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TRIBAL POPULATIONS AND INTERNATIONAL BANKING PRACTICES:  
A fundamental conflict over development goals

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Testimony before the House Banking Committee's Subcommittee  
on International Development Institutions and Finance  
submitted by Ralph Eluska, Vice President and Head of the  
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Tribal Populations and International Banking Practices: A  
Fundamental Conflict over Development Goals.

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The National Congress of American Indians welcomes this opportunity to testify before the Subcommittee on International Development Institutions and Finance to highlight its concerns regarding the impact of international development bank loan supported projects on indigenous populations.

As the Chairman of the Subcommittee perhaps knows, the National Congress of American Indians does not approach the subject before this committee as an academic concern, but rather as a matter of fundamental importance to the present and future survival of Indians and indigenous peoples throughout the world. The economic and development policies of States governments and international banking institutions like the World Bank, Inter-American Bank and the African-Asian Bank have a profound and frequently disastrous affect on the peace and wellbeing of more than 500 million indigenous peoples throughout the world. It is to the development policies and goals of international banking institutions that we address ourselves today. We will illustrate the impact of bank loan policies on selected indigenous groups in Costa Rica and in the Phillipines, discuss the current World Bank loan policy and the fundamental conflict over development goals between indigenous populations, states governments and international banking institutions. We will follow these discussions with our conclusions and recommendations.

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International bank supported projects are making victims of thousands of indigenous tribal groups and scores of Third and Fourth World Countries at the same time. The Aymaras and Quechuas of Peru, Yanomamo of Brazil, Pathans of Afghanistan, the Paez and Guambiam of Colombia, Timorese of Indonesia, Kalinga and Bontac in the Philippines and the Boruca of Costa Rica

are among the many indigenous groups victimized by the development policies of international banks and desparate state governments. Bank loan supported projects include development of roads, dams, power plants, telecommunications, ports and railway facilities. And, increasingly during the last five years "projects" include loans to states to refinance existing loans and payments for interest on exploding external debts. These types of bank supported projects facilitate the growth of private (often foreign) corporations in industry and mining which seek to locate in countries willing to provide tax incentives, low tariffs and cheap labor. Indigenous populations are among the first peoples sacrificed by state governments when they initiate "development for the sake of progress". Low income and subsistence members of the national society are often next in line for sacrifice.

Two case illustrations should make this point clear: Borucas of Costa Rica and the Kalinga and Bontac peoples in the Philippines. Both illustrations demonstrate the profound impact Multilateral Development Bank projects have on both indigenous populations and on the host state.

#### The Borucas, Costa Rica and the Boruca Dam

Since 1971 the Costa Rican government has been planning and initiating steps to develop aluminum processing, bauxite mining and hydroelectric dams to solve serious economic and energy problems. Despite poor quality bauxite the Costa Rican government worked to make the economic environment attractive to aluminum industry investment. The ALCOA aluminum company received a 20-year contract to mine bauxite ore from the southeastern zone of San Isidro Del General. In the same year of 1971 President Jose Figueres negotiated a deal with the World Bank, ALCOA and the Soviet Union to construct a \$400 million aluminum refinery and hydroelectric generating plant in the northwestern province of Guanacaste. Electrical power from the new dam was to be transmitted to the ALCOA mining site. In exchange for purchasing Costa Rica's excess coffee, Soviet hydroelectric generating equipment was to be purchased for the 500,000 kw dam. The combination of public

opposition to Soviet involvement and ALCOA's decision to cease bauxite mining due to poor ore quality caused the negotiations to fail.

With the slide in banana and coffee prices in the world market and the rapid increase in petroleum costs after 1973 Costa Rica's trade deficit was climbing rapidly. Few alternatives appeared available to the government to arrest the steep economic decline. Borrowing capital from Multilateral Development Banks and private banks became the first priority. Development of resources within Costa Rica's boundaries, promotion of high technology industries and reduction of petroleum imports became the formula for arresting Costa Rica's economic decline. These measures were heavily promoted by the World Bank and the Inter-American Bank as conditions for loans. The electrification of Costa Rica to support modern industry had become the solution.

The Inter-American Development Bank and the World Bank made substantial loans to support the construction of three dams: Arenal Dam, Corobici Dam and the Boruca Dam. The combined projected output of these three dams would be 1091 mega-watts (mw); or enough power to electrify more than 363 million homes for one year. While the combined output of the Arenal and Corobici Dams would be more than sufficient to support home and industrial users (331 mw), plans for the Boruca Dam began in 1980.

The Boruca Dam and power plant was initially planned through support garnered from a \$60.2 million loan from the Inter-American Development Bank. Planned for construction on the Rio Grande of Tenaba, the 260 meter high Boruca Dam was projected to generate 760 mw of electricity. Eighty-five percent of the Boruca's electrical output was slated to be used by an aluminum processing plant nearby, while the remaining 15% was to be used for community consumption. The total combined cost of the Boruca Dam, power plant and the aluminum processing plant was estimated at \$1.7 billion. The Boruca Indian Reservation would, if the Boruca Dam were built, become a vast lake behind the dam, forcing the Boruca peoples to relocate and causing

extensive ecological damage to the tropical and semitropical environment.

Located in one of the larger Indian Zones (reservations) in the southern part of Costa Rica near the border with Panama, the Boruca people opposed the construction of the Boruca Dam. Their opposition was naturally motivated by the threat to their homelands becoming a lake. Their opposition was further motivated by the threatened destruction of the environment on which they had long depended. To reduce Boruca opposition the Costa Rican government promised jobs to replace Indian reliance on resources within their reservation.

In 1966 the government of Surinam, working with SURALCO (a subsidiary of ALCOA) and the Billiton aluminum company, built the Brokopondo dam and power plant. More than 5,000 Indians were forced to relocate from their homes with the promise of jobs in the bauxite industry. Sixteen years later these Indians are living as the poorest of the poor in the slums of Paramaribo.

Through the World Council of Indigenous Peoples the Boruca people became informed about the experience of Indians in Surinam, the aboriginals in Australia and the Yanomamo of Brazil as they confronted similar bank and state initiated development projects. It was the discovery that Multilateral Development Banks, state government economic pressures and multinational corporations had combined to promote developments in territories of least political resistance that caused the Boruca people to increase their resistance to the planned Boruca Dam and the aluminum processing plant. Indeed, the Boruca people sought to expose the actual intent of the Multilateral Development Bank, the aluminum industry and the Costa Rican government to the national citizens of Costa Rica in an effort to prevent the further advancement of the project.

What had been revealed by the Borucas was that the ALCOA aluminum company was interested in locating its processing facilities in Costa Rica because of the increased political and military tensions in Surinam. The company was not particularly interested in using Costa Rican labor, nor was it interested in Costa Rican bauxite. Furthermore, it was

revealed that the actual beneficiaries of the planned Boruca project would be the Multilateral Development Banks and private banks which would receive interest payments on past Costa Rican loans; and the ALCOA company would benefit from a "safe haven", low or nonexistent taxes and tariffs, low labor costs and "free zone" ports from which to import and export raw and processed bauxite and aluminum. And, of course, the aluminum industry would be assured inexpensive electrical power.

The Boruca Indians and the national citizens of Costa Rica would be most directly harmed. The Borucas would be forced to relocate their communities and become totally dependent on the welfare system of the State. The national citizens would not receive jobs, but would be forced to pay inflated prices for goods and services as a result of currency devaluations and product scarcity imposed by the Multilateral Development Banks as a condition for loans. In the final analysis, the Boruca Dam was delayed and the Boruca Reservation avoided a watery grave. The threat continues to exist.

Even after accepting Multilateral Development Bank conditions for loans, the Costa Rican economy remains under serious stress, the Costa Rican colon has been devalued several times and the Wall Street Journal and Business Latin America give Costa Rica a low investment rating. Costa Rica now has the highest per capita external debt of any country in the world, continues to teeter on the verge of default and the pressures to increase the external debt while threatening the wellbeing of the Borucas continue. The Borucas and the national citizens of Costa Rica have become hostage to the interests of multinational corporations and to the demands of Multilateral Development Banks and private banks in the U.S. and Europe.

#### The Kalinga, Bontac, Philippines and the Chico Dam

All over the country, tribal Filipinos are being herded into reservations or relocated in massive military 'search-and-destroy' operations while their lands are flooded behind gargantuan dams or seized by multinational agribusiness. Unless these policies are reversed, some 4.25 million tribal Filipinos, a full tenth of

the Phillipine population will be eliminated in an act of cultural genocide unprecedented in Philippine history.

Dr. Joel Rocamora, a graduate of Cornell University and now working on the staff of the Southeast Asia Resource Center, made this observation in his article: "Agribusiness, Dams and Counter-insurgency" (Southeast Asia Chronicle, Issue No. 67; October 1979).

On the northernmost island of the Philippines, surrounded by the South China Sea to the west and the Pacific Ocean to the east, and north of the capitol city of Manila live more than 100,000 people who make up two groups known as the Kalinga and the Bontac. Until 1972, when Philippine President Marcos declared martial law, the Kalinga and Bontac peoples lived as self-sufficient, independent minded and self-governing nations in their remote and inaccessible territories. The entire culture of the Kalinga and Bontoc peoples is tightly entwined with the lands and territory of their homelands. Through the southern portion of Kalinga territory passes the Chico River, the river on which the Philippine government began in 1962 to plan the construction of four hydroelectric dams and power plants. For the ten years following 1962 the Philippine government was unable to establish the economic feasibility for construction of the massive Chico River Basin Hydroelectric Project. But, with the rapid increase in petroleum in 1973 energy experts predicted that the Chic River Dams would <sup>save</sup> ~~cost~~ \$39 million each year for oil. Loans from the World Bank and the Asian Development Bank were secured to begin construction, and in 1974 President Marcos directed the Philippine National Power Corporation to begin work on the Chico River Dam project. With promises of compensation and suitable relocation representatives of the Philippine government met with representatives of the Bontac people to inform them that Chico Dam II would be constructed in Bontac territory. The Bontacs were further informed that 500 people would be made homeless as a result of the dam's construction.

The Bontacs response to the National Power Corporation's proposals was swift and direct. The Bontacs would oppose and resist the construction of Chico Dam II. Letters were written to the government in Manila and Bontac and raiding parties dismantled National Power Corporation survey team campsites. Philippine government representatives could not enter Bontoc villages without military escorts.

The Bank and Philippine government feasibility studies which had originally identified 3,400 square kilometers in northern Luzon as the best site for locating "the Philippine's most ambitious hydroelectric project" had not considered the implications of their plans for the Bontacs or the Kalingas. They had only examined feasibility of the dams in terms of Manila's needs and the needs of multinational corporations.

The Bontac's resistance to Chico Dam II caused the National Power Corporation to shift its first phase emphasis on Chico Dam II to Chico Dam IV which was to be located in Kalinga Territory. Philippine government representatives considered the Kalingas to be less likely to put up resistance to their construction plans, but to be sure, units of the Philippine Constabulary were directed to accompany the National Power Corporation as it began work on Chico Dam IV.

In early meetings between the National Power Corporation and the Kalingas it became clear to the Kalingas that they were not being asked to consent to or oppose plans for Chico Dam IV; they were being told what they must do without options. The Kalingas saw that the government's plans for Chico Dam IV would force the relocation of 10,000 families and cause the destruction of vast Kalinga rice terraces -- a principle food stuff of the Kalinga peoples. Four hundred years of sustained rice agriculture would be wiped out by the construction of the Chico Dams. Opposition and then resistance to the Chico project mounted as the National Power Corporation and the Philippine Constabulary pressed forward with surveys in Kalinga Territory.

By 1976 the Chico River Dam site had become a battleground with the Kalingas and Bontocs confronting military forces and troops including the 60th Constabulary Battalion. The Philip-



pine government, multilateral development banks and multinational corporations had come to enforce development plans through the use of armed intervention against peoples who neither wanted, nor had use for the Chico River Basin Hydro-Electric Project. Bontac resistance and Kalinga resistance (later joined by the New People's Army, the military arm of the Communist Party of the Philippines) forced delays in the Chico Dam project and caused rapid increases in costs and military commitment. What had begun as an "innocent" economic development project had become a full fledged economic debacle and a military confrontation.

Though the construction of Chico Dams II and IV have been stopped or delayed the Bontac and Kalingas face an even more direct genocidal threat since they have become regarded by the Philippine government as enemies of the State. U.S. nineteenth century economic and military policies are now being carried out in the Philippines.

#### A Change in Multilateral Development Bank Strategies:

The Chico Dam experience in the Philippines and similar experiences with indigenous population resistance to Multilateral Bank loan supported projects in Brazil, Indonesia, Peru, Papua New Guinea, Afganistan, Cameroon, Paraguay and Ethipolia gave rise to the development of a new Bank strategy presented in the form of a new policy entitled "Tribal Peoples and Economic Development". The thrust of the World Bank developed policy is as follows:

"It is not the Bank's policy to prevent the development of areas presently occupied by tribal people. ... the Bank will assist projects within areas used or occupied by such people only if it is satisfied that best efforts have been made to obtain the voluntary, full, and conscionable agreement of the tribal people....Assuming that tribal people will either acculturate or disappear, there are two basic design options: The World Bank can assist the government either with acculturation, or with protection in order to avoid harm."

(Emphasis added)

The World Bank's new loan policy reflects the actual intention of the international banking system in cooperation with states governments and multi-national corporations: to systematically terminate diverse indigenous cultures and directly or indirectly force these distinct peoples to politically, economically and socially integrate into alien societies or suffer extinction by force of arms. As Rudolph Ryser observed in his 1982 article, "The World Bank's New Indigenous Policy: A Change in International Economic Development Strategies": the World Bank seeks to safeguard tribal rights "while simultaneously easing tribes into the mainstream economic system, thereby reducing the likelihood that they will act as obstacles to development projects. Development in this context simply means slow dismemberment of tribal societies while advancing 'market economy' goals in the name of inevitable progress."

The World Bank's policy is superficially sympathetic to the diverse interests of indigenous groups, though, in fact this apparent sympathy proves to be a thin veil to cover actual intentions consistent with Multilateral Development Bank purposes:

1. Forced acculturation of indigenous populations into states as ethnic minorities,
2. neutralization of indigenous groups as obstacles to bank supported development projects through state government controls and forced financial dependency, and
3. promotion of development projects in Third and Fourth World countries for the benefit of multinational and local corporations.

#### The Conflict between Concepts of Development:

The Multilateral Development Bank, State government and multinational corporate view of development supposes that "development" must mean inevitable progress and it must mean the standardization of social, economic and political systems of thought among all peoples in the world. This view also supposes that there is only a single idea of progress and it

is best demonstrated by the industrial development experiences of the United States, Japan and Western Europe. This nineteenth century thinking ignores and rejects the vast diversity of human development which has continued for thousands of years according to the patterns of climate and environment so different from place to place throughout the world. Indigenous populations like the Kalingas, Bontacs, Borucas, Samis of Scandinavia, Inuit of the Circumpolar region and Quechuelas of the Andean region of South America have viewed the idea of "development" as a complex process of adjustment and adaptation to diverse climates and environmental conditions. Development is both a spiritual process and a cultural process aimed at a balance between human need and the requirements of the physical and spiritual worlds. Diversity and flexibility are considered fundamental to indigenous development thinking.

When the narrow, standardized development thinking of Multilateral Development Banks come into contact with indigenous development thinking a clash of profound importance takes place. Within the last decade, this clash has become more pronounced with an increasing tendency toward violent confrontations. Of the forty-five wars currently raging throughout the world, nineteen involve indigenous populations as combatants or non-combatants caught in a crossfire between government and non-government combatants. Of the most violent conflicts (10) since 1962, eight involve indigenous populations with an estimated 3 million tribals being killed. In Indonesia, more than 100,000 indigenous people have been killed in East Timor alone. In the Philippines since 1972, an estimated fifty to seventy-five thousand indigenous people have been killed (many among the Kalinga and Bontac peoples).

The development policies and practices of the Multilateral Development Banks, states governments and multinational corporations cannot be separated from the increasing tendency toward global violence involving indigenous populations. Indeed, global development policies have become a cause rather than a remedy for global economic and military instability. To fail to see the need for a fundamental reevaluation of global development policies and practices in the light of the connection between

Bank promoted development and increasing global tensions is to totally disregard the human condition and ignore one path toward world peace and stability.

Indigenous populations are a major part of the diverse fabric which makes up humankind. They have succeeded generation after generation for thousands of years in their adjustments and adaptations and survived. Those who have failed to adapt to changing environmental circumstances have failed to survive. Indigenous populations now face an added challenge to their continued existence: encroachments by their recently settled neighbors and pressures stimulated by an unstable global economic system which has failed to learn the lessons of the past.

#### Conclusions:

Multilateral Development Banks are promoting economic and development policies and practices which are counter-productive in regards to global economic stability, Third and Fourth World economic stability, indigenous population stability and the prospects for world peace.

Global and Sector development as promoted and practiced by Multilateral Development Banks must undergo a fundamental and complete reevaluation in the light of global instability.

Multilateral Development Banks, states governments and multinational corporations are caught up in an apparent "conspiracy of silence" which promotes "development" at the expense of indigenous peoples and national citizens for the benefit of corrupt militaries, corrupt politicians, and, multinational and national corporations.

#### RECOMMENDATIONS:

1. Multilateral Banks should not be permitted to make loans or grants to countries which do not respect indigenous territorial sovereignty in accordance with modern international laws which stipulate that "peoples shall determine their own political, economic and social future without external interference"

2. The Multinational Development Banks must withdraw loans and financial support from those countries which attempt to force indigenous acculturation, assimilation or destruction through the

imposition of military or police force, political interference internal to indigenous populations through government agencies or economic intimidation through forced economic dependency.

3. Multilateral Bank loans to support projects which have any kind of impact on indigenous populations must not be granted unless consent is granted by the affected indigenous populations through a process of internationally supervised negotiations to which all parties agree.

4. Multilateral Bank loans must be strictly prohibited for projects which have been officially opposed by an indigenous group in accordance with its own governing processes. An indigenous group's opposition must be considered an absolute veto giving rise to the need for alternative non-indigenous impact areas.