



Strategies for the Development of the Brazilian Amazon: Lessons Learned from Pre-Competitive Arrangements

AMAZÔNIA
2030 

NOVEMBER 2021

About Amazon 2030

The Amazon 2030 project is a Brazilian research initiative with the purpose of developing an action plan for the Brazilian Amazon. Our objective is to achieve conditions for a higher standard of economical and human development in the region, and to achieve a sustainable use of natural resources by 2030.

Contact

Media Contact

O Mundo que Queremos

amazonia2030@omundoquequeremos.com.br

Amazon 2030 Contact

contato@amazonia2030.org.br

Research Contact

Salo Coslovsky

salo.coslovsky@nyu.ed



Authors

Salo Coslovsky

Associated Professor at New York University (NYU)

Aknowledgements

This work is funded by Instituto Clima e Sociedade (ICS).

This paper benefited from comments and suggestions from Beto Veríssimo, Juliano Assunção, and Paulo Barreto. The author thanks Roberto Smeraldi and Manuele Lima for the conversations and discussions related to the topics covered in this article. Many of the ideas presented here were refined thanks to a series of conversations with Charles Sabel. Lastly, I thank Daniel Santos for the support in preparing the graphs and Clarice Spitz-Goutorbe for suggestions and for reviewing and editing the article. Any remaining mistakes are the author's responsibility.

Keywords

Economic Development; Private Sector; Colective Action; Amazon

Executive Summary

Communities and companies based in the Legal Amazon already export 64 products compatible with the forest and obtain an average revenue of almost US\$300 million per year, but this value corresponds to only 0.17% of the corresponding global markets. Surprisingly, the largest exporters of these products are not based in advanced industrial countries such as the United States, Germany, and Japan. Rather, these companies and communities are located in countries with per capita income equal to or less than Brazil, such as Bolivia, Ecuador, Costa Rica, Indonesia, and Thailand.

How did these countries manage to convert their natural resources into competitive companies and how can the main lessons of these experiences be applied in the Amazon and in Brazil? To answer these questions, this report examines three cases where rural-based companies have been able to expand their share of competitive, demanding, and profitable markets. To maintain some comparability with the Amazon, the report identified one case in the Bolivian Amazon (Brazil nut) and two in Southeastern Brazil (sugar and differentiated and specialty coffees). The three cases are rich in detail and allow for a lot of inferences, but their central message is one: companies have managed to make a comeback thanks to their ability to build and undergo a system of continuous improvement. These systems were composed of three elements:

a) Elevated bar, with an ultimatum and performance award. In all three cases, the companies were faced with high demands related to food quality and safety. These requirements were not optional and there were no exceptions. Companies that maintained their current practices and did not meet the new requirements would be excluded from important markets. On the other hand, those who managed to exceed these expectations would be awarded access to large and profitable markets.

b) Prospecting and individual experimentation. Once faced with these conditions, the companies portrayed in the three cases were forced to conduct a prospecting process to assess their competencies, understand the requirements of the targeted markets and experiment with different initiatives to meet these requirements.

c) Strengthening pre-competitive arrangements to promote the search for good solutions, disseminate lessons learned, and provide other shared sector resources. During this prospecting process, companies also discovered how to create or strengthen pre-competitive arrangements, here represented by an association or cooperative, that would help them

compare their performance with their competitors, share their lessons learned, and thus promptly discover which is the best way forward.

In addition to facilitating breakthroughs, these arrangements helped companies produce shared sector resources (SSRs) that supported their transformation. SSRs are features that benefit all companies in an industry but have little value to companies outside that industry.

Together, these three elements created a system of continuous improvement that punished inertia and prompted companies to mobilize resources that were hidden, dispersed, or misused to drive their transformation.

These experiences suggest six relevant lessons for discussions on promoting economic development in the Amazon.

a) Opportunity: The three cases examined in this report show that groups of companies can succeed in competitive markets despite widespread skepticism on the part of experts and other observers;

b) Uncertainty: The search for better methods of production, management, and coordination was more important than careful and anticipated planning or judicious implementation;

c) Learning: Continuous improvement systems seem to deliver better results than conventional policies that ease the burden on companies;

d) Resources: Financial resources were important in the initial phases of the transformation process, but a large part of the necessary resources were mobilized by the companies themselves as they reaped the benefits of their initial investments;

e) Collective action: Pre-competitive arrangements played a central role in these reports of transformation, but they were effective because they had a solid foundation, well adapted to the circumstances of each case, and that allowed them to avoid the free rider problem;

f) Role of government: Surprisingly, public agencies do not have a leading role in the cases analyzed, but governments can play a central role in creating, maintaining, and strengthening systems of continuous improvement as they have many of the necessary instruments for this.

In conclusion, this report shows a hopeful vision not only of the achievements that are possible even when there is enormous skepticism, but also of the importance of adapting methods and instruments to the reality of each industry and region. In contrast to those who say they already know what the most critical issues affecting an industry and what the best solutions are, this report emphasizes modesty and skepticism about ready-made recipes. In this sense, it calls for a searching process combined with ingenuity and adaptation.

www.amazonia2030.org.br

