

Oil Extraction in the Ecuadorian Amazon: Ethically Bankrupt and Economically Unviable

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Negotiations surrounding oil extraction in the Ecuadorian Amazon have been especially difficult because the costs and benefits associated with this development path are unevenly distributed among stakeholders. Oil companies and the government of Ecuador reap the financial rewards, but indigenous groups inhabiting the Oriente suffer the environmental and human health consequences, including malnutrition, cancer, and birth defects (Kane, 60). Government policy in Ecuador dictates that indigenous groups do not have “subsurface” rights and are not entitled to any profits from oil extraction (Keefe, 5). Any rebellion by indigenous tribes against this unjust system is viewed as an affirmation of their “savageness.” For example, journalist Joe Kane writes that “without a doubt you will hear the story of the Capuchin missionary named Alejandro Labaca,” who was symbolically murdered by the Huaorani tribe after his attempts to make contact on behalf of an oil exploration crew in 1987 (Kane, 55). The demonization of indigenous groups serves as justification for their exploitation.

While indigenous voices are silenced, well-intentioned international NGOs like the Natural Resources Defense Council (NRDC) speak for them, sometimes never having met the affected community. In the Huaorani case, “no one knew what the Huaorani wanted; no one really knew who the Huaorani were” (Kane, 54). Similarly, American attorney Steven Donziger took it upon himself to fight a legal battle against Texaco on behalf of indigenous groups in Lago Agrio (Keefe, 3). Though he engaged locals within the Ecuadorian legal system, he tokenized and exoticized the indigenous community through a series of public relations stunts. Donziger was known for “using a little stagecraft,” for example, presenting his clients to the press “in their native beads and war paint” (Keefe, 6). This imperialist tradition of developers and

conservationists alike has been occasionally challenged from within: when the NRDC agreed to allow Conoco to move forward in the Oriente, environmental attorney Judith Kimerling insisted, “If a deal was going to be made, that decision had to be made in Ecuador,” but Kane adds, “When she refused to fall into line, she was fired” (Kane, 61-62). If we are to move forward, toward truly sustainable development, we must begin by empowering the voices of those most directly affected.

The discovery of oil in Ecuador was met with enthusiasm by the government and many citizens, for it promised the alleviation of poverty and political instability. “Within a decade,” according to journalist Patrick Keefe, “per capita GDP had nearly doubled” (Keefe, 4). We might question how equitably this growth was distributed, and to what extent, if at all, indigenous groups benefited. But if we return to the principles demonstrated by economist Partha Dasgupta (2007), we recall that gross domestic product (GDP) is a poor measure of long-term economic and natural health. The productive base of the Oriente might have shrunk during this period of economic growth, especially that of indigenous groups. For example, contamination of the water supply might represent a loss in natural capital infinitely greater than the increase in human capital created as a result of development. “Pollutants”, says economist Partha Dasgupta, “should be seen as the reverse side of natural resources” (Dasgupta, 5). So not only does extraction remove a non-renewable resource, effectively “compromising the ability of future generations to meet their own needs,” but it also further degrades natural capital by polluting valuable habitat (Brundtland Commission Report, cited by Dasgupta, 6). From an inclusive investment perspective, oil extraction is a short-sighted investment. The opportunity cost of developing the industry is simply too high.

Furthermore, these gains and losses of capital in oil development are almost certainly unevenly distributed amongst Ecuadorians, as “production and distribution of goods and services in the poor world are highly inefficient” (Dasgupta, 11). If we look one step further, to the distribution of the oil that is extracted, we see that yet again allocation of costs and benefits is unjust: the oil in Huaorani lands was, at the time of publication, estimated to be “enough to meet the energy needs of the United States for thirteen days” (Kane, 56). However, the harmful greenhouse gas emissions from the use of that oil will negatively affect Americans, Ecuadorians, Huaorani, and peoples across the globe for decades. On the other hand, the preservation of biodiverse and carbon-sequestering rainforest habitat benefits everyone. As ethicist Peter Singer puts it, “the world’s poorest people, whose shares of the atmosphere’s capacity have been appropriated by the industrialized nations, are not able to partake in the benefits of this increased productivity” (Singer, 30). This dilemma has led many theorists like Singer to the conclusion that “coordinated international action and grassroots participation” are essential to achieving global equality in environmental matters (Dryzek, 157). The problem of equity is further compounded when we consider the needs of future generations, who are “not adequately represented in the market” (Solow, 134). Present generations have an economic incentive to establish a high discount rate without considering “as wide a range of possible circumstances as we can imagine” (Solow, 133). This rate can be further justified by claiming that non-renewable resources are substitutable or that future technologies will allow for more efficient and sustainable extraction. These claims are especially prominent among Prometheans like Julian Simon, who believe that, in the long-term, “there are no meaningful limits to the continuation of [trends toward a better life, and toward lower prices for raw materials]” (Simon, 244).

In response to such claims, ethicists and conservationists have called for a shift in focus away from sustainability, toward intrinsic value. Intrinsic value in the case of oil development in the Oriente applies to more than just the oil itself: we might find intrinsic value in the rainforest ecosystem, the biodiversity it contains, individual species or communities found therein, the traditional practices and language of the Huaorani people, and even the relative seclusion of the area itself, among nearly countless other natural and cultural phenomena, each of which is threatened by oil extraction. Intrinsic value, and its contribution to our well-being, is not substitutable. “There is no reason,” Solow claims, “for our society to feel guilty about using up aluminum as long as we leave behind a capacity to perform the same or analogous functions using other kinds of materials” (Solow, 133). But biodiversity, or an endemic tree frog, performs a function with perhaps no analogue. If we lose oil, we might substitute with natural gas; if we lose the Ecuadorian Amazon, we will never be able to replace it. Yet even sound economic reasoning is sufficient to discourage extraction in this region, based on the precautionary principle. The Amazon meets the criteria for the application of this principle because extraction involves 1) uncertainty and 2) irreversibility (Pearce et al., 470). In fact, this principle applies doubly to the oil extracted because global warming that results from its use also meets these criteria.

Oil development in Ecuador has unquestionably benefited its economy in the short-term. Oil companies like Texaco have made billions in revenue, and the government has profited significantly, which presumably benefits citizens through improved public programs. Unfortunately, even this trickle-down benefit is questionable because the country is “notoriously corrupt” (Kane, 6). However, the people most directly affected by irresponsible practices, such as “dump[ing] the liquid into swimming-pool-size pits,” receive no financial reward whatsoever

(Kane, 5). Oil companies are responsible not only for direct environmental damage, but also for indirect damages such as the destruction of forest for crop farming by settlers (Kane, 5). Yet even barring any ethical concerns, oil extraction in the Oriente does not make economic sense. The risks of reduced productive base and the opportunity cost of destroying the natural capital are too high to justify short-term economic gain. The risk of this loss is acutely felt when intrinsic value of the ecosystem and its human and natural contents are considered. Given the current distribution of costs and benefits, as well as the status of our ecological and economic understanding of the implication of oil extraction, it is a small wonder – and a considerable tragedy – that oil development in the Ecuadorian Amazon has been allowed to occur at all. It is clear that this development path is unsustainable and should not be pursued at present.

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