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T20 Policy Brief

Task Force 04

TRADE AND INVESTMENT FOR SUSTAINABLE AND INCLUSIVE GROWTH

Sustainable Commodities for Climate, Nature and People: Learning from the Past, Investing in the Future

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Abstract

This policy brief recognizes a shift in world order toward multipolarity, particularly toward increasingly influential financial and trade partnerships between China with emerging powers in South America and Africa. We argue that this epochal shift opens spaces for launching urgently needed changes to paradigms of resource extraction and commodity export, food security and climate action. Our diagnosis, focused on South America and Africa, discusses how current trade practices have exacerbated conditions of extreme inequality and primary commodity dependency, displaced communities, and triggered community fragmentation and social conflict with serious environmental and social effects. We draw upon this diagnosis to generate the following recommendations: It is urgent that all G20 countries (1) ratify and vigorously implement ILO convention 169 for monitoring extraction with zero tolerance for eviction of communities or unfair land purchases and promote benefit sharing at all levels; (2) restrict mining in areas of ecological and cultural sensitivity; (3) ensure transparency at all stages of investments in extractive sectors with public access to information on contracts, taxes and revenue distribution; (4) foster collaboration between producer and consumer countries of agricultural commodities for Integrated Land Use Planning, and high standards of compliance including by indirect suppliers; (5) adopt eco-efficient technologies, particularly for degraded lands and small farms; (6) build capacity for and transparency between local agencies monitoring compliance; and (7) foster municipal-level technical and institutional innovation. We advise all recommendations should be implemented through mechanisms of South-South cooperation through G20 and BRICS venues, with strong civil society and local community participation.

Keywords: Commodities, Deforestation, Land Use, Biodiversity, FPIC, Mining, Collaboration, Consultation, Monitoring, Compliance, Civil Society.



Diagnosis of the Issue

The world needs critical minerals for the clean energy transition, and food security for a growing global population cannot be achieved without trade in agricultural commodities. At the same time, there are inherent trade-offs between nature and biodiversity conservation, human rights, and natural resource extraction. How these trade-offs are managed has economic, social and environmental dimensions. These are the pillars of sustainable development, as defined by the Brazil G20 Concept Note.¹

To illustrate trade-offs, we focus on Brazil and Ecuador in South America and Angola and Mozambique in Africa, all of which are important trade partners and recipients of investments from Asian, European and North American countries. Our selected cases represent two ends of a spectrum of issues of food security, climate action, and accountability in the extraction and commodity sectors. G20 member and T20 host Brazil is a huge country with a strong state and agribusiness sector. Ecuador is a smaller nation, but strategically positioned at the gateway between the vast Amazonian region, the Andean nations, and the increasingly metropolitan Pacific world. In Ecuador, the focus of trade and foreign investment has been overwhelmingly on the extraction sector: copper mining, gold mining, oil drilling, hydroelectric dams (producing the energy needed for these extraction projects), and roads and ports to carry these products to China and its global markets. In Brazil, the focus has been on agribusiness, particularly on soybean harvesting and cattle ranching that has encroached on the Amazon rainforest. Here, too, there has been investment in oil and gas extraction, mega dam building, and the

¹ See Issue Note from the Brazilian Presidency of the G20. Available at:

<https://www.g20.org/en/news/documents>

construction of ports and free-trade zones to service new commodity exports (See Appendix). G20 state-owned companies have also invested in Brazil in energy grids, dams, Olympic megaprojects, railroads, and port complexes. Ecuador and Brazil also share social concerns that arise in response to G20 investment. In both countries, current trade practices have brought extensive environmental damage, with consequences for the livelihoods of Indigenous Peoples and local communities (Amar et al, 2023).

The European Union (EU) Green Deal, including a sustainable finance action plan and the European Union Deforestation Regulation (EUDR), aims to encourage eco-friendly investments and reduce deforestation. However, its effectiveness is uncertain due to China's dominance, importing 60% of Brazil's soybean exports, compared to the EU's 15%. China, together with Hong Kong and Egypt, also imports more than half of Brazil's meat exports (Søndergaard et al, 2023).

In Angola and Mozambique, climate action and food security also orbit around struggles to enforce [Free, Prior and Informed Consent](#) (FPIC) while ensuring poverty alleviation, ecological regeneration, and equitable distribution around extractive and commodity economies. In Mozambique, struggles around the extraction of coal, iron and bauxite have amplified social and ecological challenges. In the agricultural commodities sector of Mozambique, despite the enactment of the relatively progressive Land Law of 1997, community displacement caused by mining conglomerates and lack of accountability in the law's implementation have triggered a national crisis (AIAAV 2021). In Angola, the construction of massive ports and infrastructure related to the extraction of petroleum, iron, phosphates, uranium, and gold have raised questions of community stability and equitable distribution of revenue and triggered significant ecological and biodiversity devastation. Once self-sufficient in food production, Angola has become food insecure, importing more than a third of its crops, and with rural areas depleted of



population during decades of internal conflict (UNCTAD 2019).

The physical link between agriculture and mining is through the logistics corridors that connect production to global markets via rail, road and sea transport. This implies the reconfiguration of territories, which raises the issue of land grabbing and its impact on peasants and local cultures. In this context, the expansion of transportation and communications infrastructures has often ravaged ecosystems and displaced populations, or has been realized without the involvement or benefit of local stakeholders, leading to social and environmental crises in, for example, the Nacala Corridor in Mozambique (Garcia and Kato 2020).

In the effort to ensure a more sustainable future, the world's major powers are competing to control sources of minerals critical for the energy transition. South America has an abundance of these minerals, with an estimated 52% of global lithium reserves, while Chile and Peru are the largest copper producers. Ecuador is now strongly committed to turn to mineral exports after decades of dependency on oil extraction. In Southern Africa, investments in mining of minerals, and simultaneous infrastructure and agribusiness projects, have attracted a boom in investments, particularly from BRICS countries. But in Mozambique and Angola, social strife around land ownership, population displacement, and environmental degradation has escalated, requiring policy shifts and policy innovations in key areas (Human Rights Watch 2013).

While a surge in demand suggests new economic opportunities for South America, mineral and fossil fuel extraction to date have failed to deliver equitable sustainable development for its citizens. On the contrary, extractive industries have exacerbated conditions of extreme inequality and primary commodity dependency, with serious environmental and social effects. Moreover, legal and illegal mining have caused the displacement of indigenous and other local communities, and triggered community

fragmentation and social conflict throughout the countries of the Amazon region. Extractive industries have led also to deforestation, land degradation, and pollution of fragile lands and water resources across South America. Lack of consultation, collaboration, or consensus-building processes with local peoples have triggered conflict throughout the Amazon region (See Appendix).

In Brazil, cattle production, often in combination with soy cultivation, is driving more than two-thirds of deforestation in the Amazon and Cerrado, with expected further expansion to meet rising global demands (See Appendix). This poses significant climate and environmental risks. China and the EU, both major importers from Brazil and important G20 members, play a significant role in driving demand for these products.

In Africa, a review of BRICS investments in Angola and Mozambique has revealed poor licensing procedures and environmental impact assessments due to institutional, budgetary and capacity constraints. In Angola, conflicts over land are common in rural areas, as only 2% of Angola's rural population has land titles. Failure to comply with the Land Law in terms of its requirements to hold public consultations and provide fair compensation to displaced rural residents affects about 65% of the population around megaprojects (Tump et al, 2021).

In Mozambique, only 28% of communities have the legal right to access and use their ancestral lands, and many women are not aware of such rights, which were granted only in 1997. Tax benefits for investors have not translated into tangible benefits for local economies, local jobs and in some cases corporate social responsibility by companies has amounted to no more than holding sports activities (Garcia et al 2023; Mapiisse 2021).



Call to Action: Recommendations for the G20

The issues described above are not unavoidable. A robust set of best practice guidelines exists to guide the actions of governments, investors, and companies to deliver on the social, environmental, and economic dimensions of sustainable development. These include the [International Labour Organisation Indigenous and Tribal Peoples Convention \(ILO169\)](#), the [Extractive Industries Transparency Initiative Standard](#) and the [International Finance Corporation's Performance Standards](#).

Our recommendations are therefore as follows:

Mining

ILO 169 ratification and adequate implementation. We urge all G20 countries to ratify and enforce ILO 169, including the adoption of national legislation in full support of the Convention and adequate monitoring and enforcement of its provisions, with zero tolerance for violent eviction of communities, fair land purchases, community relocation, and benefit sharing at all levels.

Restrict mining in areas of great ecological and cultural sensitivity, including national parks, land and marine reserves, and areas of cultural significance to indigenous communities. National and local governments must guarantee full transparency in the tendering process for public works and ensure the balanced participation of all stakeholders. Strengthening state capacity for industrialization activities that provide

added value to extraction, including adequate labor regulation and scientific and technical capacity, as in Chile’s new National Lithium Policy.²

Ensure transparency at all stages of investments in extractive sectors including contracts, tax agreements, tax payments, and distribution. Ensure distribution of tax revenues to local governments to help finance health and education, as Peru’s “Mining Canon.”³

Agricultural commodities

Collaboration between producer and consumer countries such as Brazil, the EU and China, to ensure responsible sourcing practices, promote conservation efforts, and support initiatives that prioritize environmental stewardship, more specifically, enforce compliance with environmental laws, ensure medium and small-scale producers meet high production standards, and prevent indirect suppliers from contributing to deforestation.

Improve access to credit for smallholders. Expanding targeted long-term credit and coupling it with technical guidance can bridge the productivity gap, fostering sustainable practices and easing forest pressure.

Adopt eco-efficient technologies. Develop and operationalize technologies that utilize natural resources efficiently, tailored to degraded lands and small farms. These

² For more information, please see <https://www.gob.cl/litioporchile/en/>

³ For more information, please see <https://www.reuters.com/world/americas/peru-proposes-new-approach-mining-combat-economic-disparities-conflicts-2022-09-30/>

technologies should aim to optimize soil and water usage while promoting sustainable agricultural practices.

Implement monitoring and certification. Establish frameworks to monitor sustainable agriculture intensification and territorial performance, empower local jurisdictions to attract investment through demonstrated sustainability improvements, equip relevant agencies with resources to carry out consultations following ILO 169 and IFC standards.

For all commodities

Encourage regional cooperation in these efforts, and South-South cooperation through such venues as the G20 and BRICS, with a strong civil society and local community participation.



Scenario of outcomes

We are witnessing a tectonic shift in world order toward multipolarity, particularly toward increasingly influential financial and trade partnerships between China and emerging powers in South America (including G20 member Brazil) and Africa (impacting across the G20's African Union). In this context, the G20 is called upon to answer one critical question posed at the horizon line where the global economy, financial stability, and sustainable development meet: Will this shift in global order simply represent a change in how countries compete to obtain natural resources to meet their needs? Or will this epochal shift open a space for launching urgently needed changes, moving toward a different sustainable, participatory alternative? This policy brief argues that the second scenario is the only acceptable path forward, reflecting the interests of the peoples and ecosystems of the G20.

We argue that G20 countries must balance their strategic and immediate interests with long term sustainable development imperatives that include social and environmental safeguards, as national and local economic growth is pursued. To do so is not only an ethical matter but one of self-interest. The World Economic Forum (2020) estimates that \$44 trillion of economic value generation – over half the world's total GDP – is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss.

Therefore, in a scenario where G20 members consider the environmental impacts of mining, oil production, and agriculture and honor international agreements such as the Paris Agreement, the Kunming Declaration and the previously adopted G20 Global Land Initiative, they would also protect their national economies in the long term.

It is equally important to promote social stability and avoid conflicts in connection with projects. In a scenario where governments and companies enforce the FPIC of communities, assess the feasibility of the project in social and environmental terms, and regulate land purchases, relocation, and benefit sharing, they will enable community participation and engagement and mitigate the risk for social conflict, avoiding economic and political costs. In a scenario where taxation benefits local communities and economies, companies, governments and communities will reap the benefits of investments in extractive industries.

Similarly, smallholders often have insecure land ownership and as a consequence, no collateral and limited access to credit. In a scenario where they would have access to credit and appropriate technical assistance, it could provide incentives for these to implement agroforestry, restore degraded lands, and enhance productivity through sustainable intensification. This shift would not only support the livelihoods of rural communities but also conserve biodiversity and reduce greenhouse gas emissions.

Finally, if China, as a major importer of Brazilian agricultural products, adopts regulations similar to the EUDR in its trade and investment policies, the impact could be transformative. Such measures would provide a strong incentive to Brazilian agribusiness to decrease deforestation-driven agriculture. In the short term, this would require an adjustment in current practices and investments in monitoring traceability. However, Chinese adoption of such policies would also signal a global market shift towards sustainability, encouraging producers to adopt eco-friendly practices. Additionally, these changes could stimulate innovation in sustainable agricultural techniques, create new markets for eco-friendly products, and encourage the adoption of carbon sequestration practices, further mitigating climate change impacts.



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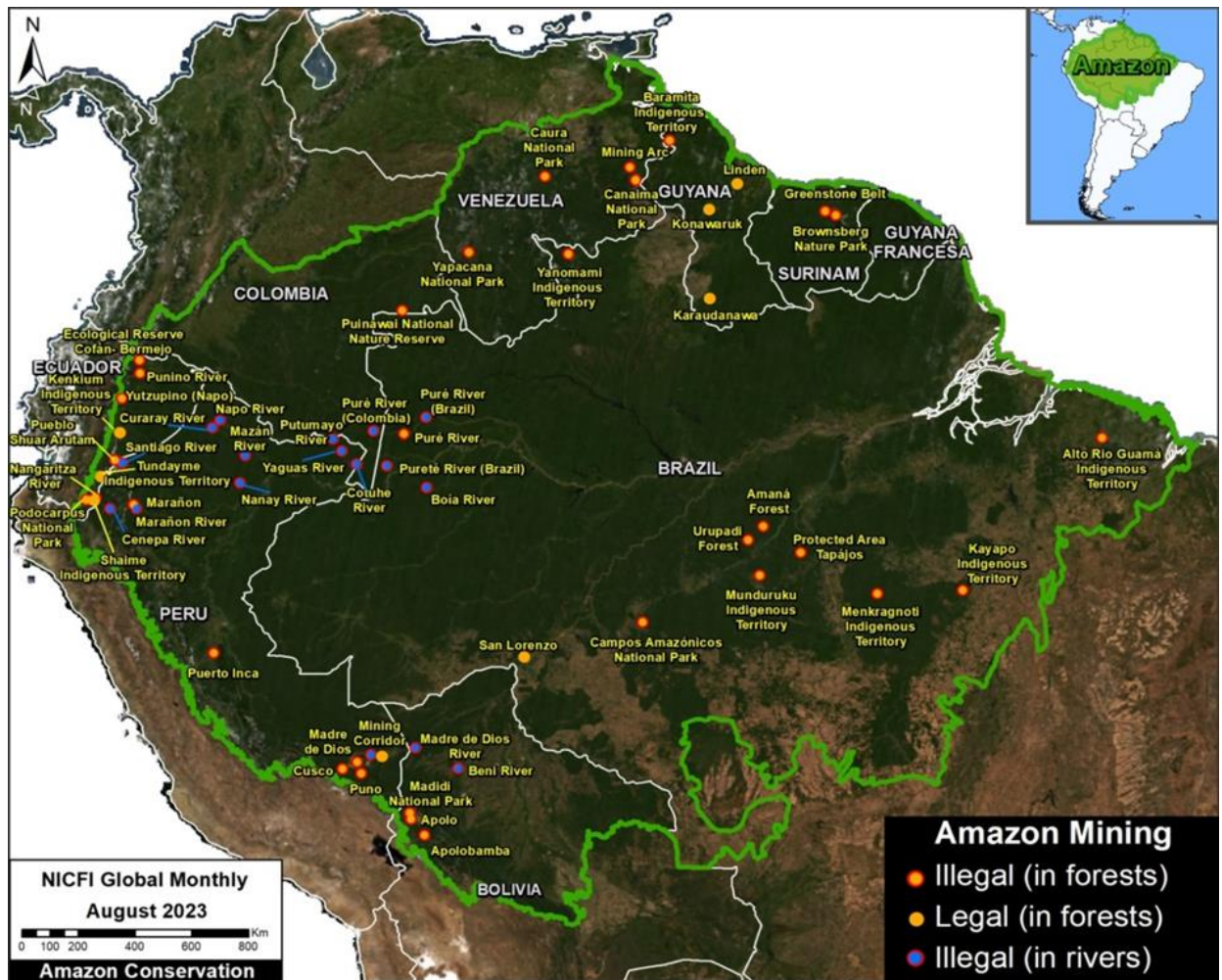
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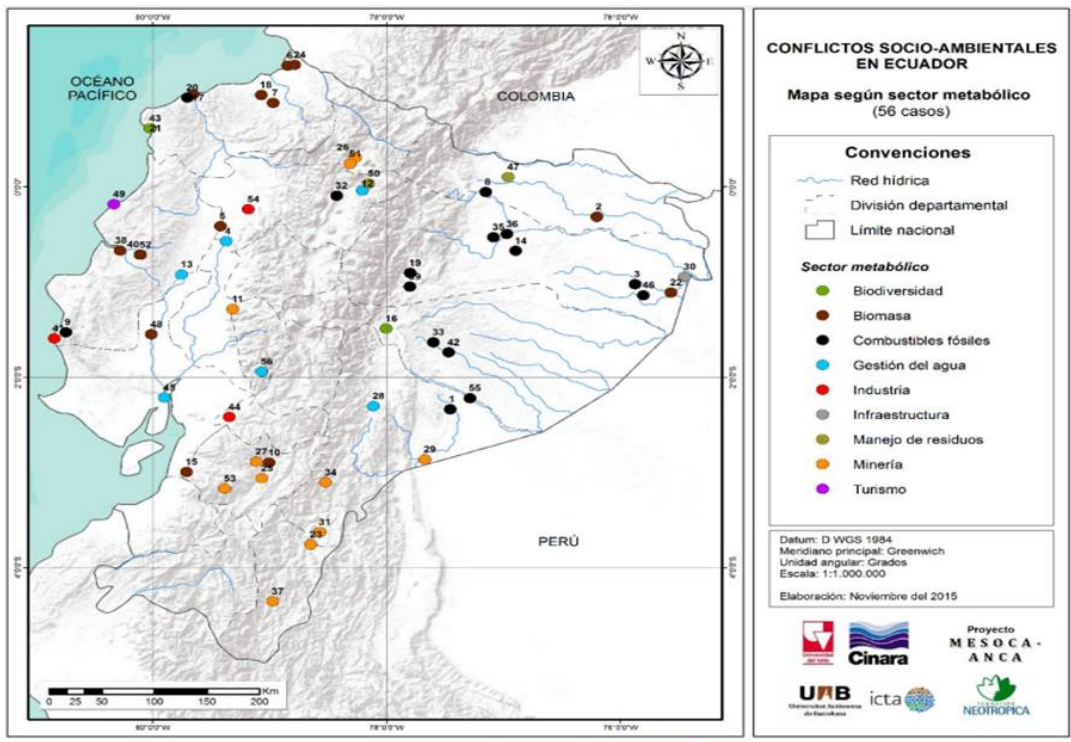
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Appendix A



Map 1. Illegal and Legal Mining in the Amazonian territory, affecting indigenous and local populations.

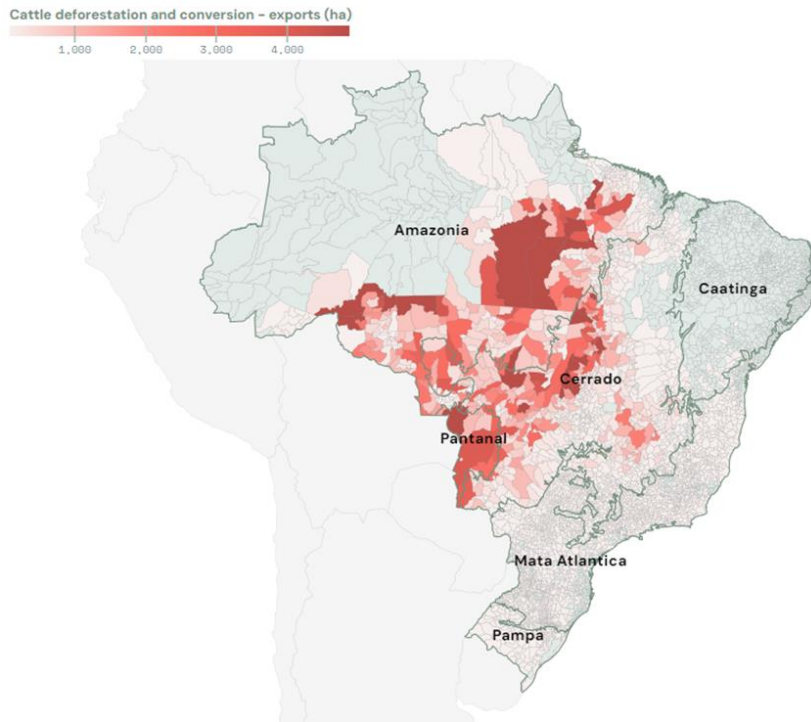
Source: Mongabay, October 24th 2023. Available at [New satellite readings show full extent of mining in the Amazon Rainforest \(mongabay.com\)](https://www.mongabay.com/news/conservation/amazon-mining/)



Fuente: Proyecto MESO-ANCA

Map 2. Social and environmental conflicts in Ecuador due to oil blocks and mineral concessions overlapping indigenous territories.

Source: Vargas Morales y Pérez 2016, p. 8



Map 3. Cattle-driven deforestation and conversion in Brazil.

Source: Trase 2020



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