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Ecuador's Expanding Extractive Frontier

New social movements are challenging the Ecuadorean government's decision to drill for oil in the Yasuní National Park.

After nearly a decade in power, governments on the political Left in Latin America have failed to revert the region's longstanding economic dependence on extractivism. Today, raw materials continue to represent a growing share of total exports—well over 90 percent of national exports in countries like Venezuela, Bolivia, and Ecuador. In a desperate effort to turn natural resources into quick cash, Latin American governments have put large swaths of their countries up for sale, even as extractive industries have faced declining global commodity prices and thus cease to be profitable. Oil-dependent Ecuador is a case in point.

In 2007, Ecuador gave the world unprecedented hope when it first announced a plan to keep oil located in the Ecuadorean Amazon in the ground. The Yasuní-ITT Initiative proposed to leave part of the Yasuní National Park untouched if the international community assumed part of the cost for keeping some 900 million barrels of oil underground. The Yasuní is a UNESCO World Biosphere Reserve and a recognized indigenous territory for the Kichwa, Waorani, Tagaeri and Taromenane peoples. These last two indigenous groups live in voluntary isolation in the Yasuní. The park is also one of the most biodiverse areas in the world.

However, the dream that a state would privilege sustainability over short-term profit lasted just six years. In 2013, when global oil prices peaked at over $100 USD per barrel, the government changed course and authorized drilling in the Yasuní. Now that oil prices have plummeted, drilling in the Yasuní will only contribute to paying back Ecuador's massive debt to China for accumulated loans. Such loans today represent around 18 percent of Ecuador's total public debt. Thus, the government is pursuing unprofitable

Those opposing the exploitation of the Yasuní protest outside of the National Assembly, while they discuss the declaration of national interest, necessary to give way to the exploitation of the Yasuní National Park. September 2013. PATO CHÁVEZ

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Members of Yasunidos are detained by the Armed Forces, Marines, and private guards as they try to verify the road being built in Oil Block 31 in the Yasuní National Park. July 2014. PATO CHÁVEZ

extraction at the expense of the ecological future of the Yasuní, and the project is fast-becoming a dramatic example of Latin America's boundless extractive frontier.

The idea to keep oil under ground came from Amazonians themselves and gained political traction through Ecuadorean ecologists like Alberto Acosta and Esperanza Martínez, co-founder of Acción Ecológica and Oil Watch. Shortly thereafter, when Rafael Correa was elected president of Ecuador in 2007, the Yasuní-ITT initiative was adopted by the Ecuadorean state. At the time, the Correa government suggested the initiative was a step toward limiting Ecuador's economic dependence on oil extraction, as well as a sign that it intended to respect indigenous territories and privilege biodiversity over capitalist accumulation. As it was originally envisioned, the project would in part be financed by the major oil-consuming countries of Global North, who were expected to provide 50 percent of the estimated $700 million USD of oil revenue believed to be held within the oil-rich Ishpingo, Tiputini, and Tambococha (ITT) sectors of the park. The project was in line with Ecuador´s progressive 2008 Constitution—the first Constitution in the world to declare nature a subject of rights—and legal obligations to hold free and informed consultations with indigenous peoples prior to developing projects on their lands. It also suited the government's professed commitment to the social philosophy *Buen Vivir* ("Living Well"), an indigenous concept that advocates sustainable, non-capitalist models of development in which living beings and the natural environment take precedence over material wealth.

However, on August 15, 2013, the Yasuní-ITT initiative was radically changed when President Correa announced that the government would proceed with a "Plan B." With Correa invoking developmental ideals and defending oil revenues as key tools to fight poverty, the Ecuadorean government replaced concerns for biodiversity with the claim that it would be unwise to leave so much economic wealth underground. The once acknowledged presence of the indigenous groups was suddenly denied by the state. Maps were even adjusted to "disprove" the fact that the Tagaeri and Taromenane were living in voluntary isolation, and shrink the geographic size of those territories that would be affected by oil development to deceive the public.

Two of the government's key arguments for this about-face were that the drilling infrastructure would affect just one percent of the total territory of the Yasuní Reserve, and that the most ecologically friendly technology for oil development would be used to minimize impact. However, scholars and oil experts alike have since disputed those claims. What's more, a lack of transparency about development in the park has led to deep mistrust between the state and opponents of oil development.

To cite one example, the license granted to the Ecuadorean oil company Petroamazonas by the country's Ministry of the Environment in May 2014 specifies that the access road to drilling sites could not exceed 15 meters in width. However, the reality has been much different. Presently, the road is up to 60 meters wide at certain points. Esperanza Martinez, who has long worked in the Yasuní, has noted that the impact of a road of this size, particularly in such a fragile ecosystem, extends to 100 meters on each side. Despite aerial photos taken by Italian academics and by the magazine *National Geographic*, the government denies that the road's specifications violate the license. Ecuadorean military personnel have repeatedly denied entry into the national reserve to activists seeking to verify such standards, and the Ecuadorean government now closely monitors all media footage taken within the park.

Despite limitations to the civil and political rights of protestors, a new social movement, known as Yasunidos, emerged just three days after President Correa announced the decision to open up the Yasuní to oil exploration. In just three years, Yasunidos, a largely urban youth movement committed to stopping oil drilling in the Yasuní, grew into a powerful social force. When the movement began, its central agenda was to lead an intense, six-month signature drive, demanding a national referendum before the government could authorize extraction in the Yasuní. Under the banner "the Yasuní depends on you," the group collected 757,623 signatures—173,300 more than is required by law to demand a citizen consultation.

Yet, to date, the government has shown little interest

Members of Yasunidos prepare for a small ceremony to give thanks to the Pachamama during a May 2016 occupation of the area where an oil refinery will soon be constructed. PATO CHÁVEZ in respecting citizens' constitutional right to a referendum. First, police forces repressed Yasunidos activists and their indigenous allies with rubber bullets during peaceful protests in August 2013. Then the government rejected thousands of signatures collected by Yasunidos. Although an independent statistical analysis determined that Yasunidos had delivered between 667,334 and 680,339 valid signatures, Ecuador's National Electoral Council (CNE) eliminated over 60 percent of those signatures and declared the movement's request for a referendum null. Yasunidos expects to soon receive a positive response from the Inter-American Commission on Human Rights (IACHR) regarding two petitions it has filed—one for indigenous peoples living in voluntary isolation and the other regarding the fraudulent treatment of the signatures presented to the CNE. Yasunidos claims that as many as 75 percent of Ecuadoreans wanted to cast their vote in a referendum.

Time, however, is not on the side of drilling opponents in Ecuador. On March 28, 2016, Petroamazonas, Ecuador's state oil company, drilled its first wells in the Yasuní-ITT.

Although Yasunidos has been unable to stop the government's plans for oil development, their activism continues to impact Ecuador's political landscape. Patricio Chávez, a founding member of Yasunidos, says the group claims victory. "We achieved our primary objective, which was to make the Yasuní a topic of national debate," Chávez argues. "And unlike what the government purports, Ecuadoreans of all social classes, not just the middle class, still consider the Yasuní to be of utmost importance."

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Today, Yasunidos stands strong, with collectives in nine of the country's 24 provinces. Each group has taken on local ecological issues, while continuing their defense of the Yasuní. In the highlands of Kimsacocha, Yasunidos activists have worked with water defenders to resist mega-mining projects. In Manabí, the Yasunidos collective has been demanding a reconstruction plan that is ecologically sustainable after a massive earthquake shook the coastal region in April 2016. As part of the international campaign "Break Free from Fossil Fuels," Yasunidos activists also carried out peaceful actions at the Pacific Refinery, near the city of Manta, in May 2016. The demonstration coincided with other protest actions that spanned six continents. Now, with presidential elections coming up, the movement aims to re-position the Yasuní as a key campaign issue, demanding that candidates respect the will of the majority of Ecuadoreans.

Carlos Larrea, who directs the center for environmental research at the Universidad Andina Simon Bolivar, suggests that Yasunidos is now much more than a platform for Ecuador's youth who want to defend nature. Together with the country's indigenous movement, Larrea believes Yasunidos has become one of the two strongest social movements in Ecuador.

The persistence of extractivism is not unique to Ecuador. Across much of Latin America, governments, many of them of the Left, have continued to put resources up for sale, often bypassing the rights of indigenous peoples to prior consultation. Over 40 percent of the Peruvian Amazon was under concession or in negotiation as of 2009. In Colombia, the government has awarded mining concessions in 80 percent of the country's legally recognized indigenous territories, mostly in the Amazonia region. About 40 percent of the land was licensed to or has been solicited by multinational companies for mineral and crude mining projects. In Peru, mineral exploration expenditures increased tenfold in just decade, and the state now grants approximately 20 percent of the country's land as concessions to mining companies. Similar to the Yasuní, the environmental cost of cattle ranching in the Brazilian Amazon is estimated to be 18 times higher then the profits it generates. In other words, the expansion of Latin America's extractive frontier in the name of "national development" has marched forward even as it generates more costs than benefits.

Structural factors also explain this expansion of the extractive frontier, especially now that the falling price of oil has made such activities increasingly unprofitable. Today's new extractivism is anchored in what Argentine sociologist Maristella Svampa has called the new "commodities consensus." All across Latin America, states are financing social policies through foreign investment in the natural resource sector. Many have intensified the production and export of these products without complying with environmental laws and indigenous peoples' right to self-determination.

To be sure, social movements continue contesting policies of extractivism and the discontents that such policies have produced. But all too often, nominally progressive governments have responded to such movements with intense criminalization. In Ecuador alone, over 700 people—most of them peasants and indigenous peoples defending territories from mining, dams, and other mega-projects—have been subjected to repression, detention, and widespread criminalized. The indigenous Shuar leader (and now member of Ecuador's National Congress) Pepe Acacho was charged with organized terrorism for contesting mining concessions in 2011. The indigenous activist Gloria Ushiga has been repeatedly threatened and had a family member killed for defending ancestral lands from extractivism just south of the Yasuní. Over the last seven years, three Amazonian Shuars—Bosco Wisum (2009), Freddy Taish (2013), and José Tendenza (2014)—have been assassinated in total impunity. And government surveillance of Yasunidos' communications and political activities continues.

The unprofitable drilling for oil in the Yasuní in the face of social protest must be understood as another act of colonial appropriation in a long history of extraction. Like Yasunidos, people around the world must hold their governments accountable in order to limit economic dependency on fossil fuels. ■

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Latin America's Commodity Bust? Not Exactly

Between 1998 and 2011, the price of goods and services exported by countries in Latin America and the Caribbean (LAC) grew much more rapidly than the price of goods and services imported by these same countries. Because of this, in 2011, countries in the region could trade the same exports for some 50 percent more in imports. The economic impact of this change in terms-of-trade (TOT) was notable: real income of the LAC countries grew some 8.4 percent.

This period coincided with a resurgence of growth across much of the region. However, the data suggests that countries across LAC met demand for non-export goods by increasing imports. That is, much of the terms-of-trade windfall was either saved or spent on imports rather than increasing domestic demand for local products. Favorable trade shocks have contributed very little to growth in LAC countries—perhaps one-quarter of one percentage point additional annual growth over the period, according to research carried out by the Center for Economic and Policy Research.

In contrast to the small gains attributable to commodity prices, Argentina and Venezuela for several years experienced the highest per capita GDP growth rates in South America, confounding projections by the IMF and many economists. For years there seemed to have been reluctance in the U.S. media to report the economic successes of these "pink tide" governments. (Up until 2006, for example, many reports used old numbers to claim that poverty had worsened in Venezuela even though the opposite was true.) Eventually, it could no longer be ignored: "socialism" seemed to be working very well in Latin America.

How, then, might trade shocks have affected these economies? Though the 1998-2011 data shows no statistically significant relationship between the increase in the TOT windfalls for Latin American countries and their GDP growth, there does appear to have been a positive (if modest) relationship between the TOT increase and an improvement in the current account balance. By applying trade windfalls to reserves (either directly, in the case of state-controlled export business, or indirectly via currency depreciation) rather than increasing imports, it may be that some countries avoided serious balance of payments crises or constraints. Bolivia is one such example: between 1998 and 2008, Bolivia's current account balance shifted from a 7.9 percent of GDP deficit to a surplus of 11.9 percent, according to IMF data.

Nevertheless, it has become conventional wisdom in international media coverage to attribute the recent decline of economic growth in various South American countries to the collapse of a "commodities boom." Read the New York Times or listen to an NPR story on the recent economic challenges in Argentina, Brazil, or Venezuela, and it will likely include this as standard background information. These countries all experienced years of impressive economic growth in the 2000s because of rising commodity prices, or so the standard narrative goes, and these commodity-based economies naturally all benefited as a result. But then, following the global recession of 2008–2009 and a subsequent fall in commodities prices, things went bust: growth has fallen off, poverty has worsened, inflation has galloped, and angry crowds have taken to the streets.

The explanation that this was due to rising fuel prices (in the cases of Venezuela, Ecuador, and Bolivia), or to a boom in soya prices (in Argentina) has too often been an easy way of dismissing what otherwise might be interpreted as a validation of left-wing economic policies. In other words, just as attributing the economic growth of the 2000s merely to a "commodities boom," characterizing the recent economic struggles of several Latin American countries as a product of a "commodities bust" oversimplifies the story.

So why are so many of South America's left-wing economies on the rocks? Whereas most media coverage— to say nothing of much of the economics profession—has been content to chalk up Venezuela's current economic woes to the failure of its "socialist" model, its current account balance problems are exaggerated due to a much more banal misstep. In the face of increasing real income, Venezuela failed to allow its currency to depreciate. This would have reduced the size of the windfall by raising import prices relative to exports, and a weaker bolívar would have shifted more local demand from foreign to domestic goods.

In 2012, Chávez temporarily allowed the bolívar to float, reducing pressure on the currency. More recently, the government of Venezuela instead briefly panicked and cut off the supply of dollars, touching off a vicious downward cycle of inflation and speculation in the black market for dollars.

It is likewise difficult to attribute Argentina's less dramatic economic woes to a simple drop in commodities prices. Only 12 percent of Argentina's real GDP growth from 2000 to 2010 was due to exports, and just a fraction of those were commodities like soy beans and beef. On balance, Argentina's trade windfall increased real income by 8 percent, imports grew even faster than exports, and little of the windfall (less than one-seventh) reversed between 2011 and 2014. Still, this decline in commodity prices has made it more difficult for Argentina to obtain dollars, raising inflation.

The economic decline in Brazil has been real, doubtless contributing significantly to ousted President Dilma Rousseff's fall in popularity. But ironically, much of the fault for Brazil's economic woes lies in Rousseff's decision to shift toward austerity after she took office in 2011. While other left-leaning governments enacted policy changes to increase domestic demand, Rousseff did the opposite by putting on the brakes. This is not part of the conventional narrative, and interim president Michel Temer's vow to emerge from recession with even more austerity are reported in terms of his ability to manage the crisis through to passage.

The fall-off in economic growth and the challenges that have emerged in Venezuela, Argentina, and Brazil, among other countries, are not proof of socialism's failures, as these governments' opponents would have us believe. Nor, indeed, are economic troubles of late evidence of the failures of the heterodox economic policies that these governments have implemented. The story is much more complicated, and is often quite country-specific. Unfortunately, complicated narratives rarely make for good headlines.

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