Ever More Extreme Infrastructure

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Extreme not just because of the scale of the infrastructure – roads, railways, inter-basin water transfers, ports, pipelines, industrial zones and the like – that is planned.

Extreme because it enables extraction that is even more extreme than extraction used to be, opening up deposits of oil and minerals in areas previously considered unexploitable.

Extreme because it is premised on even more extreme production, enabling capital to move wherever labour is cheapest and most easily exploited.

Extreme because it depends on a kind of finance that is even more extreme than previous forms of finance, involving, for example, new, highly risky asset classes.

And extreme because it can only operate through an extreme politics, involving elitist forms of planning that are profoundly undemocratic.

Mega-corridors

One manifestation of this extreme infrastructure is the push for mega-corridors.

Infrastructure corridors are not new. But the plans that are now on the drawing board are on a scale as yet unimagined. Roads, railway lines and other transport infrastructure linking major production and resource extraction centres with major consumer centres.

No (inhabited) continent is excluded. Some of the plans are national in scale, others regional and still others continent-wide or near-global. Hundreds of millions of people would be affected.

In Africa, over 30 corridors have been initiated, principally to enable the extraction of agricultural produce and minerals. In Latin America, some 579 projects, costing an estimated US$163 billion, have been identified. The Big Daddy of corridors is China's 'Belt and Road Initiative' (BRI) programme, previously known as One Belt One Road, embracing 60 countries (thus potentially half of the world) and stretching from the Pacific to the Baltic Sea.

What is driving these extreme infrastructure programmes?

Remoter sources of raw materials have only become commercially viable because bigger, more powerful and more efficient ships, trucks, trains, barges and cargo planes have reduced the costs of

transport. But bigger ships, trucks, planes and freight trains require wider roads, bigger bridges, deeper and wider canals, straighter rivers and longer airport runways. And one wave of infrastructure development creates pressures for yet further innovation. It also leads to even more deforestation. The upgrade of the Cuiaba-Santarém highway in Brazil, for example, will serve the expansion of the soy and cattle industries, at the expense of forested areas. Likewise, in Indonesia, campaigners are concerned that the construction of new ports, such as that contemplated at Kuala Tanjung in North Sumatra, will stimulate an increase in forest clearance for palm oil. As bigger and faster forms of transport are developed, it becomes easier for capital to fragment production and shift around the globe in search of the cheapest labour.

Extreme production flourishes.

But extreme production and extreme extraction are also a problem for capital.

This brings us to the second structural driver behind corridors: what financiers call “the production-consumption disconnect”.

The problem is not new. Almost 150 years ago, intellectual Karl Marx revealed how the more that capital expands, the more it needs to improve infrastructure to ‘annihilate space by time’.

Today’s global development agencies, such as the World Bank, are well aware of the problem. Marx may not get a mention in the Bank’s flagship 2009 World Development Report but ‘annihilating space by time’ is the leitmotif that runs through the report’s 380 pages.

The problem can be simply stated. The distances between points of resource extraction, points of production and points of consumption now involve multiple journeys and multiple forms of transport.

The minerals used in the manufacture of components for a computer or mobile phone, for example, are extracted from all over the globe. While gold and tin are common minerals used to produce ‘smartphones,’ these metals are responsible for forest and community land devastation, from the Peruvian Amazon to the tropical islands of Indonesia. And “the global consumers” with the money to buy the computer or ‘smartphone’ live far from the areas where resources are extracted and processed.

This distance matters because time matters. And time matters because the faster commodities can be produced and exchanged, the greater the profits for individual companies.

Re-engineering economic geography

However, extreme physical infrastructure – new highways and the like - only provide a partial solution to capital’s problem.

Extreme logistical discipline and extreme deregulation to free up the movement of goods are also demanded.

The corridors are therefore being transformed into free trade zones, where tariffs are progressively reduced, labour and other laws deregulated, and taxes cut.

Indeed, the push for corridors is nothing less than a deliberate attempt to “re-engineer economic geography”. The plan is to concentrate specific economic activities (mining, agribusiness, tourism,

finance, IT) in specific corridors in order to “agglomerate” cheap labour, consumers and investment for the benefit of capital. Transport corridors would then link these zoned clusters of production to concentrated pools of consumers.

In words that could come out of a Stalinist-era play book, the World Bank insists: “No country has grown to riches without changing the geographic distribution of its people”.

The prospect is of mass (forced) migration as markets and employment opportunities are increasingly concentrated in cities and their linking corridors.

Extreme Finance

All of this requires finance: and extreme infrastructure necessitates “extreme finance”.

Globally, US$20–30 trillion will need to be raised between now and 2030.

Individual governments do not have the money. The Multilateral Development Banks do not have the money. China does not have the money. The US does not have the money. The EU does not have the money.

As in the past, capital has few options but to attempt to expand the pool of finance on which it can draw, notably by engineering into “an asset class” to make it more attractive to private investors.

But private investors are not interested in infrastructure that does not yield profits. Indeed, one fund manager has tellingly stated that, from an investor’s viewpoint, an oil pipeline is not even “infrastructure” unless it has a guaranteed income stream attached to it.

Hence the push for Public-Private Partnerships, which are central to every one of the proposed corridors.

The defining feature of PPPs is that they establish contractually-binding guarantees on income and/or rate of return. As such, they provide what one fund manager has characterised as the defining feature of infrastructure for finance: “stable, contracted cash flow for the long term.”

The PPP guarantees on offer to the private sector participants include:

- Guaranteed profits – typically 15-20% - which are borne by the public
- Guaranteed Debt repayments – whatever loans have been taken out get repaid by the government if the PPP company can’t pay them.
- Minimum Revenue guarantees – if traffic levels on a toll road are lower than anticipated, the government makes up any loss of revenue.
- Availability payments – the private partner gets paid by the public even if a facility is not used, provided that it is “available for use”.
- Financial and economic equilibrium clauses - these entitle a PPP company to compensation for changes in laws or regulations that adversely affect a project’s revenues or its market value.

In effect, the private investors take the lion’s share of the gains, while the public sector takes all the risk. And the gains are potentially huge. The figure that is most generally cited for infrastructure investments in the global South is 25%.

Moreover the “rights” or guarantees that PPPs establish are contractual rights. This means that they cannot be removed at the government’s discretion. Once in place, they are enforceable for the length of the contract.

Undemocratic, elitist and unstable

The direction of travel is profoundly undemocratic, elitist and unstable.

Undemocratic because a handful of fund managers increasingly determine what gets financed and what does not.

Elitist because the facilities that the facilities that are really needed and demanded by poorer communities (water sanitation, roads connecting communities, off-grid solar electricity) do not get built - they simply do not yield the high profits sought by private sector investors.

And unstable because infrastructure-as-asset class is a financial “bubble” that is set to burst.

Extreme infrastructure is thus reinforcing the divide between those who benefit from extreme extraction, extreme production and extreme finance and those whose class interests are opposed to “just-in-time” delivery, agglomerating pools of cheap labour and ravaging the earth in pursuit of profit.

It is a divide that reflects different relations to capital. And it is this divide that needs to be further explored, explained and resisted.

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Further readings:
- Licensed Larceny. Infrastructure, Financial Extraction and the global South, The Corner House
- How Infrastructure is Shaping the World. A Critical Introduction to Infrastructure Mega-Corridors, The Corner House
- Highway destruction as a way to force in destruction of the Amazon forest, Fernside Phillip