Oil Sparks in the Amazon

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INTRODUCTION

On June 5, 2009, at least thirty-two people were killed and hundreds injured when security forces clashed with Indigenous Peoples in the bloodiest social unrest Peru has experienced in recent history. Some eight hundred Indigenous demonstrators took over oil and gas infrastructure, blocked access roads, and interrupted exports from the country’s main oil production area, located in the Amazonian province of Bagua. The clashes followed seven weeks of street protests by some thirty thousand Indigenous Peoples opposing a series of new government decrees that facilitated the sale of the lands they lived on to oil, gas, and timber developments. Carrying spears, their naked torsos and faces painted, the protestors marched day and night along the area’s dirt roads, chanting antigovernment slogans. They took over the local airport, which belongs to a foreign oil company that had promised two billion dollars in new investments in Peru’s most prolific oil region.

Peru has been adamantly trying to increase its hydrocarbons production to meet domestic needs and reduce increasingly expensive imports. But the upheaval raised questions about the feasibility of boosting private oil and gas investments. News of Peru’s deadly clashes shocked the world and was echoed by the main media outlets:

“Oil and Land Rights in Peru: Blood in the Jungle”
Economist, June 11, 2009

“‘Many Missing’ after Peru Riots”
BBC News, June 8, 2009

“9 Hostage Officers Killed at Peruvian Oil Facility”

“The Wounded in Hospitals in the Bagua and Jaen Regions Go Up to 169.”
La República, June 5, 2009

After the clashes, Indigenous spokespeople accused members of the armed forces of opening fire from a helicopter against peaceful demonstrators. But the government denied that account and said the demonstrators were armed and
defiant. A prominent leader and organizer of the Indigenous marches fled to exile in Nicaragua for fear of being detained in Peru. Human rights organizations around the world condemned the clashes and called on the government to reconsider its decision to pass the controversial decrees. A few days later, the president of Peru said the decrees would most likely be rescinded to open the way for a negotiating period with the Indigenous communities.

During a press conference following the deadly confrontations, Indigenous leaders said they would continue to oppose the decrees, which they feared would facilitate an invasion of their lands by foreign companies. They believe they should be consulted before any kind of industrial development is planned for their territories. The government, however, maintains that the fact that they were born there does not mean they own the natural resources of the area. In Peru the constitution states that the government is the legal administrator of subsoil natural resources and has the power to decide how and when to develop them, regardless of who is living on the surface.

Events similar to those in Bagua have been multiplying throughout Latin America, paralleling the unprecedented economic expansion that the region experienced in the first decade of the twenty-first century. Economic growth has come in response to high commodity prices, increased international demand, and overall sound investment policies. The strengthening of democratic governance throughout the region and the end of the Cold War has introduced Latin America to a more stable political environment than that which existed in the 1960s and 1970s. Political stability has contributed to the sound economic performance of the twenty-first century and has facilitated the arrival of new investments, particularly in natural resources. Oil exploration and hydrocarbons development projects have experienced a boom, mainly in the Amazon jungle, which holds largely undeveloped reserves.²

Parallel to the obvious economic benefits of this hydrocarbons boom and to the generalized optimism it has generated came a dramatic increase in the number of conflicts related to the new projects. Conflicts have been especially serious in the Amazon, which is home to large numbers of Indigenous and farming populations whose attitude toward the new developments has been generally hostile. The rapid expansion of bloody conflicts at times has threatened the relative social peace that has prevailed in Latin America since the end of the 1980s. The increased violence has also thrown into question the sustainability of long-term economic growth for the region, particularly growth based on natural resources.
Oil and gas conflicts often feed on the social and economic frustrations of the population affected by them, usually Indigenous Peoples, who feel they are being once again excluded from the benefits of economic development enjoyed by the rest of society. A new feeling of empowerment among local Indigenous communities, derived from an expanded national and international recognition of their political and economic marginalization, has contributed to their growing militancy. Indigenous groups have a strong impetus for defending their territories from new and expanding oil and gas developments when they feel they are not sharing in the benefits. The fight for recognition of the rights of Indigenous populations is at the heart of local hydrocarbons conflicts, which are rapidly becoming a new platform for social mobilization in Latin America.

This book provides an analysis of the elements that contribute to the development of local oil- and gas-related conflicts in Latin America, their nature and dynamics, and the reasons for their proliferation. It also looks at the factors and actions that may help prevent such conflicts—or at least mitigate their intensity. Unlike previous work regarding natural resources and conflict, this study explores nonarmed conflict situations, particularly at the community level, rather than armed confrontations and civil wars. The book provides suggestions for the incorporation of dispute resolution mechanisms in relation to oil and natural gas developments. These recommendations are based on an in-depth analysis of the year-by-year development of dozens of conflicts in Peru, Ecuador, and Colombia and on concrete, practical findings.

Conflicts over natural resources are not new to the region. Throughout its history Latin America has witnessed numerous disputes that could be classified within four broad categories: geopolitical troubles, border issues, revenue distribution, and local differences over the development of natural resources (Vasquez 2011, 12–16). Many of the conflicts that characterized the Cold War period were geopolitically driven. These types of conflicts typically involved the use of oil or gas for building cross-country alliances, with the goal of imposing specific political or ideological changes. The best recent example of a geopolitical conflict in Latin America involves Venezuela during the administration of President Hugo Chávez, who used his country’s ample oil and gas reserves—80.5 billion barrels of proven oil and 149 trillion cubic feet of natural gas—to craft energy cooperation programs with ideological allies. The Petrocaribe Initiative, created in 2005, supported political alliances by guaranteeing Venezuelan oil at preferential prices to Caribbean countries, and through the Bolivarian Alliance for the Americas, Caracas contributed to the development
of energy projects in politically friendly countries. By contrast, governments not aligned with President Chávez’s political views live with the specter of supply interruptions by Caracas. A strong critic of the United States, Chávez put his country’s natural gas trade with neighboring Colombia at stake in 2009, as a result of Bogota’s decision to step up the presence of U.S. military forces in its territory. Chávez raised the possibility of shutting down the 224-kilometer Trans-Caribbean gas pipeline that connects Colombia’s Ballena field with Venezuela’s oil-producing Maracaibo region. In the end, the threats failed to materialize into concrete action. Such ideologically driven interstate conflict has become more sporadic around the world since the 1989 fall of the Berlin wall, and Latin America is part of that trend. The geopolitical conflicts around natural resources that prevail in Latin America today no longer pose a real threat to the relatively young regional democracies, with the possible exception of Venezuela’s use of its oil resources as a political pressure tool.

The second type of hydrocarbons dispute between states is linked to border conflicts, which are also less frequent nowadays in Latin America. Newly emerging border disputes around oil or gas are usually addressed through diplomatic channels, even if they may still trigger deep hostility among the countries involved. The resolution of hydrocarbons differences through war was a reality of the past century. In 1932, for example, Bolivia began three years of bloody armed confrontation with Paraguay over control of the Chaco boreal region, which was mistakenly thought to contain large reserves of oil. By contrast, a more recent border dispute between Peru and Chile was resolved peacefully, if not necessarily in an economically sound manner. In 2005 Peru unilaterally redrew its maritime boundaries with Chile, altering a bilateral agreement signed fifty years earlier. In response, Santiago gave up its previous decision to buy Peruvian gas to make up for dwindling imports from Argentina (Vasquez 2005). Instead, Chile decided to import liquefied natural gas from international markets, a more expensive option, but one that guaranteed regular supplies and shielded Santiago from potential future border conflicts with Peru.

Probably the most damaging historical border conflict, with long-lasting violent effects even in modern-day Latin America, was the 1880s War of the Pacific between Chile and Bolivia. During that confrontation Chile took away Bolivia’s access to the Pacific Ocean and left it landlocked, planting the seeds of a Bolivian antagonism toward Chileans that is still very much alive. That deep-rooted feeling was externalized in 2002 with the start of the deadly events that became known as the “Gas Wars.” Popular opposition in Bolivia to government
proposals for exporting landlocked Bolivian natural gas through a Chilean port triggered violent street confrontations that left dozens dead and contributed to the ousting of two Bolivian presidents—Gonzalo Sanchez de Lozada in 2003, and his successor, Carlos Mesa, in 2005. Thus the initiative to export Bolivia’s gas to the United States and Mexico through a port in Chile fell through, as the private consortium leading the export project decided to set up operations in Peru instead.

The third type of conflict—related to the distribution of revenues—occurs within a country’s borders and is well illustrated by the case of Bolivia, following the discovery of an estimated 9.9 trillion cubic feet of proven natural gas reserves (EIA 2012a). A long-term struggle was set in motion among various Bolivian regions for control of the new gas revenues in a confrontation charged with strong ethnic overtones. The relatively small percentage of the population of Spanish descent, who control the gas-producing southeastern provinces of Tarija, Santa Cruz, and Cochabamba, confronted the majority of the country’s population of Indigenous ancestry. Behind the ethnic element were class differences that have been historically manifested in deep economic and social inequalities between the two groups, with the majority Indigenous Peoples, who live mainly in the highlands, experiencing higher poverty rates than the rest of the population.

With the ascendancy to power of Indigenous President Evo Morales in 2006, Bolivia’s majority Indigenous population held political power for the first time. Upon taking office, Morales was immediately confronted with calls for autonomy by the gas-rich states, for fear they would lose control of the profitable gas reserves to the majority population of Indigenous descent. Defying the opposition from the lowlands, the new president set out to redistribute gas revenues in the form of new social programs and to rewrite the constitution to increase the rights and political representation of the majority Indigenous population. His efforts were met with bloody demonstrations, as pro- and antigovernment protesters clashed over gas revenue distribution.

The last type of dispute related to the development of hydrocarbons—local conflicts—is the main focus of this book. For the past two decades, this has been Latin America’s fastest growing category of conflicts in relation to oil and gas development, but the least studied. The negative environmental and social externalities brought about by the boom in the exploration and development of hydrocarbons reserves, and the impact these have had on local communities, constitute the main trigger of local conflicts today. Local conflicts are geograph-
ically limited to the boundaries of the oil or gas project that originally sparks them, and they involve Indigenous Peoples, and sometimes farming communities living in the area. Underlying these dynamics are old, unresolved grievances and a history of marginalization of the affected groups. As illustrated by the Bagua events, if not addressed properly and in a timely fashion, local conflicts can have regional—and sometimes even nationwide—impacts. Their rapid proliferation and increasingly violent nature threaten the sustainability of Latin America’s natural resource-based economic growth.

The knot of elements that characterize local conflicts is not easy to untie. First, a large number of very different stakeholders represents many interlaced and sometimes opposed interests. Among the main actors are various levels of government bureaucracies that are often not coordinated with one another; Indigenous Peoples, who are protected by specific laws; a variety of nongovernmental and international organizations that represent the interests of local groups; environmental nongovernmental organizations (NGOs) that advocate mainly an ecological agenda in relation to oil projects; and the oil companies responsible for developing the oil and gas reserves.

Second, more often than not the laws available to solve local conflicts are not clear or properly interpreted, and they are sometimes wrongly implemented, overlapping, or contradictory. Third, oil companies contribute their share to local conflicts by not always adopting sound social and environmental standards. Fourth, weak governance, corruption, and nontransparent rules at sub-national government levels often lead to inequitable allocation of new oil revenues and eventually to conflict.

This book focuses on hydrocarbons-related local conflicts in Colombia, Peru, and Ecuador, where the number of new oil and gas projects has increased the most in the past two decades, particularly in remote Amazon territories inhabited by Indigenous and farming populations. In the presence of an external challenge—such as an oil project—the deep ethnic identity that characterizes Indigenous populations becomes a key unifying element and a channel for the expression of economic, social, political, and cultural grievances, in a way that sometimes results in conflict (Stewart 2008, 3–25).

These vulnerable groups have historically been the most affected by Latin America’s deep-rooted social and economic inequalities. Nearly all countries in the region experience large disparities in income and access to basic services, education, and land tenure, among other variables. This is in spite of the no-
table economic growth of the past two decades, which resulted in a significant drop in poverty levels among Latin America’s overall population: poverty rates dropped from 50 percent in 1990 to 32 percent in 2010 (ECLAC 2010b).

While the bulk of the oil and gas resources in Peru and Ecuador are in the Amazon basin, in Colombia most of the traditional oil production is concentrated in adjacent areas—the eastern Llanos and Magdalena basins—which are not large enclaves of Indigenous populations. However, as hydrocarbons projects expand throughout the country, new oil areas in the southern Amazon department of Putumayo and the northern departments of Santander, Norte de Santander, and Boyaca, on the border with Venezuela, overlap with Indigenous populations. Most important, Colombia’s longest, still unresolved oil conflict involves the U’wa Indigenous population, which has opposed oil developments in its territory for fifteen years.

In the process of writing this book, I have been frequently asked why I didn’t use Venezuela as a case study. The answer is one of dynamics and challenges. Historically, the oil industry has been the core around which Venezuela’s economic, political, and even social dynamics of the past eighty years have played out. Oil developments and Venezuelan politics could be said to be a composite that responds in tandem to national and international stimuli. But in Venezuela today oil-related conflicts are mostly geopolitical, with the exception of a few border disputes, mainly related to the delimitation of natural gas areas bordering with neighboring Trinidad. Local conflicts resulting from oil operations are few and do not pose comparable democratic challenges as in other hydrocarbons-producing countries, mostly because new exploration has been limited and old producing areas are not large Indigenous enclaves.

Much of the research for this study was based on the analysis of human stories that developed around the oil and gas industries of Latin America and how they unfolded through the years. Interviews carried out with the different stakeholders through the years provided the elements for studying each case individually in order to be able to make educated assumptions. The identity of the majority of those interviewed has been kept anonymous as part of the journalistic ethic that calls for the protection of sources. A strict adherence to this golden rule of journalism contributed to gaining the trust of those interviewed, whose sometimes sensitive statements contributed to enriching this book. The primary information obtained was cross-examined among the different sources, across country borders, and with existing literature.
As part of the methodology used in this book, all available documented local conflicts around oil and gas projects in Peru, Ecuador, and Colombia between 1992 and 2010 are compiled in three matrices, one for each country. Each matrix includes chronological, detailed information about how the conflicts have developed, the elements that have contributed to their worsening and mitigation, and the interplay of the stakeholders. The meticulous analysis of every historical variable with a direct or indirect influence on the conflicts has been double-checked through interviews and literature research. A detailed description of each stage of the conflict throughout the years has allowed for an in-depth grasp of the dynamics at play in each case at each moment in time. Comparative analyses based on the mapping of fifty-five conflicts in each country has allowed for the formulation of initial conclusions that were subsequently verified.

The second phase of the methodology was to grade each stage of the local hydrocarbons conflicts on a scale from 0 to 5, reflecting various levels of intensity throughout their duration (see table 1). The highest grade indicates the maximum intensity reached by each conflict during the period under review.

Conflicts that resulted in full agreement after negotiations were graded “0,” while disputes characterized by violent, nonauthorized actions that ended with major destruction or casualties received a “5.”

Table 2 summarizes the number of conflicts that fall in the two highest levels of intensity (levels 4 and 5) in each of the three countries studied. Each conflict was analyzed throughout its duration and different actions or events were graded according to the scale specified in table 1.

Ecuador shows the highest number—ten—of level 5 disputes, the most violent type, almost half of this country’s twenty-three conflicts. This may be due to the fact that conflicts are older in Ecuador than in the other two countries

<table>
<thead>
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<th>Table 1</th>
<th>Scale of conflict intensity</th>
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| HIGH intensity | 5: Violent response with major destruction or casualties.  
4: Popular mobilizations and demonstrations. |
| MEDIUM intensity | 3: Widely publicized disagreement leading to legal action.  
2: Publicly expressed disagreement, but with ongoing dialogue. |
| LOW intensity | 1: Agreement reached, but slow implementation.  
0: Full settlement with satisfaction among all parties involved. |

Source: Compiled by the author.
and have typically gone through various intensity levels throughout their duration. Once they reach the highest intensity it is probably a measure of last resort and proof that none of the previous steps offered much in the way of results for the affected communities. Peru and Colombia have fewer level 5 conflicts than Ecuador: a total of seven each. However, almost half of Colombia’s twelve conflicts present a level 5 intensity, representing the same proportion of the total as Ecuador. In Peru level 5 conflicts represent roughly a third of a total of the twenty disputes. The persistence of high-intensity disputes in Colombia may be linked to the country’s decades-old armed conflict, which tends to quickly escalate disputes into open violence and to directly influence local oil and gas conflicts. In Peru, level 4 conflicts represent a higher proportion of the total: nine out of twenty. This may be in part because conflicts are concentrated in a much shorter period. In contrast to Ecuador, Peru became a large natural gas producer only recently and has yet to find enough oil to become self-sufficient. Maybe due to that late start, Peru shows the fastest growing number of hydrocarbons-related conflicts in our study.

The book is divided into four chapters, plus an introduction and conclusion. The first two chapters set the sociopolitical and economic context in which hydrocarbons conflicts occur and include an overview of the historical developments that have contributed to the present conflictive situations. Chapter 1 offers an analysis of the trends that have shaped investor and government interest in oil and gas in Peru, Ecuador, and Colombia throughout the years. It particularly focuses on oil and gas in the Amazon region and presents an overview of the typology that characterizes hydrocarbons conflicts in Latin America. The second chapter analyzes the interrelationship between oil and gas projects in the Amazon and the local Indigenous population. This chapter presents the so-

<table>
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<th>Country</th>
<th>Level 5</th>
<th>Level 4</th>
<th>All levels</th>
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<tr>
<td>Ecuador</td>
<td>10</td>
<td>4</td>
<td>23</td>
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<tr>
<td>Peru</td>
<td>7</td>
<td>9</td>
<td>20</td>
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<tr>
<td>Colombia</td>
<td>7</td>
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<td>12</td>
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Source: Compiled by the author.
cial, economic, and political dynamics of the Indigenous movement in the region and how these relate to hydrocarbons conflicts. Chapter 3 covers the structural flaws that fuel hydrocarbons conflicts and looks at issues such as the legal frameworks, poor governance practices, and incomplete policies that have contributed to generating or aggravating conflicts. It uses the Peruvian example of fiscal decentralization to represent subnational governance weaknesses that have contributed to generating oil- and gas-related conflicts. Chapter 4 offers an analysis of a series of stress factors that influence the intensity of the conflicts. Particular attention is given to the behavior of the various stakeholders in intensifying or mitigating disputes. Chapter 4 also addresses in detail one of the main messages of the book: the importance of well-respected institutions in acting as mediators to resolve or mitigate hydrocarbons-related local conflicts. Unfortunately, institution building is not one of Latin America’s strengths. But there are exceptions: examples of successful institutional intervention for mitigating local conflicts around oil or gas that can be good models to imitate. The book particularly commends the Peruvian Office of the Ombudsman. Finally, the conclusion offers a summary of the main findings and a few recommendations to prevent oil-related conflicts, or to contribute to reducing their intensity, in Latin America.