

## Chapter 6: “Sow the Oil” Revisited: Nature and the Ecuadorian Neo-*Desarrollista* State

“Hegel remarks somewhere that all great world-historic facts and personages appear, so to speak, twice. He forgot to add: the first time as tragedy, the second time as farce”  
(Marx 1869, 1).

### *Prelude: Dollarization and the Ecuadorian National De-Construction*

In absence of a strong external sector with diversified foreign exchange sources, monetary policy was the preferred tool to cope with the financial crisis of the end of the twentieth century. During the 1980s, the Central Bank of Ecuador, with allegedly apolitical technocrats (Oleas 2017, 219), undertook the remaining tasks of economic planning, and became the “ideal interlocutor” (Oleas 2017, 236) of international financial institutions (IFI), such as the International Monetary Fund (IMF). The new actors of national economic policymaking feared most the specter of inflation and thought highly of the capacity of devaluation to tame macroeconomic indicators. By 1994, the National Congress passed the General Law of Institutions of the Financial System (*Ley General de Instituciones del Sistema Financiero*) in the pursuit of private initiative’s prevalence over state’s agency. The legislation followed the canons of liberalization of financial markets dictated by the Washington Consensus; a key financial regulation introduced by the law was the liberalization of interest rates. Besides, bankers were allowed to undertake other economic activities in the private sector (Congreso Nacional 1994). Vera (2013, 79) argued that the new legislation significantly reduced state’s control on private banks and financial institutions, and relaxed surveillance of their investments. Further, so the author, the new law left the doors open to bank bailout (*salvataje bancario*).

Already by 1997, four banks and seven financial institutions failed (Vera 2013, 66). The insolvency of the country’s largest bank, *Filanbanco*, added to the list of failures of banks and financial institutions that topped the agenda of the newly-elected President Jamil Mahuad (1998-2000). By the beginning of 1999, escalating financial uncertainty led to massive withdrawals. In order to prevent bank run, on March 8, the government an-

nounced a bank holiday (*feriado bancario*), which lasted for five days. During the *feriado bancario* the president decreed a bank account freeze (*congelamiento de cuentas*<sup>134</sup>) in which deposits of minimum 2,000,000 sucres (the equivalent to twenty minimum wages in 1999) would be frozen for one year (Executive Order No. 685, published in the Official Gazette No. 149, March 16, 1999). Neither the bank holiday nor the bank account freeze prevented the failure of the *Banco del Progreso*. Vera (2013, 79) argued that the reason behind the domino effect, which manifested in the failure of seventeen banks and financial institutions between 1998 and 2000, was high-risk loans provided to shareholders and connected enterprises<sup>135</sup>. In this vein, Bustamante (2001, 67) recapped the “close and family-based” nature of Ecuadorian socio-economical elites that act as a “family corporation” or as a “conglomerate of *patresfamilias*”, who exert a certain influence on national politics. The bank bailout, which rounded out the case of local crony capitalism, amounted circa eight billion dollars<sup>136</sup> (US\$ 8,072 million until 2007) and was largely regarded as a transference of state’s resources to already privileged social sectors (i.e. socio-economical elites).

Loans provided among cronies, and the bank bailout orchestrated by government unveiled the conjunction of state elites with economic elites and, thus, the loss of state’s relative autonomy from social classes. Hence, the “Poulantzas’ reformulation” of the developmental state theory, which was presented earlier in this book, might not be valid for Ecuador during the crisis of the end of the twentieth century. The “Poulantzas’ reformulation” of the developmental state theory is related to the state’s option of carrying out a national developmental project as “the politics of the political elites or the politics of the bureaucracy” on the basis of relative autonomy from social classes gained through oil rent. Such a reformulation of the developmental state theory is proposed in the core of the landlord-arbiter state configuration, which in turn is central to understand the Latin American *desarrollista* state.

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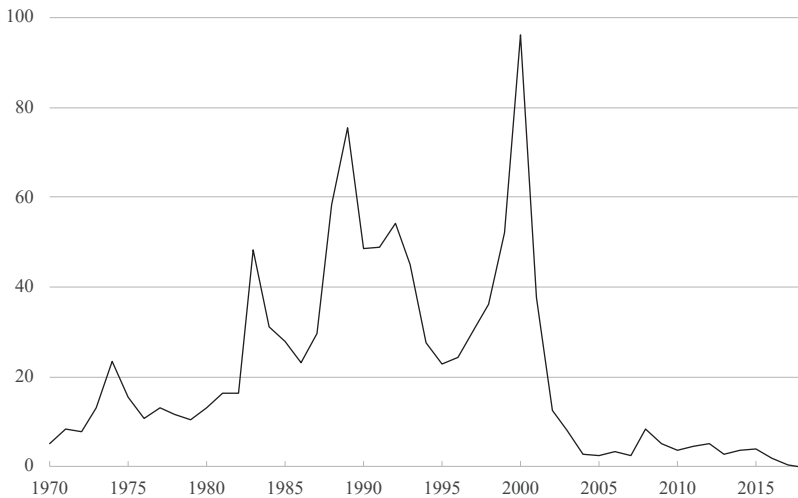
134 Bank account freeze was also enforced in Argentina during the crisis of 2001 under the name of “*corralito*” (small enclosure or pen).

135 A significant example was *Banco del Progreso*. Since the General Law of Institutions of the Financial System was issued in 1994, the bank provided loans for 1.7 billion sucres to 86 connected enterprises; 24 of these borrowers provided no loan guarantee at all. Among the beneficiaries were companies owned by Fernando Aspiazu, the principal shareholder of the bank (Vera 2013, 79).

136 By 1999, the state owned circa 57 percent of the assets of the private banking system (Vera 2013, 9).

Escalating inflation (Figure No. 3) was a close companion of the banking crisis (*crisis bancaria*). By 1999, inflation reached the historical record of 96.1 percent for the period between 1970 and 2018 (World Bank 2019j) and helped setting in the financial apocalypse of the end of the century.

Figure No. 3: Annual inflation (percent), consumer prices, Ecuador 1970-2018



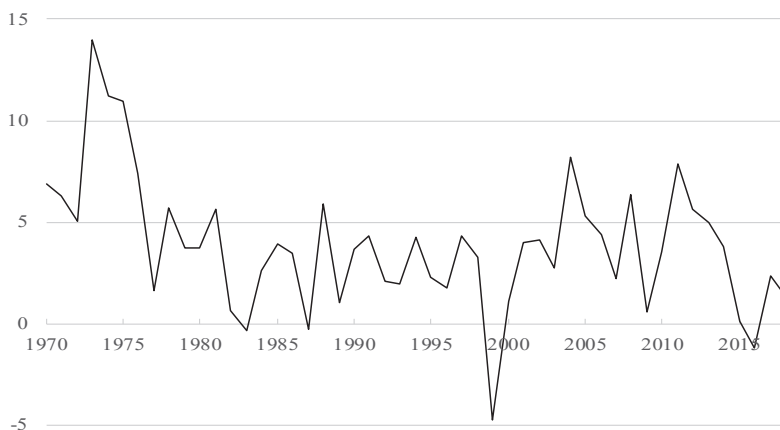
Source: Own diagram based on World Bank (2019j)

Figure No. 4 aims to depict the financial crisis juncture of the year 1999 through the variation in the annual GDP growth; the negative peak indicates the worst financial crisis in Ecuadorian economic history<sup>137</sup> for the period 1970-2018. Acosta and Schuldt (2000, 31) argued that central to the

137 The graph of the annual GDP growth (Figure No. 4) might also be used in an exercise to recognize several events in Ecuadorian economic history. The inauguration of the first Ecuadorian oil boom, and hence the beginning of the oil era, is identifiable in the positive peak by 1973. Negative peaks by 1983 and 1987 are signals for the particularly destructive occurrence of the ocean-atmosphere phenomenon of El Niño and the earthquake that severely damaged the Trans-Ecuadorian pipeline, respectively. The influence of external conditions is detectable in the negative peak by 2015, when international oil prices dramatically dropped.

origination of hyperinflation is the accelerated substitution of national currency by other assets that do not devalue, e.g. foreign exchange<sup>138</sup>.

Figure No. 4: *Annual GDP growth (percent), 2010 U.S. dollars, Ecuador 1970-2018*



Source: Own diagram based on World Bank (2019h)

Notwithstanding growing inflation (Figure No. 3), and the severe financial crisis (Figure No. 4), Acosta and Schuldt (2000, 26) maintained that Ecuador was not under threat of hyperinflation, and that fears were “unjustified” (Acosta 2004b, 54). Though, hyperinflation was indeed the justification given by national economic authorities for the adoption of the U.S. dollar as national currency on January 9, 2000. Despite the United States was Ecuador’s principal business partner at that time, reasons for the “selection” of the U.S. dollar as national currency were rather political than economic; Larrea (2006b, 1) argued that “commercial liberalization and market friendly policies, as well as expectations for a continental-wide trade bloc [which finally did not succeed], led to an increasing influence of the U.S. dollar in Latin America”.

138 Hyperinflation is understood as a process of “deteriorating trust in national currency resulting from skyrocketing prices and monetary collapse” (Acosta and Schuldt 2000, 30). “About one year before official dollarization, informal dollarization was commonplace, transactions were already in U.S. dollars. Prices of cars, apartments..., the whole real state sector was already dollarized” (Pepe Vásquez, interview, October 11, 2018).

Despite the removal from office of President Jamil Mahuad (1998-2000) only two weeks after the enforcement of dollarization, it might be argued that the loss of national currency added little fuel to the already big fire of social unrest that was originally sparked by the enforcement of neoliberal policies<sup>139</sup>. Living standards steadily deteriorated since the end of the first Ecuadorian oil boom. By 1980, when the minimum wage reached a peak at 4,000 sucres, it was worth US\$ 144. Ten years later, in 1990, the minimum wage was 32,000 sucres, which corresponded to US\$ 39. Close to the financial crisis of the end of the century, in July 1997, the minimum wage was fixed at 100,000 sucres, equivalent to US\$ 25; already by 1999, it was worth only US\$ 8. Short before dollarization, when the exchange rate was fixed at 25,000 sucres per dollar it corresponded to US\$ 4 (BCE 2017, 178).

Indeed, the years previous to the enforcement of dollarization were characterized by above-average growth of poverty; in Matthes' (2019, 149) words, the "fastest impoverishment in Latin American history". National poverty went up from 56 percent in 1995 to 63 percent in 1998, and 69 percent in 2000 (Larrea 2006, 12); for comparison, poverty in Latin America followed a stabilizing trend around circa 44 percent during the same period (1995-2000) (CEPALSTAT 2019a). According to Larrea (2006, 12), "recovery" and "post-crisis [macroeconomic] stabilization" followed the enforcement of dollarization. By December 2001, national poverty receded to 53.5 percent and followed a decreasing trend that converged with the region's average in the second half of the 2000s decade (CEPALSTAT 2019a). Whilst, the minimum wage recovered levels of the 1970s and reached US\$ 158.1 by 2003 (BCE 2017, 178). That same year, inflation reached one digit levels (Figure No. 3).

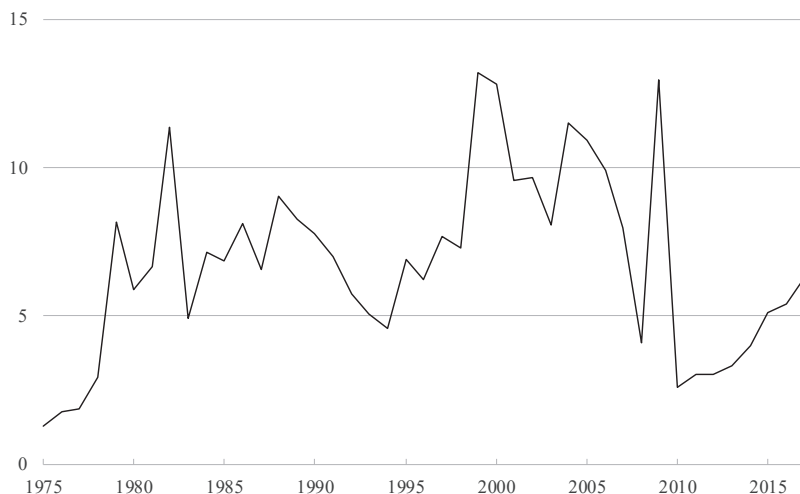
The country's disastrous financial situation did not hinder debt service (Figure No. 5). Figure No. 5 depicts the total external debt service (principal repayments and interest) as percentage of GNI for the period 1975-2017. By 1999, coinciding with financial apocalypse, debt service peaked at about 14 percent of GNI culminating an upward trend, which began in the second half of the 1990s decade. According to Matthes (2019, 49), between 1980 and 2000 Ecuador expended circa US\$ 76 billion in its

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139 Dollarization indeed precipitated the fall of Mahuad (1998-2000), but social and political unrest was commonsense during the last decades of the twentieth century and even into the twenty-first century. Only three years before President Mahuad's fall in 2000, President Abdalá Bucaram (1996-1997) was overthrown by Congress. In 2005 President Lucio Gutiérrez (2003-2005) was also removed from office.

external debt, which translated mainly into further credits provided by international financial institutions, i.e. into an increase in the country’s debt burden. In order to provide more credits, international financial institutions such as the International Monetary Fund (IMF), demanded the compliance with the agenda of structural adjustment programs (SAP).

*Figure No. 5: Total debt service (principal repayments and interests) as percentage of GNI, Ecuador 1975-2017*



Source: Own diagram based on World Bank (2019e)

Within the context of the financial crisis of the end of the twentieth century, debt service might speak for a further loss of state’s relative autonomy, at this point, from international financial institutions (IFI). Furthermore, meeting debt obligations with external creditors during the severe domestic crisis might be regarded as a strong signal of the ultimate dismantlement of the landlord-arbiter state configuration in which the state, as during the 1970s, allocates financial resources to serve the national development purposes.

Adding to the problem of declining state income due to the dropping international commodity prices, a relative relaxation of the tax burden took place during the 1980s (Table No. 18). Whereas Table No. 18 presents the average share of oil revenues and tax revenues in total state’s income for the period 1971-2015, Figure No. 6 aims to depict both kinds of revenue as the principal components of total state’s income since the begin-

ning of the oil era. A relaxation of the tax burden is linked in this book with a breakage of the fiscal contract (see section *Act III. Nature and the State: A Handbook on the Imposition of a Natural Resources-Based Developmental Project*). Ross (2001, 332) argued that such a state relieve might be related to increasing oil revenues. Remarkably, the tax relaxation of the 1980s occurred when Ecuador underwent low international oil prices, thus adding another ingredient to the cocktail of the crisis of end of the twentieth century. During the 1990s, tax revenues recovered as a result of the enforcement of SAP dictates, which advocated a weightier tax burden on society<sup>140</sup>.

*Table No. 18: Average share of tax revenues and oil revenues in total state's income (percent), Ecuador 1971-2015*

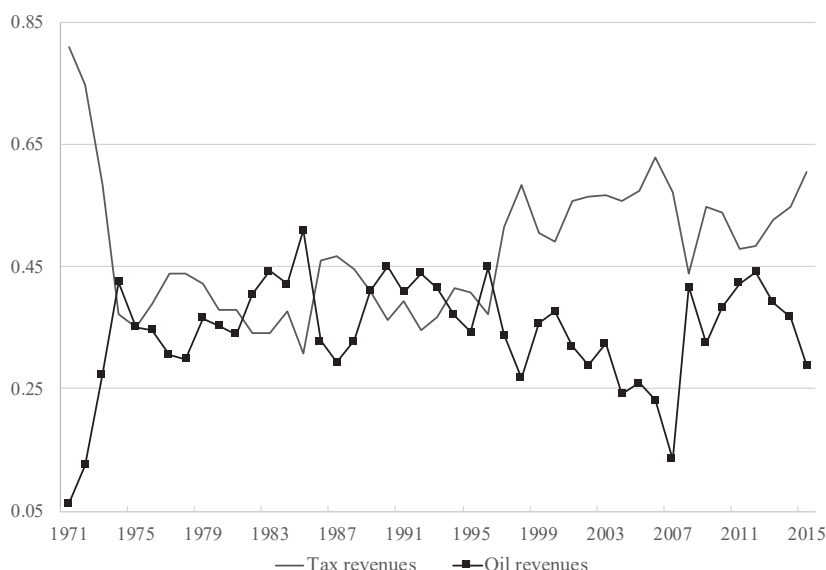
|           | <b>Tax revenues<br/>(percent)</b> | <b>Oil revenues<br/>(percent)</b> |
|-----------|-----------------------------------|-----------------------------------|
| 1971-72   | 77.8                              | 9.4                               |
| 1973-80   | 42.2                              | 34.0                              |
| 1981-90   | 38.9                              | 39.3                              |
| 1991-2000 | 43.9                              | 37.6                              |
| 2001-10   | 55.5                              | 29.2                              |
| 2011-15   | 52.8                              | 38.3                              |

Source: BCE (2017, 150-155)

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140 Besides a weightier tax burden, SAP recommended significant cutoffs of subsidies on oil products and electricity for domestic consumption.

Figure No. 6: Share of tax revenues and oil revenues in total state’s income (percent), Ecuador 1971-2015



Source: Own diagram based on BCE (2017, 150-155)

The exodus of Ecuadorian nationals to the Global North, which constituted the most notorious human face of the crisis, contributed decisively to sustain the dollarization scheme. Remittances of emigrants<sup>141</sup> reached the historical peak of 8.1 percent of GDP by 2000 (Meireles and Martínez 2013, 90), and together with the improvement of international oil prices experienced from 2003 on (Figure No. 8), massively inoculated fresh petrodollars into the Ecuadorian economy. Thus, the U.S. dollar prevailed as the national currency, but neither as a result of economic planning nor as the outcome of a planned national development model. The Ecuadorian process that led to dollarization epitomized a short-term response to a severe financial crisis, which was enforced overnight by political elites in col-

141 It might be discussed if remittances of emigrants should be considered as a type of rent. For the families that stayed, remittances indeed comply with the definition of rent. Though, families in Ecuador received such benefit at the cost of its separation.



lusion with economic elites<sup>142</sup>. Consequences of dollarization on the construction of the Ecuadorian nation have not been sufficiently studied in academic literature. With the exception of Vera's (2013) groundbreaking study, dollarization has been mainly approached from the viewpoint of macroeconomics, which fails to expose the aftereffects of the loss of national currency on society. Within the context of social and political unrest that was prompted by the enforcement of neoliberal policies, during the first year of dollarization, artist collectives in representation of diverse social groups undertook numerous performances, which focused on the relation between the absence of the state and the enforcement of dollarization (Kingman 2012, 180). Figure No. 7 most accurately depicts the sense of state's abandonment left by the loss of national currency.

*Figure No. 7: Dollarization and the loss of national currency, Ecuador 2000*



Source: Left: Marshal Antonio José de Sucre, independence leader and Bolívar's close ally, on a 1987 five-sucre bill (Pedro Alarcón, personal archive). Right: Poster "Hasta la vista, baby" designed by Ana Fernandez (2000) (Trinidad Pérez, personal archive, in Batista 2013, 129)

142 For comparison, the planned process of introduction of the Euro as official currency of the European Union took three years from 1999 to 2002.

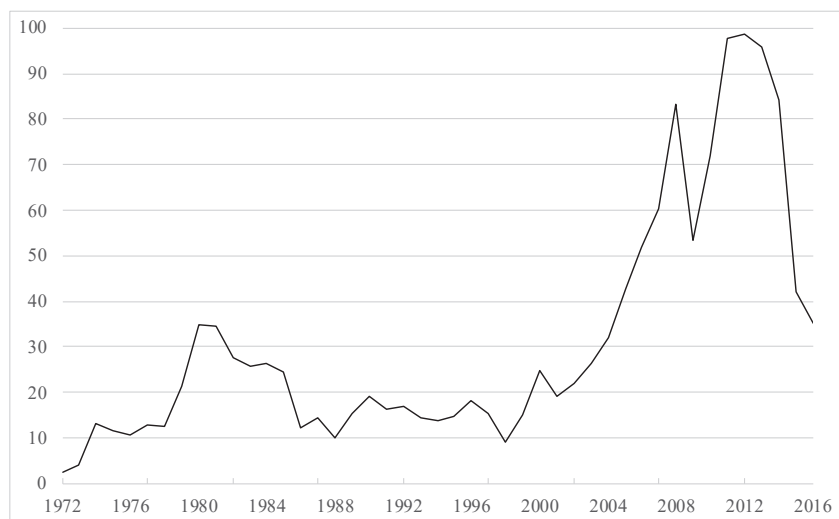
*Overture to the Return of the State: The Recovery of the National Oil Sector*

The crisis of the end of the twentieth century was the prelude to the return of the Ecuadorian state. External conditions for the state’s comeback were shaped by an increasing trend in international oil prices that began in 2003 (Figure No. 8), i.e. by the beginning of the twenty-first century commodities boom. Figure No. 8 depicts the evolution of the price of the Ecuadorian oil basket<sup>143</sup>, in U.S. dollars per oil barrel, for the period of the oil era. By 1972, at the dawn of the oil era, the price of Amazonian oil in international markets was US\$ 2.50. Whereas the highest price during the first oil boom was US\$ 34.73 in 1980, the peak during the second oil boom (and the historical record) was US\$ 98.50 in 2012. Though, after the downfall of international prices that began in 2014, already by 2016 the price of Ecuadorian oil plummeted to US\$ 35.25. On the contrary, the lowest prices are to be found during the crisis of the end of the twentieth century, US\$ 9.91 in 1988 and US\$ 9.14 in 1998 (BCE 2017, 193).

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143 An oil basket is a weighted average of the prices of different crudes. The Ecuadorian oil basket is determined by a blend of *Crudo Oriente* and *Crudo Napo*. In this book, the blend of *Crudo Oriente* and *Crudo Napo*, both extracted from the Ecuadorian Amazon Region (EAR), is referred to as “Amazonian oil”.

Figure No. 8: Prices of Amazonian oil, US\$ per barrel, Ecuador 1972-2016



Source: Own diagram based on BCE (2017, 193)

Skyrocketing international oil prices and increasing export volumes due to the operation of the newly inaugurated private pipeline, the *Oleoducto de Crudos Pesados* (OCP), translated into growing state income. Orozco (2012, 44) argued that the extraction of oil jumped from 393,000 barrels per day in 2002 to 526,000 barrels per day in 2004 due to the operation of the OCP. Artola and Pazmiño (2007, 3) assessed the annual growth rate of state's oil revenues at an average of 38.1 percent between 2002 and 2006. The favorable circumstance triggered economic growth. Table No. 19 depicts the annual growth rates of per capita GDP for the period 1981-2017 in order to show the recovery of the Ecuadorian economy after the crisis of the last decades of the twentieth century. Also, Table No. 19 shows an above average growth of the country's per capita GDP (compared to the region's), which coincides with increasing international oil prices.

Table No. 19: Annual growth rates of per capita GDP (percent), Ecuador 1981-2017

|                                              | Ecuador        | Latin America and the Caribbean |
|----------------------------------------------|----------------|---------------------------------|
| 1981-90 at 1980 prices                       | -6.6           | -8.9                            |
| 1991-2000 at 1995 prices<br>(at 2010 prices) | -0.4<br>(-0.1) | 1.6<br>(1.4)                    |
| 2001-10 at 2010 prices                       | 2.4            | 1.9                             |
| 2011-17 at 2010 prices                       | 1.8            | 0.5                             |

Source: CEPALSTAT (2019b); CEPAL (2002, 53); CEPAL (1993, 31)

Parallel to rising oil prices and increasing export volumes began the recovery of the control over the national oil sector, which was dominated by multinational oil corporations that overtook the national oil company in the amount of oil extracted in the Amazon Region since 2003 (Figure No. 12). During the government of President Alfredo Palacio (2005-2007), the National Congress passed the Law 42-2006, a Reformatory Law to the Hydrocarbons Law (Congreso Nacional 2006a). Under the regulations of the law, foreign oil companies were required to pay the Ecuadorian state a 50 percent share of the extraordinary profits or windfall gains, i.e. any revenue in excess due to the difference between the selling price and the price agreed on the contract (Executive Order No. 1583, published in the Supplement II of the Official Gazette No. 302, June 29, 2006; Executive Order No. 1672, published in the Supplement of the Official Gazette No. 312, July 13, 2006). Fresh revenues arising from the enforcement of the law were deposited in an account at the Central Bank (Table No. 20), which amounted US\$ 235.1 million by the end of 2006 (Artola and Pazmiño 2007, 4).

On May 2006, Palacio’s government cancelled the contract with U.S.-based Occidental Petroleum Corporation (OXY) to drill oil field 15 (Limoncocha, Edén Yuturi, Yanaquincha) after accusing the multinational of transferring 40 percent of its shares to Encana Corporation from Canada without state’s authorization<sup>144</sup>, thus violating the Hydrocarbons Law. By that time, OXY was Ecuador’s largest investor (Reuters 2006) and extracted

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144 The take-over converged upon the nationalist trend followed by pink tide governments. The contract revocation came short after the Venezuelan Congress passed a law that increased royalties for foreign oil companies and Bolivia’s President Evo Morales ordered the military to occupy natural gas fields (Reuters

about one fifth of Ecuador's total oil supply (Orozco 2012, 45). Oil field 15 was taken over by Petroecuador, and the national company was then able to rival multinational corporations in oil extraction in the EAR (Figure No. 12) (BCE 2017, 192). The new state revenues were accumulated in the Energy and Hydrocarbon Investment Fund (*Fondo Ecuatoriano de Inversión en los Sectores Energético e Hidrocarburífero*, FEISEH), which was established by Law 57-2006 (Congreso Nacional 2006b). The fund was earmarked mainly for financing Petroecuador's new duties in field 15 and for energy infrastructure projects, such as hydropower plants and refining facilities<sup>145</sup> (Congreso Nacional 2006b).

As a stabilization fund, the FEISEH was linked to previous contingency mechanisms designed to ensure what neoclassical economists call "expenditure smoothing" in response to movements in commodity prices (Agénor 2004, 107). The Stabilization Fund for Social and Productive Investment and Reduction of Public Debt (*Fondo de Estabilización, Inversión Social y Productiva y Reducción del Endeudamiento Público*, FEIREP) was established in 2002 before the inauguration of the OCP private pipeline in order to accumulate state's revenues arising from the extraction of heavy crude oil undertaken by private companies (e.g. OXY) in the Ecuadorian Amazon Region. Until 2005, the resources of FEIREP were mainly destined to public debt buybacks; only 4 percent of the fund was channeled to social investment (Artola and Pazmiño 2007, 12). In this logic, Orozco (2012, 51) argued that the FEIREP was heavily criticized for being an indirect mechanism to serve external debt. By July 2005, Palacio's government

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2006). Russia and Chad rounded up the nationalizations occurred in 2006 worldwide. The five countries thereby interrupted the trend of lack of expropriation acts during the period 1986-2005 and gave rise to renewed academic debates on resource nationalism (Arbatli 2018, 101; Pryke 2017; Haslam and Heidrich 2016; Wilson 2015). Though, Manzano and Monadi (2010, 452) argued that during oil booms, contract renegotiation is commonsense and might take many forms independently of the "ideological content of the government [...], as in fact it happened in many other countries, with different ideologies, around the world". In this line, Arbatli (2018, 104) argued that whereas resource nationalism was rooted on ideological and political reasons during the 1970s, pragmatism steered oil policy during the twenty-first century.

- 145 "The main idea behind the establishment of the fund is that oil revenues are not used to bankroll current spending, or low output spending. Oil revenues should be used to tide the country over the lean years, when oil is cheap (*el tiempo de las vacas flacas*) ... investing in energy infrastructure, big hydropower plants, a new refinery, that was our vision of *sow the oil*" (former adviser to President Alfredo Palacio, interview, September 18, 2015).

replaced the fund by the Special Account for Social and Productive Investment, Scientific Development and Fiscal Stabilization (*Cuenta Especial de Reactivación Productiva y Social, del Desarrollo Científico Tecnológico y de la Estabilización Fiscal*, CEREPS). The main idea was to exert more control over the resources of the fund and to increase social investment<sup>146</sup> (Orozco 2012, 51). Parallel to the creation of the special account, Palacio's government established a saving mechanism, the Savings and Contingency Fund (*Fondo de Ahorro y Contingencias*, FAC), which was nurtured by one fifth of CEREPS resources. The fund was only to be used when 1) actual oil revenue was below budgeted level, or 2) national emergency was declared (Sinnott, Nash, and de la Torre 2010, 74).

Contingency mechanisms (savings and stabilization funds) were outside the government's budget. The predetermined allocation of its resources left the central government little room for maneuver, particularly when the funds were steered by boards that were not akin to the administration. From 2003 (one year after the creation of FEIREP) to 2006, the central government's budget relatively declined vis-à-vis the weight of the contingency mechanisms. Table No. 20 shows that the central government, Petroecuador, and the contingency mechanisms, earmarked for specific purposes, were the main beneficiaries of oil revenues during the period 2003-06. By 2006, 43.4 percent of total oil revenues went to three main funds (FEIREP/CEREPS, FEISEH, FEP) vis-à-vis 31.6 percent to the central government's budget and 10.8 percent to Petroecuador. The Oil Stabilization Fund (*Fondo de Estabilización Petrolera*, FEP) was established in 1999 in order to accumulate any oil revenues in excess of the budgeted amount. By 2003, resources of the FEP were earmarked as follows: 45 percent for FEIREP, 35 percent for construction and maintenance of roads in the EAR, 10 percent for local development of backward provinces, and 10 percent for the National Police (Almeida, Gallardo, and Tomaselli 2006, 27). Twenty-seven other state's entities shared a small part of oil revenues (row "other" in Table No. 20); among them, the ministries of health and labor, public universities, the Esmeraldas province, the Ecuadorian Housing Bank (BEV), the Central Bank, the State's Bank<sup>147</sup>, and the Amazon Development Fund (*Fondo para el Ecodesarrollo Regional Amazónico*, ECORAE). ECORAE was

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146 By 2006, about 20 percent of the resources of CEREPS was destined to social investment (Artola and Pazmiño 2007, 13).

147 The State's Bank (*Banco del Estado*) was the successor of the *Banco de Desarrollo del Ecuador*, which in turn succeeded FONADE.

first established in 1992 and accumulated US\$ 0.10 per barrel of Amazonian oil to be invested in regional development (Congreso Nacional 1992).

*Table No. 20: Distribution of oil income (percent), Ecuador 2003-06*

|                                  | 2003 | 2004 | 2005 | 2006 |
|----------------------------------|------|------|------|------|
| Central government               | 51.2 | 33.4 | 35.5 | 31.6 |
| FEIREP/CEREPS                    | 5.8  | 25.9 | 22.8 | 16.0 |
| FEISEH                           | 0.0  | 0.0  | 0.0  | 15.9 |
| FEP                              | 15.6 | 17.6 | 17.6 | 11.5 |
| State oil company (PETROECUADOR) | 22.4 | 18.4 | 14.6 | 10.8 |
| Law 42-2006                      | 0.0  | 0.0  | 0.0  | 5.2  |
| Other                            | 5.0  | 4.7  | 9.5  | 9.0  |

Source: Artola and Pazmiño (2007, 6-8)

By 2008, the Constituent Assembly, which summoned after President Correa assumed office in 2007, eliminated the contingency mechanisms (savings and stabilization funds) and almost all other oil-revenue earmarks through the Law of Recovery of State's Oil Resources and Restructuration of Debt Processes (*Ley Orgánica para la Recuperación del Uso de los Recursos Petroleros del Estado y Racionalización Administrativa de los Procesos de Endeudamiento*) (Asamblea Constituyente 2008b). Only ECORAE outlived the law. The fund was hitherto reformed and was granted US\$ 1.00 per barrel of oil extracted in the EAR (Congreso Nacional 2008; Asamblea Constituyente 2008b). However, the enforcement of the law put fresh financial resources at the state's disposal and granted the government centralized control over oil income. Only the liquidation of the FEISEH provided the government with extra US\$ 2 billion (US\$ 1,991.8 million) in 2008 (Orozco 2012, 51). According to Pablo Lucio Paredes, "faith in technocracy" was central to the dismantlement of the stabilization mechanisms (Pablo Lucio Paredes, former member of the Asamblea Constituyente, lecturer at USFQ Ecuador, interview with Dr. Stefan Peters, September 21, 2016).

The journey back to the landlord state, i.e. a state that is able to exert control over the rents produced by the extraction of its national oil, began already during the first year of administration of the fresh-elected government. In November 2007, Ecuador resumed OPEC and sent a strong signal that the renewed struggle with foreign oil companies for a larger portion



of oil rent was to be backed by the cartel's strengthened<sup>148</sup> bargaining position (Alarcón 2008, 25). Only a couple of weeks before, President Correa had reformed the regulation of Law 42-2006 in order to increase the state's share in the extraordinary profits of private oil companies from 50 percent to 99 percent (Executive Order No. 662, published in the Official Gazette No. 193, October 18, 2007). The measure remained just good intentions when only two months later, in December 2007, the Constituent Assembly passed the Reformatory Law of Fiscal Equity (*Ley Reformatoria para la Equidad Tributaria en el Ecuador*), which fixed the state's share at 70 percent (Asamblea Constituyente 2007). Though, the "99/1 remained in the peoples' mind due to its media coverage, and contributed to create a social imaginary of an oil-nationalist government" (former adviser to President Alfredo Palacio, interview, September 18, 2015).

Another meaningful measure taken by Correa's government, which reminded of the nationalist direction of the 1970s oil boom, was the involvement of the navy in the national oil sector. The president declared Petroecuador in emergency due to "inefficiency generated by the withdrawal of the state and the loss of its capacities" and ordered the minister of defense to authorize personnel of the navy to serve in the oil company (Executive Order No. 766, published in the Official Gazette No. 231, December 13, 2007). The Ecuadorian Navy participates in the national oil sector since 1972 as owner of the oil tanker fleet (FLOPEC); though from the end of 2007 until the beginning of 2010, the navy controlled all duties of Petroecuador through navy officers, who had been appointed managers or directors of the oil company<sup>149</sup>. In order to sustain the levels of oil extraction of former OXY field 15 (i.e. one fifth of total country's oil extraction), Correa's government established Petroamazonas as part of the Petroecuador holding in 2008 (Executive Order No. 1116, published in the Official Gazette No. 359, June 13, 2008). The main idea behind the creation of Petroamazonas was to ensure the resources needed by the state-owned

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148 The strengthened bargaining position of OPEC was not only an outcome of skyrocketing oil prices, but also of geopolitical conditions. By 2007, OPEC member states supplied about fifty percent of the oil consumed worldwide and controlled circa three quarters of world's oil reserves (Alarcón 2008, 24-25).

149 By 2000, during the administration of President Gustavo Noboa (2000-2003), the National Congress passed a bill to wean the military from oil revenues (Rother 2000). Instead, the armed forces were to be bankrolled by the state's budget. The alleged reason was the end of the longstanding border dispute with Peru and the definitive border demarcation of 1998.



company in order to operate as a “private enterprise”<sup>150</sup> (Wilson Pástor, former head of Petroamazonas, interview with Reuters, December 18, 2007). The restructuring of the oil sector (mainly the elimination of the contingency mechanisms) ensured the central government control of a larger portion of oil rent, as the participation of the navy contributed to cement the social imaginary of a nationalist government. Between 2008 and 2010, an average of 66 percent of total oil revenues was put at the central government’s disposal (Orozco 2012, 84-85). Such share nearly doubled the average of the oil revenues controlled by the central government between 2003 and 2006 (Table No. 20). Whilst, Petroecuador passed from controlling 17 percent of oil revenues in average during the period 2003-06 (Table No. 20) to 28 percent in average between 2008 and 2010 (Orozco 2012, 84-85). In order to ensure further control over the oil sector, Correa’s government reformed the statute of Petroecuador in April 2010. The holding, which was created in 1989, and whose entire shareholding belonged to the Ecuadorian state, was replaced by the public enterprise *Empresa Pública de Hidrocarburos del Ecuador* (EP Petroecuador) (Executive Order No. 315, published in the Official Gazette No. 171, April 14, 2010). Also, Petroamazonas, which was mainly in charge of field 15 since 2008, was renamed *Empresa Pública de Exploración y Explotación de Hidrocarburos* (Petroamazonas EP) (Executive Order No. 314, published in the Official Gazette No. 171, April 14, 2010). With the creation of EP Petroecuador, the navy concluded its service in the oil company.

That same year, the National Assembly passed a reformatory law to the Hydrocarbons Law that aimed at compelling private enterprises to switch from any previous contractual scheme<sup>151</sup> to service contracts exclusively. In service contracts, the total amount of oil is property of the Ecuadorian state, and the companies receive a fixed payment for their service, i.e. for

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150 The statement of the former head of Petroamazonas and former Minister of Energy and Non-Renewable Natural Resources unveils a social imaginary that reigned during the crisis of the end of the twentieth century and even into the twenty-first century: The “inefficiency” of the state.

151 A preferred contractual scheme between the state and private companies during the previous decades was the participation contract, in which the state owned a fixed share or “participation” in the company’s revenues due to the oil extraction. A principal shortcoming of such contract type was that any increase in international oil prices did not mirror in an increase in the state’s participation. In existing contracts, since companies were providing the Ecuadorian state the “service” of oil extraction, they were exonerated from the payment of royalties (Bustamante and Zapata 2007, 107-111).

each barrel of oil extracted from the ground. In order to provide private companies with an incentive for switching to service contracts, the reformatory law included 1) the further exoneration from the payment of royalties, and 2) the reduction of companies’ income tax from 44.4 percent to 25 percent. The Reformatory Law also established the Secretariat of Hydrocarbons (*Secretaría de Hidrocarburos*) with the duty of administering new contracts (Asamblea Nacional 2010). The reform of the Hydrocarbons Law, which was celebrated by the government as nationalist, was labeled as “clumsy and superficial” (Acosta 2011, 97), and even as “contrary to national interests” (Llanes, 2011, 106). In this line, Rosales (2019, 78) argued that the renegotiation of contracts in the Correa administration continued to benefit foreign corporations, despite the nationalist sentiments that originated. Furthermore, as a consequence of the measures enforced by the government between 2007 and 2010 in the oil sector, five foreign companies took legal action against the Ecuadorian state and demanded compensations in the International Centre for Settlement of Investment Disputes (ICSID) (*Centro Internacional de Arreglo de Diferencias Relativas a Inversiones*, CIADI), a World Bank tribunal (Orozco 2012, 90); “this added further controversy to the effectiveness of the reforms undertaken in the oil sector, not to mention the investor’s trust... legal processes are long-term, but one might ask how much they will cost the Ecuadorian state... take the OXY case as an example” (Augusto Tandazo, interview, September 18, 2015). In 2006, ICSID required Ecuador to pay OXY a compensation for seizing its assets; despite its nationalistic discourse, the government paid the company circa US\$ 1 billion (980 million) in 2016 (Valencia 2016).

However, the stronger participation of the Ecuadorian state in the national oil sector mirrored in an enhanced collection of tax revenues. Table No. 21 aims to depict the increase in tax revenues generated by oil extraction, as percentage of GDP and as percentage of total tax revenues (compare with Figure No 6), for the period 2000-13. By 2011, tax revenues generated by oil extraction peaked at 16.3 percent of GDP (Gómez, Jiménez, and Morán 2015, 44); this performance located Ecuador in a group of Latin American countries, which is considered “highly dependent” on oil-generated fiscal income, with Bolivia, Venezuela and Trinidad and Tobago (Gómez, Jiménez, and Morán 2015, 45).

*Table No. 21: Tax revenues generated by oil extraction, Ecuador 2000-13*

|         | As percentage of GDP | As percentage of total tax revenues |
|---------|----------------------|-------------------------------------|
| 2000-03 | 5.7                  | 29.3                                |
| 2005-08 | 8.7                  | 35.3                                |
| 2010-13 | 13.4                 | 40.3                                |

Source: Gómez, Jiménez, and Morán (2015, 45)

Alongside with enhanced tax collection, the state's share of oil rent grew to 69.3 percent for the period 2010-13<sup>152</sup>. Such a high participation in total oil surplus was used by the government to bankroll 30 percent or more of public social spending (Gómez, Jiménez, and Morán 2015, 45). According to CEPALSTAT (2019c), social expenditure is defined as the resources allocated to 1) environmental protection, 2) housing and community amenities, 3) health, 4) recreation, culture, and religion, 5) education, and 6) social protection. Table No. 22 aims to depict the increase in central government public social spending (as a percentage of GDP) parallel to the appropriation of a larger portion of oil rent for the period 1990-2016. It is to note that despite the state's larger participation in oil revenues, public social spending did not outstrip the region's average. Particularly during the 1990s, and during the aftermath of the crisis into the twenty-first century, public social spending in Ecuador was relatively low in comparison with Latin America (CEPAL 2016, 64).

*Table No. 22: Central government public social spending as percentage of GDP (average), Ecuador 1990-2016*

|           | Ecuador | Latin America |
|-----------|---------|---------------|
| 1990      | 2.7     | n.a.          |
| 1991-95   | 2.8     | n.a.          |
| 1996-2000 | 4.8     | n.a.          |
| 2001-05   | 3.9     | 8.8           |
| 2006-10   | 6.7     | 9.7           |

152 For comparison, the state's share of oil rent in Venezuela amounted 36.2 percent, in Trinidad and Tobago 38.4 percent, in Mexico 67.7 percent, and in Bolivia 73.6 percent during the same period (Gómez, Jiménez, and Morán 2015, 45).

|         | Ecuador | Latin America |
|---------|---------|---------------|
| 2011-15 | 8.7     | 10.7          |
| 2016    | 9.3     | 11.2          |

Source: CEPALSTAT (2019c); CEPAL (2019, 112)

Nonetheless, increasing allocation of oil rent to social expenditure might speak for state’s enhanced relative autonomy from dominant social classes. This, in turn, recalls the “Poulantzas’ reformulation” of the developmental state theory, which is related in this book to the state’s option of carrying out a national developmental project as “the politics of the political elites or the politics of the bureaucracy”. In absence of contingency or earmarking mechanisms, the larger portion of oil rent seized by the state was channeled to different socioeconomic sectors by the central government; such allocation scheme meant the ultimate return of the landlord-arbiter state configuration. In order to manage the new oil wealth, Correa’s government undertook reforms of the executive function that resulted in the creation of 21 new state entities until 2009 (seven ministries of coordination, five sectorial ministries, two national secretariats, and seven state’s or technical secretariats<sup>153</sup>). These new entities added to the already existing 16 sectorial ministries. By 2013, a further reform incorporated two national secretariats and eliminated two ministries of coordination and three technical secretariats (Freidenberg and Pachano 2016, 111)<sup>154</sup>. All in all, in ten years of administration, Correa’s government created at least 50 new state entities (ministries of coordination, sectorial ministries, national secretariats, technical secretariats, public enterprises, agencies, councils, research institutes) (Hurtado 2017, 489; Tibán 2018).

A meaningful epitome of the return of the faith in centralized economic planning was the creation of the new National Secretariat of Planning and Development (*Secretaría Nacional de Planificación y Desarrollo*, SENPLADES) out of the fusion of the National Council of Modernization of the State (CONAM) and the old SENPLADES, an office within the presidency, which was established in 2004 (Executive Order No. 103, published

153 Among the new nine secretariats was the *Secretaría del Buen Vivir*. For comparison, Germany has 15 ministries, including the Federal Chancellery (*Bundeskanzleramt*) (Matthes 2019, 178).

154 President Lenín Moreno (2017-2021) dismantled the ministries of coordination during his very first day in office (Executive Order No. 7, May 24, 2017). This and other shutdowns of state entities added to several measures enforced by Moreno to take distance from his predecessor.

in the Official Gazette No. 26, February 22, 2007). The new secretariat was meant to prioritize national and local development projects through neutral techno-economic tools, thus granting the state's developmental endeavor an apolitical appearance. Though, just as in Ferguson's (1994) "anti-politics machine"<sup>155</sup>, the task of SENPLADES was imprinted by politics from the very first day on, only the elimination of CONAM meant a blatant political measure directed to break with the previous planning scheme, which prevailed during the crisis of the end of the twentieth century. The central government-based allocation scheme and the alleged technocratic prioritization of development projects resulted in an overall boost of physical infrastructure (Table No. 23). As during the first oil boom, particularly relevant was the construction of roads, which was comparable with the total amount of investments in social infrastructure. The domestic energy sector (like in the first oil boom) was meant to become a main beneficiary of the provision of infrastructure. At least seven hydropower plants, including 1,500 MW Coca Codo Sinclair (the nowadays biggest single plant, inaugurated in 2016), were meant to become the masterpiece in the expansion of the country's electricity supply<sup>156</sup>. The *Refinería del Pacífico*, was meant to be constructed by a joint venture between Petroecuador and Venezuelan national PdVSA (*Petróleos de Venezuela S.A.*). The refinery was declared a national priority at the beginning of Correa's government, its inauguration was planned for 2017 (Arias 2014, 36). Despite an outlay amounted to over US\$ 1.5 billion, the construction of the refinery never begun<sup>157</sup> (Pacheco 2019).

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155 In *The Anti-Politics Machine. "Development", Depoliticization, and Bureaucratic Power in Lesotho*, Ferguson (1994) argues that development projects are "sold" in underdeveloped countries "under cover of neutral, technical missions to which no one can object" (Ferguson 1994, 256). Though, the author argued, they have profound implications in politicizing the state and poverty.

156 The Coca Codo Sinclair hydropower plant was built by China-based Synohidro Corporation. The construction was bankrolled by a Chinese loan of US\$ 1,682 million. Chinese funding bankrolled at least other eight energy projects (hydropower and wind energy) until 2016 for further US\$ 1,500 million (Zapata, Castro, and Benzi 2018, 15). According to Villavicencio (2014, 277), the government's plan of induction stoves (*cocinas de inducción*), which consisted in replacing domestic gas by electricity for cooking, responded rather to the need of justifying overinvestment in the energy sector, rather than to the country's demand of electricity. The plan *cocinas de inducción* did not succeed and was cancelled by Lenín Moreno's government.

157 In August 2017, President Lenín Moreno declared that the project was to continue exclusively with private investment. In January 2018, 21 foreign investors visited the project and questioned basic conditions, e.g. the location, which was

Table No. 23: Sectorial composition of public investment (percent), Ecuador 2008-13

|                                | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Production sectors</b>      | <b>6.0</b>  | <b>11.0</b> | <b>4.0</b>  | <b>3.0</b>  | <b>3.0</b>  | <b>2.0</b>  |
| Agriculture                    | 6.0         | 11.0        | 4.0         | 3.0         | 3.0         | 2.0         |
| <b>Natural resources</b>       | <b>n.a.</b> | <b>3.0</b>  | <b>19.0</b> | <b>18.0</b> | <b>20.0</b> | <b>23.0</b> |
| Petroleum and electricity      | n.a.        | 3.0         | 19.0        | 18.0        | 20.0        | 23.0        |
| <b>Physical infrastructure</b> | <b>27.0</b> | <b>45.0</b> | <b>30.0</b> | <b>24.0</b> | <b>22.0</b> | <b>26.0</b> |
| Roads                          | 27.0        | 45.0        | 30.0        | 24.0        | 22.0        | 26.0        |
| <b>Social infrastructure</b>   | <b>52.0</b> | <b>28.0</b> | <b>29.0</b> | <b>34.0</b> | <b>29.0</b> | <b>31.0</b> |
| Urban equipment                | 23.0        | 6.0         | 6.0         | 5.0         | 8.0         | 12.0        |
| Social welfare                 | 6.0         | 8.0         | 8.0         | 7.0         | 4.0         | 3.0         |
| Health                         | 8.0         | 3.0         | 6.0         | 6.0         | 7.0         | 4.0         |
| Education                      | 15.0        | 11.0        | 9.0         | 16.0        | 10.0        | 12.0        |
| <b>Other sectors</b>           | <b>15.0</b> | <b>12.0</b> | <b>18.0</b> | <b>21.0</b> | <b>25.0</b> | <b>18.0</b> |
| Internal affairs               | n.a.        | 2.0         | 2.0         | 3.0         | 7.0         | 4.0         |
| Central administration         | 2.0         | 2.0         | 9.0         | 9.0         | 7.0         | 6.0         |
| National defense               | 2.0         | 3.0         | 2.0         | 5.0         | 4.0         | n.a.        |
| Environmental protection       | 3.0         | n.a.        | n.a.        | n.a.        | n.a.        | n.a.        |
| Other investments              | 8.0         | 5.0         | 5.0         | 4.0         | 7.0         | 8.0         |

Source: Gachet and Carrión (2014, 64)

In order to channel oil rent to territories influenced by the exploitation of non-renewable natural resources, e.g. the Amazon region and the Esmeraldas province, Correa’s government established the public company of local development Ecuador Estratégico (*Empresa Pública de Desarrollo Estratégico Ecuador Estratégico EP*) in 2011. A main duty of Ecuador Estratégico was to provide infrastructure and community amenities<sup>158</sup> to backward regions

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allegedly to far from the coast. By the beginning of 2019, President Moreno cancelled the project (Pacheco 2019).

- 158 The objectives of Ecuador Estratégico changed throughout time. By 2015, the president required the company to build health and education infrastructure, as well as police stations (Executive Order No. 753, published in the Official Gazette No. 573, August 26, 2015). Since 2016, Ecuador Estratégico is assigned to support the post-earthquake reconstruction process (Executive Order No. 1004, published in the Official Gazette No. 760, May 23, 2016). The magnitude 7.8 earthquake of April 2016 mostly affected the provinces of Manabí and Es-

(Executive Order No. 870, published in the Official Gazette No. 534, September 14, 2011). The principal source of the company's funding was the 12 percent of the profit of private oil companies (Executive Order No. 1135, published in the Supplement of the Official Gazette No. 699, May 9, 2012). According to a former head of Ecuador Estratégico in the Sucumbíos Province, such funding was mainly used in education infrastructure, health infrastructure, urban equipment, and electricity supply. The provision of infrastructure was "not free of conflict with local governments", since the public company intersected their competences<sup>159</sup> (Ángel Sallo, former head of Ecuador Estratégico in Sucumbíos, interview with Dr. Stefan Peters, September 18, 2015). Until 2015, the bulk of the investments of Ecuador Estratégico was channeled to education infrastructure, mainly to the construction of the so-called Millennial Educational Units (*Unidades Educativas del Milenio*), i.e. schools in backward territories (Pablo Ortiz, former General Manager of Ecuador Estratégico, interview with Dr. Stefan Peters, September 8, 2015). Widespread criticism of Ecuador Estratégico denounced that the company delivered infrastructure in conflict-prone territories in order to dampen opposition to extractivism. Besides, specific criticism of the *Unidades Educativas del Milenio* denounced that 1) the schools were regarded as a "recompense" for natural resources extraction, and 2) new schools were built without participation of locals in educational planning as old community schools were dismantled (Ivette Vallejo, lecturer at FLACSO Ecuador, interview with Dr. Stefan Peters, September 22, 2015).

Nevertheless, state's recovery of the national oil sector, which indeed served public social spending, was not accompanied by a long-term oil pol-

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meraldas. The liquidation of Ecuador Estratégico is expected on 2021 (Tapia 2018).

- 159 According to a former General Manager of Ecuador Estratégico, the duties of the company have "nothing to do with *asistencialismo*", they rather have to do with bringing state benefits to backward regions (Pablo Ortiz, former General Manager of Ecuador Estratégico, interview with Dr. Stefan Peters, September 8, 2015). During the crisis of the end of the twentieth century, and particularly during the 1990s, when the state's absence from key economic and social arenas became palpable, private oil companies provided remote villages in the Amazon region with infrastructure and community amenities, "local leaders bargained with foreign oil companies, with their corporate social responsibility units, to become what they called *proyectos*, mainly infrastructure, for example, a soccer field, a pickup truck, school facilities, in exchange for preventing disturbances or local's demonstrations against extractivism" (Synneva Geithus Laastad, interview, December 6, 2018).

icy aimed at getting around the risks of international price volatility and ensuring the sustainability of the oil sector (Villavicencio 2014, 272). Conventional oil policy generally entails two main components, 1) increasing oil extraction, and 2) at least maintaining (if not increasing) reserve levels through exploration of new oil fields. Table No. 24 shows the volume of oil extraction for the period 2002-16; besides the 30 percent increase observed between 2002 and 2004 due to the beginning of operations of the private pipeline OCP in 2003, there is no significant variation in the further levels of extraction. According to Villavicencio (2014, 270), the number of exploration wells drilled between 2000 and 2012 dramatically decreased, and thus no new oil reserves were confirmed. These facts speak for the failure of conventional oil policy. The failure of non-conventional oil policy, epitomized in the Yasuní-ITT initiative and the idea of “leaving oil under the ground” is approached in the section *Nature and the State: The Polyphonic Concept of Buen Vivir*.

Table No. 24: *Volume of extraction of oil, thousands of barrels, Ecuador 2002-16*

|      | Extraction of oil<br>(thousands of barrels) |
|------|---------------------------------------------|
| 2002 | 143,121                                     |
| 2004 | 192,383                                     |
| 2006 | 195,651                                     |
| 2008 | 184,728                                     |
| 2010 | 177,422                                     |
| 2012 | 184,323                                     |
| 2014 | 203,142                                     |
| 2016 | 200,711                                     |

Source: BCE (2017, 192)

### *The State and Development: Amazonian Oil and the Rentier National Construction*

The consequence of the stagnation of the oil sector is dependence on imports of oil products. Figure No. 9 depicts the skyrocketing increase in imports of oil products, which jumped from 2.1 million barrels in 1978, the first year of operations of the *Refinería Estatal de Esmeraldas*, to the histori-



cal peak of 57.1 million in 2014. The bulk of the imports has been traditionally composed by diesel, gasoline, and domestic gas (liquefied petroleum gas, LPG), which are broadly used by households; in public transportation<sup>160</sup> (diesel), in family cars (gasoline), and in cooking (LPG). Despite widespread consensus among high-ranking government officials about the “economic distortions introduced by fuel imports”, subsidies have been maintained since the first oil boom due to the “potential high political cost of their elimination” (Luis Manzano, interview, January 23, 2019).

Table No. 25 shows the average imports of oil products for the period 1981-2016. Remarkably, the amount of oil products imported during the first decade of the twenty-first century tripled the imports of the previous decade. A significant example of the country’s dependence on imports of oil products is gasoline. In absence of sufficient domestic refining capacity, the Ecuadorian state imported 10 percent of the country’s demand in 2000; by 2015 imported gasoline amounted to 70 percent of domestic demand (Espinoza and Guayanlema 2017, 7). Like other oil products (e.g. diesel and LPG<sup>161</sup>), the Ecuadorian state purchases gasoline at international prices and markets it domestically at a fixed subsidized price; with about US\$ 0.49 per liter, gasoline in Ecuador is the second cheapest in South America<sup>162</sup> (GlobalPetrolPrices 2020).

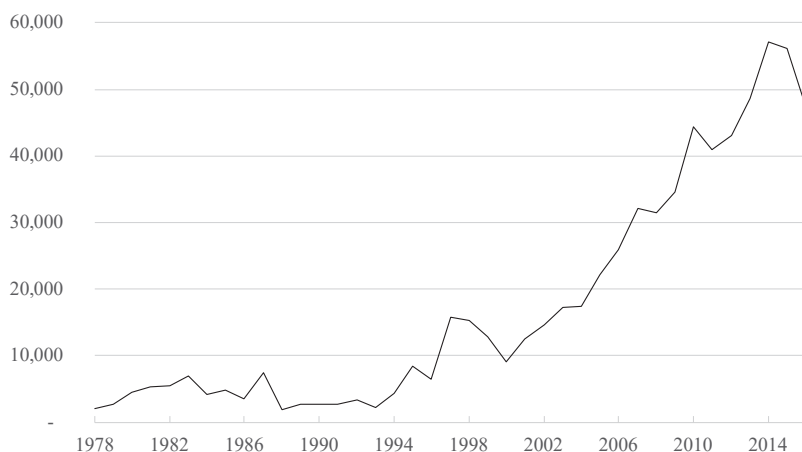
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160 The public transportation fare in Quito has remained unchanged since 2003 at US\$ 0.25.

161 Imports of diesel jumped from 17 percent of the total domestic demand in 2000 to 69 percent in 2015, and of LPG from 60 to 87 percent (Espinoza and Guayanlema 2017, 7).

162 The world’s cheapest gasoline is found in Venezuela (less than US\$ 0.01 per liter). For comparison a liter gasoline costs US\$ 0.54 in Bolivia and US\$ 1.53 in Germany (La Razón 2019). Liquefied petroleum gas (LPG) for cooking constitutes another significant example of a subsidy that benefits households. The 15 kg-cylinder is marketed domestically at a fixed price of US\$ 1.60; the Ecuadorian state pays at least ten times more for the same amount of LPG in international markets.

Figure No. 9: Imports of oil products, thousands of barrels, Ecuador 1978-2016



Source: Own diagram based on BCE (2017, 197)

Table No. 25: Average imports of oil products, thousands of barrels per year, Ecuador 1981-2016

|           | Imports of oil products<br>(thousands of barrels per year) |
|-----------|------------------------------------------------------------|
| 1981-90   | 4,529                                                      |
| 1991-2000 | 8,078                                                      |
| 2001-10   | 25,256                                                     |
| 2011-16   | 48,821                                                     |

Source: BCE (2017, 197)

Hence, the state’s expenditure in subsidizing oil products for domestic consumption is astronomical (Table No. 26); the cost of importing oil products (gasoline, LPG, and diesel) jumped from circa 1.7 percent of GDP by the beginning of the twenty-first century to 5.4 percent of GDP during the period 2011-15 (Table No. 26). Currently, subventions on oil products constitute by far the largest subsidy granted by the state. By 2010, 55 percent of all state subsidies were subventions on oil products (Orozco 2012, 87); the cost of all subsidies, which included newly introduced financial assistance programs, amounted to 7.3 percent of GDP (MCPE 2012,

52)<sup>163</sup>. For comparison, that same year, public expenditure of the central government in education and health amounted 4.1 and 1.5 percent of GDP, respectively (CEPALSTAT 2019c).

*Table No. 26: Imports of oil products as percentage of GDP (average) and value, Ecuador 2001-15*

|         | <b>Imports of oil products<br/>(percentage of GDP)</b> | <b>Imports of oil products<br/>(billions of US\$)</b> |
|---------|--------------------------------------------------------|-------------------------------------------------------|
| 2001-05 | 1.7                                                    | n.a.                                                  |
| 2006-10 | 4.6                                                    | 13.35                                                 |
| 2011-15 | 5.4                                                    | 24.54                                                 |

Source: Espinoza and Guayanlema (2017, 13-17)

Subsidies on oil products for domestic consumption unveil an unequal distribution of oil rent. Whereas upper and middle classes, as owners of one or more family cars, benefit from a larger portion of the oil rent entailed in the subsidy on gasoline, lower classes benefit from a smaller portion of oil rent entailed in the subsidy on diesel for public transportation<sup>164</sup>. Figure No. 10 aims to depict the booming fleet of motor vehicles in Ecuador. Whereas by the beginning of the century about 19 thousand new motor vehicles were introduced (assembled domestically and imported), by 2011, during the second Ecuadorian oil boom, about 140 thousand new motor vehicles were sold. Circa 70 percent of the new motor vehicles were sold in the cities of Quito and Guayaquil<sup>165</sup> (AEADE 2019, 48). At least three quarters of the new vehicles introduced to the Ecuadorian market serve as private cars in families, who benefit from the swollen subsidy on gasoline.

163 For comparison, the cost of all subsidies granted by the state in 2006 amounted to 4.8 percent of GDP (MCPE 2012, 52).

164 Parsing the problems associated with the consumption of fossil fuels in Quito, Alarcón (2011) drew attention to the environmental inequalities linked to this kind of subsidies. Owners of private cars (which are used practically as individual cars in Quito) are responsible for a larger portion of emissions of global and local contaminants to the atmosphere.

165 Since the bulk of the new vehicles introduced to the Ecuadorian market is composed by family cars, local sales of motor vehicles might serve as a barometer of final household consumption expenditure. Remarkably, whereas during the bonanza period, the number of motor vehicles sold followed an increasing trend, after the decline of international oil prices in 2014, the number of motor vehicles sold dipped.

Figure No. 10: Local sales of motor vehicles (assembled domestically and imported), Ecuador 2000-15



Source: Own diagram based on AEADE (2019, 48)

Besides subsidies, other meaningful components of financial assistance granted by the state are social security and retirement pensions. These forms of rent transfer to society amounted to 20 percent of total subsidies in 2010 (MCPE 2012, 52). According to Gachet et al. (2017, 342), between 2005 and 2015, the amount paid for social security and retirement pensions increased as well as the number of beneficiaries. In 2009, the Bank of the Social Security Institute (*Banco del Instituto Ecuatoriano de Seguridad Social*, BIESS) was established (Asamblea Nacional 2009); between October 2010 and December 2015, the bank channeled state resources amounted to circa US\$ 5.6 billion (US\$ 5,583 million) through mortgage loans to about 130,000 households (El Telégrafo, February 11, 2016). A further 15 percent of all subsidies in 2010 corresponded to other “traditional” mechanism of financial assistance, particularly the Human Development Grant (*Bono de Desarrollo Humano*), a cash transfer program established in 1998 to support lower classes during the crisis of the end of the twentieth century. Until 2005, the monthly grant amounted to US\$ 15; it was raised to US\$ 30 in 2007, to US\$ 35 in 2009, and finally to US\$ 50 in 2013 during Correa’s re-election campaign (Matthes 2019, 162). The number of beneficiaries in-

creased significantly between 2007 and 2013, after that, it shrunk (Gachet et al. 2017, 342). The set of subsidies completed in 2010 with newly introduced financial assistance mechanisms aimed at supporting lower income and disadvantaged groups as well as small agricultural enterprises. Further subsidies on electricity (e.g. for elderly citizens and low consumption households), the program Joaquín Gallegos Lara destined to disabled persons and its families, subsidies on agricultural inputs (e.g. urea), and subsidized credits up to US\$ 5,000 for small farmers counted among new financial assistance mechanisms introduced by Correa's government (Orozco 2012, 88). The wider coverage of subsidies among society not only reinforced the social imaginary of the presence of a strong landlord-arbiter state, but also "legitimated the government by popular and political support" (Gudynas 2012, 134). Subsidies were central to gain popular backing for state's enhanced natural resources extraction<sup>166</sup> (Gudynas 2012, 136) and to mobilize lower classes in favor of governmental decision-making. Hence, a larger number of beneficiaries of subsidies granted by the state might be correlated with the enhancement of clientelistic networks<sup>167</sup>.

However, in the same way as during the first oil boom, an utmost effective way to channel state's resources to middle classes was the creation of employment opportunities in the public sector with corresponding pay raises. Orozco (2012, 85) argued that the number of public servants in 2010 was about 496 thousand, circa 65 percent more than in 2001; for the author, the rate of growth in the number of public servants between 2009 and 2010 was ten times larger than that between 2002 and 2008. In this line, Ospina (2013, 236) estimated 98,784 new hires between December 2006 and December 2010. Though, Correa's government launched an offensive against unionization in the public sector in particular, and in general, unionization was subject of co-optation. However, the bulk of new public servants during the second oil boom was non-tenured, i.e. hired by

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166 For Gudynas (2012, 144), cash transfers indeed allude to social re-distributive justice; though, as the economic dimension of justice is highlighted, other dimensions, such as environmental justice and representation and participation are veiled.

167 Other more "refined" mechanisms of ensuring society's support for governmental decisions might be also mentioned. During Correa's government, the financial crisis (*crisis bancaria*) of 1999 was revived. A commission was established with the duty of investigating the *feriado bancario* in order to determine responsibilities (Executive Order No. 263, published in the Official Gazette No. 67, April 19, 2007). Such measure appealed to the memory of the middle classes and even to the people's feelings.

contract. According to Orozco (2012, 85), whereas about 3 thousand public servants were hired by contract in 2001, circa 110 thousand new public servants were non-tenured by 2010; 80 percent of these persons worked for the central government in the new and old ministries and state’s entities in the sectors of 1) education, 2) defense, 3) internal affairs, and 4) public health (Orozco 2012, 86). “Consultants [*consultores*]..., consulting professionals and consulting companies were commonsense in the ministries, with six-months-, one-year-contracts. Together with state contractors working in infrastructure, they created the illusion of a booming private sector besides the booming public sector” (former consultant at SENPLADES, interview, March 16, 2017).

With the state pouring oil rent into society, the majority of the population benefited asymmetrically, as during the first oil boom. Between 2006 and 2014 per capita GNI doubled from US\$ 3,110 to US\$ 6,276 (Cypher and Alfaro 2016, 168). The minimum wage steadily increased from 2001 on, together with the remunerations of public servants; by 2016, the minimum wage reached US\$ 426.9 (BCE 2017, 178). Household final consumption expenditure grew at an annual average rate of 4 percent between 2003 and 2014, the period of the second oil boom (compared to 8 percent during the first oil boom) (World Bank 2019b). Besides, enrollment in tertiary education outstripped levels of the previous oil boom (compared to the peak of 34.1 percent in 1981); after dipping below 20 percent during the crisis of the end of the twentieth century, the gross enrollment ratio in tertiary education surpassed 40 percent by 2013 (World Bank 2019g), which means that about two out of five persons of the age group that officially corresponds to the tertiary level was actually enrolled in that year. Table No. 27 aims to depict the beneficiaries of the second Ecuadorian oil boom. According to Gachet et al. (2017, 330), economic growth generated by the oil bonanza was the main responsible for the “rise of the middle class”, whose population share<sup>168</sup> doubled from 18.6 percent to 37.4 percent during the period 2005-15. Consistent with this improvement was the

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168 Gachet et al. (2017, 331) adopt a rather orthodox “economic view and identify the middle class based on household per capita income”. This narrow definition converges upon the broader approach proposed in this book, in which a social class is regarded as “a way of talking about the interconnections between people’s individual attributes and their material conditions of life” (Wright 2009, 102). In order to understand middle classes, this book highlights the access to higher education as the key individual attribute (Wright 2009, 13), on the one hand. On the other hand, people’s opportunities and choices in a market economy are epitomized by their “market capacities” (Wright 1996, 694). Hence, mid-

decline of the disadvantaged stratum, whose population share dropped 26 points from 46.3 percent in 2005 to 19.8 in 2015. Though, the other side of the coin (i.e. the bad news) was the growth of the “vulnerable” layer<sup>169</sup> (Table No. 27).

*Table No. 27: Share in total income by population strata (percent), Ecuador 2005-15*

| Population strata | Share in total income<br>(Share in total population) |                |                |                |                |                |
|-------------------|------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                   | 2005                                                 | 2007           | 2009           | 2011           | 2013           | 2015           |
| Disadvantaged     | 13.1<br>(46.3)                                       | 9.6<br>(38.4)  | 9.8<br>(35.5)  | 6.5<br>(26.4)  | 5.1<br>(22.2)  | 4.2<br>(19.8)  |
| Vulnerable        | 27.8<br>(33.9)                                       | 24.9<br>(36.6) | 29.5<br>(40.1) | 26.6<br>(41.2) | 23.6<br>(41.4) | 22.7<br>(40.8) |
| Middle            | 45.1<br>(18.6)                                       | 47.2<br>(23.2) | 49.0<br>(23.2) | 56.6<br>(31.0) | 55.5<br>(34.2) | 58.7<br>(37.4) |
| Upper             | 14.1<br>(1.3)                                        | 18.4<br>(1.8)  | 11.8<br>(1.2)  | 10.2<br>(1.4)  | 15.8<br>(2.1)  | 14.5<br>(2.0)  |

Source: Gachet et al. (2017, 335)

Pioneering in the study undertaken by Gachet et al. (2017) is the inclusion of the vulnerable stratum understood as the share of the population with a “larger-than-10-percent probability of falling into poverty” (Gachet et al. 2017, 332). Thus, the vulnerable stratum draws attention to the permanence of the social achievements reaped during the second Ecuadorian oil boom. According to Gachet et al. (2017, 330), “the rise of the middle class is likely to be ephemeral as it was dependent on the oil boom and the specific dynamics that were in play during the period analyzed”. Otherwise, an analysis of the growth of the upper strata during the second oil boom, and particularly during Correa’s government, is beyond the scope of this

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dle classes are identified as the portion of the population, “who have enough education and money to participate fully in some vaguely defined mainstream way of life (which might include particular consumption patterns)” (Wright 2009, 103).

169 For the authors, households in the middle class have a daily income per capita of at least US\$ 10 and less than US\$ 50, and in the vulnerable strata a daily income between US\$4 and US\$ 10 (2005 US\$) (Gachet et al. 2017, 333).

book<sup>170</sup>. Though, according to CEPALSTAT (2019d), the Gini coefficient, as a measure of income inequality, improved during the second Ecuadorian oil boom from 0.513 in 2004 to 0.452 in 2014. These values outstripped the average performance of the Latin American region, which improved from 0.547 in 2002 to 0.491 in 2014.

The other side of the coin of expanding middle classes and reduction of inequality during the second oil boom was, as during the first oil boom, growing dependence on 1) imports of consumer goods, which nearly tripled (in thousands of US\$) between 2003 and the historical peak of 2014 (BCE 2017, 119), and on 2) internationally borrowed funds. Total debt doubled between 2003 and 2016 (BCE 2017, 131-132), as external debt decreased as percentage of gross national income (GNI) from 64.5 percent to 35.8 during the same period (World Bank 2019a). Though, different from the first oil boom, 1) increasing demand for imported consumer goods took place within the framework of a growing balance of payments deficit (Calderón and Stumpo 2016, 15; Meireles and Martínez 2013, 91; Orozco 2012, 55), and 2) Correa's government bargained credits with foreign oil companies (Chinese companies PetroChina Co. Ltd. and Sinopec Corp., and Thailand's state-run PTT) in exchange of presale orders of Amazonian oil since 2009. As a result, Asian oil companies take a large part of Ecuadorian crude exports as debt agreements that are repaid with oil (Orozco 2018; Valencia 2017; Valencia 2015). Biddings were conducted in secrecy; this, added to the volatile nature of international oil prices might have caused underestimation of the country's external debt.

First, the Ecuadorian balance of payments has been deteriorating since 2009 (Calderón and Stumpo 2016, 15) despite high international oil prices. According to Calderón and Stumpo (2016, 15), the balance of payments' current account dropped from a surplus of 2.4 percent of GDP for the period 2005-09 to a deficit of 1.1 percent of GDP for the period 2010-15. Since the main component of the Ecuadorian balance of payments' current account is its balance of trade (which registers the country's exports versus its imports), a deficit in the current account is related to an increasing expenditure in imports. By 2015, the deficit in the balance of trade peaked at US \$ 2.1 billion (US\$ 2,116 million) (BCE 2017, 109), and counted as the main component of the current account's total deficit of US\$ 2.2 billion

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170 Prosperity of economic elites and further concentration of wealth seem to be a constant in Latin America during the youngest oil boom. *Progresista* governments were unable or unwilling to break the trend effectively (Peters 2019, 179).



(or 2.2 percent of GDP) (Calderón and Stumpo 2016, 15). To cope with the problem, Correa's government imposed a tariff on imports in March 2015. The tariff was imposed on about one third of all imported goods, and charged consumer goods (such as televisions) up to 45 percent *ad valorem* (Calderón 2016, 113; Domínguez and Caria 2016, 104; El Comercio, March 6, 2015). Until February 2017, when the protectionist measure ended<sup>171</sup>, the revenue collected by the state was about US\$ 1.5 billion (Revista Líderes, May 31, 2017), a value below the 2015 deficit. Though, the imposition of tariffs did not stop consumption addiction. Between October 2010 and December 2015, only the state's Bank of the Social Security Institute (BIESS) provided about 6.5 million consumption credits (*préstamos quirografarios*) amounted to circa US\$ 7.7 billion (compare with US\$ 5.6 billion in mortgage loans provided during the same period) (El Telégrafo, February 11, 2016). The elimination of extra imports tariffs in February 2017 and the entering into force of the free trade agreement with the European Union in January 2017 (which mirrored in less tariffs and hence cheapened imported goods) boosted the demand for consumption credits<sup>172</sup> (El Comercio, May 26, 2018). Between January and November 2017, the BIESS provided loans for consumption amounted to circa US\$ 2.1 billion (González 2018).

*Second*, consumption addiction (particularly of imported consumer goods) grew parallel to the government's greed for fresh petrodollars. By 2017, Correa's government oversold Amazonian oil. After clinching oil-for-loans deals with Chinese oil companies since 2009, which significantly reduced the country's exports stocks<sup>173</sup>, Correa's government signed an oil supply deal with Thailand's state-run PTT. As a part of the agreement, Ecuador had to deliver 124 million barrels of oil in 2017, which the country did not total anymore (Orozco 2018). Unfavorable contracts with

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171 The duration of protectionist measures, like tariffs, is determined by the treaties on free trade to which Ecuador is signatory. As mentioned before, the WTO (at global level), and the CAN (at regional level) promote free trade, i.e. the elimination of import tariffs.

172 Booming demand for consumption credits in 2017 might also be related to increasing unemployment (González 2018). As mentioned before, by 2017, the newly elected President Lenín Moreno began his administration dismantling a series of state entities created during Correa's government (e.g. the ministries of coordination).

173 In rough numbers, Ecuador extracts about 200 million barrels of oil per year. Since circa one quarter of that amount is destined to the local refinery, three quarters, i.e. about 150 million barrels of oil constitute the country's exports stocks.

foreign companies that precluded the state from benefiting from its natural resources (Valencia 2017), together with 1) pending legal actions taken by multinational oil corporations against the Ecuadorian state in international courts as the International Centre for Settlement of Investment Disputes (ICSID), 2) the Chinese dominance in energy projects, and 3) the failure in the conventional oil policy (section *Overture to the Return of the State: The Recovery of the National Oil Sector* approached these three issues) remind of a state class acting as a "comprador bourgeoisie" (Amin 1990) in favor of foreign interests. These, added to the rumors of Ecuador's withdrawal from OPEC<sup>174</sup> by 2020, in turn, might speak for an ongoing (re-)denationalization of the oil sector.

However, the amount of beneficiaries of the capitalist system increased as an outcome of the state's recovery of a larger portion of oil rent during the second Ecuadorian oil boom (Table No. 27). The strong presence of the state in the economic arena boosted the ongoing modernization process as the construction of the rentier state gained momentum. Remarkably, the Ecuadorian rentier state configuration assimilates the characteristics of what Amin (1990) called the "bourgeois state". According to the author, the bourgeois state has two main characteristics, 1) it is a suitable partner in the world capitalist system, and 2) it is pursued by the local hegemonic class throughout the contemporary Third World, i.e. the bourgeoisie in power (Amin 1990, 15). It might be argued that the role of the "bourgeoisie in power" is played by the Ecuadorian state class, which held high positions in government and public entities during the long second oil boom. Hence, the rentier national construction in Ecuador had a twofold nature that neared it to a bourgeois state configuration. *First*, increasing levels of household final consumption expenditure, enrollment in tertiary education, and, particularly, booming imports of consumer goods speak for a strengthened integration of middle classes into the dynamics of the capitalist world system through "market capacities" (Wright 1996, 694). As during the first oil boom, the strengthening and consolidation of middle classes lacked in class consciousness; instead, expanding middle classes try to imitate the middle classes of the Global North and their mate-

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174 During the closure of this book, rumors confirmed and "Ecuador is to leave OPEC by January 1<sup>st</sup>, 2020". According to the Ministry of Non-Renewable Resources, the measure "aims at reducing public spending and generating new income" (El Universo, October 1, 2019). The purpose of "generating new income" reminds of Ecuador's previous withdrawal from the cartel during the crisis of the end of the twentieth century.

rial consumption levels (as during the first oil boom they mimicked the decaying *latifundista* oligarchy). *Second*, the belief that the process of building a bourgeois state “does not demand popular initiative in the first place, but merely popular support for state actions” (Amin 1990, 15). The lack of *participation* of lower classes and, instead, its *mobilization* in favor of state or government measures not only unveils their subsidiary role in the construction of the bourgeois state, but also signalizes the ultimate departure of the national project from any possible popular construction.

*Development and Nature: The Resource Curse Revisited*

Aggregate demand boosted by available petrodollars (due to high international oil prices and galloping external debt) further mirrored in a swollen tertiary sector (Table No. 28); though, resembling the first oil boom, Correa’s government announced the intention of supporting other sectors of the economy. The idea of “sow the oil”, which was translated into a state-led industrialization endeavor during General Rodríguez Lara’s “revolutionary nationalist” government, was revived<sup>175</sup> by the “citizen’s revolution”. Indeed, Domínguez and Caria (2016, 104) argued that the industrial policy during the second oil boom aimed mainly at replicating the ISI scheme of incentives (without penalizations) of the 1970s but its enforcement mirrored in “disappointing results in the non-oil balance of payments”. However, an approach to “classic” industrialization (i.e. a boost to the manufacturing sector), as it was understood during the ISI consensus, was highly unlikely during the epoch of the *consenso de los commodities*.

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175 Andrade (2015, 12) argued that industrial policy was “abandoned” during the last decades of the twentieth century. According to the perspective of this book, the abandonment of industrial policy by successive governments added up to the “internal circumstance” during the crisis of the end of the twentieth century. The “external constraints” were shaped mainly by international low commodities’ prices within the new governance scheme of economic globalization. Internal circumstance and external constraints mirrored in the diversification of the portfolio of natural resources exports (Table No. 14). Andrade (2015, 12) also argued that the abandonment of industrial policy had “high costs”; deindustrialization provoked unemployment and the dismantling of unions: “without industry, the material and political space for the workers class formation disappeared and other social actors emerged taking its place”. The argument is consistent with the rise of the indigenous movement and the environmental movement, which had an increasing influence on Ecuadorian politics since the last decades of the twentieth century.

External conditions as well as domestic circumstances provided a new scenario for the state’s attempt to “sow the oil” during the second Ecuadorian oil boom. *First*, economic globalization became a growing hindrance to the enforcement of state’s protectionist measures in countries like Ecuador, which are integrated into the world system through their natural resources. *Second*, as technological advance increasingly sets the pace for industrial development, the incorporation of technology (together with an increase in productivity) became the measure of competitiveness within the globalized world economy. *Third*, the irruption of the environmental factor (mirrored in the discourse of sustainable development) into economic planning meant for productive sectors the obligation to comply with a series of environmental standards in order to compete in the globalized world economy, which were unthinkable during the ISI consensus. Even tough, state’s embracement of the discourse of sustainable development hypothetically entailed the possibility of access to a market of “environmental or ecological goods and services” (Domínguez et al. 2019, 156).

The prevalence of market rules over state regulation, the growing technological gap, and the inclusion of the environmental factor, all legacies of the epoch of the Washington Consensus, have been approached in a rather separate way by contemporary scholars leading to different policy implications in Latin America. On the one hand, the renewed integration into the world economy, based on natural resources and increasing technological backwardness, advocated a “new balance between the [agency of the] state and the market in the context of globalization” (Sunkel 2006, 24 in Domínguez et al. 2019, 162). On the other hand, the inclusion of the environmental factor into state’s economic planning opened the gates to a broader discussion on economic diversification, i.e. the actual possibilities of promoting other sectors of the economy (e.g. tourism). Thus, the quest of “sow the oil” during the twenty-first century commodities boom translated into the enforcement of a diverse set of policies aiming at a twofold objective: 1) carrying out a thorough search of new *comparative* advantages (sometimes even based on traditional natural resources exports), and 2) chasing after *competitive* advantages.

There is wide consensus among researchers of contemporary Ecuador around the idea that the decade of Correa’s government ought not to be assessed as a unitary period, but as several phases depending on the analyzed subject. Regarding economic diversification, a successive mix-up of policies was discursively prioritized throughout different periods. Though, elements of the dichotomy between competitive and comparative advantages can be found in the national development plans; incidentally, the

National Development Plan 2009-2013 defines *cambio de la matriz productiva* (transformation of productive structure) as “[...] the transit from a primary exporter and extractivist model to a scheme which privileges diversified eco-efficient production, as well as services based on knowledge and biodiversity” (Secretaría Nacional de Planificación y Desarrollo 2009, 329), and the National Development Plan 2013-2017, declares the intention of “using extractivism to exit extractivism” (Secretaría Nacional de Planificación y Desarrollo 2013, 82). Such idea has to do, so the plan, with “sowing the oil in order to reap the productive structure of the knowledge society” (Secretaría Nacional de Planificación y Desarrollo 2013, 17). Hence, in order to assess the scope of the “sow the oil” attempt during the second Ecuadorian oil boom and the niche assigned to the environmental factor in Correa’s government, it is necessary 1) to examine the role of nature in the government’s economic diversification proposal, and 2) to delve into a possible relationship of such proposal with *neo-estructuralismo*.

*First*, reliance on natural resources, i.e. comparative advantages, was accepted as “using extractivism” in order to bankroll the quest for competitive advantages, i.e. the “exit from extractivism”. According to the view of a faction of the government that prioritized a knowledge-based economic diversification, the exit road of extractivism headed to the utopia of biotechnology industry and the “bio-knowledge society” (Ramírez 2012, 38 in Alarcón and Mantilla 2017, 102). Resembling the orthodox view of economic development and the Rostownian transit from the traditional society to the mass consumer society (Rostow 1990), the transit from extractivism to biotechnology industry is envisioned through a series of intermediate stations including the promotion of “ecotourism services and agroecological products”<sup>176</sup>, in which the pursuit of comparative advantages remains unchanged. *Second*, stemming from Latin American *estructuralismo*<sup>177</sup>, *neo-estructuralismo* remains constrained to the epistemic pattern of neoclassical economics; though, different from its antecedent, *neo-estructuralismo*’s mindset explicitly accepts the inevitability of market rules in a globalized economy, and promotes economic openness. Therefore, Sotelo (2005, 21) argued that *neo-estructuralismo* converges upon “the ideological, psychological and cultural superstructure of contemporary capitalist society”. In this line, Braña (2016, 41) neared *neo-estructuralismo* to a “human face” of ne-

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176 For a critique of such proposal see Alarcón and Mantilla (2017, 102).

177 Braña (2016) lingered over the origins of *neo-estructuralismo* in *El pensamiento desarrollista y neodesarrollista en América Latina y el buen vivir. Continuidades y cambios*.

oliberalism<sup>178</sup>. The neo-*estructuralista* strategy of finding comparative advantages applied during Correa's government was characterized by Andrade (2015) as "selective industrialization and commerce" (SIC), in which selective industrialization alluded to state's backing to certain productive sectors. The selection of benefited sectors was a source of conflict between contrary factions within the government. On the one hand, a group of state entities headed by the Ministry of Production advocated a more ISI-like classic industrialization process based on strategic industries such as refineries, shipyards, copper metallurgy, petrochemical industry, and iron and steel industry, backed by mariculture, biofuels, and wood products (Secretaría Nacional de Planificación y Desarrollo 2012, 11 in Cypher and Alfaro 2016, 170). On the other hand, state agencies led by the Secretariat of Higher Education, supported the integration of the concepts of "knowledge", "science and technology", or "research and development" into the discussion on economic diversification.

The Law of Creation of the University of Research of Experimental Technology *Yachay* (knowledge) (Asamblea Nacional 2013a) signaled the governmental faction that resulted victorious of the dispute and, hence, the groups that were to be granted significant state's resources (in form of a larger portion of oil rent and Chinese loans) to support their vision on economic diversification. The university<sup>179</sup> was preceded by the establishment of the public enterprise *Yachay EP* (*Empresa Pública Yachay EP*), which was in charge of "managing the Project of the City of Knowledge", *Ciudad Yachay* (Executive Order No. 1457, published in the Official

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178 In a similar way as Latin American *estructuralismo* provided economic rationalization to *desarrollismo*, neo-*estructuralismo* might be regarded as a theoretical underpinning of neo-*desarrollismo* or new developmentalism, a "new theoretical system that is being created" (Bresser-Pereira 2016, 31). According to Bresser-Pereira (2016, 341), central to new developmentalism is the prevalence of the market. The definition of economic development in new developmentalism basically does not differ from that in the developmental state theory: "the process of capital accumulation with the incorporation of technical progress [...]; it involves increasing productive sophistication combined with the transference of labor from low to high income per capita industries" (Bresser-Pereira 2016, 341).

179 Other three universities were created in December 2013: 1) the Regional Amazonian University Ikiam (*Universidad Regional Amazónica Ikiam*), which was meant to focus on biotechnology, 2) the University of the Arts (*Universidad de las Artes*) in Guayaquil, and 3) the National University of Education UNAE (*Universidad Nacional de Educación UNAE*), in the South of the country, with the purpose of training the next generation of school teachers (Asamblea Nacional 2013b; Asamblea Nacional 2013c; Asamblea Nacional 2013d).

Gazette No. 922, March 28, 2013). The project was initially planned in an area of 4,462 ha, which is equivalent to 13 times the Central Park in New York, with a gradual investment of US\$ 5.7 billion in 33 years (El Comercio, April 6, 2018). According to a former consultant at Yachay EP, the duty of the public enterprise was to build a technology hub in the province of Imbabura (about 130 km north of Quito) in a territory that was traditionally destined to agriculture and farming, “the university was imagined as the epicenter of *Ciudad Yachay*... the city was sold as a new Silicon Valley projected to house the world’s top technology companies, which were meant to undertake research at the university” (former consultant at Yachay EP, interview, September 16, 2018). The imitative nature of the project became plain when the university was re-baptized *Yachay Tech* and Correa successively alluded to it as “our MIT [Massachusetts Institute of Technology]”. Existing public universities were excluded from the project. Allegedly, the idea stuck to the tenet of the East Asian developmental state of the 1950s (Japan) and 1960s (Taiwan and Korea), which advocated building industrial science and technology institutes, networked into private firms (Wade 2018, 528). Yachay EP contracted with a set of private companies (mostly Chinese) to erect the city. Among the first buildings that arose counted *Yachay Tech*’s campus facilities, which included university’s buildings, labs, and dormitories. The university was inaugurated in March 2014 with half-finished public services and amenities; streets were still in progress. The construction of the campus was tainted by corruption since its start (Heredia 2018); by the beginning of 2018, the Comptroller General’s office had conducted already 14 audits in *Yachay Tech* and Yachay EP (El Universo, February 8, 2018), which reflected losses for US\$ 31.4 million in the construction of the campus (Heredia 2018), and alleged mismanagement of state’s resources through excess payments, irregular recruitment of staff, payment of excess travel allowances in favor of a family unit, etc. (El Universo, February 14, 2018). After the oil boom, Moreno’s government decided to resize the project of *Ciudad Yachay* to a more feasible goal of 382 ha (El Comercio, April 6, 2018), more than ten times smaller than initially projected. By the beginning of 2018, *Yachay Tech* functioned as a public polytechnic university<sup>180</sup>. Whilst, Yachay EP employed 618 persons in 2018; its liquidation is expected on 2021 (Tapia 2018).

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180 “It is well known that the construction of education infrastructure does not mean automatically better education. The decision of a pompous intervention in higher education [and not in elementary education, for example] followed clearly populist criteria” (Pablo Lucio Paredes, former member of the Asam-



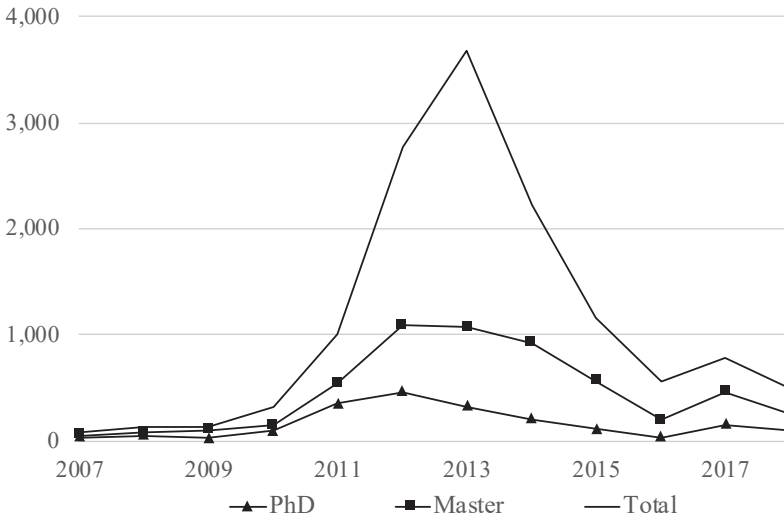
Another landmark of the intention to match the vision of economic diversification with the concepts of “knowledge”, “science and technology”, or “research and development” was the program of international scholarships. Between 2007 and 2018, the government granted more than 13 thousand scholarships for Ecuadorian nationals to attend higher education abroad, more than three-quarters of the scholarships were granted between 2011 and 2015 (10,830 out of 13,312 scholarships). An important number of bursaries was channeled to master and doctoral programs (Figure No. 11); scholarship holders are meant to return after completing their studies and work two years in Ecuador for every year they spent abroad in order to “become the carriers of economic diversification” (former Deputy Secretary of the Ecuadorian Secretariat of Higher Education, interview, July 6, 2017). In order to comply with the necessity of incorporating science and technology into the envisioned transformation of the productive structure (*cambio de la matriz productiva*), more than half (about 58 percent) of the scholarships were granted in the fields of natural sciences, mathematics and statistics, engineering, and health sciences (SENESCYT 2019b). The possibilities of highly-qualified scholarship holders to be involved in economic diversification or even to find a job in Ecuador at their return will be a constant matter for discussion during the next years, as the bulk of beneficiaries continues completing their studies and starts its journey back.

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blea Constituyente, lecturer at USFQ Ecuador, interview with Dr. Stefan Peters, September 21, 2016).



Figure No. 11: International scholarships for higher education granted by the Ecuadorian government, 2007-18



Source: Own diagram based on SENESCYT (2019a)

The private sector did not participate in the formulation of the economic diversification policymaking of Correa's government (Sergio Sáenz, former Communication Director at the Pichincha Chamber of Small and Medium-Sized Enterprises, interview with Dr. Stefan Peters, September 14, 2016; Eduardo Cadena, former Executive Director of the Quito Chamber of Commerce, interview with Dr. Stefan Peters, September 14, 2015). Further, there was no specific policy regarding the significant sector of the small and medium-sized enterprises, neither an articulation with the intended *cambio de la matriz productiva* (Sergio Sáenz, former Communication Director at the Pichincha Chamber of Small and Medium-Sized Enterprises, interview with Dr. Stefan Peters, September 14, 2016). In a similar fashion as did the “revolutionary nationalist” dictatorship with the old oligarchy, Correa's government cultivated a populist<sup>181</sup> anti-elite rhetoric against what the president called “the chambers”, targeting the chambers of commerce and industries. Despite the confrontational atmosphere, eco-

181 The rhetoric reminded of a classic populist distinctive: The Manichaeic discourse of people versus elites (de la Torre 2010, 140).

conomic sectors controlled by traditional local elites counted among the principal beneficiaries of the overall boost of the economy triggered by public investment during the second oil boom. According to a former Executive Director of the Quito Chamber of Commerce, “elites were far from being aligned with the government policies”; though, they mostly benefited from state contracts during the second oil boom (Eduardo Cadena, former Executive Director of the Quito Chamber of Commerce, interview with Dr. Stefan Peters, September 14, 2015). Thanks to public spending-based growth, and not necessarily to economic diversification policies, 1) the financial sector (mainly banks), 2) the commerce sector (mainly importers), and 3) the construction sector mostly profited from the second oil boom (Pablo Lucio Paredes, former member of the Asamblea Constituyente, lecturer at USFQ Ecuador, interview with Dr. Stefan Peters, September 21, 2016).

Table No. 28 depicts the value added by different sectors of the economy to GDP for the period 1972-2016. The table shows a traditionally strong tertiary sector with a participation of more than the half in the total value added. In contrast, in nearly all industrialized countries, the manufacturing sector “represents between one fourth and one third of GDP, and absorbs about 90 percent of the resources destined to research and development” (Fajnzylber 1992, 25). Whereas the petroleum and mining sector maintained its relative weight during the Ecuadorian oil era, the manufacturing sector showed a downward path that began with the twenty-first century; the contribution of the manufacturing sector during the second oil boom was smaller than that during the 1980s decade. Regarding non-oil GDP, the value added of the manufacturing sector (as percentage share) amounted circa 20 percent during the 1970s and 1980s decades; during the 1990s, the value added of the manufacturing sector peaked at an average of about 23 percent. With the beginning of the twenty-first century, the contribution dropped to circa 15 percent for the period 2001-10 and 14 percent for the period 2011-18 (World Bank 2019c). Otherwise, the counterpart of the shrinkage of the construction sector during the 1990s might be found in the expansion of the manufacturing sector during that decade. Nonetheless, the construction sector recovered and appeared as one of the winners of the second oil boom.

*Table No. 28: Gross value added by sector (as percentage of GDP), 2007 U.S. dollars, selected years, Ecuador 1972-2016*

| Economic sector                                                                     | Value added (percent) |      |      |      |      |      |      |
|-------------------------------------------------------------------------------------|-----------------------|------|------|------|------|------|------|
|                                                                                     | 1972                  | 1981 | 1988 | 1994 | 2000 | 2007 | 2016 |
| Agriculture (includes live-stock, fishing, and forestry)                            | 10.7                  | 6.7  | 7.4  | 8.3  | 9.4  | 9.4  | 9.4  |
| Petroleum and mining                                                                | 6.0                   | 9.3  | 11.7 | 12.2 | 10.2 | 11.7 | 10.2 |
| Manufacturing                                                                       | 12.6                  | 13.8 | 13.4 | 14.3 | 15.2 | 13.7 | 13.2 |
| Construction                                                                        | 16.0                  | 9.8  | 7.7  | 6.3  | 6.0  | 7.9  | 9.4  |
| Utilities                                                                           | 0.9                   | 0.2  | 1.2  | 1.1  | 1.4  | 1.1  | 2.8  |
| Tertiary sector (includes commerce, government services, transport, other services) | 53.8                  | 60.2 | 58.6 | 57.8 | 57.8 | 56.2 | 55.0 |

Source: BCE (2019a)

Throughout the Ecuadorian oil era, the decreasing trend in the gross value added by the manufacturing sector mirrored in the downward path of the gross fixed capital formation (GFCF) (Table No. 29). Since GFCF comprises private and public investments in (rather than consumption of) fixed assets, e.g. infrastructure, machines, real state, it might be understood as a suitable proxy for the new value added. Through the lens of GFCF, the plummeting participation of the manufacturing sector in GDP appears more sharply. Following the logic of the contraction of the manufacturing sector, Andrade (2015, 16) argued that current “levels of industrialization are less than those forty years ago”. The decreasing trend in the GFCF of the manufacturing sector (Table No. 29) might also be regarded as a proxy of the lack of investments in (new) technology. According to Cimoli and Porcile (2015, 235), investments in innovation and diffusion of technology are the only effective way to avoid technological backwardness. In this line, so the authors, successful examples of catching up with industrialized countries “are based on a continuous effort to use foreign technology as an input for local learning and not as a substitute” (Cimoli and Porcile 2015, 235). But, hardly an Ecuadorian manufactured product with a certain level of technology has enjoyed until present day considerable demand (Matthes 2019, 347) nor acknowledgment.

Table No. 29: *Average gross fixed capital formation (GFCF) by sector (as percentage of total), 2007 U.S. dollars, Ecuador 1971-2017*

| Economic sector                                                                     | GFCF by sector (as percentage of total) |         |           |         |         |
|-------------------------------------------------------------------------------------|-----------------------------------------|---------|-----------|---------|---------|
|                                                                                     | 1971-80                                 | 1981-90 | 1991-2000 | 2001-10 | 2011-17 |
| Agriculture (includes live-stock, fishing, and forestry)                            | 3.0                                     | 4.2     | 7.9       | 6.9     | 5.4     |
| Petroleum and mining                                                                | 18.6                                    | 15.2    | 9.4       | 8.2     | 9.2     |
| Manufacturing                                                                       | 18.4                                    | 14.1    | 16.4      | 12.7    | 12.1    |
| Construction                                                                        | 4.3                                     | 2.5     | 3.5       | 3.8     | 2.5     |
| Utilities                                                                           | 4.5                                     | 5.1     | 10.4      | 12.9    | 14.1    |
| Tertiary sector (includes commerce, government services, transport, other services) | 51.2                                    | 58.9    | 52.4      | 55.4    | 56.8    |

Source: BCE (2019b)

However, consistently with the relative high GFCF attained during the 1970s decade (Table No. 29), Table No. 30 shows a historical highpoint in the share of Ecuadorian manufactured exports (i.e. exports that include a certain level of technology) around 1980. The peak might be related to the significant boost of the industrial sector experienced during the first oil boom (which also puts the thesis of the resource curse into question). Though, the manufactured exports coefficient has been steadily declining since then and has been unable to keep pace with other South American countries. In Latin America, only Venezuela, the “textbook case of a rentier society” (Peters 2017a, 54), shows a poorer performance (Table No. 30).

Table No. 30: *Manufactured exports coefficient (percent), South America (selected countries) 1970-85*

|           | 1970 | 1975 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|-----------|------|------|------|------|------|------|------|------|
| Argentina | 7.0  | 2.9  | 3.9  | 4.5  | 5.6  | 4.5  | 3.8  | 5.5  |
| Brazil    | 2.8  | 3.0  | 5.3  | 6.1  | 5.0  | 7.4  | 17.3 | 28.4 |
| Bolivia   | 2.6  | 3.5  | 3.2  | 2.1  | 1.6  | n.a. | n.a. | n.a. |
| Colombia  | 2.0  | 4.9  | 4.9  | 5.0  | 4.5  | 3.5  | 3.6  | 4.6  |
| Chile     | 2.2  | 5.4  | 6.1  | 4.4  | 5.1  | 5.4  | 6.0  | 6.6  |
| Ecuador   | 1.9  | 5.4  | 9.8  | 7.4  | 6.6  | 2.4  | 4.4  | n.a. |

|           | 1970 | 1975 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|-----------|------|------|------|------|------|------|------|------|
| Peru      | 0.5  | 0.5  | 5.1  | 3.3  | 3.5  | 2.5  | 3.1  | n.a. |
| Uruguay   | 2.3  | 4.8  | 7.8  | 6.6  | 7.6  | 11.3 | 11.7 | 10.3 |
| Venezuela | 0.6  | 0.8  | 1.0  | 1.3  | 1.0  | 0.7  | 1.9  | 5.0  |

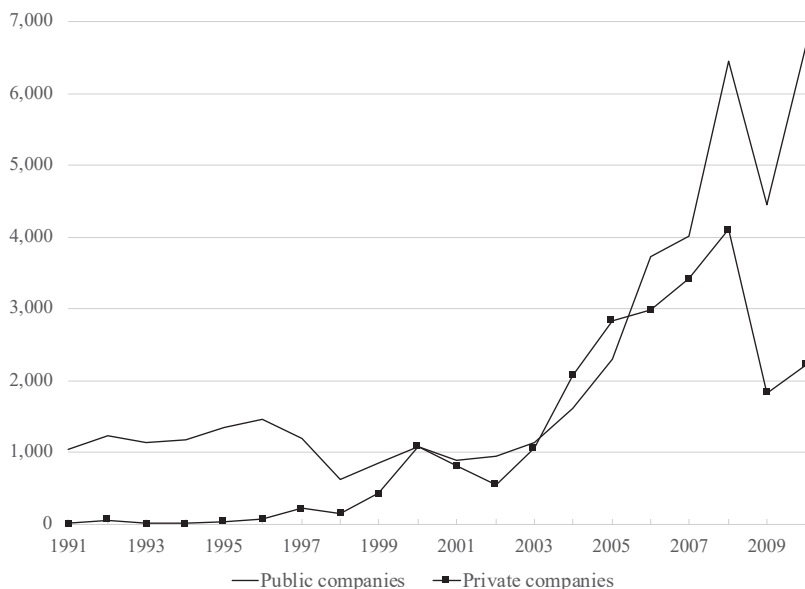
Source: Fajnzylber (1990, 18)

The null growth of the manufacturing sector, and even the stagnation of the tertiary sector, mirror the ineffectiveness of the set of policies aiming at the *cambio de la matriz productiva*. Also, the sluggishness of the tertiary sector might mirror the failure of the intended increase in ecotourism services. Such symptoms speak rather for a rare kind of Dutch disease, in which the construction sector expanded during the oil bonanza (Table No. 28). An expanding construction sector during the second Ecuadorian oil boom might suggest that private investors temporarily crossed the limits of their own comfort zone (mainly in the tertiary sector) and participated increasingly in construction. In other words, in a context of galloping household consumption expenditure, and taking into account the volume of the mortgage loans provided by the Bank of the Social Security Institute (BIESS), the transient growth of the construction sector might be regarded as the natural outcome of the boost of the economy (triggered by public investment) coupled with expectations of high return private investments. Hence, once the state provided the conditions for economic growth, it might be argued that the rentier character of local investors became evident. During the second oil boom, in absence of market incentives (for capitalists) to invest in the manufacturing sector, the rentiers benefited from the construction sector and the tertiary sector (commerce sector, financial sector, imports, among others), which were swollen by public investment. The state's hand was also visible in the improvement of the utilities sector. Its increasing GFCF value during the second oil boom (Table No. 29) mirrors the government's investments in hydropower plants. Whilst, the stagnation of the petroleum and mining sector during the last decades might be coupled with the failure of the conventional oil policy, which was referred to in the section *Overture to the Return of the State: The Recovery of the National Oil Sector*. However, both facts regarding GFCF (the improvement of the utilities sector and the stagnation of the petroleum and mining sector) expose the state's hand in the economy.

As the Ecuadorian state further relied on oil rent basically from state companies (Figure No. 12), the public sector became the motor of the economy. Despite neo-*estructuralista* authors stressed on the importance of the private sector to the achievement of economic diversification (Cimoli

and Porcile 2015), the role of private initiative in economic planning was overlooked during Correa’s government. Despite the benefits received from the overall growth of the economy, the Ecuadorian private sector was overshadowed by the public sector, and contributed with less than the half to the economy during the second oil boom (Pablo Lucio Paredes, former member of the Asamblea Constituyente, lecturer at USFQ Ecuador, interview with Dr. Stefan Peters, September 21, 2016). From the viewpoint of the private sector, the Ecuadorian state is not a reliable business partner, the high country risk “discourages domestic and foreign investments” (Eduardo Cadena, former Executive Director of the Quito Chamber of Commerce, interview with Dr. Stefan Peters, September 14, 2015). Besides, the “constant change of the regulatory framework [e.g. fiscal regulations], the high rotation of ministers and other authorities, and a hefty bureaucratic burden [i.e. red tape] do not contribute to the creation of an adequate business environment in the long term” (Sergio Sáenz, former Communication Director at the Pichincha Chamber of Small and Medium-Sized Enterprises, interview with Dr. Stefan Peters, September 14, 2016).

Figure No. 12: Oil output, million US\$, Ecuador 1991-2010



Source: Own diagram based on BCE (2017, 193)

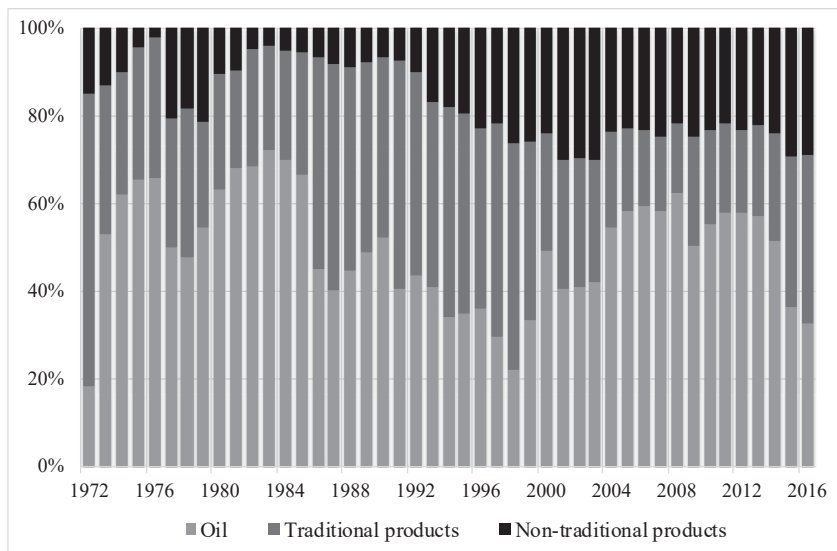
The renewed bet on natural resources is depicted in Table No. 31 and Figure No. 13. The stagnation of non-traditional exports (the possible place for the incorporation of manufactured products) reinforces the idea of the failure of any economic diversification attempt during the second oil boom. Whilst, any decline in oil exports was covered by an increase in traditional exports.

*Table No. 31: Average share of export products (percent), Ecuador 1996-2016*

| Export product                                                                                                          | 1996-2002 | 2003-09 | 2010-16 |
|-------------------------------------------------------------------------------------------------------------------------|-----------|---------|---------|
| Oil products (mainly crude oil)                                                                                         | 35.9      | 54.9    | 49.8    |
| Traditional products (banana and plantain, coffee and coffee products, shrimp, cocoa and cocoa products, tuna and fish) | 38.3      | 20.5    | 25.4    |
| Non-traditional products (mainly natural flowers, canned sea food and mining products)                                  | 25.8      | 24.6    | 24.8    |

Source: BCE (2017, 111)

*Figure No. 13: Average share of export products (percent), Ecuador 1972-2016*



Source: Own diagram based on BCE (2017, 111)

*Nature and the State: The Polyphonic Concept of Buen Vivir*

Whereas the external conditions for the return of the state were shaped by high international oil prices, the internal circumstance for its comeback was molded by mainly two social settings that were highly unlikely during the 1970s. *First*, indigenous peoples were firmly entrenched in national politics, as opposed to the 1970s decade when they were doomed to social invisibility. Indígenas irrupted in national politics during the 1990s as the spearhead of the protests against the enforcement of neoliberal policies; in 2000 and 2005, their role was decisive in the overthrow of President Jamil Mahuad (1998-2000) and President Lucio Gutiérrez (2003-2005), respectively. *Second*, the environmental discourse of sustainable development was rooted in the Ecuadorian sociopolitical arena, in contrast with the 1970s when any allusion to the environmental factor was absent from the discussions on the national development project. During the 1990s, three events signaled the ultimate incorporation of the environmental discourse of sustainable development into the logic of the Ecuadorian state, 1) the issuance of the Basic Environmental Policies (*Políticas básicas ambientales del Ecuador*) in 1994 (Executive Order No. 1802, published in the Official Gazette No. 456, June 7, 1994), 2) the creation of the Ministry of Environment (*Ministerio del Ambiente*) in 1996, and 3) the inclusion of five articles regarding “environmental protection and the right of Ecuadorian citizens to live in a healthy environment” in the 1998 Constitution (Fontaine and Narváez 2007, 25).

The state’s embracement of the international discourse of sustainable development contributed to weld the concepts of nature and development in the social imaginary and was a central ingredient in the construction of a scenario of “semiotic struggles” (Escobar 1995b) aimed at revisiting the relationship between nature and society during the twenty-first century. The Ecuadorian environmental movement, which increasingly influenced domestic politics since the 1980s, (Lewis 2016, 55) gained momentum and the vigor necessary to critique the natural resources-based development model; at the dawn of the new century negative socioecological consequences of monoculture associated to banana and palm plantations were denounced as well as the destructive effects on mangrove of farmed shrimp (Larrea 2013, 12), the landmark of the “diversification of exports” attained during the height of neoliberalism. Nonetheless, oil extraction was principally under scrutiny. Judith Kimerling’s (1991) *Amazon Crude* blatantly exposed the negative socioecological impacts on the Amazon region of Texaco’s extractivist activities undertaken since 1964. The book was called



“Ecuador’s Silent Spring” (Brooke 1993) in reference to Rachel Carson’s (1962) celebrated “Silent Spring”, which “popularized modern ecology and ignited the environmental movement” (Griswold 2012). *Amazon Crude* became promptly a milestone to the production of an environmental discourse *à la* Ecuadorian (Alarcón and Mantilla 2017, 96). Suzana Sawyer (2008, 324) argued that Kimerling’s opus became a main driver of the start of legal action against Texaco in 1993; a group of victims of oil exploitation in northern Amazon region, in representation of about 30,000 plaintiffs (Kimerling 2000, 54; Yanza 2004, 38), took the multinational corporation to court in the state of New York and accused it of intentionally using technology “based on minimal investment and maximal profit criteria” (Yanza 2004, 37). Initially, the case was known as Aguinda vs Texaco, in reference to María Aguinda, one of the plaintiffs of the *kichwa* indigenous peoples; when Chevron Corporation acquired Texaco in 2001, the process was nicknamed “the trial of the century”. Despite the 2011 verdict against the company, the case is currently in force.

However, the Chevron process not only generated further society’s awareness of the consequences of extractivism, but also provided concrete motives to draft a timid moratorium proposal. The environmental organization *Acción Ecológica*, established in the mid-1980s, advocated for moratorium on new oil exploration in the Amazonia in *El Ecuador post petrolero* in 2000; “local and global ecological impacts” wielded as principal reasons besides the necessity of “slow extraction” of finite resources (Martínez-Alier 2000, 12). By the time it was proposed, the idea of a moratorium on oil activities was not new. Indeed, the purpose of “leaving oil in the ground” might be traced in the late 1990s as non-governmental organizations’ avant-garde strategy to cope with climate change. The possibility of induced global climate change due to anthropogenic emissions of greenhouse gases urged Greenpeace’s *Fossil Fuels and Climate Protection: The Carbon Logic* (Hare 1997), which presented the “carbon budget” as “a total amount of CO<sub>2</sub> emissions computed for ecological goals’ achievement” (Hare 1997, ix). The report advised that “estimated economically recoverable volumes of gas and oil [i.e. proven reserves] are sufficient alone to breach the carbon budget”. Hence, it recommended that “national governments should be taking steps to stop plans to allow the expansion of exploration for oil and gas reserves” (Hare 1997, 57-58). Also by 1997, during alternative negotiations of the Kyoto Protocol, Oilwatch propositioned carbon credits as fair compensation for leaving oil in the ground (Martínez-Alier and Temper 2007, 18).

These and other proposals of multinational non-governmental organizations echoed in Ecuadorian environmental movements, which in 2006 integrated into the coalition of social forces that led the PAIS Movement (now Alianza País) to win the presidential election. Alongside with the backing of environmental activists, PAIS added up support of the indigenous movement; environmental protection theses as well as largely postponed indigenous vindications converged upon the draft of the *Government Plan of the PAIS Movement 2007-2011* (PAIS 2006). *Buen vivir*, which was allegedly inspired in the indigenous cosmovision of *sumak kawsay* (good living), arose from PAIS’ government plan and became the guiding thread of the new government’s developmental project. Whereas *buen vivir* impregnated the 2008 Constitution, *sumak kawsay* still echoed in official documents such as the 2009-2013 National Development Plan nicknamed “Building a Plurinational and Intercultural State” (*Plan Nacional para el Buen Vivir 2009-2013: Construyendo un Estado Plurinacional e Intercultural*) (Secretaría Nacional de Planificación y Desarrollo 2009). However, the demands of the Ecuadorian environmental movement promptly converged upon the influential socioecological dimension of *buen vivir*, which is founded on the imperative of a harmonious relationship between society and nature; the stream of *buen vivir* that underscores an ecological approach has been referred to as “utopian *buen vivir*” (Domínguez, Caria, and León 2017, 138).

The materialization of “utopian *buen vivir*” and its underscored harmonious relationship between society and nature could have taken place through the Yasuní-ITT initiative, a plan to “leave oil in the ground” in a sensitive region of the Ecuadorian Amazonia. Nonetheless, the failure of the initiative epitomizes the rise and fall of the discourse of *buen vivir*. The Yasuní-ITT initiative was meant to withdraw to the exploitation of about a quarter of the country’s total oil reserves, i.e. circa 850 million barrels contained in field 43 (Ishpingo-Tambococha-Tiputini or ITT). That volume, which is essential for the Ecuadorian economy, is only enough to satisfy one week of world’s demand. Thereby, the consumption of such amount of oil sets 407 million tons of CO<sub>2</sub> into the atmosphere (Larrea 2010, 10). Besides its contribution to avoid global impacts of fossil fuel consumption, the initiative was central to the conservation of the Yasuní National Park (YNP), created in 1979, and since 1989 within the World Biosphere Reserves of the United Nations Educational, Scientific and Cultural Organization (UNESCO). The YNP reserve is “habitat of various indigenous nationalities, including uncontacted peoples”; therefore, a portion of the national park was marked off in 2006 as Intangible Zone Tagaeri Tarome-

nane in recognition of these peoples' ancestral territory (Narváez, de Marchi, and Pappalardo 2013, 9). About 80 percent of the area of the YNP overlaps with six oil fields, including field 43, where extraordinary biological and cultural diversity are found.

In exchange for leaving oil in the ground *sine die*, the Ecuadorian state applied for an international compensation based on "the principle of differentiated co-responsibility" (Alberto Acosta, interview, February 12, 2016), which amounted to "at least US\$ 3,6 billion or half of the total the state would obtain in case of oil exploitation [i.e. US\$ 7,2 billion]" (Larrea 2010, 8). By this means, Ecuador appeared as the first contributor to the initiative by assuming up to half of the opportunity cost of leaving the oil underground. Correa's government launched the Yasuní-ITT initiative as a state policy in June 2007, on World Environment Day. Beforehand, the project was introduced to Correa's cabinet by Alberto Acosta, even before he was appointed Minister of Energy and Mines. The counterpoint between antagonist positions inside the government mirrored in the March 2007 Resolution of the Board of Petroecuador, which comprised two options for field 43. The Yasuní-ITT initiative was option A: "[the Board of the oil state company] accept[s] the option of leaving oil unexploited under the ground [...]". Option B was oil exploitation (Resolution No. 25DIR-2007-03-30 of March 30, 2007). It was remarkable that the national authority responsible for conventional oil policy<sup>182</sup> (i.e. the Minister of Energy and Mines) supported option A. The president, instead, supported option B (Alberto Acosta, interview, February 12, 2016). A couple of days after, the Ministry of Energy and Mines<sup>183</sup> (MEM) released the Energy Agenda 2007-2011, in which option A was explicitly highlighted (Acosta and Villavicencio 2007, 51).

Though, after its initial thrust in MEM, Correa moved the initiative to the Ministry of Foreign Affairs. The chosen platform for the promotion of the initiative was the international forum for climate change. Even though the alternative-to-development vein<sup>184</sup> of the Yasuní-ITT initiative originally breached the liberal epistemic pattern of sustainable development

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182 As mentioned before, conventional oil policy generally entails two main components, 1) increasing oil extraction, and 2) at least maintaining (if not increasing) reserve levels through exploration of new oil fields.

183 Now Ministry of Non-Renewable Natural Resources.

184 An alternative-to-development inspiration of the Yasuní-ITT initiative becomes recognizable as the project critiques the current development model based on the consumption of fossil fuels and the emission of greenhouse gases to the atmosphere, i.e. the "conceptual foundations of development, as well as the insti-

and the master narrative of the Kyoto Protocol, the Ecuadorian government strove to fit the initiative into such mainstream schemes. By September 2007, Correa presented the Yasuní-ITT initiative to the United Nations General Assembly and made reference to “climate justice international policy” (Acosta et al. 2009, 450), which, in turn, alluded the “common but differentiated responsibilities” made explicit in article 10 of the Kyoto Protocol (United Nations 1998, 10). In a further attempt to harmonize the Ecuadorian proposal to official climate change mechanisms, the Minister of Foreign Affairs presented the initiative during the thirteenth meeting of the Conference of the Parties (COP 13) of the United Nations Framework Convention on Climate Change (UNFCCC) in December 2007.

By the beginning of 2008, Correa issued two Executive Orders meant to outline an organizational chart for the Yasuní-ITT initiative. On the one hand, he established the Energy Transition Trust Fund in order to “allocate the contributions of the international community for investment in energy efficiency and renewable energy plans” (Executive Order No. 847, published in the Official Gazette No. 253, January 16, 2008). On the other hand, the president created the Technical Secretariat of the Yasuní-ITT Initiative inside the Ministry of Foreign Affairs to “foster the initiative and outline international negotiation strategies” (Executive Order No. 882, published in the Official Gazette No. 269, February 9, 2008). Only six months after, the Administrative and Directive Council of the Yasuní-ITT Initiative (ADC) was established to supervise the Technical Secretariat (Executive Order No. 1127, published in the Official Gazette No. 401, August 12, 2008). Until November 2009 the ADC outlined the proposal of a trust fund for the initiative’s contributions to be administered by the United Nations Development Programme (UNDP). The agreement with UNDP was to be signed during the COP 15 in December 2009, but Correa argued that the mechanism was “not aligned with the sovereignty principles” of the Ecuadorian government and vetoed it (Álvarez 2013, 92). The cancellation of the agreement provoked the resignation of the members of the ADC and the Minister of Foreign Affairs.

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tutions and practices that legitimate them” (Gudynas 2014, 65). Though, the National Development Plan 2007-2010 (*Plan Nacional de Desarrollo 2007-2010*) incorporated the initiative within a national strategy of “alternative and sustainable use of biodiversity, with special attention to indigenous peoples and culture, [...]” (Secretaría Nacional de Planificación y Desarrollo 2007, 156). Hence, the official document places the Yasuní-ITT initiative within an orthodox narrative that makes reference to rather sustainable development and human development (Alarcón and Mantilla 2017, 101; Cortez 2014, 338).

After the impasse, the resurrection of the initiative was to come by the hand of the Ministry of Coordination of Natural and Cultural Patrimony (MCP)<sup>185</sup> in 2010. The memorandum of agreement between the Ecuadorian government and UNDP was finally signed in August 2010 (Executive Order No. 596, published in the Official Gazette No. 356, January 6, 2011), thereby establishing an additional mechanism to manage contributions to the initiative besides the national trust fund created in 2008. The new UNDP-administered trust fund was meant to bankroll “sustainable development and human development strategies”, mainly conservation and reforestation, and social development in the Amazon region (UNDP 2010, 5). MCP’s guardianship of the initiative was imprinted by the creation of an Administrative Negotiation Commission (ANC) with the key duty of fundraising under the direction of Ms. Ivonne Baki (Executive Order No. 241, published in the Official Gazette No. 132, February 19, 2010). Under this scheme, the initiative was to be bankrolled with 1) contributions of governments, private and public entities, including intergovernmental and non-governmental organizations, and individuals, and 2) the issuance of Yasuní Guarantee Certificates (CGYs) (UNDP 2010, 6). Yasuní Guarantee Certificates were meant to add to the long list of emission permits such as carbon credits, and other mechanisms that refer to emissions *reduction*; though, CGYs strictly denoted *avoided* emissions (i.e. emissions that would never take place whilst oil is kept in the ground). Since the logic of CGYs differed from UNFCCC’s schemes, the Yasuní certificates could not be traded in carbon markets. Thus, CGYs acted only as guarantee provided by the Ecuadorian government of keeping the oil underground. In the event of oil exploitation, CGYs entitled the holders to be reimbursed by the Ecuadorian state (UNDP 2010, 13). By December 2010, during the COP 16, in a further attempt to comply with the logic of UNFCCC, Correa plead for the inclusion of ampler compensation schemes and introduced the concept of Net Avoided Emissions (*Emisiones Netas Evitadas*, ENE) as

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185 The *Ministerio de Coordinación de Patrimonio Natural y Cultural* (MCP) was inaugurated and disbanded during Correa’s government. Its establishment in February 2007 responded to the need of coordination of “policies and actions regarding intangible capital” of various ministries (Executive Order No. 117-A, published in the Official Gazette No. 33, March 5, 2007). Though, in May 2013, only three months before the termination of the Yasuní-ITT initiative, the MCP was dissolved. The bulk of its responsibilities, including the coordination of the Ministry of Environment, was transferred to the Ministry of Coordination of Strategic Sectors. The move later recalled the transit of the notion of nature from patrimony to strategic resources.

"the emissions that could be released by a country, but are not produced, or the emissions that exist in a country that are reduced". The Ecuadorian president further stated that the Yasuní-ITT initiative was based on ENE and advocated for the adoption of the mechanism under the Framework Convention on Climate Change, since existing instruments, as Reducing Emissions from Deforestation and forest Degradation (REDD+), were "insufficient, inefficient, and inconsistent" (Rafael Correa, presidential address, December 8, 2010). REDD+, which aims to compensate developing countries for the "environmental service of reducing deforestation" (Lovera 2009, 46), was a principal incentive being discussed during COP 16.

The "erratic wander-around" (Martínez 2009, 36) of the initiative through different government dependencies and chairpersons seemed to come to an end by the beginning of 2011. The budget of the initiative was transferred to the Office of the President, and Mrs. Ivonne Baki was appointed "Plenipotentiary Representative of the Yasuní-ITT Initiative" and chair of the negotiation team in charge of fundraising (Executive Order No. 648, published in the Official Gazette No. 391, February 23, 2011). One year later, in 2012, Mrs. Baki was appointed "Secretary of State for the Yasuní-ITT Initiative" (Executive Order No. 1030, published in the Official Gazette No. 637, February 9, 2012). Since her first designation in 2010 until August 2013, Mrs. Baki and her team of about fifteen persons spent US\$ 7.3 million in the fundraising campaign around the world (El Universo, August 22, 2013). By that time, the contributions in the international trust fund amounted for about US\$ 11 million, and US\$ 2 million in the national Energy Transition Trust Fund (Executive Order No. 74, published in the Official Gazette No. 72, September 3, 2013). Whilst, the minimum threshold to be reached by 2011 was established in US\$ 100 million (UNDP 2010, 13).

Despite the duration of the project was indefinite (Executive Order No. 1572, published in the Official Gazette No. 530, February 17, 2009) and the term to materialize the international compensation was agreed in thirteen years beginning in 2011 (Executive Order No. 74, published in the Official Gazette No. 72, September 3, 2013), in August 2013, the Ecuadorian government announced the unilateral termination of the Yasuní-ITT initiative and the start of oil extraction in the YNP. "The world has failed us",

stated the fresh reelected<sup>186</sup> President Correa as announcement of the end of the initiative, while dozens of protesters gathered in front of the Presidential Palace. Correa further argued that the opportunity cost of oil exploitation raised to US\$ 18,000 million, i.e. nearly US\$ 11,000 million more than initially expected; so the beggars realized the sack of gold they were sitting on. Such fresh oil revenues were meant to fight poverty, the president offered (Rafael Correa, presidential address, August 15, 2013). Alberto Acosta, who stood against Correa in the 2013 presidential election with a derisory result, anticipated the end of the initiative after Correa's victory as he stated that "the infrastructure<sup>187</sup> needed to extract oil from field 43 is already in place" (The Guardian, February 14, 2013). An additional spark to the announcement of the beginning of oil drilling in field 43 might be related to the hefty debt burden under the oil-for-loans scheme; just one month before the drop of the Yasuní-ITT initiative, "Ecuador obtained a \$2 billion loan from the China Development Bank in exchange for nearly 40,000 barrels a day [about 8 percent of national oil extraction] over two years" (Kraus 2013).

The president petitioned the National Assembly to declare of national interest<sup>188</sup> the exploitation of oil fields within YNP. In order to support the request, Correa ordered the ministers of environment and of non-renewable natural resources to assess the feasibility of oil drilling in the YNP within five days (Executive Order No. 74, published in the Official Gazette No. 72, September 3, 2013). The approbatory resolution of the National Assembly, with majority of Alianza País, was issued in the first days of October in record time: "[The National Assembly...] declares of national interest the exploitation of oil field 43, [...], in order to accomplish funda-

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186 Correa was re-elected for a next four-year period in February 2013, only six months before the announcement of the cancellation of the Yasuní-ITT initiative.

187 Infrastructure projects, mostly bankrolled with Chinese funding, accounted for the main concern of the new Correa administration. Correa assigned the task to the new Vice-president Jorge Glas. The assignment of the vice-president's duties confirmed the shift of government's priorities previously imprinted by social investment led by former vice-president (and current president for the period 2017-2021) Lenín Moreno.

188 Article 407 of the 2008 Constitution prohibits "activities for the extraction of non-renewable natural resources [...] in protected areas and in areas declared intangible assets", but also states that "exceptionally, these resources can be tapped at the substantiated request of the President of the Republic and after a declaration of national interest issued by the National Assembly" (Asamblea Constituyente 2008a).



mental tasks of the state, assure individuals’, peoples’, and nature’s rights, to achieve *buen vivir* [...]” (Resolution of the National Assembly, October 3, 2013). Successive mentions of “infantile ecologists” made by Correa in the following days to allude supporters of the Yasuní-ITT initiative accomplished another step to legitimize the government’s ‘new’ extractivist proposal. Along with the unilateral termination of the Yasuní-ITT initiative, the discourse of *buen vivir* ultimately departed from its alternative-to-development stance, and signaled the state’s capitulation to Latin American neo-extractivism (Alarcón 2020, 222). As an “empty signifier” (Laclau 2014, 256; Domínguez, Caria, and León 2017, 143), *buen vivir* could successively be filled in with diverse meanings. Once, it echoed in nature’s rights (granted in the 2008 Constitution) and in the prohibition to extract oil from sensitive territories. Then, coinciding with the government’s termination of the Yasuní-ITT initiative, *buen vivir* was related to a milestone of neo-extractivism: strategic resources extraction to fight poverty. The meaning of nature, as well, shuttled back from natural heritage and ancient peoples’ habitat to strategic resources, a more functional concept to address economic growth and material welfare.

The cancellation of the Yasuní-ITT initiative not only “highlighted government’s hostility toward its own constitutional principles” (Conaghan 2016, 115), but also disclosed the 2008 Constitution as a straitjacket against neo-extractivist policies, which can be activated by civil society. Article 407 of the Constitution mandates regarding non-renewable natural resources located in sensitive territories that “exceptionally, these resources can be tapped at the substantiated request of the President of the Republic and after a declaration of national interest issued by the National Assembly, which can, if it deems advisable, convene a referendum” (Asamblea Constituyente 2008a). A “handful of people”, which met during the protests against the government’s cancellation of the Yasuní-ITT initiative, decided to undertake the petition of a referendum in order to prevent oil drilling in the Yasuní National Park, “as convened in the Constitution... this was the beginning of Yasunidos”, a group of activists originated in urban middle classes (Pato Chávez, spokesperson Yasunidos, interview, April 13, 2016). The petition of a referendum entailed the presentation of about 600,000 supporting signatures, i.e. five percent of the national electorate, to the National Electoral Council (*Consejo Nacional Electoral*, CNE). The task implied for the novel collective of the Yasunidos the mobilization countrywide. The collective undertook the enterprise successfully with the backing of other social movements, but the CNE alleged fraud and disqualified the signatures, thus rejected the petition. Though, the signifi-



cance of Yasunidos as a domestic social force, which contested the government's neo-extractivist strategy, was sealed with the decision to seek a referendum on the Yasuní-ITT initiative (O'Connell 2016, 50). Yasunidos nurtured of the rupture between the government and the environmental movement and embodied a new generation of urban activists for whom the meaning of development is indissoluble from that of nature. Voices of social movements, indigenous and peasants' organizations, and groups of intellectuals who advocate for a post-oil era converged into the critique of the renewed bet on natural resources commodification to support the national development project led by the state (Alarcón, Rocha, and Di Pietro 2018, 70). In this logic, Ortiz (2016, 61) advocated a "qualitative leap in the character of social movements opposed to government" and argued that a "polycentric social movement" emerged<sup>189</sup>.

However, opposition to neo-extractivism as the government's favored developmental strategy had been cooking since the beginning of 2012, one year before Correa's reelection in February 2013. The "March for Water, Life, and the Dignity of the Peoples" (*Marcha por el agua, la vida y la dignidad de los pueblos*) was summoned by most heterogeneous opposition factions led by the Confederation of Indigenous Nationalities of Ecuador (*Confederación de Nacionalidades Indígenas del Ecuador*, CONAIE) and local governments against mining. The *marcha por el agua* took place between March 8 and 22, through a 700 km journey from southern Ecuador, a region menaced by mining activities, to the capital. About 70,000 persons participated in the *marcha* and in the demonstration held at its arrival to Quito on World Water Day (Ortiz 2016, 51). Alberto Acosta was one of the head protestors and embodied popular support to the Yasuní-ITT initiative during the march. Though, opposition to neo-extractivism did not achieve to turn into an electoral platform, so the outcome of Acosta's presidential candidacy in 2013, he obtained about three percent of the votes among eight candidates. If not in electoral successes, the legacy of the *marcha por el agua* is to be found elsewhere, in the organized critique of the state's

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189 Consequences of the government's termination of the Yasuní-ITT initiative were not only to be found in the domestic arena. The cancellation of the initiative led to an impasse with the German government, which supported the Yasuní-ITT initiative. Germany has been a traditional partner in international co-operation; only with the special programme "Biosphere Reserve Yasuni" (*Sonderprogramm Biosphärenreservat Yasuní*), the German government channeled 34.5 million Euro to protection of the Yasuní National Park during a five-year period (BMZ 2013, 2). For a detailed relation of the impasse, see Alarcón, Rocha, and Di Pietro (2018).

neo-extractivist developmental strategy. Such critique outlived the polyphonic concept of *buen vivir*, and is evoked in the Yasuní-ITT initiative as a fissure within the [current] development model (Fernando Fajardo, member Yasunidos, interview, May 6, 2016).

*Postlude to Nature and the State: Towards a Political Ecology of Rentierism*

By August 2019, renowned field 43 ITT reported record oil extraction, circa 80 thousand barrels per day or nearly one fifth of the extraction undertaken by the state-owned companies (El Comercio, August 17, 2019). Though, it proved to be crumbs from the rich man’s table to deal with the devastating consequences of the end of the last “commodities super-cycle” (Alarcón and Peters 2020; Erten and Ocampo 2013). Indeed, plummeting oil prices meant for Ecuador a budget gap of circa US\$ 7 billion due to less revenues in 2015, i.e. about 7 percent of GDP (former Minister of Coordination of Economic Policy, interview, October 7, 2015). Thereby, liquidity from Chinese loans provided oxygen for a couple of years and contributed to the illusion that the brink of the crisis was far to be reached. Nonetheless, even before the COVID-19 pandemic arrived in 2020 to checkmate the economy and unveil clear signals of a humanitarian catastrophe, Ecuador was facing a severe social and economic crisis; by October 2019, escalating social discontent exploded into political turmoil. After failing to renegotiate debt conditions with China, Moreno’s government reverted to traditional international financial institutions (IFI) and reached a US\$ 4.2 billion deal with the International Monetary Fund (IMF) (Reuters 2019; Long 2019). In order to meet targets agreed with lenders, Moreno announced a set of economic measures that included scrapping subsidies on transportation fuels on October 1<sup>st</sup> 2019 (Executive Order No. 883, October 1, 2019; El Comercio, October 2, 2019). According to government officials, the measure aimed at saving the country about US\$ 1.3 billion a year (Long 2019); though, eliminating subsidies on domestic fuels has proven to be like tossing a stick of dynamite into a tinder box in contemporary Ecuadorian history. When President Abdalá Bucaram eliminated the subsidy on domestic gas for cooking in 1997, the National Assembly declared him “mentally incapacitated” (*loco*), and deposed him within a few days. With hindsight, it might be argued that herein Moreno found a good reason to maintain domestic gas untouched. However, the elimination of subsidies on transportation fuels did trigger nationwide protests, which could not even be stopped by repression or the declaration of a state of emergen-

cy, and Moreno was forced to repeal the measure on October 15, after two weeks of street pressure.

The origin of the protests was certainly not monocausal; yet, Alarcón and Peters (2020) argued that political turmoil was the consequence of questioning the foundations of the rentier bargain and therefore trying to alter state-society relations. Central to the “rentier bargain” between the state and society in oil-rich countries is peoples’ claim on their portion of oil rent in the form of subsidies on oil products, i.e. the expression of a quasi-naturalized right derived from living in a natural resources-rich country (Peters 2017a, 58). Reclaim on oil rent, in the form of access to subsidies, proved to be central to assess the limits of reform, and even government’s room for maneuver when trying to impose changes to the current development model. Analogously, reclaim on natural resources rent might gain momentum in further debates on tightening the fiscal contract, or discussing what Atria, Biehl, and Labarca (2019) called the “fiscal sociology” applied to natural resources-rich countries. The elimination of subsidies on transportation fuels reminded of the loss of state’s autonomy from international financial institutions (IFI) and unveiled the process of dismantling of the landlord-arbiter state configuration. As the sociopolitical atmosphere resembled the end of the first oil boom (and even reminded of the crisis of the end of the twentieth century), debates on the alternatives to the elimination of subsidies took place in an economy that traditionally followed procyclical tendencies. Conservative economists consider Keynesian policymaking (i.e. state’s intervention to boost aggregate demand during crisis) as the paradigm of countercyclical economic policy. Though, the country study of Ecuador proved to be unsuitable to access the enforcement of countercyclical economic policy. On the one hand, crises coincided with the state’s loss of relative autonomy based on the appropriation of a larger portion of oil rent and with the dismantling of the landlord-arbiter state configuration. On the other hand, subsidies on fuels remain since the beginning of the oil era, they outlived booms as well as crises.

However, the elimination of subsidies on transportation fuels was not the first measure taken by Moreno’s government to cope with the budgetary gap after assumption in May 2017. Besides trying to renegotiate oil deals with China clinched by his predecessor (Valencia 2017), and returning to traditional creditors, particularly the IMF, a significant action was the dismantling of the ministries of coordination and other state entities

established during the last decade<sup>190</sup> (such as sectorial ministries, national secretariats, technical secretariats, public enterprises, agencies, councils, research institutes). These measures were also directed to signalize an alleged rupture with Correa. A hard hit was the dismantlement of the National Secretariat of Planning and Development (SENPLADES). Despite oil rent allocation was driven by political criteria (rather than by neutral, economic criteria) during the second oil boom, SENPLADES epitomized the return of the faith in state’s economic planning. Though, by preserving the bulk of SENPLADES payroll, its elimination was regarded as rather symbolic. Instead, Lenín Moreno established the Technical Secretariat of Planning “Planifica Ecuador” (*Secretaría Técnica de Planificación “Planifica Ecuador”*) subordinated to the Office of the President (Executive Order No. 732, May 13, 2019); such a configuration reminded of the old SENPLADES, an office within the presidency between 2004 and 2007.

The elimination of state entities was at the cost of about 12,000 dismissals until the beginning of 2019 (El Comercio, March 13, 2019). The ongoing pursuit of a smaller state counted already 16,000 layoffs in the public sector by the beginning of August 2019 (El Comercio, August 4, 2019), and further set its sights on public enterprises. Between December 2018 and July 2019, about 6,500 public servants have been removed from public companies in an alleged “optimization”. According to government officials, the payroll of circa 33,500 employees at public enterprises (by August 2019) is “still obese” (Montenegro 2019). As the public sector continues shrinking, highly qualified manpower resulting from the international scholarships granted by the Ecuadorian government (Figure No. 11) will increasingly become a loose end. PhD- and master scholarship holders (mostly with a middle class origin), who returned to Ecuador during the last years of the oil bonanza applied for the academia in absence of a consolidated private sector, and with an already saturated public sector. But job hunting in the academia implied competing with states classes, which regarded public universities as a lifeline or a “plan B” during the reduction of the high-ranking bureaucracy, “already by 2016, public universities were overflowed by former high-ranking government officials, who served, or were still serving in ministries” (former scholarship holder of the Ecuadorian government, interview, August 8, 2018). By October 2019, in average

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190 Another significant measure at domestic level was the prosecution of Correa and his close allies for corruption allegations. Though, an estimation of the contribution of corruption (e.g. embezzlement, bribery) to the budget gap is beyond the scope of this book.

for newly hired lecturers, the salary paid by public universities was double so high than that paid by private universities. Ecuadorian public universities are well-known for their above-average remunerations compared to Latin American levels. By 2012, during a height of international oil prices, the Council of Higher Education (*Consejo de Educación Superior*, CES) resolved upward adjustments in wages of public university lecturers ranging from 131 percent to 300 percent. With that, the average wage of a full-time lecturer in public universities reached circa ten 2012 minimum wages (Resolution No. RPC-SO-037-265-2012 of October 31, 2012). Whilst, “private universities did not catch up with upward adjustments in wages [...] work conditions were less attractive, for the few offers” (former scholarship holder of the Ecuadorian government, interview, August 8, 2018). Another impact on higher education of the loss of employment opportunities in the public sector was university desertion, mainly from middle class private universities, “particularly in the social sciences, less students matriculated... some students deserted due to the economic situation, they were removed from their jobs in the public sector, or their parents were” (lecturer at private university in Quito, interview, January 24, 2019). Consequently, “demand for public education has been increasing” (María Augusta Espín, Vice President of Academic Affairs at the Central University of Ecuador, interview, March 8, 2019).

Empty state coffers and menaced middle classes revived the faith in natural resources rent; like his predecessor, President Moreno reiterated his high hopes for mining as a future pillar of the economy (Tapia 2019; Astudillo 2019; León and Domínguez 2017, 129). Moreno’s vice-president, Otto Sonnenholzner, publicly guaranteed support for private investments and assured that the Ministry of Transport “will work on the roads required for mineral exports” (Astudillo 2019). In this line, “bridges nearing camps of mining companies have been designed for heavy traffic during the last years in order to support loaded trucks” (Pepe Vásquez, interview, October 11, 2018)<sup>191</sup>. From 2012 until May 2019, the Ecuadorian state received circa US\$ 270 million for mineral royalties (Astudillo and Castillo 2019). Until 2021, the government expects about US\$ 3,660 million in

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191 Governments’ backing of private mining companies has also taken other forms. In the same way as heads of the oil sector have been traditionally former managers of multinational oil corporations, high-ranking officials of the mining sector, and even of the environmental sector (the national authority granting environmental licenses), have been working or are connected with mining companies (Jessica López Pérez, interview, November 13, 2018).

mineral exports and US\$ 800 million in tax revenues (Tapia 2019). With that, the share of mining in GDP would jump from 0.6 percent in 2017 to 4.0 percent in 2021 (Astudillo 2019). Different from the case of oil rent, where state’s participation has traditionally been ensured by a national company, state’s pursuit of a larger portion of mineral rent seems to follow a planned scheme founded on private companies’ taxation and royalties. Table No. 32 depicts a comparison between the weight in GDP of oil rent and mineral rent for the period 1971-2017 (data entails exclusively rent, not tax revenues). The participation of mineral rent in GDP shows an upward trend, and averaged 0.21 percent for the period 2011-17 (World Bank 2019k). Though, such values are still far behind the benchmark case of oil rent. As percentage of GDP, oil rent averaged two digits during the twenty-first century commodities boom, and peaked at 18.5 percent by 2006 (World Bank 2019d). The upward trend was only altered by the 2014 drop of international oil prices.

Table No. 32: *Oil rent and mineral rent as percentage of GDP (average), Ecuador 1971-2017*

|           | <b>Oil rent<br/>(percentage of GDP)</b> | <b>Mineral rent<br/>(percentage of GDP)</b> |
|-----------|-----------------------------------------|---------------------------------------------|
| 1971-80   | 5.6                                     | 0.01                                        |
| 1981-90   | 8.0                                     | 0.09                                        |
| 1991-2000 | 7.3                                     | 0.0                                         |
| 2001-10   | 13.0                                    | 0.05                                        |
| 2011-17   | 9.4                                     | 0.21                                        |

Source: World Bank (2019d; 2019k)

In a context of increased awareness of the negative socioecological consequences of extractivism, optimism about mining among society is related to the promise of development, particularly to the promise of employment opportunities, which have been proven central to the consolidation and strengthening of middle classes. On September 3<sup>rd</sup> 2019, supporters of mining led by public servants of the Ministry of Energy and Non-Renewable Resources<sup>192</sup> marched on Quito exhibiting posters in which mining was placed in the core of development: “YES to mining, YES to develop-

192 By 2007, Correa split the Ministry of Energy and Mines (MEM) into the Ministry of Mining and Oil and the Ministry of Electricity and Renewable Energy (Executive Order No. 475, published in the Official Gazette No. 132, July 23,

ment, YES to employment, NO to poverty” (*SI a la minería, SI al desarrollo, SI al trabajo, NO a la pobreza*) or “Mineral Royalties = Health, Education, and Employment Opportunities” (*regalías mineras = salud, educación y oportunidades*). Faith in the potential impacts of mining on the economy (found in government and at least in a significant portion of society<sup>193</sup>), as well as further reliance on oil, take place in Ecuador in an scenario shaped by increased awareness of the negative socioecological consequences of extractivism and with the involvement of new stakeholders, who defend antagonist meanings of nature and development. Such a cocktail speaks for the need of a political ecology approach of natural resources rentierism, which nurtures from previous academic contributions like 1) the evidence of semiotic struggles (Escobar 1995b) over a prevailing meaning of nature and development, 2) the struggle over natural riches that takes place in natural resources exporting societies, where the generation of value is based on the capture of rents (Coronil 2008, 20), and 3) society’s claims on rent as a quasi-naturalized right to participate in the benefits generated by natural riches (Alarcón and Peters 2020; Peters 2017a, 63). Hence, the proposed political ecology approach of rentierism *à la* Ecuadorian comprises *first*, the evidence left by the termination of the Yasuní-ITT initiative of antagonist meanings of development defended by the state and society, which are founded on different visions of nature; *second*, the validity of an approach to the state’s strategies to capture a larger portion of natural resources rent (e.g. through a state-owned company and the renegotiation of contracts in the case of oil extraction, or through taxation and royalties in the case of mineral extraction); and *third*, the necessity of stressing on the struggle of different society sectors to access to a portion of rent captured by the state, not as a struggle over natural riches itself, but as a pursue of benefits granted by the state on the basis of rent allocation (e.g. funding for local development projects, subsidies, employment opportunities in the public sector, access to public health and education).

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2007). The Ministry of Mines and the Ministry of Hydrocarbons resulted from the division of the Ministry of Oil and Mining (Executive Order No. 578, published in the Official Gazette No. 448, February 28, 2015). By 2018, Moreno fused 1) the Ministry of Mines, 2) the Ministry of Hydrocarbons, 3) the Ministry of Electricity and Renewable Energy, and 4) the Secretariat of Hydrocarbons into the Ministry of Energy and Non-Renewable Resources (Executive Order No. 399, May 15, 2018).

- 193 Following Eisenstadt and Jones West (2017), inhabitants of natural resources-rich backward territories, where extractivist activities have not been undertaken yet, add to a portion of society that has high hopes for mining.