Chapter 2

The Peruvian Amazon Company’s Death: The Jungle Devoured Them

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Abstract

Purpose — The purpose of this chapter is to analyse the possible causes of the Peruvian Amazon Company’s death.

Methodology/approach — This study uses secondary sources to document the trajectory of the Peruvian Amazon Company, the rubber export boom, and the different market forces affecting the wild rubber industry. By examining different sources that document the case of the Peruvian Amazon Company and the wild rubber extraction in the Amazon, this text aims to analyse the possible causes of the Peruvian Amazon Company extinction.

Findings — After analysing the existing literature on the Peruvian Amazon Company and the wild rubber industry, it was possible to find evidence about the problems related with land ownership, labour and international prices, along with the internationally known scandals, as the principal causes of the company’s death.

Practical implications — The case of the Peruvian Amazon Company, explores how an unsustainable business model could eventually lead a once successful company to its death. The contribution of the following chapter is based on the description of the causes of the Peruvian Amazon Company’s death. Previous studies had analysed...
the internationalization strategies implemented by the company. Although, an
evaluation of causes of the company’s real extinction had not been presented.

**Keywords:** Rubber boom; Peruvian Amazon Company; death companies

### Introduction

Why a successful firm raises and eventually vanished? This chapter presents an
account of the Peruvian Amazon Company (1903–1939) — also known as the
Anglo-Peruvian Amazon Rubber Company — was created by Julio César Arana
del Águila and his brother Lizardo. Although, until its death, the company was
internationally known as ‘La Casa Arana’. After being one of the most important
wild rubber companies in the world, this firm faced tremendous scandals coming
from the abusive business model that annihilated various indigenous communities
in the Putumayo area.\(^1\) In spite of the inconvenient consequences that came after
the British investigations, the real detriment of ‘La Casa Arana’ occurred only a
couple of decades after, when the market conditions were no longer appropriate for
the wild rubber industries.

The economy of wild rubber boomed between 1870 and 1914, and it gave rise to
two of the worse genocides in Africa (Congo) and South America (Bolivia, Brazil,
Colombia, Ecuador, Peru, and in Venezuela) (Mitchell, 1997). The cruel, and in
many cases deadly, abuses to Amazon indigenous people by the Peruvian Amazon
company and other rubber traders have been reported by European and American
explorers in the Amazon in search of understanding the local indigenous people,
the impact of rubber trade in their socio-economic structures and culture, but also
pursuing for miraculous shamanistic medicines. There are widely known reports on
the devastating exploitation of wild rubber in the Amazon basin, amongst them by
English botanist Richard Spruce (1817–1893), German ethnologist Theodor Koch-
Grunberg (1872–1924), American engineer Walter Hardenburg (1886–1942) in his
book *The Devil’s Paradise* (1912), American biologist and ethno-botanist Richard
Evans Schultes (1915–2001) in *The Plants of the Gods: Their Sacred, Healing and
River: Explorations and Discoveries in the Amazon Rainforest*. More recently, these
abuses are depicted in the Oscar nominee movie (2015) ‘*El Abrazo de la Serpiente’*
(Spanish for Embrace of the Serpent) directed by Ciro Guerra. Also, some of the
barbarities and outrages have been reported in historical novels such as ‘*El Sueño
del Celta*’ (‘The Dream of the Celt’) (2010) by Mario Vargas Llosa and
‘*La Vorágine*’ by José Eustasio Rivera (1924).

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\(^1\)Observation made by authors due to recurrence throughout reviewed literature.
Many scholars have analysed the rubber boom and have particularly focused on understanding why this boom did not lead to sustained economic growth and change of both formal and informal institutions in the Amazon (Flores Marín, 1987; Hemming, 1987; Higbee, 1951; Murphy & Steward, 1956; San Román, 1975; Santos, 1980). Although the actual causes that led Peruvian Amazon Company to its fading are still being debated, some of the discussed reasons are the combination of outrages, labour barbarities and debt-merchandising relationship, which led the firm to uncompetitive performance, along with British embarrassment and international markets, and civil society repulsion.

First, this chapter describes the situation of the Amazon wild rubber at the beginning of the nineteenth century; this era known as the ‘rubber export boom’ is a period that strongly influenced South American countries not only in terms of economics but also in political and social matters. Secondly, the section ‘La Casa Arana’ will illustrate the Peruvian amazon Company trajectory and the main features of its business model. In third place, both Sir Roger Casement’s contributions and the consequences of the British government investigations in the Putumayo rubber industry will be introduced. The following parts will describe the Peruvian Amazon Company’s legal end and point out the causes of the extinction of the company. Finally, some conclusions regarding the case of the Peruvian Amazon Company and how an unsustainable business could eventually lead a former successful company to its death will be drawn.

Rubber Export Boom

The international crude rubber markets which raised in the 1860s and peaked in 1910, integrated the Amazonia in the world economy, as at the beginning the region was virtually the sole supplier in the planet (Barham & Coomes, 1994b). Although European explorers had studied rubber since the eighteenth century, it was only until the Industrial Revolution that the rubber went from being ‘a substance excellently adapted for wiping out from paper the marks of a black lead pencil’ (Hotchkiss, 1924, p. 129) to a fundamental raw material in the increasing demand of the booming industry in the United States, United Kingdom, France and some other European countries. There were known in the market over 40 different varieties of wild rubber, being the most premium one, the Pará fine rubber (Hevea brasiliensis) from Brazil (Barham & Coomes, 1994b).

Few events in the nineteenth century had the impact that the wild rubber boom (1860–1920) had in Barham and Coomes (1994a). Different from other exports from South America, rubber trade from the Amazon basin received little government assistance and intervention (Weinstein, 1983). According to Barham and Coomes (1994a), the unprecedented extraction of rubber boosted the economic expansion of the nearby communities, per capita income in the Brazilian Amazon increased 800 per cent, while experiencing a demographic explosion and the integration of the region in the national and international markets. Before the boom, only
Belem, in Brazil, was integrated to the global economy, but as the rubber became more and more profitable, Manaus, Porto Velho, Iquitos and other cities developed a fruitful net of rubber exploitation to satisfy the increasing global need for vulcanized latex.

Although rubber was used in Europe at the beginning of the nineteenth century, its flaws, especially its sensibility to changes in temperature, limited its applications and demand for both industrial and domestic usage. Rubber was also used by the Amazon indigenous communities to develop waterproofing elements (Melby, 1942). It was only until 1839 that American chemist and engineer Charles Goodyear fully developed the technique to vulcanize rubber, the process that made rubber heat and cold resistant, and therefore convenient, for a broad variety of products: boots, rubber shoes, belts, hoses, raincoats and eventually tires, after the bicycle craze in the 1880s, and the mass production of cars. According to Weinstein (1983) annual rubber production went from 31,365 kilograms in 1827 to 673,725 in 1846 and 2,673,000 in 1860. Brazil, Colombia and Peru were for a long number of years the leading centres of wild rubber production in South America, and the collectors of the three Republics needed to advance into unexplored or little-known regions in order to secure the rubber supplies (Thomson, 1912).

La Casa Arana

In the late eighteenth century, the Peruvian entrepreneur and politician Julio César Arana del Águila (1864–1952), son of a Panama hat-maker from Rioja (Spain), northern region of the country, married Eleonora Zumaeta and decided to move to the Peruvian Amazon to open a food business for caucheros (rubber traders). Eventually, in 1890, he opened up his own rubber exploitation with his brother-in-law Pablo Zumaeta and other partners in Yarimaguas, a small town in wild northeastern Peru. As the workforce was scarce around northern Peruvian Amazon, he travelled to Pará and Fortaleza in Brazil where he could recruit some trappers that enabled them to expand their operations (Farje, 2012). Soon after its establishment, the company was prosperous enough to replace the expensive Brazilian labour with Indians, especially Witotos and Boras. Later on, Julio César and his brother Lizardo acquired vast estates brought from Barbados overseers who were used to manage using the whip workers in the British sugar-cane plantations, to control the collection of latex by the recruited indigenous (Hardenburg, 1912). Arana decided to invest in the wild rubber industry as its international price was ascending (Pineda Camacho, 2003b). Institutional weaknesses and lack of border control in both Colombia and Peru contributed to the increase of Arana’s power.

In 1896, Julio César Arana had opened up trade dealings with the Colombian settlers, and one year later, Arana made his first trip to the basin of the Putumayo River where he foresaw the possibility to build an empire due to the favourable conditions of the region: large amounts of unexploited rubber, lack of competition
and the extraordinary abundance of labour force. In the first years of occupation, the Colombian settlers enjoyed undisturbed possession of the Putumayo region (Thomson, 1914). In 1901, Arana began to exploit the rubber in Colombia when he made some contacts with rubber traders of the colony of La Chorrera in the Putumayo region that he already knew due to his experience transporting rubber from there to the economic centres of Iquitos in Peru and Manaus in Brazil. In this way, Julio César Arana started competing with the Colombian Casa Suárez, Fitzcarraldo and Vaca Diez rubber traders (Pineda Camacho, 2003b).

At the beginning of the twentieth century, a hundred years after the abolition of the slave trade by the Parliament of the United Kingdom, the Peruvian Amazon Company, also called the Anglo-Peruvian Amazon Company, operated nearby the Putumayo River, one of the tributaries of the Amazon, an area of thick tropical rainforest near the border of Colombia and Peru. By that time, despite some complaints of Colombian rubber workers who demanded protection from the central government to the abuses of Arana, the Peruvian Amazon Company enjoyed a good reputation and Arana was perceived as a successful businessman. Colombian workers claimed that the Peruvian Amazon Company had an abusive behaviour and forced them to sell or abandon their businesses and property; according to Pineda Camacho (2003a) these complaints were interpreted as ‘business of rubber workers’ by the central government.

In 1903, with the purchase of La Chorrera, Arana founded ‘La Casa Arana y Hermanos’ in the (already in dispute) border between Colombia and Peru (Pineda Camacho, 2003a). The company’s public deed stated ‘the Indians of the Putumayo will be forced to work by coercion executed through the company’s employees’, and in this way, the firm publicly established indigenous slavery in the region (López, Lesmes Patiño, & Rocha, 1995). Additionally, and with the purpose of having total control over the region and the wild rubber market in Putumayo, the firm Arana Brothers displaced the Colombian settlers and previous rubber gatherers by extermination and conquest, and unfair and forced transactions. The zone in which the Arana Brothers carried on their commercial operations is estimated from 10,000 to 12,000 square miles (Thomson, 1912). The company was divided into different districts that were connected by rudimentary roads, in each section there were a foreman, a group of ‘rationales’, indigenous young guys known as ‘service boys’ and some people brought from Barbados. In the very first years of the twentieth century, Arana was already a respected, rich man with numerous properties and a promising future.

On 26 September 1907, the firm was registered in the United Kingdom, and one year later, in December 1908, the company invented public subscriptions. In this way, they changed its name to Peruvian Amazon Company, got listed in the London Stock Exchange, and recruited a British board (Sir John Lister Kaye, Baron de Sousa Deiró and Messrs. Henry M. Read, John Russell Gubbins, Henri Bonduel) who joined Julio César Arana and Abel Alarco in the company’s direction. Consequently, the company had partial British ownership, and its headquarters were moved to England. The capital of this merger was 1,000,000 GBP, of which sum the firm of Arana Brothers received 780,000 GBP in shares. The
Memorandum of Association of the firm stated that Peruvian Amazon Company was founded ‘to purchase, take on lease, or otherwise acquire the rubber estates now owned by the firm J. C. Arana and Brothers, situate at Iquitos and Manaus, in South America’ (Thomson, 1912, p. 73). In less than five years, through the exploitation of the rubber forests, the extermination of the Colombian settlers, and the massacre and the enslavement of the Amazon indigenous people (Thomson, 1912), Arana was able to transform its firm into a successful international company based in London (Pineda Camacho, 2003b).

Sir Roger Casement and the British Government Investigations

Irish humanitarian and activist Roger Casement (1864–1916) served as a British diplomat in both Africa (1895–1904) and South America (1906–1913) before being convicted of treason and executed in London due to his support to the Irish nationalist movement amid a strong controversy that questioned his sexuality (Barham & Coomes, 1994a; Lewis, 2005; Louis, 1964). His contact with the atrocities committed by the colonizers, both in the African and American communities, raised an Irish nationalist sentiment as he started seeing the United Kingdom presence in his country as another type of exploitation. Roger Casement’s personal views about these regions were also written as travel notes in his private diaries between 1910 and (Mitchell, 1997). As in his diaries (known as Casement Black Diaries), Roger Casement also documented his fantasies and personal homosexual experiences with locals, the diaries were used to discredit his humanitarian work and to promote a national campaign supporting his execution for treason even. In March 1994, the Black Diaries of Roger Casement were released into the public domain (Mitchell, 1997) (many argue that this material was actually modified by the British government), and the documents inspired the novel The Dream of the Celt (2010) by the Nobel Prize Winner, Mario Vargas Llosa. Although, Sir Roger Casement’s efforts are recognized as an inspiration for today’s activists working to reduce exploitation (Cannon, 2012).

Casement first gained recognition for his investigations about the human-right situation and atrocities against indigenous people in Congo Free State under the command of King Leopold II of Belgium. The British government investigations in the rubber cases in the Congo and Putumayo aimed to condemn the atrocities caused by the rubber traders, and especially by the increased demand for rubber coming from the industrial manufacturing boom (Gewald, 2006). By those years, European manufacturers depended on the rubber brought principally from the Brazilian region of Pará, some other Amazon River ports, Africa and Central America (Hotchkiss, 1924). Both in Africa and America, Roger Casement was hired with the purpose of denouncing the brutality of rubber companies.

In 1904, the government sent Casement, consulate for the Belgian area of the Congo, with the mission of providing an official document in which the brutality of the Congolese communities by Leopold II’s was exhibited. Roger Casement
exposed the atrocities committed by Leopold II’s Force Publique and the Anglo Belgian India Rubber and Exploration Company (Cannon, 2012). King Leopold II was forced to renounce his possessions and hand them over to the Belgian state (Farje, 2012). The so-called Casement Report included a detailed report of kidnappings, mutilations, killings (including children and babies), inhumane and degrading treatment that indigenous people received by the administration of Leopold II. Casement’s investigations had a major impact in London, not only within politicians and also for the British and international societies that pressured British Foreign Office to take action against Leopold’s private operations in Congo (Louis, 1964). Although, the forced labour and migration, together with the consequent diseases and famines that took place in the Congo, ‘probably decreased the population of the entire colony by half between 1880 and 1920’ (Gewald, 2006, p. 483).

Britain was interested in the Amazon and sent Roger Casement, because the Peruvian Amazon Company was listed on the London Stock Exchange also because British citizens from Barbados were employed to oversee the Amazon Indian slaves, and because the American traveller Walter Hardenberg, went London to enlist the Aborigines’ Protection Society to his cause (Corry, 2013). In South America, Casement made his ‘second great contribution to the cause of humanity’ (Murphy, 1976, p. 196), when he denounced the systematic tortures faced by indigenous people that were forced to work for the foreign investments of the Peruvian Amazon Company. In 1910, Casement served as the British consul in Rio de Janeiro when he was commissioned by the British government to investigate the humanitarian allegations against the Peruvian Amazon Company in Putumayo, specifically to Barbadians. Sir Roger Casement travelled to La Chorrera where he interviewed Barbadian workers and witnessed the inhumane situation of natives (Pineda Camacho, 2003a).

However, in his Putumayo report, Casement also included a detailed denunciation of the American indigenous genocide that was taking place. With the Putumayo report, published in 1911 as the ‘Blue Book’, Roger Casement detailed the violence and cruelty perpetrated by the Peruvian Amazon Company. In his report to the British government, Casement described how natives were captured and forced to work under unimaginable conditions that included carrying heavy loads, working many hours in a row and the establishment of quotas for rubber production. All were under a terror regime that threatened to become a genocide of locals. Today, some figures talk about an estimate of 100,000 of indigenous people murders caused by the Amazon wild rubber boom (Farje, 2012). Nearly 18 months after the publication of the Blue Book, the UK citizens were shocked by its revelation, and popular indignation demanded immediate action to safeguard the unfortunate aborigines against the crimes. However, no effective measures were taken to prevent their continuance (Thomson, 1912). As a result, The Putumayo Red Book was published with the purpose of bringing the matter to international attention.

Moreover, and in spite of the terrible consequences for the indigenous communities of Central Africa and South America, the British government investigations were useful for the international recognition of the exploitation and violations caused by the rubber companies and, to a certain extent, supported by local

The Peruvian Amazon Company’s End

By 1912, the British Parliament Commission initiated a public investigation in order to determine the responsibility of the Peruvian Amazon Company directors in the denunciations made by Sir Roger Casement, along with other denunciations including Walter Hardenburg’s, *Putumayo, the Devil’s Paradise*, and Norman Thomson’s, *The Putumayo Red Book*. In 1913, Julio César Arana received a summons to appear before the British Parliament. In his declaration, Arana tried to defend himself and the company by arguing that the tortures and brutalities denounced years before were not known by him or the Peruvian Amazon Company’s directors. Furthermore, Arana tried to justify the Putumayo atrocities based on his idea that indigenous communities were ‘savages’ that needed to be ‘civilised’ by violent means (Pineda Camacho, 2003b). However, the House of Commons Committee resolution was the liquidation of the Peruvian Amazon Company. Although, this was not the end of *La Casa Arana*’s operations in the Putumayo. On the contrary, the liquidation of the firm only meant that Julio César Arana was no longer accountable for the actions of a no longer existing company in the United Kingdom (Farje, 2012).

The survival of Arana’s operations in the Putumayo after the House of Commons Committee was possible due to several reasons. First of all, in spite of the apparent international concern: ‘After the publication of the Blue Book, the attention of the civilized world was directed to the brutalities that had been committed on the Putumayo, and as a result, two missions were despatched to the basin of the Amazon’ (Thomson, 1912, p. 18), two different events with international consequences overshadowed the Putumayo case. On one hand, on 4 June, Emily Wilding Davison, a suffragette, died by throwing herself under one of the horses of the Epsom Derby shouting ‘Votes for Women!’ As a result, these actions stole the front pages from the Putumayo report (Farje, 2012). On the other hand, World War I outbreak distracted the British citizens and the international community from the Arana’s case (Pineda Camacho, 2003b).

In the Colombian and the Peruvian territories, the interest of the governments obstructed any possible action in defence of the indigenous communities. For the case of the Republic of Colombia, President Rafael Reyes, had important investments and business with the *caucheros* in the region. For this reason, he was not willing to take any action against the wild rubber industry in the territory, in spite of the national and international denouncements (Pineda Camacho, 2003a). Meanwhile, the Peruvian government, was interested in the presence of *La Casa Arana* in the Putumayo in order to allege property over the territory which was in
dispute with Colombia. Even, the Peruvian government telegraphed to Julio César Arana by the time he was before the British Parliament in Europe and asked for the cooperation of the company’s troops in the territorial dispute with the Colombian Government (Thomson, 1912). In spite of the cruel acts committed by La Casa Arana, Julio César Arana and the rest of directors were not imprisoned as the Peruvian Government received their support for the Putumayo conquest (López et al., 1995). As it was argued by Thomson (1912, p. 11) in The Putumayo Red Book: ‘the Peruvian Government considered that the solitude and remoteness of the vast forest lands would make it an easy matter to evade or overcome any complaints that were being or had been made, or any action that might be taken by the Colombian government’.

The above mentioned events contributed to the survival of La Casa Arana in spite of the legal extinction of the Peruvian Amazon Company amongst reputation scandals. For this reason, La Cara Arana survived until late 1930s, in spite of Sir Roger Casement’s and José Eustasio Rivera’s denouncements. Although, by 1913, the glorious years of the company were already over, and the imminent problems with the land (in a border dispute with Colombia), labour (the considerable reduction of the indigenous population and their displacement after the border dispute settlement), price (decreasing as the cultivated rubber increased its demand) and justice (the already mentioned problems related with the indigenous exploitation) made the Arana’s business model no longer sustainable (Pineda Camacho, 2003b). In the following section the causes of La Casa Arana’s death will be presented.

The Company’s Death

By the time of the British Parliament trial, Julio César Arana’s business in the Amazon faced important obstacles with the wild rubber exploitation in the Putumayo region. In terms of the availability of the land, the territory of La Chorrera was in border dispute with the Colombian Government. Both governments tried to occupy the territory by military means, but Colombo-Peruvian over the Putumayo region the conflict was only settled until 1922 with Salomón-Lozano Treatment signature. As a consequence, and after vainly fighting for the Putumayo with his troops, Julio César Arana had to displace most of the surviving indigenous population to Peru. Consequently, the vast territory of the former Peruvian Amazon Company was practically empty. Along with the displacement of the aborigines, the considerable reduction of the population, as a result of the constant tortures, and exploitation, deteriorated the company’s availability of labour (Pineda Camacho, 2003a).

For the case of the raw material price, the South American wild rubber, started being less and less competitive in the international markets. The increasing plantation production coming from the South East Asia overshadowed the Amazon wild rubber. By 1924, the ratio of cultivated versus wild rubber was of 93 per cent to 7 per cent. With the development of the Asian plantations (which used the rubber
seeds taken from the Amazon), it was no longer necessary for the European countries to maintain direct contact with the wild rubber suppliers in Africa and America. Although, although many still traded until late 1930s as the rubber was available (Hotchkiss, 1924).

As it is possible to observe, the Peruvian Amazon Company’s real extinction occurred only after the market forces affecting the wild rubber made this industry unsustainable. The reputation scandals faced by the company were not enough to extinguish the Julio César Arana’s Putumayo operations. Although the international concern towards the Amazon indigenous exploitation deteriorated the wild rubber image, different events distracted the public opinion from this case, and the interests of the Colombian Governments helped to the survival of the company, in spite of their terrible consequences for the Amazon aborigines. Ironically, in 1939 the Republic of Colombia negotiated directly with Arana, and in spite of the massacre of the indigenous communities and the terrible environmental consequences of the company’s operations, the Colombian Government compensated Arana with a sum of 200,000 USD (Pineda Camacho, 1987).

Conclusions

‘Why five decades of rapid growth and prosperity associated with the Rubber Boom did not lead to sustained economic development”? (Barham & Coomes, 1994b, p. 38). Could it be explained that the rubber sector did not lead to sustainable economic development due its performance? On one hand, the trade of wild rubber from the Amazon provided high returns; it had not observed entry barriers to markets, it was relatively abundant in rubber trees; however, it did depend on a high-risk labour (with unclear arrangements) and limited capital (Barham & Coomes, 1994b). Also, there were undefined property rights in the extracted rubber, waterways and rubber trees (idem). Nonetheless, the industry and the trade were dominated by an inefficient debt-merchandising relationship, which led to a non-responsive and slow supply to the markets (idem). Furthermore, the production in the Amazon basin continued to rely on the extraction of wild rubber, while in Asia were replaced by low-cost western planted enterprises in the 1910s which had less associated risks and transaction costs.

On the other hand, it could be said, that there were economic forces which caused the collapse of the wild rubber boom (Corry, 2013). The Peruvian Amazon Company was unlikely going to survive while annihilating its workforce (idem). This coercion of labour, not only led to reduce productivity, and therefore competitiveness, but also its moral and political implications have economic consequences which are exercise via market forces. As a precedent, over a century before the wild rubber boom in the Amazon basin, Britain had successfully anti-slavery movement involving mass campaigns that incited to boycott salve-made goods and the creation of the Society for the Abolition of Slave Trade in 1787 and eventually resulted in the Slavery Abolition Act 1833 (Gonzalez-Perez, 2013). Indigenous rights
campaigners with humanitarian agendas took strength and support of international activist against the Amazon cruelty.

The contribution of this chapter is based on the characterization of the causes of the Peruvian Amazon Company’s death. Previous studies had analysed the internationalization strategies implemented by the company along its glorious years (Ramírez Mejía, Correa Aranzazu, Ramírez Mejía, & Hernández Baena, 2012). However, an evaluation of causes of the company’s real extinction had not been presented. The Peruvian Amazon Company’s death is not clearly documented as La Casa Arana’s operations continued even after the liquidation of the company. This study used the available secondary sources to determine when and how the wild rubber extraction by Julio César Arana’s company ended in the Putumayo.

As it was possible to show, the Peruvian Amazon Company’s real extinction occurred only when the market forces affecting the wild rubber made this industry unsustainable. The reputation scandals faced by the company were not enough to extinguish the Julio César Arana’s Putumayo operations. Although the international concern towards the Amazon indigenous exploitation deteriorated the wild rubber image, different events distracted the public opinion from the Putumayo atrocities, and the interests of the Colombian Governments helped to the survival of the company, in spite of their terrible consequences for the Amazon aborigines. The case of the Peruvian Amazon Company shows how an unsustainable business model could eventually lead a former successful company to its death.

References


