THE PRICE BEYOND THE PUMP

SOCIAL, ECONOMIC AND ENVIRONMENTAL EFFECTS
OF UNITED STATES OIL DEVELOPMENT
IN ECUADOR.

HOW MIGHT U.S. CORPORATIONS REDUCE NEGATIVE IMPACTS?

by

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American resource consumption affects other countries. The social and ecological effects of this consumption comprise our “ecological shadow”. International declarations, to which the U.S.A. is a party, clearly link environmental conditions to basic human rights. Therefore, environmental degradation caused by the American ecological shadow merits ethical consideration on the basis of human rights issues.

American oil companies have operated in Ecuador for 30 years and American oil consumption constitutes the greatest share of our involvement in Ecuador. Ecuadorian law and international declarations constitute a legal framework under which American companies operate. American companies should respect these laws and treaties and incorporate human rights and environmental declaration principles into their Ecuadorian operations. In order to reduce the negative impacts of their ecological shadow, American companies should adhere to Ecuadorian law, seek cooperative participation with affected parties including informed consent, create codes of conduct, adhere to technological and environmental best practices, and operate with transparency and accountability.

The history of American oil activity in Ecuador shows disregard for human and environmental rights. Ecuadorian oil development has resulted in extensive forest degradation, pollution, human health problems, cultural disintegration, and poverty. A case study of the Cofan people and Texaco illustrates how oil companies affect local inhabitants. The Ecuadorian government is currently supporting increased oil development to raise national revenues. Foreign companies are constructing a new pipeline to facilitate the transport of additional oil for export. This pipeline will fuel renewed oil development and potentially exacerbate negative social and environmental impacts.

Increased corporate responsibility is necessary to mitigate past impacts and prevent more human and environmental rights violations. The American public should encourage American companies to incorporate ethically sound management practices in Ecuador. Investor influence is one way to exert pressure on companies to change business operations. Socially and environmentally responsible investing and shareholder activism can encourage companies to operate more responsibly in Ecuador, with the goal of reducing the negative impacts of the American ecological shadow.
PREFACE

The idea for this paper came during my service as a Peace Corps volunteer in Ecuador in 2001. Construction of a new oil pipeline had finally started after ten years of planning, and it was very controversial. Newspaper articles, television news, pamphlets and Quito graffiti all had something to say about the new “OCP” pipeline. Some of it was anti-American, which piqued my interest. I wondered how we were involved and the cause of the negative sentiment. I saw part of the OCP construction firsthand on a bus trip up a steep valley on the east side of the Andes Mountains. It was a treacherous trip as we passed and wove around dump trucks and semi-trucks carrying pipeline materials on very narrow dirt roads. I saw the wide swath they were cutting for the pipeline route. It snaked through high alpine vegetation, up steep inclines, over lakes and old lava flows. This was a huge project with major impacts. I wanted to understand the role of the United States in this project.

Writing this paper has educated me about how American lifestyles affect other countries. American oil development and consumption results in a myriad of impacts about which I was previously unaware. This case study of Ecuador is only one example of the globally pervasive effects of American consumption. I hope this paper increases awareness about how our lifestyle exerts direct and indirect social and ecological impact (i.e. shadow ecology) throughout the world and encourages action to reduce these negative effects.

I would like to thank my advisor, Steve Siebert, for his support, help and advice both while I was in Ecuador and as I wrote this paper.
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INTRODUCTION

This professional paper explores the role the United States plays in Ecuador through oil development. The first chapter discusses the impact of the United States on other countries through our resource development, utilization and acquisition, known as our shadow ecology (Dauvergne 1997). It outlines important international declarations that are pertinent to the situation. I link environmental issues with human rights issues, and consider how liberal thought can help us define the relationship between the two. I then propose guidelines that could provide an ethical guide for American oil operations in Ecuador, based on international declarations endorsed by the United States and Ecuadorian law.

In the second chapter, I review international law that is pertinent to Ecuador. I explain the history of oil development in Ecuador, with an emphasis on the USA influence. I focus on one group of indigenous Ecuadorians, the Cofan, and how they have been affected by Texaco’s oil operations. Lastly, I address how new pipeline construction is driving oil development in Ecuador today and potential future implications of this development.

In the third chapter, I address the need for increased American corporate responsibility in Ecuador. I consider ways to encourage ethical corporate behavior through principles described in Chapter 1. I specifically consider the power of socially and environmentally responsible investing and shareholder resolutions.
CHAPTER 1: ETHICAL CONSIDERATIONS FOR AMERICAN INVOLVEMENT IN ECUADOR

AMERICAN SHADOW ECOLOGY

The United States affects other countries from which we draw the resources, products and energy that sustain American consumptive lifestyles. The term “shadow ecology” was first used by Jim MacNeill, Peiter Winsemius and Taizo Yakushiji to describe the “environmental resources (a country) draws from other countries and the global commons” (MacNeill et al. 1991). Resources can be utilized in different ways, with highly variable ecological impacts. Therefore, different shadow ecologies can result from similar levels of resource extraction, depending on how the resource is extracted.

Dauvergne expands the idea of shadow ecology in his book, Shadows in the Forest, by defining shadow ecology to include “...the amount consumed, the price paid, the source of the resource, and the effect of government actions and corporate practices on resource management” (Dauvergne 1997). He continues “...an ecological shadow is a result of both intended and unintended consequences of government, corporate, and bank actions. Public and private policies in both developed and developing countries can significantly alter the impact of a shadow ecology (Dauvergne 1997). In addition to the actions of the host country’s government and financial pressures from banks, American corporate practices play a significant role in determining how much impact, either positive or negative, is caused in another country.
This impact can be assessed on a continuum. Dauvergne suggests that...

...it makes sense to conceive of shadow ecologies on a continuum where sustainable activity falls on one end and environmental destruction falls on the other end. The logical task for policymakers, then, is not to eliminate these shadows but to minimize and counteract any negative consequences (Dauvergne 1997).

We can consciously choose actions and modes of operation which determine where the impact of our shadow ecology falls on this continuum. When American consumption crosses national boundaries, so must our responsibility for resulting impacts.

Our shadow ecology not only affects the non-human natural world, but also people. Functioning ecosystems are crucial to the survival of all life, including humans. When the environment is so severely damaged that it adversely alters human or other life, basic human rights are affected. American national and corporate policies, as well as American individual lifestyles, have shadow ecological effects abroad. We cannot inflict damage and evade the resulting ethical responsibilities. We have an ethical responsibility to minimize and counteract, as Dauvergne suggests, the negative consequences of our shadow ecology in foreign countries.

THE IMPORTANCE OF INTERNATIONAL DECLARATIONS

The United States is party to a number of international accords that describe and codify human rights and environmental responsibility. Although many of these accords are legally non-binding, they represent universal values and guidelines that the United States agreed to uphold, by virtue of signing, within and outside of their borders and around which to build national policies.
These declarations serve two specific functions related to the impact of our shadow ecology. First, the Universal Declaration of Human Rights, the Declaration of the U.N. Conference on the Human Environment, and the Rio Declaration on Environment and Development clearly link basic human rights, which are guaranteed in these documents, to a healthy, productive environment. The two are inextricably related and thus, in many cases, environmental responsibility warrants similar ethical consideration as human rights.

Second, as we acknowledge the human rights issues related to environmental damage caused by our shadow ecology, more of these declarations become relevant and applicable. The U.N. Vienna Declaration and Programme of Action, the Rio Declaration, and the Johannesburg Declaration on Sustainable Development provide valuable principles. These principles provide ethical guidelines, especially for American corporations working abroad, to help reduce the negative impacts of our shadow ecology. These declarations are a foundation of internationally accepted ideas and values that should guide American corporate activities around the world.

HUMAN RIGHTS AND THE ENVIRONMENT: THE LINKAGE

Several international documents link human rights and environmental issues. The Universal Declaration of Human Rights of 1948 was the first to specifically address this relationship. “Everyone has the right to a standard of living adequate for health and wellbeing of himself and his family, including food, clothing, housing...” (United Nations 1948). This was the first declaration of the idea that humans have a right to health (CESR 1994). Human health, in turn, is dependent upon a healthy environment (NRDC 1991, CESR 1994).
Environmental degradation and pollution impede peoples’ ability to acquire the necessities for their health – healthy food, clean water and clean air. Although many declarations assign responsibilities to uphold such rights to the sovereign nation-state, the principles of the Universal Declaration clearly apply to all segments of society, within both national and international contexts.

...a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society...to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance... (United Nations 1948).

The United States, along with Ecuador and many other countries, is party to this declaration. Therefore, American citizens and organs of society, including corporations, have the ethical responsibility to incorporate its principles into American foreign activities. The United States government and corporations have the responsibility to work cooperatively with the Ecuadorian government to achieve the goals outlined in these international declarations.

Subsequent declarations reiterate the critical link between human rights and environmental condition. The Declaration of the United Nations Conference on the Human Environment 1972 states,

Man is both creature and moulder of his environment. Both aspects of man’s environment, the natural and the manmade, are essential to his wellbeing and to the enjoyment of basic human rights – even to the right of life itself.

It goes on to say that people have a “right to adequate conditions of life, in an environment of a quality that permits a life of dignity and wellbeing” (United Nations 1972).
In 1992, The United Nations held the Conference on Environment and Development, which President George Bush attended. He and many other heads of state agreed to the principles of Sustainable Development contained in the Rio Declaration (Mills 2002). The Rio Declaration says, “Human beings are entitled to a healthy and productive life, in harmony with nature”. These documents established a consensus among party nations that couches human rights in a larger environmental context. Thus, environmental problems resulting from our shadow ecology in other countries are often human rights issues. Furthermore, environmental quality and human rights are inseparable and compel us to consider the attendant ethical responsibilities.

INTERNATIONAL DECLARATIONS AS ETHICAL GUIDELINES

Environmental and human rights concerns and economic activities increasingly cross international boundaries (Eide, Bergesen & Goyer 2000). Air and water pollution have global consequences. Human rights violations often involve many nations. Corporations, many of which are American, are increasingly transnational and trade links all nations (United Nations Conference on Trade and Development 1995). Therefore, all countries and particularly the United States, which exerts a disproportionately large social and economic impact throughout the world, must take an international approach to dealing with these issues. While it will take the commitment and cooperation of all nations to uphold universal human rights and combat global environmental degradation, the United States is the single most important nation in this regard. Americans comprise only 4.5 per cent of the world’s population, yet we consume 25 per cent of the world’s oil while producing only 10 per cent (www.bp.com). In
the process of acquiring oil from international sources, we must consider the social and environmental impacts this consumption entails.

Several other declarations contain important principles that should serve as ethical guidelines for American policies abroad. In 1993, at the World Conference on Human Rights, 171 countries including the United States, adopted the Vienna Declaration and Programme of Action ([www.unhchr.ch](http://www.unhchr.ch)). It was later endorsed by the United Nations General Assembly in 1994 ([www.unhchr.ch](http://www.unhchr.ch)). This declaration reconfirms participating nations’ commitment to the UDHR and emphasizes the international scope of human rights.

All human rights are universal, indivisible and interdependent and interrelated. The international community must treat human rights globally in a fair and equal manner, on the same footing, with the same emphasis (United Nations 1993).

Our recognition and respect for human rights should extend across international boundaries and to all people, wherever we are involved. Since American corporations are often working internationally, they bear the responsibility of adhering to these principles around the world.

This document also describes peoples’ right to self-determination, which applies to American companies’ work with local populations in their international operations. “All people have the right to self-determination. By virtue of that right, they freely determine their political status, and freely pursue their economic, social and cultural development” (United Nations 1993). When working with affected peoples, American companies should respect and facilitate their rights to choose these fundamental aspects of life for themselves.

The Rio Declaration also includes important guidelines for ethical
behavior in working relationships.

Environmental issues are best handled with the participation of all concerned citizens, at the relevant level. Each individual shall have appropriate access to information concerning the environment...including information on hazardous materials and activities in their communities and the opportunity to participate in decision-making processes (United Nations 1992).

Due to their significant corporate presence abroad, these principles are valuable for American companies and their international operations. The Rio Declaration extends the responsibility that “states and people shall cooperate in good faith and in a spirit of partnership in the fulfillment of the principles embodied in this Declaration” (United Nations 1992). Therefore, American corporations, as representatives of the United States, have a large role to play in preventing environmental damage in accordance with all Rio guidelines. This should include Principle 1. “States have the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction” (United Nations 1992).

American corporations should therefore work cooperatively with the Ecuadorian government, as suggested above, to prevent unnecessary environmental degradation. United Nations member countries have agreed that these principles should guide all actions, no matter the location.

The Johannesburg Declaration, a consensus agreement between all attending nations, was written at the recent World Summit on Sustainable Development (Matsushita 2002). This political declaration is a Type 1 agreement in which all member states at the conference cooperatively negotiate and agree to the outcome (www.earthsummit2002.org). Because all nations arrive at
consensus, binding provisions are often omitted, but the declaration still contains important principles to which all participating countries have agreed.

This declaration addresses the responsibilities of private industry; it specifically addresses corporations and their role in sustainable development. This reflects the growing presence and power of multinational corporations in global economic, human rights and environmental situations.

We agree that in the pursuit of their legitimate activities in the private sector, both large and small companies, have a duty to contribute to the evolution of equitable and sustainable communities and societies. We agree that there is a need for private sector corporations to enforce corporate accountability. This should take place within a transparent and stable regulatory environment (United Nations 2002).

As globalization proliferates and free trade agreements facilitate international corporate activity, the role of corporations will become even more pervasive and important (United Nations Conference on Trade and Development 1995). Private foreign direct investment is now a larger source of money for developing countries than official (public) development assistance (World Resources Institute et al. 2002). From 1990 to 2000, annual private foreign direct investment in developing countries grew from 24 billion dollars to 178 billion dollars, while annual flows of public money fell from 55 billion dollars to 39 billion dollars in the same period (World Resources Institute et al. 2002). Latin America receives almost half of the private investments made in infrastructure projects in developing countries, and this amount has steadily increased in the last decade (WRI et al. 2002). These trends indicate that private corporations are having greater influence on the economies of developing countries, including Ecuador (WRI et al. 2002). As corporate influence increases, so do their
responsible duties to operate ethically and to reduce the negative impacts associated with their ecological shadows in accordance with international treaties and declarations.

**THE VALUE OF LIBERALISM**

Wapner (1997) suggests that principles of liberal thought have great value for defining environmental issues in the context of international relations. Liberal thought is based on the view that humans are free, rational beings, and that they must enjoy the right to will for themselves (Wapner 1997). Classical liberalism asserts that “Persons must never lack a sphere of action and concern over which they presides freely as individuals, a domain constituted by a set of rights” (Fairfield 2000). These rights are crucial to self-determination and personal freedom. “It was, above all, the values of individual freedom, autonomy, self-creation, self-expression, and civility that found expression in the classical liberal principles of justice and human rights” (Fairfield 2000). Human liberty and freedom of choice are of ultimate importance and underlie liberalism’s strong belief in human rights on a global scale. International liberalism extends these basic human liberties to all individuals, without regard for race, religion, class, geographical or political context (Wapner 1997, Stammers 1995). In the liberal context, human beings have a fundamental right to and are always worthy of ethical and moral consideration.

The United States democratic systems are based on these liberal ideals. Our political, legal and social systems are founded on the principle of equality for all and the inalienable rights of life, liberty and the pursuit of happiness. John Rawls, in his book *A Theory of Justice*, argued that the rights of liberty,
opportunity, income, wealth and self-respect should be distributed equally to each person and should be compatible with a similar scheme of liberties for all, especially the least favored segments of society (www.policylibrary.com). He suggests that these rights, founded on justice, are so sacred that they cannot be altered by political bargaining or changes in social attitudes (www.policylibrary.com). The liberal idea that certain rights are inalienable to all Americans is the basis for the United States legal and social structures. We should extrapolate our belief in basic, guaranteed rights for all Americans to the advocacy of the same rights for all people internationally. American interests abroad must help ensure the principles of equality, justice and liberty and peoples’ basic human rights wherever they operate.

Liberalism, which is primarily concerned with humans’ abilities to exercise their freedoms and rights, often sees nature and natural entities as complicating factors in the pursuit of human liberties. In addition, nature is not a rational entity and liberalism, therefore, denies it right to moral standing or consideration (Wapner 1997). Nature can be an impediment to human realization of liberties or a means by which humans assert their free will and attain their rights, by providing shelter, food and energy for example, which are all components of human wellbeing. But nature is always an entity to be used by humans toward liberty and free will, a casualty of human enterprise, never deserving of moral standing and ethical treatment in its own right (Wapner 1997). Thus, environmental issues on their own are traditionally excluded from liberalism’s realm of ethical consideration, unless human liberties are directly threatened.
The international accords discussed previously connect environmental issues with human rights (U.N. 1948, U.N. 1972, U.N. 1992). If environmental degradation and pollution hinder the ability of people to achieve internationally and nationally guaranteed basic human rights, the problems are more compelling. The impacts on humans may not be initially obvious, as we often hear more about disappearing rainforests, oil pollution, greenhouse gases and climate change, than about the impacts of these factors on peoples’ lives. Rainforest degradation threatens food security and destroys inhabitants’ traditional livelihoods (Tidwell 1996, Borman 2002). Oil pollution contaminates drinking, bathing and fishing water and sickens people (CESR 1994, NRDC 1991). Rights to wellbeing, health, dignity, self-determination, a productive life – indeed even life itself – have been undermined by resource development and exploitation (Tidwell 1996, NRDC 1991, CESR 1994). While environmental problems may be worthy of concern and action on their own, they become even more compelling when they impede universally recognized basic human rights.

When we understand environmental problems as the human rights issues that they truly are, liberalism’s values become applicable and powerful. “Environmentalism is not simply about nature. It involves human beings at every step of the way” (Wapner 1997). From this perspective, we realize that most cases of environmental degradation include certain individuals taking advantage of other people; that is, there are perpetrators and victims, winners and losers. “...environmental destruction stems from a fundamental disregard for our fellow human beings, not a distorted relationship with nature itself. Environmental
destruction is an expression of privilege and power, wielded to injure or deprive others” (Wapner 1997).

Ultimately, environmental problems are not only about how we treat nature, but are about how we treat each other via the environment. In almost every environmental situation, winners exploit something at the expense of another segment of society, the losers, often in violation of their human rights (Wapner 1997). Consequently, environmental issues merit the ethical and moral consideration afforded by liberalism’s values as human rights issues.

Environmental degradation in other countries resulting from American consumption is more compelling when we understand its implications on fellow humans, people who have the same basic rights as ourselves. We may then see how American lifestyles and the resulting ecological shadow of consumption directly impacts basic human rights to health and wellbeing of other people. We create our shadow ecologies and infringe on human rights by irresponsible displacement of resource extraction and waste disposal across space, specifically across national borders (Wapner 1997).

While we may be able to evade direct ecological consequences and continue consumptive lifestyles by shifting impacts to other people and places, displacement discounts the basic human rights of people in these places, by shifting the burden of environmental harm to them (Wapner 1997). When other people must shoulder this burden of displacement against their will and it adversely affects their wellbeing, ethical issues arise and must be addressed.
The ecological shadow of the United States extends to Ecuador in many ways. American oil production and consumption are the most prominent. Americans are currently displacing environmental and social impacts of oil consumption to Ecuador, a trend that started 30 years ago when Texaco began extracting petroleum. American oil development has numerous detrimental ecological effects including: deforestation, water and air pollution, road building, colonization, cultural changes, health problems, wildlife loss, land encroachment and poverty (Tidwell 1996, CESR 1994, NRDC 1991). These impacts fall near the environmental destruction end of Dauvergne’s continuum and comprise a negative, unsustainable ecological shadow. The effects are environmental, economic and social in nature and have impeded the abilities of people living in the vicinity of oil development to secure their basic human right to health, wellbeing, and dignity (CESR 1994, NRDC 1991).

Ecuador is a sovereign country, with its own laws, and the right to exploit its natural resources, as stated in the Rio Declaration, and American companies are expected/required to observe Ecuadorian national laws. But if a lack of Ecuadorian laws or enforcement fails to protect internationally designated human rights and ensure environmental responsibilities, corporations nevertheless have an obligation to uphold them. As representatives of the United States, American corporations should operate under the guidelines and principles of the declarations to which the United States is party. As noted previously, human rights are universal and globally applicable and environmental

American displacement of oil impacts to Ecuador can be both direct and indirect. Americans have not developed oil reserves in the Arctic National Wildlife Refuge (at least not for the time being) due to domestic political pressures, but Americans readily import oil from threatened rainforests, often in designated protected areas, that sustain unique indigenous groups (www.amazonwatch.org). The NIMBY (not in my backyard) notion displaces, however unintentional, industries and pollution to other places, often across national borders. “It pushes pollution and the most egregious pollution-causing industries to the poorer and less politically powerful parts of the globe” (Wapner 1997). Either way, American displacement of resource extraction across space to Ecuador, “entails ignoring those who are different or minimizing the quality of their lives in such a way that we can regard them as somehow more deserving of our ecological assaults” (Wapner 1997). Our goal then, should be to eliminate or minimize these assaults.

PRINCIPLES FOR INVOLVEMENT IN ECUADOR

Based on international declarations and treaties, the connection between environmental responsibility and human rights, and the values of liberalism, I propose several principles that should guide American oil companies and their operations in Ecuador. Each principle can be achieved through specific actions. The goal of these principles is to reduce the negative impacts of our oil development in Ecuador through increased respect for the affected people and environment.
ADHERENCE TO ECUADORIAN LAW

The Ecuadorian Constitution guarantees its citizens rights that should be respected when American corporations work with affected people. The Constitution guarantees human rights to minority and indigenous groups, and rights to communal land ownership, consultation about and participation in projects and a healthy environment (Constitucion Politica de Ecuador 1998). These rights are clearly stated and uphold many of the ideas embodied in international declarations.

Ecuadorian laws and regulations potentially affect how petroleum production occurs and could manage or mitigate benefits, costs and damage. Whether existing laws are actually enforced in Ecuador is another question, but understanding what laws do exist provides insight into how they may impact the petroleum industry. The Ecuadorian Constitution includes several articles that directly the petroleum industry, especially concerning human rights. This overview of applicable laws will illustrate the legal framework under which the government, Ecuadorian citizens, and both foreign and domestic oil interests exist and should operate.

The Ecuadorian Constitution has been rewritten 18 times since its creation (Moreira). The most recent version, written in 1998, contains some important new provisions pertinent to the oil industry. New articles have been added, some due to the insistence and guidance of various sectors of civil society such as indigenous groups, which, if abided by and enforced, have the potential to influence the relations between citizens, the government and the petroleum industry.
**Cultural and Human Rights**
The 1st Article of the Constitution states that Ecuador is a “unitario, democratico, pluricultural y multietnico” (united, democratic, pluricultural and multi-ethnic), an important acknowledgement of the social and cultural heterogeneity that characterizes the country (Constitucion Politica de Ecuador 1998). Although this idea was included in earlier versions of the Constitution, the newest amendments expand on it, specifically recognizing the rights of both Indigenous and Afro-Ecuadorian people. Article 83 states “that both Indigenous and Afro-Ecuadorian people form part of the Ecuadorian state, united and indivisible”. In Article 84, a list of collective rights of both these groups, recognized and guaranteed by the government, is outlined (Constitucion Politica de Ecuador 1998). These declarations are important, considering that many of the human rights issues attributed to oil development affect marginalized Indigenous and Afro-Ecuadorian communities. In the past, these groups lacked specific legal recognition of their rights (Moreira). Constitutional guarantees of their rights as fully equal Ecuadorian citizens may, at least in theory, strengthen their positions as they deal with oil related issues in the future.

These amendments were a victory for both groups, especially for Indigenous populations and were represented by the influential group CONAIE (Confederation of Indigenous Nationalities of Ecuador). CONAIE had long campaigned for Constitutional recognition of Indigenous social and economic rights as culturally distinct groups of people (Collins 2000). Ecuador’s population is actually comprised of many diverse ethnic groups: Indigenous-25 per cent, Mestizo (mixed Indigenous and Spanish)-55 per cent, Caucasian and
Caucasians of Spanish heritage and Mestizos have long dominated the upper segment of society, owned the largest tracts of fertile land, held positions of power and influence, and created the laws that govern the country (Hanratty 1989). Discrimination against lower classes and ethnic groups was widespread in the past and continues today, albeit in a more insidious, discrete manner (Hanratty 1989). Therefore, Constitutional recognition of Indigenous and Afro-Ecuadorians’ rights is extremely important as they look to defend and assert their interests, politically, socially and culturally, at the national level.

**Land Ownership**

Collective land ownership and rights are also addressed in the Constitution; Chapter 5, entitled “The collective rights of Indigenous and Afro-Ecuadorian peoples” contains several declarations that are important in the context of oil development and its impacts on people. Articles 84 and 85 give both Indigenous and Afro-Ecuadorians “the collective right to maintain ownership of their communal lands, which are inalienable and indivisible, except for the power of the Ecuadorian state to declare the lands’ public utility” and “the collective right to be awarded for free and maintain the ancestral possession of communal lands, conforming to the law” (Constitucion Politica de Ecuador 1998). Although there are obvious provisions in which the government maintains some power over the lands, these amendments imply the government’s acceptance of culturally-based, traditional land tenure patterns and the concession that they are not necessarily in opposition to national unity (Moreira).
Constitutional rights pertaining to resource ownership and extraction also affect the dynamics between people, the government and the oil industry. Although individual citizens have always owned land and collective ownership is now recognized, the government has always retained ownership and thus, control over subterranean, nonrenewable resources. Article 247 states “The nonrenewable natural resources, and in general, the subsoil products, are the inalienable property of the state (of Ecuador). They will be exploited for the function of national interests” (Constitucion Politica de Ecuador 1998).

This principle is incorporated into Article 84 regarding the control of natural resources on collectively-owned lands. Although the communal owners have the right to “participate in the use, usufruct, administration and conservation of the renewable natural resources found on their land”, they do not have the same legal control over their nonrenewable, subsoil resources, which include oil. Article 84 continues,

...(communal land owners) have the right to be consulted about plans and programs of nonrenewable resource exploitation on their land or that could affect them environmentally or culturally. They have the right to share in the benefits of these projects and to receive indemnities for any environmental or cultural damages that are caused by such projects (Constitucion Politica de Ecuador 1998).

The Constitution acknowledges that landowners are stakeholders in the extraction process and gives them a role, yet it fails to grant them any real power to control this use of their land. Article 84 also grants the right to “conserve and promote their own management practices for biological diversity” (Constitucion Politica de Ecuador 1998).
Environmental Rights

The Constitution also outlines individual human rights pertaining to the environment. In Article 23 of Chapter 2 (Civil Rights), the state recognizes and guarantees “the right to live in a healthy environment, free of contamination. The law shall establish restrictions on the exercise of specific rights and liberties in order to protect the environment” (Constitucion Politica de Ecuador 1998). With this statement, it appears that the government places value on the peoples’ right to live in a clean environment and that restrictions on development, perhaps, may be justified. This sets up a hierarchy in which the right to a healthy environment could supercede other individual rights (CESR 1994).

Article 86 of the Second Section, “The Environment”, reads “The State will protect the right of the population to live in a healthy environment in an ecological equilibrium, that guarantees sustainable development” (Constitucion Politica de Ecuador 1998, Accion Ecologica). To this end, the government asserts that for the public interest, it will regulate the preservation of the environment, the conservation of ecosystems, biodiversity and natural resources, and the prevention of environmental contamination (Constitucion Politica de Ecuador 1998). Article 89 states that the government will take guided measures toward the attainment of objectives such as the promotion of environmentally clean technologies and non-contaminating alternative energies and the establishment of tax incentives in support of their use (Constitucion Politica de Ecuador 1998).

As previously discussed, Article 88 gives people the right to be consulted about and participate in environmental projects that will affect them. This right potentially gives people affected by oil development some power to influence
decisions. Specific mention about the environment of the Amazon is made in Article 240, which reads “In the provinces of the Amazon region, the state will put special attention on sustainable development and ecological preservation, in order to maintain biological diversity” (Constitucion Politica de Ecuador 1998). The government claims to be particularly interested in promoting goals that many Amazonian indigenous groups support, including sustainable development and ecological preservation (ISIS, amazonwatch.org). However, the government’s support of the oil industry in the Oriente contradicts these Constitutional statements (Constitucion Politica de Ecuador 1998, NRDC 1991).

The Ecuadorian government has been accused of not adequately protecting these Constitutional rights, especially with regard to oil development projects (Loor 2002, www.amazonwatch.org). The potential benefits of oil production may encourage the Ecuadorian government to ignore their own laws when they hinder development.

For a host government, these resources bring much-needed hard currency resources to the country and the potential of long-term revenue generation leading to further economic development. By its very nature, energy is a strategic commodity and is fundamental to the political and economic development of states, national security interests, and international relations. In this context, the lengths a government will go to protect its interests are substantial and can be part of the reason why human rights violations are committed and why corporations can be seen as a part of this process (Eide, Bergesen & Goyer 2000).

The director of CECIA, a prominent ornithological organization in Ecuador, says, The Ecuadorian government does not have a strong enough legal system and pollution regulations, we do not have the capacity to enforce the law, and the government does not have enough money to deal with control issues. Our government
is not serious about anything related with environmental or social issues. It just does not have the resources nor the willingness to invest in environmental issues. The Ecuadorian government does not invest enough money for education or health, so even less resources than that goes to environmental protection (Loor 2002).

Even though the Ecuadorian government may not enforce its own laws, the Constitution guarantees these rights. American companies should, on the basis of international declarations and treaties, adhere to Ecuadorian law and environmental regulations. Respect for the laws of a nation shows respect for its sovereignty, improves working relationships and may prevent animosity from affected people. I will elaborate on relevant Constitutional rights or laws as they pertain to the specific principles discussed below.

**INFORMED CONSENT AND COOPERATIVE PARTICIPATION WITH AFFECTED PARTIES**

Ecuadorian law and international declarations state that people affected by environmental projects must be given information and allowed to meaningfully participate (Constitucion Politica de Ecuador 1998, United Nations 1992). Article 88 of the Ecuadorian Constitution guarantees people the right to participate in environmental projects affecting their land and lives. This includes the right to consultation about a project prior to its commencement. “All state decisions that can affect the environment must be previously counted with the community’s criterion, which will be properly informed. The law guarantees its (community’s) participation” (Constitution Politica de Ecuador 1998). Article 84 is especially applicable to indigenous landowners that have oil.

...(communal land owners) have the right to be consulted about plans and programs of nonrenewable resource
exploitation on their land or that could affect them environmentally or culturally. They have the right to share in the benefits of these projects and to receive indemnities for any environmental or cultural damages that are caused by such projects (Constitución Política de Ecuador 1998).

Recently, the Ecuadorian courts upheld the rights of landowners to determine how they participate in oil development planning (Soltani 2002, www.amazonwatch.org). The Shuar people are an Amazonian indigenous tribe that filed a complaint against foreign oil companies. Courts ruled in favor of the Shuar Federation’s demands that companies work only with the elected tribal authorities. This case was in response to ARCO and Burlington Resources’ “divide and conquer” methods of securing oil development agreements with individual families and communities (www.amazonwatch.org). Courts said that BR can not attempt to communicate with the intent to make agreements with any Shuar people without the consent of tribal authorities (www.amazonwatch.org). The Shuar and Achuar (another Amazonian indigenous tribal group) are opposed to oil development on their lands and have refused to negotiate with BR. This has prevented oil development activity on their lands (Soltani 2002).

An Ecuadorian court has also upheld landowners’ rights to prior consultation in another case. Indigenous groups filed a complaint against the government for leasing their land as oil concessions without prior consultation and information (Soltani 2002). The court ruled that the government must inform landowners that their land could be leased and get their approval prior to auction (Soltani 2002). Previously, the government leased land without prior informed consent and left private oil companies to negotiate with individual landowners. The latest round of concession blocks in the Oriente has been held
up for two years due to legal challenges by landowners regarding their right to prior consultation and the need for the government to get their informed consent (Soltani 2002).

If this trend continues, oil companies may be dealing with increasingly powerful landowners. Companies must not only respect landowners’ rights to participate in development but also their right to say NO to development. Although the Ecuadorian Constitution can be confusing and seemingly contradictory on these matters, companies are compelled to respect the rights of affected people to determine how and if they want to participate. Companies should understand the social dynamics and political organization of landowners. They should initiate dialogue and written communication with landowners or their representatives before any action is taken. They should facilitate forums for meaningful discussion and negotiation, and enter into any working relationships with an honest commitment to cooperation.

CODES OF CONDUCT WITH AFFECTED PEOPLE

If landowners and tribal authorities are willing to allow oil development on their land, then landowners and oil companies enter into lengthy, complex relationships. Many contracts between oil companies and the Ecuadorian government are for 20 years. As more indigenous groups gain title to territorial lands, negotiations between landowners and oil companies will likely increase. A Code of Conduct between the involved parties demonstrates mutual respect and cooperation.

Problems arise when oil companies do not seek permission, cooperation and informed consent from landowners before or during oil activities
Oil companies have been denied access to land and operations have been stopped on several occasions due to their reputation for using dishonest tactics and disrespecting landowners (www.amazonwatch.org, Soltani 2002). It makes good ethical and business sense for oil companies to come to agreements with landowners prior to oil development.

The Secoya Indigenous people and Occidental Petroleum have created a Code of Conduct to guide interactions between the two groups (The Institute for Science and Interdisciplinary Studies (ISIS)). Occidental is licensed by the Ecuadorian government to explore for oil on Secoya land, and the two parties have agreed to work cooperatively. In 1999, they wrote the first Code of Conduct between an oil company and Oriente landowners. It outlines the responsibilities, goals, and principles that must be honored within their working partnership. Important principles include: reciprocal respect of rights, openness and honesty and access to information (ISIS 2002). It also stipulates procedures for decision-making, rules for negotiations, and how meetings will be run. While the Code of Conduct is a work in progress and there have been misunderstandings, it provides an agreed-upon framework for addressing and managing these situations (ISIS 2002).

Codes of Conduct can help to promote respect, honesty and show that each side is at least willing to work cooperatively. Codes of Conduct can embody the principles I propose; putting them in writing lends credibility to the intentions and defines how a company plans to achieve them.

Using the Secoya-Oxy code as a model, codes should commit to the following principles: access to information, informed consent, openness/honesty,
mutual respect, respect for self-determination, just and equitable participation, environmental responsibility, adherence to national and tribal laws, and procedures for negotiation. Codes of conduct must be created with the full respect for and participation of the landowners. It may be helpful to have government or NGO representatives serve as observers, to encourage fairness and honesty in the code creation process. Companies can improve their reputations in the USA and in Ecuador if they commit to meaningful, fair Codes of Conduct and abide by them. It’s a necessary step towards addressing human rights, conflict resolution, and reducing negative and unintended consequences of oil operations.

ADHERENCE TO BEST TECHNICAL AND ENVIRONMENTAL PRACTICES

Texaco operated in Ecuador for 20 years, and according to many critics, it failed to employ industry-accepted technical and environmental standards (NRDC 1991, CESR 1994). Oil and water wastes were not reinjected into the ground, waste pits were poorly constructed, contaminated effluents drained directly into swamps and rivers, and pipeline shut-off valves were too far apart to prevent massive spills when lines ruptured (NRDC 1991, CESR 1994). These practices were below the industry-wide standards at the time, although Texaco denies this and the court case pertaining to the issue has not been decided (NRDC 1991). The resulting pollution allegedly caused widespread illnesses in people and contaminated the water, fish and wildlife upon which they depend (NRDC 1991, CESR 1994, IACHR 1996). Texaco has faced this lawsuit for 9
years. This litigation illustrates the risks involved when a company cuts corners, allegedly violates human rights and endangers lives.

The Ecuadorian Constitution guarantees citizens a healthy environment in which to live, as do international declarations (United Nations 1972, United Nations 1992). An Oil Development Plan created several years ago calls for foreign companies to apply the highest standards and requirements of their home country in their operations in Ecuador (IACHR 1997, Kimerling 2001).

Companies should use the cleanest, most efficient technology possible and should not cut technical or environmental protection corners, nor knowingly use sub-standard practices. Companies should always strive for least impact by reducing waste, properly treating and disposing of contaminated wastes and increasing energy efficiency of operations. In accordance with Ecuadorian law and international declarations, American companies should strive to maintain environmental quality compatible with the basic human right to wellbeing, health, dignity and a productive lifestyle of choice. Appropriate technology and best practices can help prevent pollution that undermines these rights.

TRANSPARENCY AND ACCOUNTABILITY

The oil industry has a poor reputation among Oriente landowners in Ecuador (NRDC 1991, CESR 1994). Texaco’s legacy is widely known in the Oriente and among human rights and environmental organizations in the United States. Indigenous landowners are leery of oil companies and their destruction (IACHR 1997). Other tribes do not want to suffer the same fate as the Cofan people, many of whom lost their land and traditional way of life to oil.
development (www.amazonwatch.org, IACHR 1997). Companies who want to
develop oil more responsibly must now operate in a hostile environment.

Transparency, honesty, and accountability are valuable traits for a company if they want to establish trust with landowners and stakeholders. Companies who show a commitment to human rights, participation with landowners, environmental responsibility and fairness will likely have better chances of securing development opportunities. Secrecy, dishonesty and manipulation cause conflict with landowners that cost companies money, time and development opportunities (Tidwell 1996, www.amazonwatch.org). Companies have much to gain both in Ecuador and with the American public and NGO’s by being honest and open about their operations, especially when they are striving to achieve admirable social and environmental goals. Transparency will also be valuable if the company comes under scrutiny.

Companies will have no defense if their activities are not transparent. Mistakes will be made, but if they are openly acknowledged, if they are made in the context of policies and practices which reflect the breadth of their responsibilities, they will be accepted as mistakes, not condemned as crimes (Eide, Bergesen & Goyer 2000).

Companies can replace traditional financial reporting with “triple bottom line reporting” which includes economic, social and environmental reporting and increases transparency and disclosure (www.gri.org). This process encourages accountability, which means companies will need to more fully consider, and hopefully reduce, the negative impacts of their development.
CHAPTER 2: THE PAST AND PRESENT ROLE OF THE UNITED STATES IN ECUADOR’S OIL DEVELOPMENT

INTERNATIONAL LAW PERTINENT TO ECUADOR

Ecuador is party to many of the same international and regional declarations and conventions on human and cultural rights and environmental protection as the United States. These include the Universal Declaration of Human Rights, U.N. Declaration of the Human Environment, U.N. Rio Declaration, U.N. Vienna Declaration and Programme of Action and the U.N. Johannesburg Declaration on Sustainable Development. Therefore, U.S. companies and the government of Ecuador are party to the same human rights and environmental responsibilities. The responsibility for enforcement of these rights falls on the Ecuadorian government, but US companies can facilitate their implementation by honoring the intent of these declarations and incorporating them into their Ecuadorian operations. The Ecuadorian government’s first responsibility should be to uphold its peoples’ rights and protect an environmental quality that sustains those rights.

The Rio Declaration contains segments that are especially meaningful to the oil industry’s influence on Ecuador. Principle 2 specifies that resource exploitation activities must be managed in environmentally responsible ways, regardless of national boundaries.

States...have the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction. (United Nations 1992).
This principle grants Ecuador the right to exploit its own resources, but also places a direct ethical responsibility on foreign oil companies to prevent environmental harm within the national boundaries of Ecuador.

The Rio Declaration also makes important connections in Principle 25, which states simply “Peace, development and environmental protection are interdependent and indivisible”. When segments of society do not justly benefit from development or are unjustly subjected to environmental degradation, resentment and instability can result. We have seen this in Ecuador, with Indigenous and other disaffected groups protesting against both the government and oil companies. National security depends in part on all segments of society being able to participate in and influence decision-making processes on fundamentally important issues like human rights, development and environmental protection.

In addition to the above declarations, Ecuador is one of only 17 countries to ratify the International Labor Organization’s Indigenous and Tribal Peoples Convention (referred to as ILO 169). It, unlike the declarations, is a legally binding convention that encourages respect for the cultures, ways of life, traditions and customary laws of indigenous and tribal people (ILO 1989, www.ilo.org). It safeguards the rights of indigenous people, as unique cultures who live within nation-states, to make their own decisions (www.ilo.org). Many of the principles were incorporated in the most recent version of the Ecuadorian Constitution as law. Given that much of the oil activity in the Oriente is on titled traditional lands of indigenous groups, these principles are pertinent.
It states that “indigenous and tribal peoples shall enjoy the full measure of human rights and freedoms without hindrance or discrimination”. It continues that “governments shall respect the special importance for the cultures and spiritual values of the peoples concerned of their relationship with the lands or territories which they occupy or otherwise use, and in particular the collective aspects of this relationship” (ILO 1989). This idea underlies the Ecuadorian Constitutional recognition of traditional, communally-owned lands.

The rights of indigenous people to control the natural resources on their lands is also specifically addressed, declaring their rights to use, manage and conserve these resources. It ensures that when states retain control of subsurface resources, governments will establish and maintain procedures through which they shall consult these people, with a view to ascertaining whether and to what degree their interests would be prejudiced, before undertaking or permitting any programmes for the exploration or exploitation of such resources pertaining to their lands (ILO 1989).

People have the right to participate in the benefits of such exploitation, and to receive fair compensation for any damage these activities may cause (ILO 1989). These rights are guaranteed in both the ILO 169 and the Ecuadorian Constitution, supposedly giving them more legal strength.

With so many international human rights and environmental declarations and conventions, it is impossible to review every one that is applicable to the Ecuadorian situation. However, the international conventions mentioned typify principles and ideas that have evolved into a global consensus of thought and action, at least in theory. Using the Ecuadorian scenario as a microcosm of
international development, we can assess if these declarations actually influence operations. As we build an expanding international ethical framework under which to act and interact in the global arena, we can ask what effect they are having at national, regional and community levels. Oil development in Ecuador is thus one case through which we can explore the implementation of global principles and declarations.

AMERICAN OIL IN ECUADOR: A HISTORY OF IMPACTS

Oil exploration, development and production in Ecuador have a long history and have been largely influenced by foreign interests and petroleum companies. The discovery of oil and its subsequent production have had dramatic, far-reaching impacts on the country and have become the single most important factor driving the economic conditions of Ecuador (www.amazonwatch.org, Fossil Energy International 2002). The country’s economy and oil are so intertwined, they must be examined together in a historical context.

Ecuador’s economy history has been characterized by distinct “booms” and “busts”, based on the dominance of three different export items. Before oil, agricultural products were most important (Hanratty 1991). The first was the cacao boom, from the mid 19th century until 1914. From 1940 through 1970, bananas were the most important export industry and they continue to be the second most important today (www.latintrade.com). Oil has been the third economic boom, which has dominated the Ecuadorian economy since 1970 (Roos and van Renterghem 2000). Reliance on single export industries makes
Ecuador’s economy heavily influenced by and vulnerable to international demand and pricing. This has been the case for all three booms, including oil.

Starting in the early 1900’s, oil was found on and offshore near Guayaquil, Ecuador’s largest city and commercial center, on the southwest Pacific coast. 100 billion barrels of crude petroleum were extracted over a six decade period, but by the 1980’s, production had fallen to less than 1,000 barrels a day and antiquated equipment, expensive to maintain, made continued production uncertain (Hanratty 1989).

Foreign companies expanded their search for oil to the Oriente, the Eastern lowlands of the country where rivers drain the Eastern side of the Andes and form the upper tributaries of the Amazon River system. Shell Oil, in cooperation with Esso Oil, were granted a concession to explore for oil in much of the Oriente region in 1937, but after many years of searching and finding no commercially recoverable fields, Shell abandoned their operations in 1950 (NRDC 1991). Exploration resumed in the 1960’s when Texaco Petroleum and Gulf Oil began a massive search in a 5 million acre concession in the Northeast region of the country. In 1967, they found oil near the country’s Northeast border with Colombia, and centered their operations around a base camp that they created called Lago Agrio. This camp would later become the major population center of this petroleum-dominated Amazon region (NRDC 1991).

The discovery of commercially recoverable quantities of oil had significant impacts on the Ecuadorian government’s attitude and strategy for oil development. Ecuador renegotiated its concession agreement with Texaco and Gulf, reclaiming 2/3 of the concession, effectively forced Gulf Oil out of the
arrangement, and became the major financial partner in the consortium (NRDC 1991). New regulations were implemented, aimed at increasing the revenues Ecuador earned from oil development, such as a larger royalty tax on production and a land tax on foreign companies. At the same time, the government encouraged new foreign investment and exploration, offering more concessions in the Oriente and welcoming more oil companies to Ecuador during the 1970’s (NRDC 1991).

The rush of foreign companies into the Amazon propelled an oil boom. In addition to Texaco, Standard Oil, Shell, Exxon, Maxus, Occidental, British Petroleum, Conoco, ARCO, Unocal and Tenneco negotiated contracts and concessions agreements in the Oriente with the Ecuadorian government (NRDC 1991). Although foreign companies were by far the most prominent, the Ecuadorian government created its own state-owned oil company Petroecuador, in 1971 (NRDC 1991). Petroecuador assumed responsibility for the majority partnership in the consortium with Texaco, and together they constructed the first Trans-Ecuadorian Pipeline, called SOTE (Sistema del Oleoducto Trans-Ecuatoriano), in 1972. SOTE runs from the oil town of Lago Agrio, over the Andes mountains, to refineries in Esmeraldas, a large city on the northwest Pacific coast (see Illustration 1). This pipeline provides transport capacity of 400,000 barrels daily and made Ecuadorian oil exploration and production even more attractive to foreign interests (Hanratty 1989).

With the Ecuadorian government and numerous foreign companies all pursuing and developing oil, production expanded rapidly, growing by an average of 9% per year between 1972 and 1981 (Roos & van Renterghem 2000). The
earnings from oil production significantly contributed to government income and comprised an increasing proportion of the country’s export revenues (Roos and van Renterghem 2000). High oil prices during the 1970’s propelled the country’s economic growth, up to 25% annually, and allowed for prolific public and military spending, the acquisition of credit, large, often inefficient public works projects and huge subsidies for domestic petroleum products (Jochnick 2001). The Organization of Petroleum Exporting Countries (OPEC) oil embargo, triggered by the Arab-Israeli war in 1973, caused supplies to drop, prices to rise rapidly, and prompted the Ecuadorian government to join OPEC that same year (Roos & van Renterghem 2000).

Ecuador remained a member of OPEC for 20 years, but often sought to increase production and export in response to lower international crude oil prices, particularly during the 1980’s (Roos & van Renterghem 2000). The country facilitated the development of new oil fields and allowed increased production levels during this time, often exceeding OPEC-specified output quotas, in order to maintain export revenues and government income (Roos and van Renterghem 2000). In 1992, with plans to continue boosting oil output and revenue, Ecuador terminated its OPEC membership and subsequently increased production by 6 per cent (Roos and van Renterghem 2000).

During the 1980’s, oil prices dropped and production continued to rise, as the government offered more concessions and opened up more land for exploration (Roos & van Renterghem 2000). Oil production rose steadily from 200,000 barrels/day in 1980 to over 300,000 barrels/day by the end of the decade (NRDC 1991). The only notable interruption to this trend was in 1987
when a huge landslide destroyed a 40-kilometer section of the pipeline and interrupted oil transport capabilities for over 5 months, drastically reducing production levels (Hanratty 1991). Despite increasing oil production, Ecuador’s foreign debt grew rapidly during the 1980’s and an increasing share of oil revenue was used simply for debt service (Jochnick 2001). The government periodically announced plans to increase production, but inadequate transport facilities and pipeline capacity have, so far, hindered this goal.

In the 1990’s, oil production became the largest revenue earner for Ecuador, accounting for 40 to 50 per cent of total export income and over 25 per cent of public sector revenue (Roos and van Renterghem 2000, U.S. Department of State 2002). In 2001, Ecuador’s Gross Domestic Product was 17.9 billion dollars, with oil and mining contributing 11.6 per cent to the GDP (U.S. Department of State 2002). However, the country carries a 16 billion dollar (90 per cent of the GDP) debt burden (Amazon Watch 2001), owed to private banks (52 per cent), multi-lateral lending agencies (30 per cent) and the wealthy countries of the Paris Club creditors group (18 per cent) (Lucas 2002). In 2000, Ecuador earned 2.4 billion dollars from oil revenues, yet 1.3 billion of that went to servicing their debt (World Bank Group 2002). Corruption, lack of transparency, and financially unsound investments have plagued Ecuador and constrained economic growth (AmazonWatch 2001). The current government sees increased oil production and revenue as the means to debt reduction and the catalyst to renewed economic growth (Lobe 2001), although the history of oil production in the country suggests differently.
More than half of the country’s oil exports are bound for the United States, while the Dutch Antilles, other Latin American countries, Canada, and the European Union also import Ecuadorian oil (U.S. Department of State 2002, Ranson 2002). Recent statistics show that Ecuador has 3.4 billion barrels of known crude oil reserves and produced around 415,000 barrels/day in 2001 (U.S. Department of Energy 2001). Production has been limited by the transport capacity of the SOTE pipeline for a decade.

Ecuador is currently the 6th largest producer and 4th largest exporter of oil in Latin America, and the country consumes approximately 150,000 barrels/day, while exporting around 276,000 barrels/day (U.S. Department of Energy 2001). Increased reliance on oil export revenues is associated with increased vulnerability to world oil price fluctuations. For example, in the years following the sharp drop in oil prices of 1997, the country experienced huge financial problems, including a 7.3 per cent drop in GDP, high inflation rates, and a 65 per cent devaluation of the national currency in 1999 (U.S. Department of State 2002).

With higher oil prices during the last 3 years, Ecuador’s economy has shown some improvements, including higher GDP (2.3 and 5.4 per cent increases in years 2000 and 2001 respectively) and lower inflation rates (U.S. Department of State 2002). However, the government has done little to encourage economic diversification or reduce dependence on export commodities. The three dominant export commodities (which earned $5.6 billion in 2000) are petroleum (30 per cent of export revenue), bananas (26 per cent), and shrimp (16 per cent) (www.latintrade.com, World Bank Group 2002). Ecuador’s economy continues
to experience booms and busts that are directly related to the prices of these exports, especially crude oil prices.

Several companies working in the Oriente formed a cooperative alliance, called Oleoducto de Crudos Pesados (OCP) Consortium in 2000. In 2001, this consortium signed a 20 year concession contract with the Ecuadorian government for the ownership, construction and operation of a heavy crude oil pipeline, to be constructed mostly along the route of the existing SOTE pipeline (AmazonWatch 2001). This pipeline will double the existing pipeline capacity and allow an additional 390,000 to 450,000 barrels a day to be transported from the Oriente to the refineries and export facilities on the Pacific coast (AmazonWatch 2001). Greater transport capacity facilitates greater production; not surprisingly, the government is currently offering the ninth round of oil concessions for lease, consisting of 11 more blocks, totaling 2.4 million hectares (Fossil Energy International 2002). These blocks encompass most of the Southern Oriente, expanding oil exploration all the way to the Peruvian border. Clearly, the Ecuadorian government’s policies seek to encourage and facilitate increased oil exploration and development.

Overall, after 3 billion barrels of produced oil and $32 billion dollars, petroleum has not saved Ecuador from economic woes (Jochnick 2001). Its debt now almost equals its annual GDP (World Bank Group 2002). Sixty three per cent of the population lives below the poverty line, with up to 90 per cent poverty in much of the Oriente where oil development has been most prolific (Central Intelligence Agency 2000, Jochnick 2001). Unemployment was 13 per cent in 2000, with widespread underemployment (CIA 2000). Clearly, the economic
rewards of oil production have not benefited all sectors of the population and the purported advantages of foreign investment and a lucrative export industry have not reached much of the Ecuadorian populace. This suggests that more of the same petroleum policies will not likely secure economic development or social security for a large proportion of Ecuadorians.

THE COFAN AND TEXACO: A CASE STUDY

The areas where the Texaco-Petroecuador consortium explored and developed oil are located within the ancestral territories and current homelands of a group of Indigenous people called the Cofan. The long history of Cofan in the area has been punctuated by contact with Europeans, mostly missionaries and assorted oil interests, with largely disastrous results. In 1500, an estimated 15,000 Cofan inhabited the Amazon rainforest, but by the 1930’s, due to European contact and disease transmission, there were only 350 Cofan left (Tidwell 1996). Today, there are about 700 Cofan, and until the arrival of oil companies in their territory, they largely resisted contact with outsiders (www.cofan.org). Since then, they have been forced to interact with the outside world in order to save their way of life and land. Their story illustrates the struggles of people over resources, land, human rights, culture, economics, money and ultimately, power.

Shell Oil was the first foreign company to explore for oil in Cofan territory in the late 1940’s. Although they did find oil, prices at that time were too low and production costs in such a remote area were too high to make it a profitable venture. They left the area in the 1950’s (www.cofan.org). Texaco and Gulf Oil picked up oil operations years later and were the first foreign companies to
produce oil from the Eastern Oriente region of Ecuador. They found oil in 1967 and started producing and transporting it to the Pacific coast via the SOTE pipeline in 1972. The Ecuadorian government lacked the financial resources and the technical knowledge to develop the oil and welcomed Texaco as its partner to take the lead in the project (Jochnick 2001, Kimerling 2001). The state owned oil company, Petroecuador, and Texaco formed a consortium and Gulf Oil ended its involvement in the project. Petroecuador was the major partner in the consortium, with 2/3 ownership of concessions, while Texaco was the minority partner, holding 1/3 ownership (NRDC 1991).

Texaco signed a 20-year concession contract with Petroecuador; at the end of the term, Petroecuador took over ownership and control of all the infrastructure facilities including wells, refineries and pipelines (NRDC 1991). Between 1972 and 1992, the Texaco-Petroecuador consortium was the dominant oil producer, extracting 90 per cent of the oil from the Oriente region (Jochnick 2001). At the end of their two decade term, the Texaco concession area covered almost 500,000 hectares in the northeast portion of the country, along the Colombian border, and production levels were approximately 213,840 barrels daily (NRDC 1991).

The Oriente is rich human, plant and animal life. The vast area (13 million hectares) is home to 9 indigenous groups and much of the country’s biological diversity (www.rainforestweb.org). Ecuador, with its varying topographical features and microclimates, contains some of the highest biodiversity in the world, including 3,300 species of orchids, 1,500 birds, and 20,000 vascular plants (Flores 2001).
Ecuador’s eastern rainforest region is part of a larger area characterized by extremely high biotic richness, diversity and endemism. During the Pleistocene Ice Ages, the area of southern Colombia, eastern Ecuador and northern Peru is thought to have remained moist while much of the rest of the Amazon basin dried out. This created a refuge for biotic survival and speciation, thus making the eastern Ecuadorian forests of today the most biodiverse area within the entire Amazon basin (Tidwell 1996). Consequently, the Oriente is of high conservation priority on a global scale. It remains the most remote and least developed region of the country. The value of the Oriente as home to distinct peoples and plant/animal species found nowhere else on earth is profound.

The Cofan live in the forest much as they always have. An isolated and distinct people, they speak the Cofan language; many do not speak Spanish, let alone English. Their contact with outsiders was minimal until the oil boom. Most lived in remote villages along the Aguarico and Cuyabeno Rivers in northeast Ecuador, south of the Colombian border. Their livelihood was tied to and dependent on intact forest; hunting, fishing and gathering provided most of their sustenance, supplemented with a few crops grown in small, shifting plots. They hunt forest peccaries with blowguns, travel by river in dugout canoes made of local trees and have a vast knowledge of forest vegetation and its medicinal, construction, edible, ornamental and other utilitarian uses (Tidwell 1996).

In 1954, a missionary couple, the Bormans, from the Summer Institute of Linguistics arrived in the main Cofan village of Dureno, on the south side of the Aguarico River. They were allowed to stay and spent the next 30 years living with the Cofan, learning their language, giving it an alphabet, and translating the
entire Bible into Cofan. During their stay, they had 3 children and raised them among the Cofan. This is significant because when they eventually left in 1981, one of their children, Randy, stayed and continued to live his Cofan life. After briefly leaving for college in the United States, he returned, married a Cofan woman, had a family and now lives in a smaller Cofan village downriver from where he grew up. He is currently the village’s chief, which has influenced the way in which this particular community has dealt with oil development in their territory.

The Texaco-Petroecuador consortium held oil concessions in and around traditional Cofan territory. Although Texaco has now left the country, Petroecuador continues to develop oil in these same areas, using the same antiquated equipment and polluting infrastructure and technologies (www.petroecuador.com, NRDC 1991). The government retains ownership of all subsurface resources, and so, Texaco and Petroecuador were allowed access to whatever lands they wanted to pursue oil exploration and drilling. Cofan people traditionally lived in the area along the Aguarico River, and the village of Dureno was the central hub of the territory. When Texaco and Petroecuador discovered oil in the area, they based their activities out of an area upriver from Dureno. Connected by a newly constructed road from Quito, it quickly grew into the oil boomtown of Lago Agrio (Tidwell 1996).

Oil development quickly dominated the area; forests were cleared, roads were built, seismic testing lines were cut, oil workers and colonists from the crowded mountain region came and settled, facilitated by networks of new roads that allowed entry to previously inaccessible forest (Tidwell 1996). Because of the
influx of people and activities, wildlife was over-hunted and displaced, forests were converted to cattle pastures and agricultural fields, and rivers were crowded with boats and polluted by refuse and oil (www.cofan.org). Much of this activity occurred within a previously designated protected area, the Upper Cuyabeno Wildlife Reserve, because access to subsurface resources was granted to oil companies even within parks and protected areas.

Traditional patterns of the Cofan lifestyle were impaired by the oil development. Invaded by outsiders and unable to prevent Petroecuador and Texaco from using their land without consultation, the Cofan culture was weakened. Colonists were encouraged to come to the area by government policies that granted title to 50 hectares/family if the land was cleared and “used” (Mendez & Parnell 1998). These policies encouraged the destruction of Cofan hunting land and pushed them out of traditional areas (www.cofan.org). Influence from outsiders also introduced alcoholism, violence and theft among the Cofan (www.cofan.org). Outside entities and influences significantly impacted the small Cofan communities.

Cofan people, as well as colonists living in the area, were subjected to oil pollution and suffered health problems (www.cofan.org, NRDC 1991, CESR 1994). In response to claims made by local medical care providers and residents in oil development areas, international groups, including the Inter-American Commission on Human Rights of the Organization of American States (IACHR), The Natural Resources Defense Council in New York (NRDC), and the Center for Economic and Social Rights in New York (CESR) have visited the northeastern Oriente to assess environmental damage and pollution and investigate claims of
health problems. Each of these groups have reported similar findings including: “waste” natural gas and other byproducts of oil production being burned off, either from flares high above the ground or directly from waste pits, oil wastes and contaminated production waters being discharged through pipes into either unlined waste pits or directly into streams, roads coated with oil, having been purposely sprayed to “control dust” and evidence of numerous pipeline spills (IACHR 1997, NRDC 1991, CESR 1994). These and other practices expose the area’s residents to oil and other contaminates through inhalation, ingestion and absorption through skin.

The CESR analyzed levels of pollutants from oil production in water sources commonly used by Oriente residents for drinking, fishing and bathing and in wastewater directly from separation stations and waste pits. They measured levels of polycyclic aromatic hydrocarbons (PAHs) and volatile organic compounds (VOCs) (Benzene, Toluene, Ethylbenzene, and Xylene), all toxic substances found in petroleum. They found that wastewater samples from the points of emission contained extremely high levels of PAHs and VOCs, while drinking, bathing and fishing water samples contained PAH levels 10 to 1,000 times more than EPA recommended levels (CESR 1994). Techniques that can “fingerprint” contamination and match it to pollution sources were used to determine that these water samples were contaminated from nearby oil facilities (CESR 1994). The study also found increased incidents of dermatitis and other skin conditions apparently related to oil exposure (CESR 1994). These conditions suggest levels of exposure to oil contaminants that may contribute to an increased risk of more serious medical conditions, including cancers,
neurological and reproductive problems (CESR 1994). The CESR recommends and supports the idea of additional, longer-term studies to monitor rates of these chronic conditions in people living in oil production areas (CESR 1994).

Facing threats to their cultural identity, lifestyle patterns and health, the Cofan people responded in different ways. Many continued to live in Dureno, interacting more with settlers and the oil industry. Many now speak Spanish and work in agriculture, as oil workers, and in the service economy (Tidwell 1996). The Dureno Cofan gained title to 9,500 hectares of their traditional territory in 1977, yet much of it was already under oil production and degraded (www.cofan.org). They exist amid contamination from past and current oil production and are living under conditions similar to those faced by many other groups in the Oriente who have also had their traditional lifestyles changed by the oil industry.

As access to Dureno and the surrounding area grew, a small group of Cofan began an ecotourism business, offering increasing numbers of tourists the chance to explore the Oriente forests. As oil and colonists’ activities degraded forest lands, this group found they had to go further away from “civilization” to provide a true forest experience. This prompted a small group of Cofan to leave Dureno and resettle approximately 100 miles downriver in more remote traditional lands, away from the intrusions of oil and colonists. A new village, called Zabalo, was established in 1984, and it became the base for a growing ecotourism business (www.cofan.org). Once again “free” of oil and settlers, the community was committed to living the traditional forest-based lifestyle. In 1991, the government, under pressure from larger ecotourism companies and
international conservation organizations, added another 1 million acres (the Lower Cuyabeno Wildlife Reserve) to the existing, 750,000 acre Upper Cuyabeno Reserve (Tidwell 1996). This Reserve surrounded Zabalo and was created without the consent of the Cofan. After lengthy negotiations, the Zabalo Cofan, under the leadership of Chief Randy Borman, secured title to 200,000 acres within the Lower Reserve (Tidwell 1996). This technically gave the Cofan more legal power to determine land use in their territory, although it did not supercede the government’s ownership of and right to extract subsurface resources.

In 1993, after Texaco left Ecuador and Petroecuador took over all operations, seismic testing and exploratory well construction began in the Lower Cuyabeno Reserve and within Cofan land (Tidwell 1996). The Zabalo Cofan were staunchly opposed to oil exploration on their land and fought it vigorously. They used a number of tactics that worked well together as a multi-faceted campaign against Petroecuador’s activities. Their methods included: letters to Instituto Ecuadoriano de Forestale y Areas Naturales (INEFAN) and the Ministry of Energy and Mines, television publicity, cooperation with and publicity from national and international NGO’s, non-violent confrontations with oil workers in the field and negotiations with industry leaders (www.cofan.org). Quito newspapers featured articles on their plight and largely galvanized popular sentiment in their favor (Tidwell 1996). They demanded that Petroecuador follow environmental regulations that required EIA’s, consultation with landowners, and disclosure of information about hazardous activities and future plans for development. With every demand, the Cofan stalled oil activities and made it difficult for exploration to proceed.
The Cofan used effective negotiation techniques that allowed them to impede oil activities, but not alienate themselves from the government and public opinion.

The Indians’ official position, the one they fed the national press was one of being basically pro-oil. “We came to the conclusion a while back that there was no way we could say we were flat-out against oil in the Cuyabeno. That would make us against what a lot of people see as the economic good of the country. So we say we have nothing against oil exploration as long as it doesn’t harm the environment” (Tidwell 1996).

This was a critical approach in their fight to maintain control of their land. Two exploratory wells were drilled, but after Cofan complaints, intimidating confrontations with well workers, and negotiations, the wells were abandoned. The official reason for leaving the Cuyabeno was that Petroecuador did not find commercially valuable oil. Perhaps Petroecuador and the government decided that dealing with the Cofans’ demands for environmental regulations and protection would make the process too expensive and inefficient.

The Cofan are also part of a lawsuit that accuses Texaco of massive oil pollution and health problems among people living around their operations (Gualinga 1999). In 1993, lawyers filed two class action suits on behalf of 30,000 Oriente residents, accusing Texaco of “reckless disregard” by allowing a subsidiary to spill millions of gallons of oil and use sub-standard practices of waste disposal. The plaintiffs claim that they have suffered various injuries from the oil contamination, including cancer, miscarriages, poisonings and intestinal disorders (Appleson 2002, Gualinga 1999). They filed under the Alien Tort Claims Act (ATCA), a law passed in 1789 that allows foreigners to sue in the
United States (Corn 2002). The suit asks for 1.5 billion dollars in damages, pollution clean up, and the replacement of the remaining faulty, leaking equipment. Petroecuador still uses most of the original infrastructure, which has not been replaced or adequately repaired (CESR 1994). Texaco maintains that it used accepted industry standards and was always in compliance with Ecuadorian law (www.texaco.com).

The lawyers chose to file the suit in the New York for several reasons. Texaco’s headquarters are in New York and the management decisions that caused the pollution were made there (Appleson 2002). Ecuador's court system does not allow class action suits on behalf of large groups of people, and each plaintiff would be forced to file separately (Appleson 2002). In addition, the plaintiffs do not believe that they can receive a fair trial in Ecuador, where corruption is pervasive and oil interests are so powerful (Gualinga 1999). The suit was dismissed twice and went to the U.S. Second Circuit of Appeals twice. Finally, in September 2002, nine years after the suit was filed, the judge dismissed the case conditionally (Soltani 2002). They must file the suit in Ecuador and only if they can prove they did not receive a fair trial there, would they be able to file again in the United States (Soltani 2002).

This court case had significant implications, even though it has not proceeded in the plaintiffs’ favor. It is a lesson to oil companies operating in Ecuador. Ten years after Texaco left the country, they are still dealing with this lawsuit. The testimony thus far has centered largely on jurisdictional issues and not the actual claims of the case. Therefore, the probable outcome remains a mystery.
The stakes were nonetheless huge; had the plaintiffs won, it would have been the first time a US corporation was held accountable in the USA for environmental damage in another country (Energy Intelligence Group 2002). Other ATCA suits are currently in the court system and success could set an important precedent (Corn 2002). If US companies doing business abroad knew they could be held accountable for human rights violations or environmental damage, they would have to take notice. This would likely compel companies to be conscious of their ecological shadow and reduce or prevent negative environmental and social impacts.

Today, the Zabalo Cofan continue to live in the Cuyabeno Reserve and Petroecuador has not returned to the area (www.cofan.org). There is no guarantee that Petroecuador or a foreign company will not explore in the future, but experience with the Cofan has set a precedent. Oil companies and the government can no longer ignore people living in the vicinity of oil development. They asserted their land ownership rights and effectively used publicity in their best interest. The Cofan show that unified, well-organized and diverse tactics may help Oriente indigenous groups gain power over their land.

Admittedly, Chief Randy Borman increased the Cofan’s effectiveness in dealing with the outside world. He speaks English and Spanish better than most indigenous people and was educated in the United States (Tidwell 1996). He has an understanding of the world outside the Oriente that many indigenous people lack. He can jump between the Cofan and outside world easily and effectively, and create meaningful connections. His presence has definitely given the Cofan an advantage in their fight to control their lifestyle and future.
But the Cofan story has important lessons for all indigenous groups. The Cofan run a small but dependable eco-tourism business that helps maintain their self-sufficiency and provides a steady income to the community (Tidwell 1996). They democratically elect a governing body to lead the group, make important decisions and manage the business (Tidwell 1996). They use business revenues to send some of their school age children to school in Quito to learn other languages, business skills and about the outside world (www.cofan.org). These educated members will be better prepared to lead the group and deal effectively with the forces that affect the Cofan in the future. The Cofan are also actively engaged in conservation projects to sustain their traditional way of life. Specifically, they run a turtle-rearing program in which they incubate eggs until hatch, care for the hatchlings, and release them. This increases the survival rate and has reinvigorated a once-threatened turtle population (www.cofan.org). In addition, they voluntarily limit their turtle consumption, in cooperation with other groups along their river, to prevent overhunting (Tidwell 1996).

The Zabalo Cofan are recognized in Ecuador and internationally as a well-organized, effective and self-reliant group that have been able to prevent the worst effects of oil development on their culture (Soltani 2002). They show that indigenous groups may be able to resist oil companies and prevent negative impacts. Their ideas have spread to other groups, and they recently helped the Huaorani tribe start a tourism business (Soltani 2002).

Their situation illustrates how the United States, via Texaco, displaced the negative impacts of our oil consumption and severely violated human rights. In Dureno, they were deprived of their rights to health and wellbeing and their
ability to live a productive life of their choice. Their traditional lifestyle was threatened, and the forest upon which they depend was degraded. They were not consulted about or allowed to participate in oil development on their lands. Texaco’s operations in Ecuador denied local people their basic human rights and did not follow principles and guidelines of international agreements.

THE CURRENT SITUATION AND THE ROLE OF THE UNITED STATES

Foreign companies, including several from the United States, currently dominate the Ecuadorian oil industry (www.petroecuador.com). Ecuador is encouraging increased development and attracting foreign investment in order to service their debt (Lucas 2002). A new pipeline, currently under construction, will facilitate the transport of more oil and make exploration more attractive (AmazonWatch 2001). Several other factors indicate that American oil presence will likely increase in Ecuador. Decreasing domestic production, the Free Trade of the Americas agreement (currently being developed), and an interest in securing sources of oil outside of the Middle East all suggest that we will pursue additional oil development in Ecuador (www.bp.com, AmazonWatch 2001, Reese 2002, Farnam 2002).

The United States is currently involved in Ecuador in two major ways: 1) Occidental Petroleum is part owner of the new pipeline and 2) Occidental and several other companies produce oil from concession blocks in the Oriente. Our ecological shadow continues to expand in Ecuador. Understanding the impacts of our presence and employing the principles for involvement can help the United States confront and ultimately reduce our negative environmental and social effects.
Oil production continues to be the largest revenue earner in Ecuador (Fossil Energy International 2002). The SOTE pipeline transport capacity of 400,000 barrels/day was met ten years ago, and Petroecuador and the government started planning a new pipeline. Political instability, indigenous and environmental group resistance and financial problems have delayed construction for a decade (Soltani 2002). As Ecuador’s debt has risen dramatically and the country has become increasingly desperate for revenue, efforts to start construction have been more vigorous. In 2000, President Noboa signed a law allowing private ownership and operation of a new pipeline, the country’s largest infrastructure project (Fossil Energy International 2002). Within a year, a consortium of foreign companies formed, secured financing and started construction.

The Oleoducto de Crudos Pesados (OCP) consortium consists of 6 foreign companies, including Canada’s Encana, the majority partner (AmazonWatch 2001). Occidental Petroleum owns 12% of the project and is the only American company involved. A public German bank, Westdeutsche Landesbank, financed the project with a 900 million dollar loan (AmazonWatch 2001). The pipeline will follow much of the existing pipeline’s route, deviating only around Quito. The existing SOTE pipeline runs to the south of Quito, while the OCP will take a new northerly route. Construction began in 2001 and is currently underway, with completion expected in 2003 (www.wrm.org.uv/).

Concerns about the pipeline construction are widespread among national and international NGOs, indigenous groups and people living in the vicinity of the pipeline (www.amazonwatch.org, ISIS, Goodland 2002). The EIA process,
ecological effects, and social impacts of the OCP and increased oil development are controversial. The potential negative effects of OCP construction on the people and environment of Ecuador may be reduced or prevented if the OCP companies employ the principles proposed in the first chapter.

The OCP consortium has been criticized for its management of the EIA and construction processes (Goodland 2002). WestLB bank specified that project funding be contingent upon compliance with the World Bank Group’s “Environmental and Social Safeguard Policies”, including, but not limited to, policies addressing Environmental Assessment, Natural Habitats, and Indigenous Peoples (Goodland 2002). This created another layer of regulations, in addition to Ecuadorian laws, with which OCP has to comply. Their compliance, or lack of, has been a controversial subject. It is beyond the scope of this paper to compare and assess all the accusations and rebuttals and discern which may be valid. Here I will address only the most important compliance concerns.

Much of this information was obtained in a report written by Dr. Robert Goodland, a tropical ecologist and former environmental assessor for the World Bank (Goodland 2002). He authored many of the Social and Environmental Safeguard Policies with which WBG projects must comply. Therefore, he has extensive knowledge of the policies and the ability to assess compliance. He was asked by a group of NGOs and trade unions to assess OCP compliance with the WBG policies (Goodland 2002). He conducted field interviews in Ecuador, reviewed relevant material and conferred with environmental assessment colleagues to make his conclusions (Goodland 2002).
WestLB Bank, after receiving criticism that OCP was not in compliance with WBG guidelines, hired Stone and Webster Consultants to assess the project. Stone and Webster also went to Ecuador and concluded “the intent is for the OCP pipeline project to be engineered, constructed and operated in accordance with good industry practice and in compliance with the prevailing Ecuadorian and World Bank rules, regulations, and standards” (Stone & Webster 2002). They did not, however, include social impacts and policies in their report and admittedly did not conduct interviews with affected people. “Our role is to review and critique rather than conduct original work” (Stone & Webster 2002). Thus, they failed to address major social issues that the World Bank policies cover and to which WestLB requires compliance.

World Bank guidelines and the Ecuadorian Constitution both specify that affected populations must be consulted before the EIA is written, during the process, and throughout project implementation (Goodland 2002, www.ifc.org, Constitucion Politica de Ecuador 1998). According to reports, insufficient time was allowed for EIA review and comment, “participation” consisted of presentations about plans that were already decided, and many affected people reported they were not consulted at all (Goodland 2002, Defense Front of the Amazon 2001, Caffrey 2001).

Affected people protested at OCP presentations due to their lack of input in the EIA and project activities (Goodland 2002). Many environmental groups complained that their comments were not addressed, that OCP representatives were not willing to engage in direct dialogue with stakeholders at meetings, and that the OCP has used “individual compensation” as a way of gaining support for
the pipeline, in place of consultation and participation (Goodland 2002, Stone & Webster 2002). The widespread disregard for the rights of affected people to participate has tarnished the OCP's reputation with many people and groups in Ecuador.

World Bank Guidelines specify a complete analysis of project alternatives in order to select the option with least impact (www.ifc.org). Evidence suggests that alternative routes were never fully considered because the northern route was chosen before the EIA was even written (Goodland 2002). Suggestions of corrupt deals between the Ecuadorian government and OCP consortium offer some possible reason why the northern route was chosen, but they are only rumors (Loor 2002). The Minister of Energy and Mines, who was responsible for selecting the winning bidder for the pipeline project, reportedly has private interests in the OCP consortium which may have influenced his decision (AmazonWatch 2001).

Officially, justifications for when and why the northern route was chosen are unclear and confusing, considering that it deviates from the original SOTE route, causing higher environmental impacts, and traverses designated protected areas (Goodland 2002). The OCP has not been clear or transparent about its reasons, leaving them open to criticisms and protests from citizens and NGO's (Lucas 2002, Badawy 2002, www.amazonwatch.org). These protests and a court injunction by residents near the Mindo protected area, through which the pipeline will run, have delayed construction by 6 months and cost the OCP 200 million dollars more than planned (Soltani 2002, Badawy 2002).
WBG requires sectoral or regional EAs when a project is likely to have regional or sectoral impacts (www.ifc.org). Many people and NGO’s consider the doubling of oil exploration in the Oriente that coincides with the increased OCP transport capacity to be the largest impact of the project (Goodland 2002, AmazonWatch 2001, Stone & Webster 2002). However, the EIA does not address the environmental or social effects of increased exploration and development in the Oriente. Increased development puts national parks, protected areas and indigenous territorial lands at increased risk. OCP and the Ecuadorian government did not find the Oriente exploration to be within the “area of influence” of the pipeline and so it was not included in the EIA (Stone & Webster 2002). This omission discounts the ecological, social and health effects that oil development has had on Oriente people. It shows the OCP’s disregard for the lives of Oriente people and the ecological values of the land. They seem unwilling to proactively address and prevent future impacts by conducting an EA.

Ecological concerns of the OCP construction are also widespread. The WBG’s Policy on Natural Habitats prohibits significant loss or degradation of Critical Natural Habitats and requires assessment when there is a risk of significant conversion or degradation (www.ifc.org). The pipeline bisects 7 protected areas that are considered Critical, yet the EIA fails to adequately assess impacts or prevention/mitigation strategies (Goodland 2002). It does not adequately assess the impacts on critically endangered species in the area of influence, nor does it assess impacts on coastal aquatic habitats that will be affected by the construction of a Marine Terminal near Esmeraldas (Goodland
OCP has promised that such studies will be done, but when they are conducted after the critical decisions are made, the goal of EA is defeated.

Mindo residents have been extremely vocal in their opposition to the pipeline route bisecting the Mindo-Nambillo Protected Forest (Mansel 2002). The northern route threatens the tourism industry on which residents depend for their livelihood. The route traverses tectonically and volcanically active regions and poses high risk of pipeline ruptures and spills (Mansel 2002), which could also threaten water supplies for many communities, including Quito (Stone & Webster 2002).

Studies have documented violations of environmental regulations along the construction route including: insufficient erosion controls, wider right-of-way than specified in the EIA, private property damage, trespassing, streams blocked with construction debris causing private lands to flood, failure to revegetate disturbed areas and failure to adhere to stricter construction norms in protected areas (AmazonWatch 2002). It is doubtful that the national government is fully enforcing all applicable regulations (Loor 2002). However, the OCP is required to follow the environmental specifications of their EIA, WBG standards and Ecuadorian law, while maintaining transparency and accountability to prove compliance.

Social and cultural impacts are concentrated on people along the construction route and the residents of the Oriente. One of the largest concerns is the potential effect associated with doubling oil activity on residents (Goodland 2002). History illustrates the ecological and cultural destruction that can occur; companies must be vigilant in preventing similar impacts from additional
development. These can be mitigated through improved construction techniques (directional drilling, helicopter transport instead of road building), cooperation with and participation of landowners, and strict pollution control.

The Goodland report and others document accusations by landowners and affected people of harassment and abuse by OCP. People complain of non-payment of compensation, paying less than agreed, deception, police brutality, assaults and intimidation by OCP personnel and subcontractors (Goodland 2002, Farnam 2002). Construction techniques and disregard for environmental protection regulations can cause significant harm to landowners, including crop damage, forest degradation, flooding and livestock injury or loss (AmazonWatch 2002). The livelihoods of small landowners can be severely affected by such losses; these effects should be prevented or fairly compensated. When the OCP construction threatens peoples’ livelihoods, environment, and guaranteed rights, modes of operation must change. The principles proposed in Chapter 1 can guide these changes.

Although proponents advocate the pipeline project as a means to jump start the Ecuadorian economy and help the country’s citizens, concerns persist about whether oil money will reach the majority of Ecuadorian people (Lobe 2001, Lucas 2002). The IMF recently stipulated approval of a new loan to Ecuador on the condition that all revenue from oil exports go toward debt servicing (Lucas 2002). However, the Ecuadorian Congress approved a new law that assigns 10 per cent of OCP revenue to health and education programs (Lucas 2002). The IMF has significant influence over current financial policies in Ecuador, due to their debt crisis and need for new credit (Lucas 2002). Ecuador
now pays 1.3 billion dollars a year on their debt, but this figure will climb to 3.5 billion a year by 2005, further increasing the likelihood that most oil revenues will go toward the debt rather than public health, education, or other social services (World Bank Group 2002, Soltani 2002). NGO’s and citizens worry that much of the negative impact of the OCP will fall on Ecuadorians, while they receive little or no direct benefit (Lucas 2002).

Debt relief could allow Ecuador to allocate a higher proportion of OCP revenues to education, social and health services, thereby distributing the benefits of oil to a more segments of society. In 1996, the World Bank, IMF and governments of many creditor countries created a debt relief and poverty reduction program for Highly Indebted Poor Countries (HIPC) (www.worldbank.org). Multi-lateral and bilateral creditors offered debt relief to the 40 poorest countries in the world, as defined by their unsustainable debt burden, low GDP and willingness to employ financial reform measures (www.imf.org).

However, Ecuador is considered a middle-income country and does not qualify for HIPC debt relief (Mutume 2000). Hans Moeller, Ecuador’s Minister of Foreign Affairs, wants increased access to international markets for Ecuadorian products, in combination with debt relief, to help address Ecuador’s financial problems (Mutume 2000). Ecuador needs to be able sell a wider variety of products internationally to increase revenues and decrease reliance on oil. Debt relief, in conjunction with a more diversified export economy, could give Ecuador some financial “breathing room” and allow them to use oil revenues for public services, in addition to debt payments.
The concerns about current pipeline construction and associated development underscore many of the same problems that have plagued the oil industry in the past. These concerns suggest that the OCP must work to: create good working relationships with affected people while respecting their rights; adhere to Ecuadorian, WBG and international law; improve the transparency and honesty of all processes; and employ best technical and environmental standards during construction. Ample evidence suggests that much more could be done to reduce the negative impacts caused by foreign oil companies in Ecuador. It is essential that US companies observe international principles to minimize social and environmental harm.
CHAPTER 3: CORPORATE RESPONSIBILITY

METHODS TOWARDS PRINCIPLES FOR INVOLVEMENT

American corporate presence is increasing in Ecuador and thus, so must our ethical consideration of potential social and environmental impacts. Companies have the opportunity to improve on past performance and set a new standard for corporate responsibility. Several methods can encourage companies to observe international principles and reduce the negative impacts of their presence and the American ecological shadow.

Project loans can be conditioned on the degree to which they respect human rights and environmental objectives, such as WBG financing of the OCP project. Although OCP compliance with social and environmental stipulations is disputed, the fact that there are stipulations encourages dialogue on the subjects and lets people consider their merits. Transparency and accountability encourage more ethical behaviors and must be encouraged by NGO's, corporate management and shareholders.

Triple bottom line reporting (TBLR) can increase transparency and encourage commitment to and implementation of these principles. It allows companies to fully disclose their policies and give investors, NGO's and the public a more complete understanding of the company, beyond the financial bottom line. The Global Reporting Initiative (GRI) is a cooperative effort between the United Nations Environment Programme and CERES, the Coalition for Environmentally Responsible Economics (www.ceres.org, www.globalreporting.org). CERES and UNEP encourage and facilitate TBLR by
building coalitions with many corporations in one economic sector. By helping corporations to adopt TBLR at the same time, it keeps them on an even playing field as they transition to more comprehensive accounting. The GRI has created complete, standardized TBLR forms with environmental, economic and social indicators for companies’ use. Today, approximately 2,000 companies voluntarily report economic, social and environmental policies, practices and performance; 100 of these use the GRI standards (WRI et al. 2002). The process is voluntary, but public, NGO and investor pressure to use TBLR may have significant effects.

Non-governmental organizations can play an important role in researching, monitoring and informing the public about corporations and their practices. Currently, over 40,000 NGOs operate worldwide, which is twice the number that existed in 1985 (WRI et al. 2002). Individuals, bequests, foundations and corporations donate over 150 billion dollars to NGOs annually (WRI et al. 2002). Well organized, savvy NGOs can be effective as shareholders, watchdogs, and consultants to corporations. Currently, 2,091 NGOs hold consultative status at the United Nations (compared with 928 in 1991), which increases their scope and strength of influence (WRI et al. 2002). The internet makes dissemination of information fast and far-reaching. This increases the ability of NGOs to educate and organize public campaigns, both of which are effective means of encouraging corporate responsibility. NGOs engage in direct dialogue with corporations and try to compel them to accept their ethical responsibilities in social and environmental contexts (Eide, Bergesen & Goyer 2000).
This can be particularly effective in combination with public campaigns, as was the case with Shell Oil. NGOs worked with Shell to create codes of conduct and help it take the industry lead on human rights issues after the Nigerian debacle that severely hurt the company’s international reputation (Eide, Bergesen & Goyer 2000). Shell Oil has been the largest oil producer in Nigeria for over 60 years (www.shellnigeria.com). It was widely criticized for environmental destruction and human rights abuses, especially in an area inhabited by 500,000 native Ogoni people, many of whom protested Shell’s operations (www.hrw.org). Shell’s international reputation suffered tremendously when, in 1995, nine Ogoni protesters were executed by the dictatorial Nigerian government (www.hrw.org).

Shell is accused of colluding with the government in human rights abuses and is now in the discovery phase of a court case in the United States, facing charges of crimes against humanity, torture and racketeering (Corn 2002, Baue 2002). The court case may set a precedent for oil companies. EarthRights International attorney Richard Herz says, “More broadly, it sends a strong message to other multinational companies that they cannot participate in egregious human rights abuses with impunity” (Baue 2002). Shell Oil has been forced, through the legal system and NGO and public pressure, to evaluate its worldwide operations and their impact on human rights.

Although they are often seen as international corporate watchdogs, NGOs have “no monopoly on the high moral ground” (Eide, Bergesen & Goyer 2000). They must continually prove their integrity to the public, show that they reflect the values of society and act on reason rather than emotion in order to conduct effective corporate oversight (Eide, Bergesen & Goyer 2000). The increase in
NGOs over the past decade represents an increase in public awareness, interest and involvement in business and government affairs (WRI et al. 2002). Businesses must be aware of greater pressure from NGOs to disclose environmental, social and economic information to investors and the public, especially in the shadow of recent corporate scandals. NGOs will likely continue to encourage increased corporate transparency in dealings with the public, government, other businesses and local communities (WRI et al. 2002). Corporations can work cooperatively with NGOs to actively engage all stakeholders and document and publicize good performance, which will limit legal and reputational liabilities (WRI et al. 2002).

The value of public pressure and corporate reputation should not be underestimated. Corporations respond to public demands and opinion, even if only for financial reasons. Public pressure is arguably imperative for significant corporate change to occur. “History has shown that companies followed rather than led in response to the changing values of society” (Eide, Bergesen & Goyer 2000). Public pressure, through communication, boycotts and protests, has a critical role to play in encouraging corporate responsibility. Public pressure can be even more effective when it comes from a company’s owners.

**INVESTOR INFLUENCE**

Socially and environmentally responsible investing is a potentially powerful way to influence company policies and operations. Owners (i.e. shareholders) may have more power to promote change within a company than non-owners. Shareholders have access to company management at annual shareholder meetings and can introduce resolutions that encourage change.
Shareholders will be more effective advocates for change if they educate themselves about the company’s reputation, policies and operations. Investors can exert their influence either by not investing in companies or by proposing change within a company as an owner. Investor influence has the potential to encourage American oil companies to employ more socially and environmentally responsible policies in Ecuador.

Socially and environmentally responsible investing has grown significantly in the recent past. The number of socially screened mutual funds grew from 168 in 1999 to 203 in 2001 (WRI et al. 2002). Since 1999, the volume of socially screened investment portfolios under US professional management has grown 36 per cent, compared to 22 per cent growth in volume of all US managed investment assets in the same period (WRI et al. 2002, www.efund.com). Socially screened investments account for 1 out of every 8 dollars invested, totaling 2.3 trillion dollars, which is 12 per cent of total managed assets in the USA (WRI et al. 2002, www.efund.com). Both individual and institutional investors can choose to invest in socially screened funds and companies, and each can exert influence on company policies. Socially responsible investment (SRI) fund managers use positive and negative screens to decide what companies meet investment requirements. Positive, or qualitative screens, identify companies that make good products and have progressive social and environmental policies, while negative, or exclusionary screens, eliminate companies who do not meet the criteria required by the investors (www.efund.com).

Shareholder activism is another way to encourage positive corporate behavior with investor power. Activism, which uses part ownership in a company
as a means of influencing their policies, involves direct dialogue with company management, letter writing campaigns, attending annual stockholder meetings and filing shareholder proposals (www.equalityproject.org). Shareholder activism requires active ownership, including awareness of company policies, education about how to effectively encourage change, and the will and time to devote to the cause. Dialogue, campaigns and shareholder resolutions often take years to produce results (www.equalityproject.org). But activism can be more effective when it comes from owners rather than the general public because company management is responsible to the owners.

Each mechanism can help influence change. Dialogue can bring owners’ concerns to management’s attention and encourage policy change that may not have occurred without the shareholder initiative as a catalyst. Shareholder opinions can be voiced through letter writing campaigns and shared at annual stockholder meetings. When these tactics fail to produce the desired results, shareholder can propose resolutions for vote by all shareholders.

Shareholder resolutions are sometimes a last attempt to change corporate operations. Generally, any shareholder who has owned at least 2,000 dollars of stock in the company a year before the filing deadline can enter a resolution for consideration (www.sec.gov). Companies can contest the validity of resolutions to the Securities and Exchange Commission (SEC), based on rules from the 1934 Securities Exchange Act (www.sec.gov). However, if the SEC finds that resolutions meet all criteria, they must be included in proxy statements that are sent to all stockholders prior to annual meetings (www.sec.gov). Winning the approval of the majority of stockholders is virtually impossible; certain
percentages must be met in order for the resolution to be included in the next proxy statement. The goal is to gain enough support to keep the resolution alive, stimulate dialogue and prompt change (www.equalityproject.org). Commonly, resolutions are withdrawn after initial submission if productive dialogue begins (www.calvertgroup.com). Using this system, individual shareholders can potentially submit proposals on which all owners may vote and effect company policy.

Institutional investors can also exert significant influence on companies. They often manage billions of investment dollars and therefore, wield more influence financially than individual investors. Two institutional investors exemplify the potential power of socially conscious investing. The California Public Employees Retirement System (CalPERS) manages over 150 billion dollars in a pension fund (Crenson & Mendoza 2002). They actively encourage companies to address corporate governance issues such as board selection, best practices implementation, international corporate citizenship and management/board member remuneration policies (www.calpers-governance.org). They have initiated many successful resolutions, mostly regarding board selection and auditor independence (www.calpers-governance.org). CalPERS managers base their potential investments on these and other criteria, while encouraging change in companies of which they already own shares.

With such huge financial assets, CalPERS investment decisions and criticisms of companies can affect stock prices and market-wide investment trends (Crenson & Mendoza 2002). They do not invest in countries lacking
“political freedom and essential civil liberties, basic worker rights and a free press” and they recently divested in Thailand, Malaysia and Indonesia, citing concerns about financial transparency and labor conditions” (O’Connell 2000, Crenson & Mendoza 2002). Institutional investors, such as CalPERS, can use their financial assets to influence corporate governance and policies. If they choose to, they have the potential to affect company operations in places like Ecuador.

The Interfaith Institute on Corporate Responsibility is a coalition 275 institutional investors, including national denominations, religious communities, pension funds and hospital corporations (www.iccr.org). Together, they manage over 110 billion investment dollars (www.iccr.org). They are very committed to promoting social and environmental responsibility in the companies in which they invest; each year they sponsor over 100 shareholder resolutions (www.iccr.org). They are particularly concerned with international labor rights, corporate accountability and transparency, and environmental protection. They encourage companies to adopt labor standards based on the Universal Declaration of Human Rights and the International Labor Organization’s standards. They work cooperatively with labor unions, NGO’s and corporations to achieve improved standards of business and to promote economic justice (www.iccr.org).

Both these investors can exert significant pressure on their companies to consider changes in policies. This strategy has been successful in the past, most notably towards South Africa. In 1971, the Episcopal Church filed the first shareholder resolution on South Africa, encouraging companies to divest in the
country until apartheid policies were changed (www.coopamerica.org). The ICCR was also influential in this movement that asked more than 200 companies to sever ties with South Africa (www.coopamerica.org). These large investors lend financial power to causes that they deem important, effectively working towards change.

The socially responsible investment movement is strengthened by coalitions of investors and NGOs working cooperatively, such as the Coalition for Environmentally Responsible Economics (www.ceres.org). After the 1989 Valdez oil spill, CERES created a list of 10 principles for environmentally sustainable business practices. They negotiate directly with corporate management about adopting the principles and work together with investors, who enter shareholder resolutions asking companies to adopt the principles. They also helped create the Global Reporting Initiative, which facilitates companies’ ability to report on more aspects of their performance.

These strategies for change are applicable to corporate oil activities in Ecuador. The CERES principles address several pertinent issues, including environmental restoration, information and participation with affected people, and reduction and disposal of wastes (www.ceres.org). Occidental Petroleum currently has at least 2 socially/environmentally-related shareholder resolutions on their proxy statement. One asks the company to report to shareholders on their greenhouse gas emissions and plans for reductions (www.irrc.org) and the other asks that they adopt a comprehensive human rights policy (www.socialfunds.com). Shareholder resolutions submitted to other companies cover labor standards, indigenous rights, codes of conduct and transparency and
These ideas could be used in resolutions to Occidental, Burlington Resources, Vintage Petroleum and other companies that operate in Ecuador in the future. NGOs that are knowledgeable about the Ecuador situation can educate individual and institutional investors about oil development there and encourage them to submit resolutions based on the principles I have discussed. Public pressure on corporations may be enhanced and more effective when activist citizens and shareholders are the same people.

CONCLUSION

The consumptive lifestyle of most Americans requires energy and other resources from all over the world, often with deleterious social and environmental effects. Ecuador is only one example of how the negative impacts of our shadow ecology affect people and the environment in other countries. Americans need to evaluate whether we can justify our high resource consumption rate and the global nature of our society and economy. America is an energy-hungry culture, and many equate cars with our cherished freedom and high quality of life. If we reconsider what quality of life entails, we may decide that it is not necessarily dependent upon or correlated to high consumption levels. The annual U.N. Human Development Report ranks countries based on indicators including life expectancy, average annual income, literacy and education (U.N. Development Programme 2002). The United States ranks 6th, following 3 European countries, Australia and Canada (U.N. Development Programme 2002). A high quality of life, based on these human development indicators, can be achieved at lower energy consumption levels, as demonstrated by most Northern European countries (www.bp.com). The challenge is to
reconsider the American idea of the relationship among standard of living, freedom, quality of life, dependence on fossil fuels, self-sufficiency and energy/resource consumption.

In the mean time, the United States has a responsibility, as stipulated in international declarations that we have signed, to reduce the negative impacts of our lifestyle on others around the world. “Indeed the oil industry has a role to play, until renewables replace finite energy resources, in helping to fuel the world economy. The test today, and the criterion by which the exercise of responsibility will be judged, is the extent to which that purpose is carried out without harm to others and to which corporate influence is used for positive good” (Eide, Bergesen & Goyer 2000).

Negative impacts of our consumption are compelling and deserve moral consideration, whether they occur in the United States or in foreign countries. Pollution, forest degradation, social impacts and health problems resulting from our consumption are no less serious when they occur beyond our borders. We often conserve wilderness, forests, and natural spaces in the United States, while consuming resources or impacting comparable areas in other countries. We must consider that when we preserve and protect areas in our own country, prohibiting their use, we may displace the effects of our resource use to other countries where environmental regulations are much less stringent and resource extraction is more ecologically and socially harmful (Berlik et al 2002).

Americans must acknowledge that their consumption threatens wildlife and their habitats, forests, rivers, and entire ecosystems in other countries. In the United States, we have set aside areas, including parks, refuges, and
wilderness areas, for the preservation of nature and wildlife, showing that we value these entities, at least to some degree, for their own merits and intrinsic worth. Many of our preservationist attitudes and values have been influenced by Aldo Leopold’s “land ethic” (Leopold 1949). His ideas include that humans are merely one part of the larger ecosystem and that our ethical consideration should extend beyond only humans to the larger community, including “soils, waters, plants and animals, or collectively: the land” (Leopold 1949). These ideas give natural entities and the ecosystems they comprise ethical value and merit on their own. Our resource use may affect the land of other countries dramatically. If we value the land and ecosystems for their own merit and intrinsic worth, we must consider the harm we are doing them in Ecuador through our resource consumption.

The destruction of Ecuador’s natural beauty and unique ecosystems through irresponsible development and disregard for environmental protection regulations are major concerns of many segments of Ecuadorian society (Loor 2002, www.amazonwatch.org, Accion Ecologica). As previously mentioned, many indigenous people rely on productive, undisturbed forest for their livelihoods. National NGO’s, such as CECIA, Accion Ecologica and Jatun Sacha, campaign for protection of wildlife and natural areas (Loor 2002, Accion Ecologica, www.jatunsacha.org). Increasingly, Ecuadorians are relying on their country’s unique bounty of wildlife, birds, plants, and natural beauty to support a growing eco-tourism industry (Mansel 2002). Eco-tourism, already the country’s 2nd biggest foreign exchange earner, is poised for future growth and expected to bring in 600 million dollars over the next 20 years (Moss 2001). Although it
cannot match the short-term returns of the oil industry, eco-tourism’s potential for long-term stability and sustainability is much greater. The American public should support Ecuador’s eco-tourism industry as one way of protecting natural areas and wildlife. By supporting businesses that rely on healthy ecosystems and their component plants and wildlife, we create financially-rewarding alternatives to destructive industries and encourage the preservation of land and biotic communities.

American companies are involved in Ecuador at an important time. With the construction of the OCP pipeline and a new oil boom on the horizon, Ecuador is poised to increase oil revenues dramatically. Hopefully, they will be able to make substantial progress in reducing their debt, but at what costs? As the government strives to appease creditors, negotiate new loans, and increase national revenue under the pressure of a burdensome debt, will the people of Ecuador reap any benefits from the revenues of an export industry whose primary purpose is debt service? American oil companies will profit, American consumers and international creditors will benefit and the Ecuadorian government is trapped in a cycle of debt, unable to make many of its own decisions. If oil development continues in the same destructive manner of the past, it seems that the Ecuadorian people will lose. Without the Ecuadorian government’s commitment to the needs of its people and American companies’ commitment to improved oil development practices, Ecuador’s neoliberal policies and structural adjustments may not benefit most Ecuadorians.

Other South American countries are experiencing similar problems associated with debt and rising resentment towards neoliberal economic policies.
Argentina recently defaulted on a 1 billion dollar World Bank loan, just a small part of its 141 billion dollar foreign debt (Greste 2002). The government’s confiscation of private bank accounts and record unemployment have destroyed the trust of 90 per cent of Argentinean citizens in their government’s policies (Greste 2002). Brazil’s newly elected president from the left-wing workers party is a former union leader and socialism supporter (www.cnn.com). A political outsider, he ran on promises of jobs, debt reduction and attention to social issues, including hunger and poverty. The Brazilian population signaled their desire for change in previous government policies that have brought huge foreign debt, inflation and currency devaluation (www.cnn.com).

Ecuador recently elected another political outsider, Lucio Gutierrez, who had the support of the country’s poor indigenous population and union workers, and promised to fight government corruption and poverty. He was the leader of a coup two years ago, as well as a vocal opponent of Ecuador’s dollarization and other neoliberal policies (Hayes 2002). His election indicates the population’s frustration with their increasing poverty and lack of government services, which is unlikely to change is all oil revenues go toward debt servicing. How he will deal with the oil industry and the debt remains to be seen, but Ecuadorians seem to be disenchanted with the status quo of Ecuadorian governmental policies.

With knowledge and lessons from our past in Ecuador, advanced technology, increased appreciation for human rights, and an educated, activist public and investors, American corporations have the opportunity to set a new standard for operations in Ecuador. Although we cannot directly decide how
Ecuador uses the revenues from our oil operations, American companies and their owners can ensure that business policies and modes of operation respect and protect basic human rights and prevent unnecessary environmental destruction.

Although Americans live thousands of miles away, our influence on the lives of Ecuadorians and others is profound. Yet, we have the power to choose how we wield this influence. We just need the will to act on our stated principles. We need to will to care about what goes on around the world as a direct result of our lives in the United States. We must find the compassion to care about how we live and develop a greater consciousness of the negative impacts of our consumption. We must then employ our wisdom to live differently, in order to reduce these negative impacts. Then, we need the thoughtfulness, restraint of consumption, and determination to turn compassion and wisdom into action and change. Change in individual lifestyles, ethical considerations, governmental policies and political will, business policies and philosophies, and international relations will all be necessary if we want to reduce the harm we do to the world as consumptive Americans. As American companies reach to the farthest locations on earth to access additional resources for American lives, the ethical consideration of what our consumption entails should reach just as far.
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ILLUSTRATION 1: INDIGENOUS LANDS IN THE ECUADORIAN ORIENTE AND THE TRANS-ECUADORIAN PIPELINE ROUTE
(map from www.petroecuador.com)