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Oil, extractivism and inequality in Ecuador

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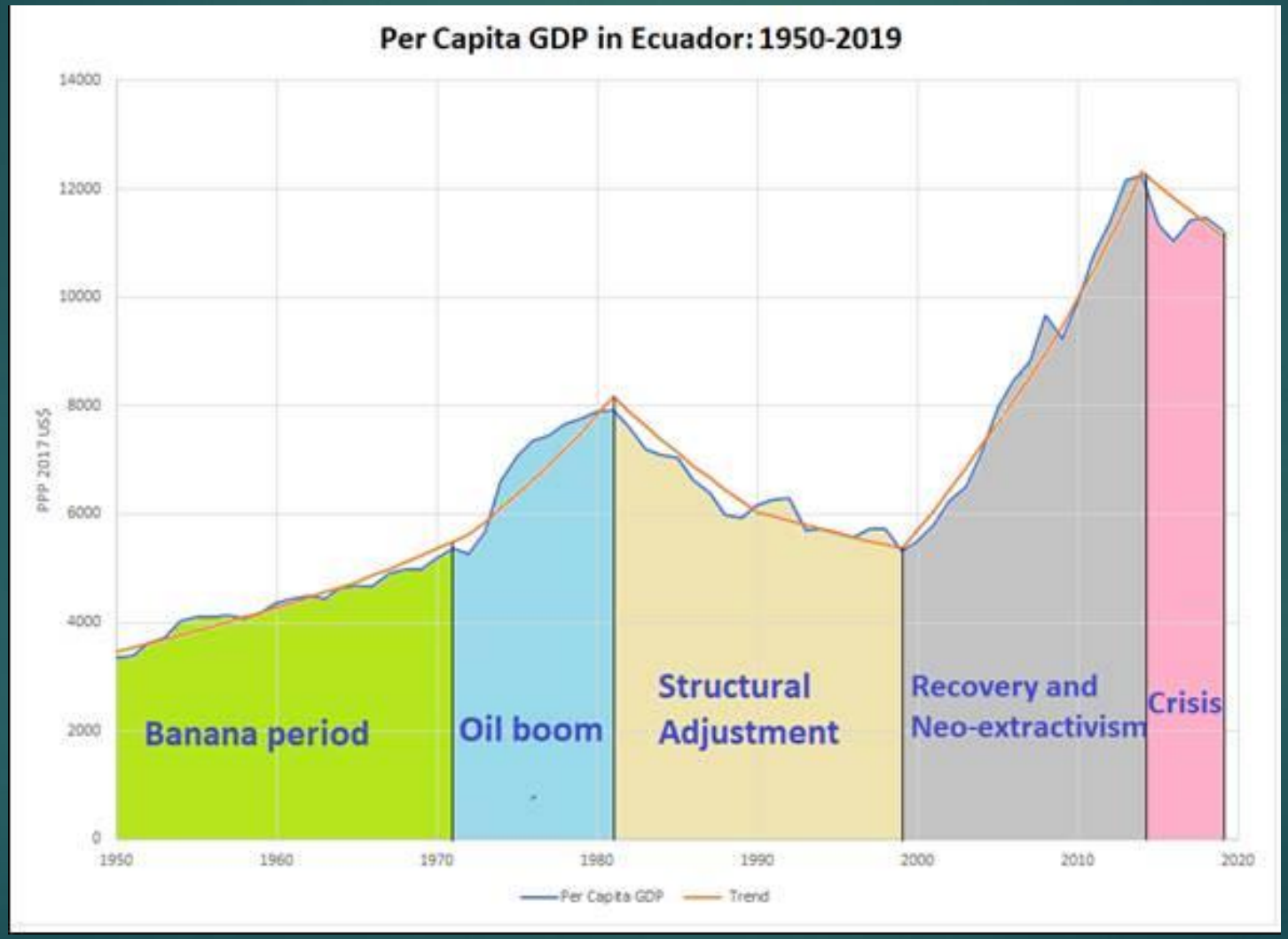
Why Ecuador is relevant

- One of the most biodiverse countries in the world
- An oil dependent economy since 1972
- Oil extraction in the Amazon basin, huge environmental impacts
- Small, but still significant, oil reserves
- High potential for a successful transition to a low emission sustainable economy

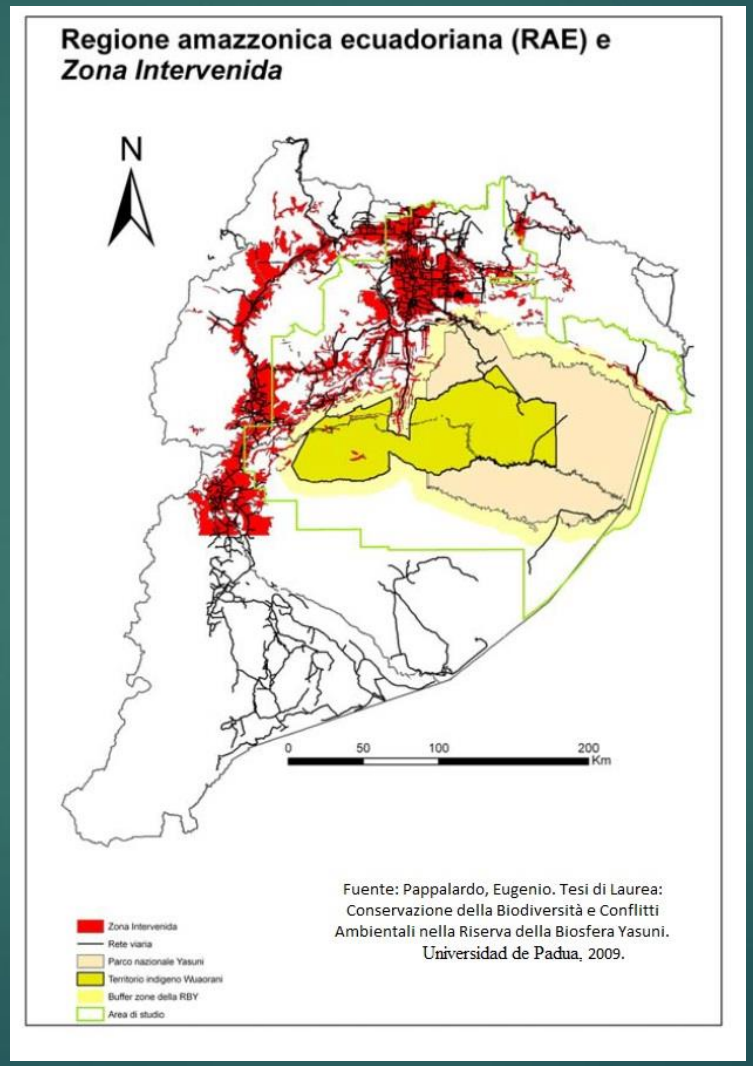
Oil and development in Ecuador

- Ecuador is an oil exporter since 1972, and oil became the backbone of the economy
- The oil curse:
  - Low and unstable economic growth
  - Minimal economic diversification
  - Weak social distribution
  - High environmental effects
- Small remaining reserves: 10 years of net exports
- High potential for a diversification towards a biodiversity-based service economy

Per capita GDP in Ecuador: 1950-2019



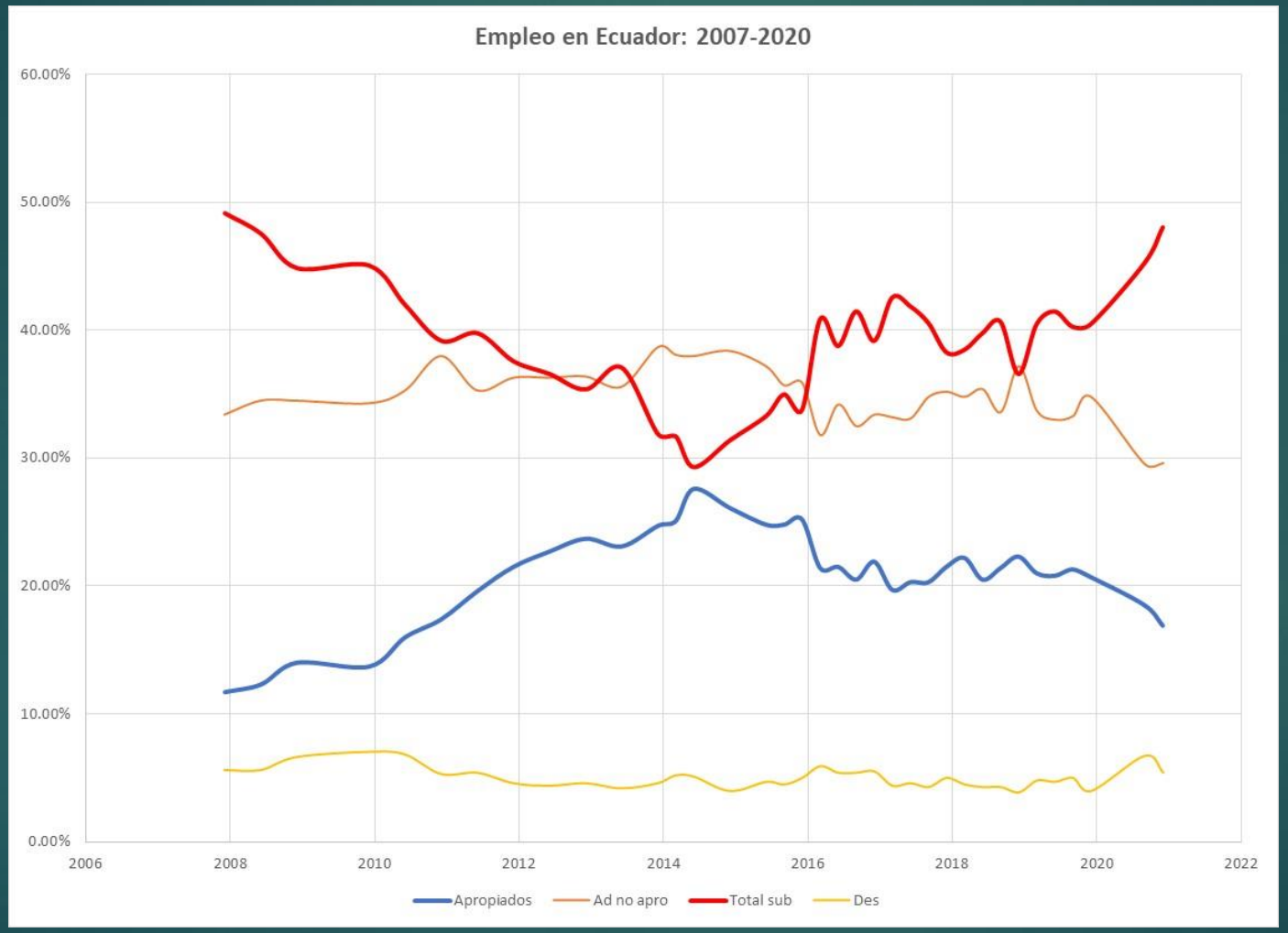
Oil and Deforestation in Ecuador



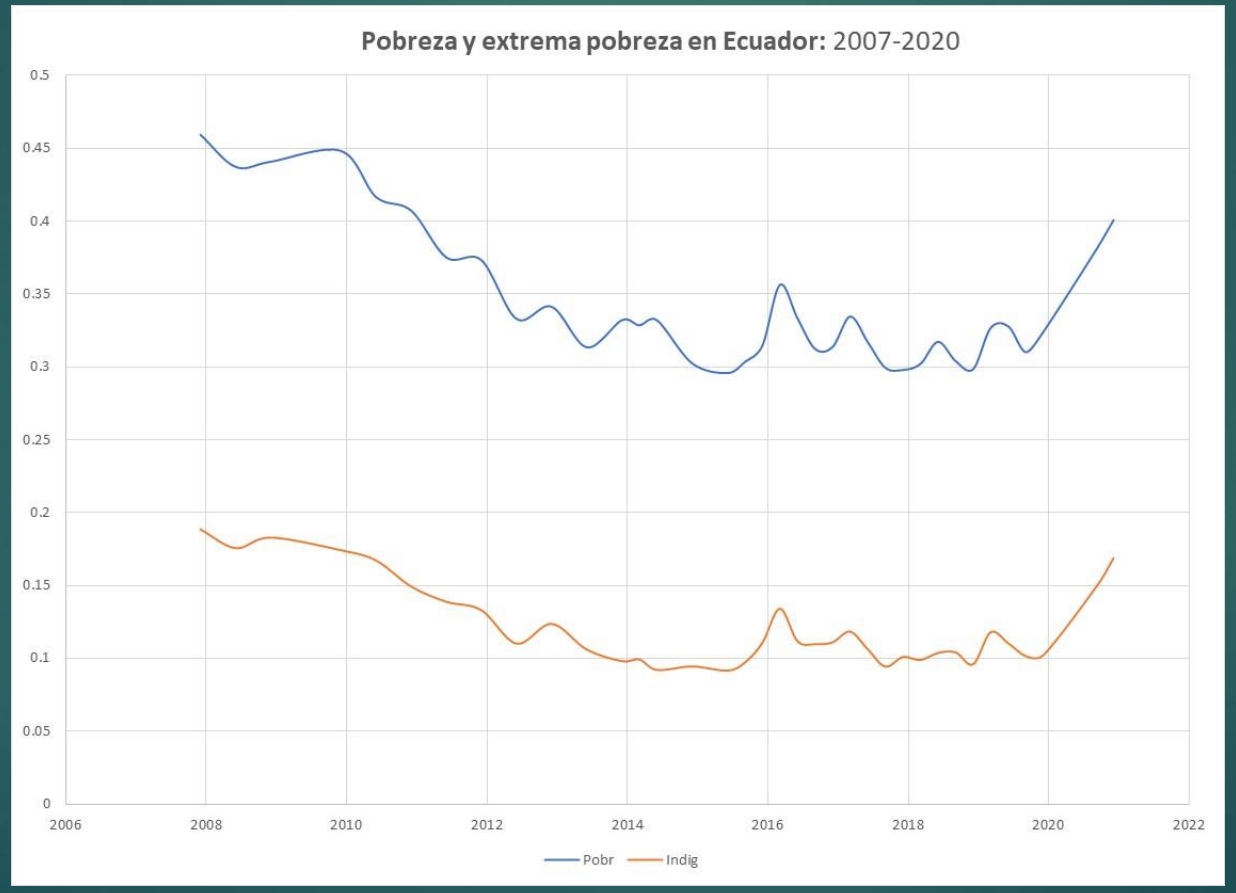
Extractivism and development in Ecuador: 1972-2016

- Economic Diversification
  - Exports
    - Oil: 57% of total exports, 29% of fiscal revenues but only 11% of GDP.
    - Primary goods: 93% de exports (ECLAC).
  - Weak productive diversification
    - Declining manufacturing-GDP ratio
    - Weak export diversification
    - Achievements in renewable energy (hydro megaprojects)
- Social Conditions
  - Poverty: 31%, Underemployment, 33%, Social inequality: Gini 0.52.
- Severe environmental costs

Underemployment in Ecuador: 2007-2020



Poverty in Ecuador: 2007-2020



Oil and unequal development in the Amazon

- As a detailed statistical analysis demonstrates, not only the **Amazon is the poorest region of the country**, but oil extraction has a detrimental role over local living conditions.
- The extractive model did not bring about social distribution and has generated a severe environmental degradation. Other Andean Amazon countries, like Peru and Colombia, share adverse social and environmental effects of oil expansion.

Social Development Index in Ecuador by Region and Area

Region and Area	1990	2001	2010
Rural Highlands	42.1	49.0	59.0
Urban Highlands	67.3	72.1	78.4
Rural Coast	42.4	47.7	55.3
Urban Coast	59.6	63.1	69.6
Rural Amazon	41.0	45.8	54.3
Urban Amazon	54.1	60.5	68.3
Rural Galápagos	62.1	65.9	69.6
Urban Galápagos	65.5	66.8	74.6
Total	55.2	60.4	68.1

An spatially autoregressive model for social development in Ecuador's Amazon

- Dependent variable: Social Development Index (SDI)
- Number of observations = 2408
- Maximum likelihood estimates:
- Wald chi2 (11) = 8894.03
- Prob > chi2 <= 0.0001
- Log likelihood = - 7016.191
- Pseudo R2 = 0.7842

InDesSoc100	Coefficient	Std. Error	z
InDesSoc100			
Proximity to oil wells index	-0.261	0.026312	-9.93
Soil fertility index	0.854	0.4222169	2.02
Prop. of intervened areas	20.506	2.231269	9.19
Prop. of intervened areas^2	-10.879	1.392222	-7.81
Travel time to markets	-0.482	0.0688226	-7
Prop. Agriculture in EAP	-5.042	0.6216075	-8.11
Prop. wage earners in EAP	7.233	0.6529073	11.08
Prop. logging in EAP	22.438	3.684288	6.09
Dummy rural	-2.675	1.202942	-2.22
DRural*PropIntAreas	-2.666	1.328097	-2.01
Constant	35.197	1.363232	25.82
Widist2 distance matrix			
InDesSoc100	0.077	0.009	9.05
var(e.InDesSoc100)	19.876	0.573	