na [empresa] Aracruz”.

⁷⁷ F2 says in the original: “Eu sou obrigado a entregar lá, depois que é descontado aquilo que eu devo pra Aracruz, os insumos, eu vou pagar só o frete e pra botar no caminhão, e o resto fica pra gente, o resto sobra pra gente”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

asked about his overall evaluation of the partnership, he firmly states: “eu acho uma boa”⁷⁸. It is necessary to mention that F3 does not only grow eucalyptus trees in the framework of the contract but also grows a small forest on his own. This might explain his lack of interest/ knowledge about his counterparty – the company. He may simply view the company as one of several buyers. He is also the one who points to the fact that one has the possibility of renewing the contract after the first harvest but is not obliged to do so, meaning that the smallholder farmer then has the option of “doing business” autonomously.

The possibility of renewing the contract remains open for both partners. However, interests remain the same after the contract finally ends: the company will keep on wanting to buy timber and the farmer will want to sell his/her harvest if he/she grows eucalyptus trees after the end of the contract.

Briefly, in **Scenario A**, both expect mainly economic gains from the interaction. After entering into the contract, a spiral of expected gains begins, which leads to an expectation of more gains if the contract continues. The contractual agreement between the company and individual farmers defines the quantity and quality of the gain. Eventual environmental damages are taken into consideration and do not keep farmers from entering the contract⁷⁹. If everything goes on as it is, partners can imagine continuing negotiations with the company.

In **Scenario B**⁸⁰, small farmers do not enter into the contract or decide not to renew it because they expect material or immaterial gains from not joining/renewing. The information gathered in the interviews indicates that small farmers may not enter into the contract if they have the feeling that they have something to lose (for instance, if they would have to render available crops that would have been necessary to grow food for subsistence) or if they think the gains to be made from eucalyptus cultivation do not outweigh potential monetary losses (they might have the money to seed eucalyptus but

⁷⁸ Translated: “I think it is a good [option]”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

⁷⁹ F1 states that the plantation of eucalyptus has a considerable environmental impact: “aonde você planta eucalipto a divisa do vizinho leva chumbo” or, “if you decide to plant eucalyptus at the borders of your property, your neighbour will be damaged”, and F2 states in two moments of the interview that “(...) ora mim ajudou, agora que prejudica a natureza, prejudica um pouco” = “[the eucalyptus plantation helped me a lot, but it does harm the nature a bit” and further he says “Eu no geral tirando a parte que faz mal pra nós e pro meio-ambiente achei ótimo” = “As for me, if I do not take into consideration that it [the culture of eucalyptus] harms us and the environment, I rate it as very good”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

⁸⁰ Which is a hypothetical one in this study since all interviewees had a contract with the company at the time of the interview.

would not have enough capital to hire fellers for the harvest). Small farmers do not renew the contract if the feeling of economic dependency on the company outweighs the gains they obtain with each harvest. Since the company is the most reliable buyer of wood in the region, producers tend to accept the market price it imposes (see Appendix IV for the testimony of F2). If the feeling of being “used” for the purposes of the company is stronger than the expected gains or if there are clear advantages of opting out (for example, the smallholder farmer finds an autonomous wood buyer who is willing to pay the market price for his/her eucalyptus trees), the smallholder farmer will terminate the contract. The producer will not renew the contract if he/she wishes to use the area where he/she once planted eucalyptus trees for another type of cultivation.

The table below illustrates that while the company’s interests, preferences, possibly its gains and surely its handling options would remain the same, smallholder farmers may reflect on losses before entering into the contract or they may identify losses afterwards, so that they withdraw from or do not renew the contract. Reflections on winning options which result from the decision *not to cooperate* (emerging from the interviews with F1, F2 and F3) point to economic benefits as being *the* factor that defines the relationship with the company in the framework of the contract.

Company (C)	Smallholder farmers (F)
$K_1 + e_1$ in $t_1 \rightarrow$ Yes	$K_1 - e_1$ in $t_1 \rightarrow$ No <i>or</i> $K_1 - e_1$ in $t_2 \rightarrow$ No

Scenario C stands for the setup of cooperation between company and indigenous communities. Cooperation was once possible and given. The referred indigenous communities signed a contract with the company and received, beside technical assistance on the growth of eucalyptus, some capital for the development of social projects on the tribal property. As Interviewee I1 states, the partnership emerged at a time where the government agency responsible for the indigenous communities – the FUNAI – was negligent towards social projects for those communities. I1 states that the government agency encouraged those communities to enter into the contract with the company. According to the interviewee, four anthropological studies were conducted by the same institution between 1994 and 1998 and concluded that 18.070 hectares of land in the municipality of Aracruz pertained to the communities. 11.000 hectares of those

had been allegedly bought by the company, some of them being used for the cultivation of eucalyptus.

The historical background prior to this agreement, settled between the company and communities in 1998, was a land dispute between both partners. The Tupinikim and Guarani communities that originally inhabited the area were progressively confined over the decades to a smaller area of land because of the company's expansion. The company's main argument throughout the years for not giving in to the demands of the tribes was that the area claimed by the referred communities had been purchased from small farmers at the outset of the company's activities in the state of Espírito Santo. Conflicts over land ownership have their historical roots in (1) the unsatisfactory manner in which land issues have been settled both legally and politically over the decades and (2) the idea of historical indemnification especially towards native citizens after the Constitution of 1988 which was accompanied by new land concession throughout Brazilian territory. The contract was thus settled between the company and indigenous communities because the property subject of conflict was already covered by eucalyptus trees that had been planted by the company. The contract offering from the company in 1998 might thus have represented a way for the company to ensure the possession of the planted eucalyptus trees and of maintaining a harmonious relationship with the communities. The company offered the contract for the same material/economic gains the interviewee would expect when joining any contract of that kind, but it might also have had immaterial gains (e_2) in mind, such as a peaceful relationship with the communities and the possibility of maintaining access to the cultivated land. As for the indigenous communities, the initial gains were of an economic nature (see testimony of I1 in the appendix).

Company (C)	Indigenous Communities (I)
$K_1 + e_1, + e_2$ in $t_1 \rightarrow$ Yes	$K_1 + e_1$ in $t_1 \rightarrow$ Yes

The agreement was maintained for one eucalyptus harvesting cycle and the renewal of the contract was thus reconsidered by the indigenous association after that, which leads us to imagine **Scenario D**.

Company (C)	Indigenous Communities (I)
$K_1 + e_1, + e_2$ in $t_1 \rightarrow$ Yes	$K_1 + e_1$ in $t_1 \rightarrow$ Yes <i>but</i> $K_1 + e_1, - e_2$ in $t_2 \rightarrow$ No

In **Scenario D**, the company and indigenous communities do not enter/renew the contract. The preferences on the side of the indigenous that lead to the break of the institutional settlement are as follows: the contract generated economic dependency on the company in a twofold manner: (1) the land would be permanently available for growing the monoculture and this would prevent indigenous from growing other products for their own subsistence or for commercial purposes, and (2) social projects would from then on be sponsored by the firm, factually marginalizing the federal state through its agency FUNAI and its efforts to offer other services. In **Scenario D**, the preferences of the indigenous communities relate to materialized (and politicized) immaterial gains, such as regaining the territory and fighting for the acknowledgment of the indigenous' identity.

In summary, the constellation of interaction shows that smallholder farmers seem to adhere to the contract less hesitantly than indigenous communities. The reason for this can be determined by analyzing interviews and considering the elements that are prerequisite to the interaction being perceived as a governance mechanism. Until now, we have been able to detect the preferences of the actors joining the partnership and the interaction between them. However, for interactions to become a mode of governance, we must also evaluate their quality.

In chapter 1, I referred to criteria of sustainable joint management of forests, which indicates necessary elements in environmental governance. Normative criteria point to two aspects that must be fulfilled in an environmental governance constellation: social justice and environmental justice. Instead of discussing the concepts of environmental and social justice, the analysis pointed to the empirical evaluation of these aspects. They were categorized (see explanation below and appendixes) and aggregated into three variables according to which I would evaluate the empirical data of this case study.

In the context of company-community partnerships, these variables are the following:

relating to social	* Fulfillment of economic demands \rightarrow Partnerships in Espírito Santo should be able to generate visible economic revenues for their participants.	* Fulfillment of environmental demands \rightarrow Partnerships should respect institutional frameworks of environmental and human rights, paying attention to possible	relating to environmental
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	<p>* Fulfillment of social demands → Partnerships should be grounded on mutual respect for individual/collective rights to land, identity and (political) participation.</p>	<p>rights, paying attention to possible environmental degradation due to this specific forestry activity and its consequences for the environment and for the smallholder farmers and other communities.</p>	
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<p>Perception of governance → Participants should be satisfied with gains obtained in the partnership and see it as <i>durable</i></p>
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These variables (the fulfillment of economic, social and environmental demands) were also inspired by literature on company-community partnerships (Mayers/Vermeulen 2002) and shall be discussed in the next chapter. In the interviews, these variables corresponded to the following categories: the fulfillment of economic demands was learned when interviewees were directly asked about the revenues obtained in the partnership. The fulfillment of social demands was analyzed based on questions aiming to understand (a) the interviewees relationship to the company and to the state, (b) the possibilities of joint decision-making between actors (at the moment of contract signing, for instance) and (c) the presentation of the land situation in general. The criterion of fulfillment of environmental demands was operationalized by means of questions about the interviewees' opinion of the environmental consequences of planting eucalyptus within the partnership framework. The last criterion was that of their perception on the durability of the partnership.

Conclusion

The neo-institutional approach to the analysis of company-community partnerships comprises the game theoretical analysis of the relationship between actors with the aim of discovering the winning options for each of them in the partnership.

The matrixes designed according to field information pointed to the fact that smallholder farmers continue in the contract when their material expectations are fulfilled. The empirical reality also pointed to the fact that the agreement seemed not to be a durable solution for indigenous communities. The next chapter shall aim at understanding why this is the case. The operationalization of the concept of governance in three variables – *fulfillment of economic demands*, *fulfillment of social demands*, and *fulfillment of environmental demands* – was conducted through interviews with the two

main groups entering into the contract with the company and the results and conclusions are presented in chapter 6.

The aim of the present and the next chapters is to find general explanations for the success or failure of partnerships under the conditions explicated in the variables utilized. As Cropley (2002) states it, the ambition is to generate broader explanation frameworks that can be utilized in political science learning when studying company-community partnerships and when analyzing neo-institutional governance approaches in the forestry sector.

CHAPTER 6 - RESULTS – CASE STUDY

Introduction

This final chapter aims at presenting my main findings.

The specific analytic technique used to obtain the results was that of pattern-matching⁸¹.

In my case, the patterns to be confirmed or discarded are those upheld in the independent variables defined to analyse the interaction of actors, based on the theoretical framework described in chapter 1 and using the analytical framework described in chapter 2. The independent variables were the *fulfillment of economic demands, fulfillment of social demands, and fulfillment of environmental demands*⁸². Further, the *perception of governance* was also captured in interviews with actors from both groups interacting with the company.

The analysis was based on a non-representative pool of semi-structured interviews with stakeholders involved with the company-community partnership keeping the description and analysis of the contractual agreement in the background. The analysis of semi-structured interviews gave a glimpse into the real/experienced limits and possibilities of interaction (perceptions of the partnership) and allowed me to reflect on the patterns of governance that can be recognized in the partnership. The information gathered formed the basis for testing the hypotheses and answering my core question.

The puzzle to be solved was whether, given *the economic benefits of the contractual agreement between partners in this specific partnership program and the actors' opinion about the partnership*, this partnership can be considered a durable win-win situation. The hypotheses raised were: the partnership can be a win-win situation for both partners (1) *if the economic and social demands of both partners are sufficiently met in their own view*; and (2) *if the other social needs that are equally important for participants are met as well*.

⁸¹ Yin (1990) suggests this pattern-matching as one of the most applied techniques for analysing single case studies by stating that “such a logic compares an empirically based pattern with a predicted one. If the patterns coincide, the results can help a case study to strengthen its internal validity”, says Yin (1990: 109).

⁸² In the interview transcriptions (see Appendix IV) the testimonies of the interviewees were categorized under the rubrics of “relationship to the state, relationship to the company, environmental issues, land situation, social/economic demands and governance” (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

6.1. Perceptions of the Partnership by Smallholder Farmers under the Auspices of the Governance Concept Proposed

According to rational choice *rationale*, the generation of economic benefits seems to be one of the most significant expectations from joining the program. Actors enter the partnership expecting to have their economic needs to some extent fulfilled. In environmental governance, stakeholders seek economic revenues when jointly managing natural resources. Equally, the interviewees seemed satisfied with the fulfillment of social demands. The three smallholder farmers had legalized and respected properties so that they could decide where to start their eucalyptus production. In the case of Interviewee F1, the property area destined for eucalyptus cultivation was on a steep slope and on the top of the hill, where other agricultural activities would have been difficult. F2 and F3 mentioned also having chosen unproductive hectares of land to try planting eucalyptus. The smallholder farmers interviewed, who were of German and Italian descent, took part in the production cycles of agrarian products within the state: the culture of eucalyptus was nothing more to them than another culture to be produced and did not intervene with their own culture or identity. Social benefits such as the assurance of participation rights in terms of joint elaboration of the contract or negotiation of gains beyond those promised in the contract seemed not to be rated as relevant. F1, F2 and F3 praised the company for its reliability and all three rated as positive the fact that the company would provide all input and materials necessary for planting eucalyptus. As to their social demands, all interviewees from the municipality of Domingos Martins stated that the relationship was good, and could be rated as being a durable one.

The idea of durable governance in the forestry sector is partially fulfilled when gains are concrete and measurable. In the case of smallholder farmers, the partnership seems to be a viable option. Though they cited some disadvantages, such as the *inequality* of economic benefits (which is measurable, for instance, in the definition of the price of the timber bought from the smallholders) and the *incertitude* of the sustainability of cultivation of the exogenous eucalyptus as far as its environmental impact is concerned, the social aspects were also fully covered since the company is seen as trustworthy and serious – and does not pose any threat to the smallholders' property rights. In summary, in the words of F2, “pra mim foi rentável plantar eucalipto, pra mim foi a salvação”⁸³.

Variables according to the theoretical framework of Governance:

⁸³ In the original, “for me it was rentable to grow eucalyptus, it was my salvation“ (see Appendix IV).

Economic benefits	<p>In the case of the smallholders interviewed, the economic benefits surpass any eventual economic losses of starting eucalyptus cultivation. As long as the economic benefits are higher than the costs (and those are evidently near to zero), the partnership will be considered a viable modus of cooperation in the management of forest resources in the region and for any individual producer.</p> <p><i>Economic demands were fulfilled as stated in the contractual agreement; empirical data matched other case studies (Oliveira et al. 2006) and attests to the economic viability of the partnership.</i></p>
Social benefits	<p>Based on the interviews, social benefits are achieved at a material level, through technology sharing and the improvement of neighborly relations between company and smallholders; and at an immaterial level, through the company's achievement of the legitimization of its social importance in the region (as a social partner) and its growing influence in the community thanks to its social role. One negative feature is the recognized impossibility of diversification of economic activity intercropped with eucalyptus but, in the case of the interviewees, this was not a threat to their economic subsistence, since they did not substitute a traditional culture with eucalyptus.</p> <p><i>The partnership was ultimately rated by the interviewees as socially beneficial.</i></p>
Environmental benefits	<p>According to the interviews, environmental benefits are not evident at a macro-level (smallholders are not sure if the eucalyptus culture does not indeed harm the environment and other species), but are recognizable at micro-level, since one interviewee could verify the renewal of his property in terms of nutrients after eucalyptus had been removed.</p> <p><i>Environmental responsibility is given at normative level, in so far as the partnership obeys general national institutional guidelines for the cultivation of eucalyptus. Though there are no conclusive studies on the consequences of eucalyptus cultivation for soils and water reservoirs, the company reliability assures that cultivation occurs in environmentally secure terms.</i></p>

Based on the interviews with F1, F2 and F3 in December 2007-January 2008, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

These results are validated by previous scientific publications on the economic benefits of smallholder farmers in Espírito Santo that join this specific partnership program. All three interviewees stated that, though revenues are considerable, they are not enough to make a living and thus remain a secondary economic activity on their property. This result also matches other studies conducted in the state (Mayers/Vermeulen 2002: v, Oliveira *et al.* 2006, Andrade/Dias 2003).

These results for the grouped variables of economic, social and environmental benefits, confirm hypothesis 1: the smallholders themselves confirmed the economic viability of the partnership. Environmental suitability is considered by both actors involved (farmers and the company) to be given, since there is no concrete evidence that eucalyptus cultivation would harm local ecosystems. Further, social benefits are given for smallholders as well as for the company, although the smallholders understand the inequality as regards their share in the economic benefits and their lack of bargaining possibilities and participative structures.

In the analysis of patterns of interaction applied to the group of farmers, the economic benefits are seen as more important than social and environmental benefits or they compensate social or environmental losses. In this case, in the eyes of the smallholder farmers, there is a pattern of governance, a pattern of self-regulated concertation between actors to produce goods within a “discourse of win-win situation”⁸⁴. We can consider Hypothesis (1) as proven.

When we analyze the indigenous group and their impression of the partnership, we must consider other items that enhance the notion of *quality of governance* and show that, even when economic benefits are met, other benefits (which are as crucial to some groups as economic ones) are decisive to the initiation and duration of a partnership.

6.2. Perceptions of the Partnership by Indigenous Communities under the Auspices of the Governance Concept Proposed

The economic demands on the side of the Tupinikim and Guarani communities were fulfilled, though not to their satisfaction and, thus, not durably. The direct benefits from harvesting the trees planted by the company on soil that was under dispute led initially to the belief among the communities that eucalyptus cultivation could save them from poverty. The introduction of the exotic eucalyptus plantation in their midst and the institutional presence of the company in the area through its social projects while the agreement was still ongoing led the indigenous communities to feel environmentally and socially threatened, which in turn led them to essentialize their identity and culture, turning these into political issues and coherently leading them to terminate the contract with the company. A major point of conflict in the relationship between the company and communities is the different significance of *culture* and *identity* and its different position in the preference scales of both actors. For the company, the culture and identity of the indigenous communities do not necessarily need to have an intrinsic relationship to the right to ancestral land or to the determination of which goods should be planted there. To the company, the cultivation of eucalyptus can be another source of income and occupation for indigenous as it is for smallholder farmers. The different perceptions of immaterial goods drove a wedge between the company and the communities (Andrade/Dias 2003).

In analytical terms, the first distinction in rationality and thus handling options between smallholders and indigenous communities is the significance of immaterial goods

⁸⁴ The company aims, through its “Forestry Partners” program, at generating an image of being a social actor that is responsible for the social involvement and economic progress of the communities in the state of Espírito Santo (Andrade/Dias 2003).

(culture and identity) based on the concrete possession of material goods (namely, secured land property). The second distinction is the order of preferences when it comes to defining criteria for cooperating or not cooperating with the company. With the emergence of culture and identity as immaterial gains to be sought, the economic gains became secondary in nature. This means that though they might be fulfilled, they are *perceived* by the actors as deficient. The rationality of the actor and his/her perception of reality will determine his/her interaction with other partners. At some point in the relationship with the company, co-regulation mechanisms were seen by the indigenous as insufficient *in quality*. Though their first experience with the company in the years between 1998 and 2005 would confirm Hypothesis 1, the analysis shows that when Hypothesis 2 is not fulfilled, the partnership cannot be durable.

We have learned that governance mechanisms permit self- or co-regulation between partners whose expectations must be fully met. Further, governance in the forestry sector has to produce economic, social and environmental benefits in order to become durable. If these requirements are not met, immaterial gains of other kinds (identitarian/cultural) can push actors into exiting options that would guarantee their survival. This is vividly present in the words of I1 (“[...] the company alleged to have all documents attesting this land’s possession, and we did not have any documents, but we have a history that is, under the Constitution, much more worth than any documents. In paragraph 6 it says that all land titles of lands traditionally occupied by indigenous are to be considered invalid”⁸⁵, and in the words of I2, (“Mother Earth, that’s what we’re fighting for”).

Variables according to the theoretical framework of Governance:

Economic benefits	<p>The economic benefits were partially given in the period of 1998 until 2005, while the partnership took place. According to the interviews, on the one hand they ensured that the eucalyptus already planted on territory under dispute would be harvested by the indigenous, generating income for them, but on the other hand, the economic benefits were not enough for the collective subsistence of the two indigenous communities and restrained communities from diversifying production on the referred property.</p> <p><i>In the view of the interviewees, the economic benefits are not sufficiently given. In their priority scale, economic benefits are of</i></p>
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⁸⁵ In the original, by I1: “Porque a Aracruz alegava que tinha documentos dessa terra e nós não tínhamos os documentos, mas tínhamos toda uma história que pela constituição vale mais do que qualquer documento, não é? Porque tá lá no parágrafo 6º que são nulos e extintos todos os títulos de terras que foram tradicionalmente ocupadas pelos índios”, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

	<i>secondary importance. Development for the indigenous has less to do with the assurance of economic gains than with securing their cultural survival. Therefore, the economic viability remains obscured by the preferences of the actors.</i>
Social benefits	There were ultimately no social benefits in the eyes of the indigenous. Immaterial goods such as identity and culture (which were eventually turned into political tools for bargaining for the repossession of property) had more significance than material goods such as a peaceful relationship with the neighboring company and the benefits through their sponsoring of social projects in the communities' area. <i>Social benefits were interpreted as strategic tactics by the government and the company to soften the non-fulfillment of the actors' preferences. The partnership was perceived as socially beneficial but still as an intermediary stage for a more sustainable conflict resolution – the definitive right to land.</i>
Environmental benefits	The indigenous leaders who were interviewed stated that eucalyptus cultivation harms their ecosystem, thus affecting their identity, which is deeply related to their land (to “mother earth”, as interviewee I2 stated). They confirmed the alteration of existing ecological patterns after the “arrival” of the company and identified fauna and flora species that ceased to exist after the spread of eucalyptus crops in the Aracruz region. For them, environmental benefits were already non-existent during the partnership, but this became notorious after the partnership was terminated. <i>The interviewees focus their criticisms not only on the partnership in particular but on the monoculture of eucalyptus in general. Their perception is based on the exogeneity of eucalyptus monocultures. These are considered a threat to the environment and to their existence.</i>

Based on the interviews with I1 and I2 in December 2007, see Appendix IV (please, contact anelise.gondar@daad-alumni.de for further details on the Appendixes).

Generalizations and Discussion of Results

Generalizations can be drawn at three levels discussed in this thesis.

From a theoretical – governance – point of view, the results point to the importance of a governmental framework in form of legislation and policies as a basis for negotiations between *unequal* non-state partners. Though the initiative of starting a forestry partnership may be launched by a non-state actor (the company), it has to occur according to specific government policy, which means that the state has to provide a legal framework enabling forestry partnerships to take place within acceptable and democratic boundaries of negotiation, bargaining and rights usufruct by all parties involved. Windhoff-Héritier's (1980) literature on policy implementation as well as Andrade/Dias's (2003) work on social-environmental strategies of corporations confirm the need of an overall institutional and a specific policy framework as *setters of game rules* for policy makers as well as participants. As confirmed in chapters 3 and 4, these are given and offer clear lines for integration of forestry partnerships in Brazilian political reality. The institutional framework helps in analyzing the conditions under which partnerships can be initiated in Brazil as well as in other countries; the

mechanisms for overall social regulation provide hints as to the possibilities and limits of interaction between non-state actors under the shadow of the state.

From a governance perspective, various rational criteria must be accommodated if a policy is to be implemented successfully (or received by its participants) (Windhoff-Héritier 1980). Applied to the case of the interaction between the company and the indigenous Tupinikim and Guarani communities, this would also mean that, for a policy/partnership to succeed, material as well as immaterial gains (in the eyes of both partners) need to be taken into consideration when defining the setup of the partnership. Two characteristics identified in the relationship between the company and the indigenous communities can be explained based on the theoretical framework: the company failed to strategically conduct a characterization of the target group (Windhoff-Héritier 1980) (in order to prepare its corporate position regarding the land property problem, for instance), and (2) indigenous communities did not recognize the steering mechanisms of the company, among other reasons, because of their resistance to render property for the monoculture of eucalyptus. Further, the elements of *culture* and *identity* were attributed a higher significance in the relationship between the company and the indigenous communities than in its relationship with the smallholder farmers. For the Tupinikim and Guarani, the symbolic value of culture and identity were related to the (threatened) materiality of their land possession. In the case of the smallholders, their property security (and thus their cultural and identitarian roots) is given, leaving them “free” to concentrate on economic gains.

The overall analysis shows that two outcomes are possible when we consider one micro-level framework (in this case, the contractual agreement between groups and company): if culture and identity are not at stake, if both are secured, and if land property is securely recognized, partnerships are likely to succeed since both actors *perceive* wins according to their preferences and remain in the agreement if it does not bring economic losses.

Should other gains be at stake, should identity matters and structural matters such as political participation and land rights not be perceived as given, the actors are likely to stay in the partnership until those immaterial losses outweigh their material gains, or they are likely to not even consider joining partnerships.

Another possible generalization can be made on a theoretical level: while corporate governance of companies that explore natural resources increasingly encompasses debates on environmental issues, corporate strategies are also increasingly seeking to

establish relationships of cooperation with external agents such as local communities. The strategic action of cooperation not only legitimizes the company's beneficial existence in the region but also helps it to fulfill the demands of sustainable development maxims which are required by consumers and other links in the production chain on an international level.

We can generalize that the development of socio-environmental strategies by companies tends to exceed "the classical limits of its technical-economic plan"- companies' decisions permeate political matters in the localities in which they are active⁸⁶.

When the findings are analyzed according to the proposed governance approach and the rational choice understanding of interaction, we come to the conclusion that the administration of interaction between the partners in Espírito Santo, be they conflictual or harmonious, is a necessary instrument of regulation since a complete break in the relationship is not possible because of the actors' strategic interdependence as far as resources are concerned.

On a neo-institutionalist rational choice level, the findings point to the actors' search for exit options based on their perception of low-quality of governance in the social setup in which they are involved. This phenomenon cannot be considered as specific to Brazil. This thesis, as well as further research on company-community partnerships in other disciplines, points to the fact that basic rights and needs of communities, historically and strategically considered the weaker partners in the partnerships, need to be taken into account for them to feel acknowledged as counterparties. If this is not the case, the local communities might refuse to play the game, meaning that the interaction would not take place, which would bring potential losses to all partners. Or they might also enter the game using their preferences and specific rationalities as tools, thus making negotiations between the partners more difficult.

On a normative level, we found out that culture and identity can have different meanings for different kinds of actors (in this case, smallholder farmers, companies and indigenous peoples). However, the partners in dispute on resources (in our case, the company and the indigenous communities) also disputed *concepts of sustainable development*. For the company, *development* means good management of the eucalyptus monoculture. *Sustainable*, in their view, are all measures that allow trees to be cultivated generating a maximum of gain with a minimum of environmental damage, if possible. For the indigenous communities, sustainability cannot be reached at all in a

⁸⁶ See Andrade/Dias 2003:142.

monoculture production mode. The monoculture as such is emblematic of a kind of development that *per se* cannot be sustainable. This difference in perception and rationality may have harmed the relationship between the company and the indigenous peoples. Different understandings of sustainability and development may also lead to conflicts over natural resources in other parts of the world. These divergences are ensconced in the general debate on the concept of *sustainability* and *different kinds of development*, and also point to the complexity of the ideas of environmental and social justice. After testing the variables in these particular company-community partnership setups (the company cooperating with smallholder farmers and with indigenous communities), one general conclusion can be drawn: though the notions of social and environmental justice should be independently categorized and evaluated for analytical reasons, both notions seem to be interwoven with each other, both normatively and in practice. The complexity with which social and environmental justice are interrelated becomes blatant in the case of indigenous communities. Their access to natural resources is mediated by their access to recognition as citizens, to land and to political participation.

As far as partnerships in the forestry sector are concerned, different views of the problem situation, be they of a practical or normative nature, will make the interaction between the partners less stable.

CONCLUSION AND PERSPECTIVES FOR FURTHER RESEARCH

At the beginning of this work, the reminder of the linkage between man and nature through the domination of the first by the second was the introductory thought paving the way for a reflection on two linked political phenomena that could be observed at the beginning of the present century: the globalized realization of the necessity of a rationalized treatment with the environment and natural resources, and changes in the very nature of the western (and westernized) states, leading to new mechanisms of regulation between state and non-state actors, and non-state actors and resources.

In times of threats to biodiversity, forests and water reservoirs, the appeal for global governance seems more *en vogue* than ever before. Forests are at the centre of political and market strategies. They are considered carbon sinks and their maintenance and control are necessary to the overall environmental (as well as political and economic) stability of the globe. The commodification of nature, one of the consequences of global appeals for preservation and sustainable management, has crossed frontiers and encompassed businesses and civil society.

The neo-institutional approach to governance examined in this work aimed to offer, if not definitive answers, at least investigative tools for the research of emerging mechanisms of social regulation in the forestry sector, by means of presenting and analyzing aspects of partnerships between businesses and local communities in the southern hemisphere. The dynamics of interaction and functioning of an economy branch such as that of forestry and forestry products are intrinsically connected to emerging ideas of governance and new institutional arrangements in the environmental area.

In this context, company-community partnerships are inherently different from other multi-stakeholder setups such as public-private partnerships. The activities of companies in the timber sector and their relationships to the nation state and to other stakeholders within the area of management of natural resources have a significant importance not only for the economic development of the sector but also for the sustainability of the interaction between man and nature.

The study of company-community partnerships may shed some light on the limits and possibilities of private governance in the forestry area in general.

The neo-institutional approach provides a framework for analyzing formal institutions at macro-level that structure the action of companies and communities in managing forest areas in Brazil, such as governmental forestry policies. Furthermore, the analysis

of institutional settings at micro-level, researched at empirical level by analyzing the contractual agreement between the target company and communities in the state of Espírito Santo, shows the kind of arrangements that are possible between unequal stakeholders. Finally, the analysis of semi-structured interviews offers a glimpse, for exemplary purposes, of informal institutional arrangements in the setting of company-community partnerships and their perceptions of the partnership.

My general strategy in analyzing the company-community partnership called “Forestry Partners” in Espírito Santo alludes to the theoretical propositions considered in chapters 1 and 2.

The first chapter briefly presented the current status quo of governance debates in political science scholarship and discussed a concept of governance that could be applied to the partnership between actors when growing and commercializing natural resources. The second chapter elucidated the *rationale* behind the theoretical approach to governance – a rational choice neo-institutionalism – and pointed to the way of thinking that determined the *leitmotif* of this M.A. thesis. The theoretical propositions were embedded in the hypotheses and operationalized in the independent variables.

Following the case study typology of Yin (1990), the thesis is based on a single case study in which each interaction between two partners can be considered a sublevel of the case. The idea was to identify whether the partnership was a win-win situation for both actors involved by drawing on the experiences of two types of actors – smallholder farmers and indigenous communities.

The justification for analyzing a single case study is that this present work is a pilot case study for the investigation of partnerships in the forestry sector from a governance point of view. One of the most famous cases, referred to as exemplary in third sector literature, was chosen for this purpose. Factors such as the availability of material, the period of time the partnership has been operating, availability of studies of different study fields (such as forestry and business administration), influenced the choice of the unit of analysis.

The results confirmed the idea that economic demands can be met if the rural producer does not depend for his/her material living on the land he/she could set apart for growing eucalyptus, if he/she has secured its property rights and if he/she does not experience economic losses.

Unfortunately, the program seems to generate a relationship of dependency between producers and the company, since the company continues to be the largest and most

dependable buyer of wood in the region and pays low market prices for the wood delivered. The program thus seems to benefit the company more than producers.

A general point of criticism is the absence of concrete governmental proposals for similar commercial forestry programs in the area of Espírito Santo. Among the interviewees, there was little knowledge about the concrete possibilities of entering such a relationship within the government structure or engaging in a governmental program for subsidized timber production. According to Levy and Newell (2005), the state's tendency to refrain from a proactive agenda in policy issues gives rise to the formation of so-called private regimes that are on the one hand still restricted by domestic law and international agreements, but on the other offer few possibilities of growth without the influence of an agent with own particular interests – companies are at best limited generators of common goods.

Another remark relates to the concrete outcomes of forestry partnerships. We learned from both interactions (indigenous communities and smallholder farmers) that partnerships in the forestry sector are not able to substantially reduce poverty rates, since the forestry activity is unlikely to become the primary source of income for communities that need to diversify production in order to make a living. This, too, is supported in specialized literature (Mayers/Vermeulen 2003).

From a macro political perspective, the expansion of eucalyptus production in Brazil corresponds to the politics of extending technology and the “market presence” of the so called agro-industrial complexes in the country. The inclusion of local communities in the chain of production boosted by agro-industrial complexes may have a twofold impact: modernization of local agriculture through technology sharing and the acquisition (on the company's side) of a certain social legitimacy. The legitimating discourse of such a company as a provider of social and economic benefits for the population in its surroundings is enhanced by the alleged benefits that the concept of commercial forestry is said to generate in environmental terms.

The interaction game between the company and (1) the indigenous communities residing at the coast and (2) the smallholder farmers of the hillside of the state seems to follow a similar pattern.

Indigenous communities, however, does not only pursue the satisfaction of their economic needs but also consider other immaterial gains as significant.

Economic benefits might be the most important criterion for interaction between communities in general and companies to take place, as shown in our case study.

Hypothesis (1) could thus be verified as the interaction between the company and the smallholders was analyzed. However, for a durable mechanism of governance to take place and for hypothesis (2) to be fulfilled, the partnership needed to count on further qualitative elements such as the respect of unnegotiable cultural and identitarian rights and rights of political participation, which were not fulfilled in the company's relationship with the indigenous communities.

Both hypotheses can be applied to forestry partnerships in general terms – chapter 6 summarized and applied the results drawn of the case study to the general approach of (environmental) governance.

As Andrade/Dias (2003) point out, further research on the logics of the action between partners in social-environmental projects is necessary. As seen in the case study of a company-community partnership in the forestry sector, the logic of action and the beliefs of partners have a significant weight in the interaction matrix. The actor's primordial impulse to maximize economic gains, as considered by classical rational choice approaches, must be relativized when applying neo-institutional models to these specific social setups.

While research in political science and other disciplines help us examining social interactions between partners in the environmental area, other issues regarding the global preoccupation with the overall *sustainability of the environment* remain controversial, as does the dominating mode of production and the as yet few measures undertaken to balance the relationship between man and nature.

There is also need for further research in this area and, above all, for alternative political and ontological *Weltanschauungen*. As Guha (2000) wisely pointed out, "(...) while there might be one world, it [is still] divided into two unequal halves".

LIST OF ACRONYMS

AIC	Agro-Industrial Complex
ANATEL	Agência Nacional de Telecomunicações (National Agency of Telecommunications)
ANEEL	Agência Nacional de Energia Elétrica (National Agency of Electrical Energy)
ANP	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (National Agency of Petroleum, Nature Gas and Biofuels)
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (<i>Brazilian National Bank of Economic and Social Development</i>)
CONAMA	Conselho Nacional do Meio Ambiente (<i>Brazilian National Council of Environment</i>)
CONAR	Conselho Nacional de Auto-Regulação Publicitária (<i>Rough translation: Brazilian National Council of self-regulation on Advertising</i>)
EU	European Union
FSC	Forest Stewardship Council
FUNAI	Fundação Nacional do Índio (National Indigenous Foundation)
IBAMA	Instituto Brasileiro do Meio-Ambiente e dos Recursos Naturais Renováveis (<i>Brazilian Institute of Environment and Renewable Natural Resources</i>)
IBDF	Instituto Brasileiro de Desenvolvimento Florestal (Brazilian Institute of Forest Development)
IBGE	Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics)
IDAF	Instituto de Defesa Agropecuária e Florestal do Espírito Santo (<i>Rough translation: Institute of Agriculture, Livestock Farming and Forestry Defense of the state of Espírito Santo</i>)
IEF	Instituto Estadual de Florestas (<i>Rough translation: Institute of Forests of the state of Espírito Santo</i>)
IFF	Intergovernmental Forum on Forests
IMF	International Monetary Fund
INCRA	Instituto Nacional de Colonização e Reforma Agrária (<i>Brazilian National Institute of Colonization and Agrarian Reform</i>)
ITC	Instituto de Terras e Cartografia (<i>Rough translation: Institute of Lands and Cartography</i>)
MMA	Ministério do Meio Ambiente (<i>Brazilian Ministry of Environment</i>)
MNC	Multinational Corporation
MPA	Movimento dos Pequenos Agricultores (<i>Rough translation: Brazilian Movement of Smallholder Farmers</i>)
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
PNF	Programa Nacional de Florestas (<i>Brazilian National Forestry Program</i>)
PPG7	Programa Piloto para Proteção das Florestas Tropicais do Brasil (Pilot Program for the Protection of Brazil's Tropical Rain Forests)
PSDB	Partido da Social Democracia Brasileira (Brazilian Social Democracy Party)
PT	Partido dos Trabalhadores (<i>Brazilian Worker's Party</i>)
SBS	Sociedade Brasileira de Silvicultura (Brazilian Society of Silviculture)
UN	United Nations
WBCSD	World Business Council for Sustainable Development

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APPENDIXES

APPENDIX I – Contractual Agreement - Company-Community Partnership

APPENDIX II – Questionnaires

Questionnaires

A) Questionnaire (FARMERS)

Introduction to interviewees: This questionnaire is part of my academic research on partnerships between forest farmers and companies. The idea is to identify reasons for joining/having joined the program and to identify advantages or disadvantages of the program for every day lives of producers. I would like to thank you very much in advance for your collaboration.

My own idea is to raise questions about the role of government agencies, knowledge about national/local forestry policies, participative structures, social-economic demands, land rights, transparency mechanisms. The questionnaire is composed of structured, semi-structured and open questions. It has an exemplary character. The interview should last up until one and a half hours.

Q1. General identification of Interviewee:

Q1.a. *(signatory of the contract: yes/no, if not: Spouse/relative)*

Q1.b. Male/female

Q1.c. Occupation:

Q1.d. Age:

Q2.a. Land stratum *(medium size of property for later classification, comparing to other interviewees)*

Q2.2. Land situation:

(as for the status of property – land was bought, conquered, given by the state...)

Q3. *(Formal relationship to program)* Situation of the contract of partnership for forestry management:

Q3.1. Finalized and not renewed *(ask further questions as for “when was the contract initiated/finalized?”)*

Q3.2. Ongoing *(ask further questions as “ongoing since when?”)*

Q3.3. Finalized and renewed *(ask further questions as “when was contract initiated/renewed?”)*

Q3.4. Never engaged in this sort of partnership *(could serve as control participant, since the questionnaire will not deal with the before/after dimension)*

Q4. Are you a member of any farmers’ association/union?

Q4.1. yes

Q4.2. no

(Social-economic criteria)

Q5. Would you classify forestry activity as your primary or secondary economic activity?

Q6. What are the other activities *(coffee/manioc/papaya)?*

Q7. How important are revenues from forestry activity to you?

Q7.1. very important

Q7.2. fairly important

Q7.3. not much important

Q8. Forestry activity makes how much percent of your revenues?

Q8.1. Less than 20%

Q8.2. Between 20% and 40%

Q8.3. More than 40%

Q9. Thinking about the timber market in your region in the last 10-15 years, would you say that it has:

Q9.1. Improved

Q9.2. Deteriorated

Q9.3. Remained the same

Q9.4. Don't know

Q10. Thinking about the timber market at the time of contractual agreement, what advantages have you seen in joining the partnership?

Q11. Thinking about the timber market today, what advantages/disadvantages have you seen in joining the partnership?

(Participative structures)

Q12. Please, describe the procedure of joining the program, what were the necessary steps to joint it from your side?

Q13. How often do you meet the technical adviser? Do farmers meet collectively or privately with him? How often do you exchange impressions with other participants of the program?

Q14. Farmers often have to talk to technical advisers for many kinds of problems. How often do you approach the technical adviser with each of these problems?

Q15. I would like to talk about institutions that help create the partnership. Can you please tell me how important they are in your opinion? *(role of government and other parties)*

a. IDAF c. Federal government d. Company's technical adviser e. farmers' associations/unions	Q15.1 very important Q15.2. fairly important Q15.3 not important
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Q16. Compared to 10 years ago, are life and property safer than before? *(land rights)*

Q16.1. Agree

Q16.2. Disagree

Q16.3 Don't know

(Environmental sustainability as a reason for joining the program)

Q17. In your opinion, are there advantages coming from the program for the environment? Why?

Q.18. was this issue important for you when you joined the program? Is it important for you now?

Q.19. how do you evaluate this partnership you are in in terms of administrative sustainability (*governance*)?

B) Questionnaire (INDIGENOUS COMMUNITIES)

Introduction to interviewees: This questionnaire is part of my academic research on partnerships between forest farmers and companies. The idea is to identify reasons for joining/having joined the program and to identify advantages or disadvantages of the program for every day lives of producers. I would like to thank you very much in advance for your collaboration.

Q1. General identification of Interviewee:

Q1.a. (*signatory of the contract: yes/no, if not: Spouse/relative*)

Q1.b. Male/female

Q1.c. Occupation:

Q1.d. Age:

Q2. How would you describe the relationship between communities and company over the past decades?

Q3. (*Formal relationship to program*) Situation of the contract of partnership for forestry management:

Q3.1. Finalized and not renewed (*ask further questions as for “when was the contract initiated/finalized?”*)

Q3.2. Ongoing (*ask further questions as “ongoing since when?”*)

Q3.3. Finalized and renewed (*ask further questions as “when was contract initiated/renewed?”*)

Q3.4. Never engaged in this sort of partnership (*could serve as control participant, since the questionnaire will not deal with the before/after dimension*)

Q4. Are you a member of any farmers' association/union?

Q4.1. yes

Q4.2. no

(*Social-economic criteria*)

Q5. Would you classify forestry activity as your primary or secondary economic activity?

Q6. What are the other activities (*coffee/manioc/papaya*)?

Q7. How important are revenues from forestry activity to you?

Q7.1. very important

Q7.2. fairly important

Q7.3. not much important

Q8. Forestry activity makes how much percent of your revenues?

Q8.1. Less than 20%

Q8.2. Between 20% and 40%

Q8.3. More than 40%

Q9. Thinking about the timber market in your region in the last 10-15 years, would you say that it has:

Q9.1. Improved

Q9.2. Deteriorated

Q9.3. Remained the same

Q9.4. Don't know

Q10. Thinking about the timber market at the time of contractual agreement, what advantages have you seen in joining the partnership?

Q11. Thinking about the timber market today, what advantages/disadvantages have you seen in joining the partnership?

(Participative structures)

Q12. Please, describe the procedure of joining the program, what were the necessary steps to joint it from your side?

Q13. How often do you meet the technical adviser? Do farmers meet collectively or privately with him? How often do you exchange impressions with other participants of the program?

Q14. Farmers often have to talk to technical advisers for many kinds of problems. How often do you approach the technical adviser with each of these problems?

Q15. I would like to talk about institutions that help create the partnership. Can you please tell me how important they are in your opinion? *(role of government and other parties)*

a. IDAF c. Federal government d. Company's technical adviser e. farmers' associations/unions	Q15.1 very important Q15.2. fairly important Q15.3 not important
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Q16. Compared to 10 years ago, are life and property safer than before? *(land rights)*

Q16.1. Agree

Q16.2. Disagree

Q16.3 Don't know

(Environmental sustainability as a reason for joining the program)

Q17. In your opinion, are there advantages coming from the program for the environment? Why?

Q18. was this issue important for you when you joined the program? Is it important for you now?

Q19. how do you evaluate this partnership you are in in terms of administrative sustainability *(governance)*?

C) Questionnaire (NGO MEMBER)

Q1. similar above

Q2. How long have you been following policy making and its implications on the timber sector in Espírito Santo?

Q3. How do you see/evaluate progresses in forestry policies in this state?

Q4. What are the advantages and disadvantages of community-company partnerships in your opinion? (*/major difficulties of producers in the partnership*)

Q5. Why, in your opinion, do farmers enter the partnership?/why, in your opinion, did the company enter the partnership?

Q5. How do you see the role of the state in the partnership?

APPENDIX III – Sample of interview made with target group

APPENDIX IV – Systematization tables

A) Interview with Smallholders Farmers (F1)

B) Interview with Smallholders Farmers (F2)

C) Interview with Smallholders Farmers (F3)

D) Interview with Indigenous Leaders (I1)

E) Interview with Indigenous Leaders (I2)

F) Interview with Decision-Makers (Technical Advisor)

G) Interview with Decision-Makers (Government member)

H) Interview with Decision-Makers (Former FUNAI worker)

I) Interview with Decision-Makers (NGO member)

D) Questionnaire (GOVERNMENT MEMBER)

Q1. Similar above

Q2. What is the role of the state in this sort of partnership?/What was its role in the implementation of the program?

Q3. how does the state evaluate the implementation of community-company partnership? How often does it evaluate implementation? (*how are farmers approached? How does bargaining take place? Collectively?*)

Q4. What are the main reasons for farmers to enter the partnership? And for the company?

Q5. What have been the major difficulties encountered in the partnership's implementation?

Q6. How do you think a company-community partnership contributes to:

6.a. environmental sustainability

6.b. social sustainability

6c. economic sustainability

Q.7. how do you evaluate partnerships in terms of administrative sustainability (*governance*)?

E) Questionnaire (TECHNICAL ADVISOR)

Q1. Similar above

Q2. How long have you been accompanying the program “Produtor Florestal” (*name of the partnership*)? How would you describe the program?

Q3. What are the advantages and disadvantages of community-company partnerships in your opinion? (*/major difficulties of producers in the partnership*)

Q4. What are the main reasons for farmers to enter the partnership? And for the company?

Q5. How do you see the role of the state in the partnership?

Q6. How do you think a company-community partnership contributes to:

6.a. environmental sustainability

6.b. social sustainability

6c. economic sustainability

Q.7. How do you evaluate partnerships in terms of administrative sustainability (*governance*)?