



ENGOV Working Paper Series

ENGOV - Environmental Governance in Latin America and the Caribbean: Developing Frameworks for Sustainable and Equitable Natural Resource Use - is a collaborative research project between Latin American and European researchers funded by the European Union (SSH-CT-2010-266710).

For more information:
Para mayor información:
Para mais informações:
www.engov.eu

The ENGOV working paper series serves to communicate the first results of ongoing ENGOV research, with the aim to stimulate the exchange of ideas and debate at different levels. Inclusion of a paper in the ENGOV Working Paper Series does not constitute publication and should not limit publication in any other venue. Copyright remains with the authors.

ENGOV Working Paper No. 1, 2013

Unfinished business: state-building and large-scale mining under the Citizen's Revolution in Ecuador

Author: Pablo Andrade A. (UASB-SQ)

ENGOV Working Paper Series

Published by the Collaborative Research Project ENGOV: Environmental Governance in Latin America and the Caribbean: Developing Frameworks for Sustainable and Equitable Natural Resource Use

Copyright for this edition: Pablo Andrade A.

ENGOV - Environmental Governance in Latin America and the Caribbean: Developing Frameworks for Sustainable and Equitable Natural Resource Use - cannot be held responsible for errors or any consequences arising from the use of information contained in this Working Paper; the views and opinions expressed are solely those of the author or authors and do not necessarily reflect those of ENGOV.

All working papers are available free of charge on our website www.engov.eu.

Biographical notes

Pablo Andrade Andrade: Ph.D. , Social and Political Thought, York University, Canada, Coordinator of the Latin American Studies Programme, Universidad Andina Simón Bolívar, Sede Ecuador. He is the author of 3 books on Ecuador's political evolution during the '90s and 2000's. His research focuses on the political economy of institutional change in Ecuador, with emphasis on the changes of development models.

ENGOV Working paper No. 1, 2013

Unfinished business: state-building and large-scale mining under the Citizen's Revolution in Ecuador

Author: Pablo Andrade A. (Universidad Andina Simon Bolívar - Sede Quito)

Abstract

This paper shows the institutional legacy of the two late XX century modes of natural resources governance that prevailed in Ecuador, and the advances made by the current government to go beyond the limits of these previous models. The work describes the changes that the government has introduced with regards to formal institutions, like laws and the creation of new state agencies for the regulation of large-scale mining activities in Ecuador. It concludes that there is a new governance model in place, and proposes that this transformation may be indicating a future departure of Ecuador from its historical path towards a rentier state.

Keywords

Ecuador, natural resources, governance, state power, liberalism, ideology, mining, extractivism, political economy, oil, development models.

Contents

Abstract.....	3
1. Introduction	5
2. State-building and development, a theoretical discussion	6
3. The debate on the new left-wing Latin American Governments and the return of the state ..	7
4. The contemporary context of state building in Ecuador	10
4.1 State building in 20th century Ecuador	11
4.2 The institutional context since 2009	14
5. The new mining policies	15
6. Concluding Remarks: breaking the mold of the rentier state?.....	20
Bibliography	22

1. Introduction

After a decade of experimenting with neoliberalism, Ecuador shifted to the left in 2006 when elected Rafael Correa, candidate of “Alianza País”, as President of the country. Immediately, the new government enacted a series of reforms under the name of “Revolución Ciudadana” [The Citizen’s Revolution]. In the political arena, until now, the ‘Revolution’ has accomplished several goals: the adoption of a new constitution in 2007-2008, general elections in 2009 and a referendum in 2010 that enabled the Executive branch to intervene in the functions of the judicial branch. Simultaneously, President Correa’s administration adopted economic policies which increased the role of the state in the country’s economy, thus allowing the state to extend control over the exploitation of mineral and oil resources, to adopt nine consecutive tax reforms and launch an ambitious, although mostly rhetorical, industrialization program. Furthermore, the government supplemented these political and economic initiatives with social policies that sought to provide the general population – in particular the poorest sectors- with jobs and improved health and educational services, and housing. Thus far, the initial results of these swift changes have been positive: the economy has grown dramatically in comparison with the last twelve years, poverty and inequality seem to have decreased, and the long-delayed upgrade of the country’s infrastructure (ports, airports, roads and telecommunications) is taking place rapidly. As for political changes, liberal representative democracy seems to have been sacrificed in the process, although frequent and fair elections, a formal division of powers, and the representation of the opposition in Congress continue to be the main political features of the regime.

All in all, Ecuador’s “Citizen’s Revolution” looks like a text-book case of Latin American *contestatory left-wing* governments (Madrid, Hunter and Weyland, 2010: 143-5). Indeed, for what we know about these governments, Ecuador looks no different from Venezuela and Bolivia, except perhaps, for the relatively low levels of political polarization that the Revolution has produced so far. *Prima facie*, a study of the Ecuadorian political process seems rather uninteresting.

So, how may the study of the Citizen’s Revolution contribute to improve the knowledge of Latin American contemporary politics, and specifically of the governance of natural resources under the new leftist governments? The evidence presented in this paper suggests that President Correa’s government is advancing a project of state-building; a dimension ignored in the literature about the new left-wing governments¹. Indeed, the common wisdom maintains that the contestatory left governments are not capable of designing and implementing institutionalization processes, due to the action of the very same factors that caused their ascent to power and early success. In what follows, I will show that the mining policies proposed by President Correa’s government envision a transition of the oil-dependent Ecuadorian economy towards a post-oil era; that is, the government is advancing a “coherent state-guided development strategy” (Madrid, Hunter y Weyland, 2010, 177). Furthermore, I will argue that these policies demand an increase in the administrative capacities of the state and as a result, major changes in the economic, political and social relations between the main domestic societal actors and the state. The new mining policies, and the accompanying strengthened administrative capacities of the state, will affect Ecuador’s future economic and political development in the long run.

¹The literature has dealt with the issue, but asking whether these governments are building or not a culturally homogenous nation state (Mijeski and Beck, 2011). My perspective lives aside the question of the nation; instead, it refers to the building of a rationalized and bureaucratic state apparatus.

2. State-building and development, a theoretical discussion

Contrary to the prevailing literature in political science, my thesis pays little attention to the political system and the normative concept of democratic institutionalization; rather its focus is on the analysis of the role of the state; that is, we need to examine the on-going process of state-building. In particular, the thesis takes into account the power of President Correa –and other government officials- to make use of “the unparalleled resources and power of the state to change society; to foster economic development...an even to alter age-old social structures and cultural patterns.” (Geddes, 1996)

This change of perspective forces us to return to the old debate about the state’s role on development. This literature emphasizes the role that the state plays in creating development paths in developing countries. It emphasizes the role that the state has had in enhancing the role that governments play in nurturing the development of the country’s economic sectors by, for example, aiding in their insertion into the world economy (Chang, 2007; 2006; 2004; Boyd, Galjart and Ngo, 2006; Chibber, 2006; Amsdem, 2001; Evans, 1991). My argument shares with this literature two of its main postulates: first, that the building of a state’s capacities to rule the economy is a key factor in explaining the success of developing countries today; and, second, that this “success” should not be understood as the ability of these countries to go beyond the framework of the global capitalist economy. On the contrary, the success of late-developers consists in becoming highly competitive, full capitalist economies inserted in the world market (Chang, 2007, 35-6).

My perspective does not need to make use of the idea of “state autonomy” to explain why the government of President Correa pursues a radical change to the functioning of the Ecuadorian state. As Geddes (1996) has pointed out, the concept of “state autonomy” is vague and “assumes that governmental policies generally reflect social interests”. Taking this into account it is possible for me to explain, firstly, how state autonomy emerged in the conservative and neo-liberal environment that prevailed in Ecuador until the end of last century and the first decade of the current century. My argument needs only to take note of the fact that the current government is using its control of the state apparatus to pursue policies that require the expansion of the state’s capacities, and that these political preferences reflect the interest and the ideology of President Correa and the members of his government team. Thus, the argument does not assume any set of teleologically predetermined “right institutions” that would make the state autonomous *vis-à-vis* the dominant class (Chibber, 2006, 9); it only needs to show that those ideas (about the institutions necessary for development) are part of the ideological preferences of the government’s officers – particularly the President’s- and that these officers are the main actors of the drama. Neither do I need to make strong assumptions about the full awareness of the actors about their agenda of change and its consequences. A more modest assumption is enough. I suppose that the President and key members of his administration are aware of, first, their own interests, and second, of the opportunities open to them thanks to the institutional changes effectuated between 2007 and 2009.

Therefore, I will argue firstly, that the economic policies adopted by the government of Rafael Correa are a coherent strategy aiming to create a thriving capitalist economy in Ecuador. Secondly, that these policies compel the government to expand the administrative capacities of the state. And finally, that the government pursues these policies in a rational fashion given the interest of the President and his political party for remaining in power; this latter element currently exacerbated, given the fact that the new constitution allows for the immediate reelection of the President,

therefore rewarding the adoption of public policies that will increase immediately the state revenues.

3. The debate on the new left-wing Latin American Governments and the return of the state

Up until the election of Hugo Chávez as President of Venezuela in 1998, two major topics dominated the mainstream academic debate on Latin American politics: democratization and its relationship with the neo-liberal reforms that were implemented in the region during that time. Moreover, during the 1990's three perspectives had come to prevail in the field. The first one described a "condition of crisis" in state-society relations that the neo-liberal governments had produced, and it sought to explain this crisis by studying the impacts of neoliberal reforms in the long-standing political economy structure of the region (Drake y Hershberg, 2006). The second current dealt with the institutional changes that occurred in Latin America regarding them as a result of the interactions between domestic forces and international pressures, but not necessarily concluded that democracy or state-society relations were in crisis (Remmer, 2003). Finally, a third perspective that came from the literature on democratizations of the 1980's and early 1990's, saw the convergence of liberal democracy and market-led development as a new, although unsteady, solution to the secular problem of governability in Latin America and was concerned about the social and political consequences of this "double transition" (Foweraker, Landman and Harvey, 2003).

All three perspectives concurred in viewing Hugo Chávez as an anomaly – after all at that time, apart from Cuba, no other radical left-wing government existed in Latin America. Ironically, when scholars tried to explain what was called "The Chávez phenomenon", they left behind their conceptual and methodological differences and came more or less to the same conclusion. Chavez's government was a sort of personalist and hybrid regime (democratic and authoritarian) that had arisen from a clear blend of factors: a fragile political system which was incapable of solving the tensions between the state and society, the collapse of "weak, inconsistent and inefficient market efforts" (Remmer, 2003, 33), and the unsuccessful political reforms that had not improved the democratic governance of Venezuela (Kornblith, 2006).

The established consensus began to crumble when a new and powerful wave of left-wing presidents took over several Latin American countries between 2003 and 2006: Lula da Silva in Brazil in 2003; Néstor Kirchner in Argentina in the same year; two consecutive socialist governments were elected in Chile (Ricardo Lagos, 2000-06 and Michelle Bachelet, 2006-2010); *Frente Amplio* won the elections for the presidency and the parliamentary majority in Uruguay in 2004; and *Partido de la Revolución Democrática* (PRD) seemed to consolidate as a powerful electoral force in Mexico. Later on the same decade, the wave swayed other South American countries: Bolivia, Ecuador, Paraguay and more recently, Peru.

The cases of the Southern Cone should have been the most problematic for the established wisdom, because –with the partial exception of Argentina- all the new governments seemed to embrace some kind of pragmatic accommodation with orthodox economic policies (Huber, Pribble and Stephens, 2010; Kingston and Ponce, 2010; Silva, de Souza Braga and Cabral, 2010). Particularly problematic for the established theories was the fact that the left-wingers of the Southern Cone seized power within the same institutional framework which had seemingly prevented their victory during the 1990's. The Andean cases (and Nicaragua), however, seemed to fit the early findings.

The reaction of the North American academy was predictable. Scholars began to classify the new South American governments in two broad ideal types: the modern, moderate, left-wing governments of the Southern Cone, and the populist, radical, governments from the Andes, with the Argentinean case occupying a borderline position in this dichotomous classification (Castañeda, 2006; Weyland, 2010). This classification did not result in a consensus; Cameron (2009) for instance, has argued that the typology tends to divert our attention towards the type of regime, in lieu of the exploration of the several types of leftist governments that have emerged as national responses to the effects of neoliberalism in the region. A recent study by Weyland and collaborators (2010) has aptly summarized these classificatory efforts and their accompanying criticisms by identifying two models of left-wing government: the contestatory and the moderate left, with a range of intermediate cases. In addition, Weyland and his colleagues have put forward an explanatory hypothesis about the existence of fundamental differences between the two types of governments which furthermore, would seem to explain as well, the intermediate variations:

[L]eft-wing forces, parties, and governments in Brazil and Chile² themselves have been deeply shaped by organizational, institutional policy-regime, and resource constrains, which have made much less of an imprint on Chavez, Morales³, and their supporters.

Almost simultaneously to the appearance of this explanation, Cameron and Hershberg edited a volume -focused on the Andean cases- that showed a set of explanatory factors not taken into account by Weyland et al., particularly, the way in which contestatory left-wing governments express, and are the result of, the renewed tension between popular demands for a deepened form of democracy and the liberal institutions imposed by the civil and military elites during the transitions of the 1980's and the 1990's (Cameron and Shape, 2010, 121). Furthermore, the authors suggest that the leftist governments –particularly the Bolivian government- would be expanding the democratic order by providing representation to and institutionalizing the inclusion of sectors that have experienced a secular exclusion due to gender, class, ethnicity and even regional differences. The compilation by Cameron and Hershberg proposes an interpretation of the left-wing governments in the Andes as initiators (or re-initiators) of building processes of (authentically) national societies. However, like all the collection of literature that I have summarized, Cameron and Hershberg don't examine what is in fact a common denominator of the Latin American contestatory left-wing governments: the re-launching of processes of state-building whose core is the expansion of the administrative capacities of those states.

Interestingly, the Anglo-Saxon academy has not been alone in these endeavors of classification and achievement of partial explanations; Latin American scholars have traveled similar paths and have reached the same conclusions. The normative bias in favor of either the liberal theory of democracy or the "national-popular" version preferred by the Andean social movements, that we found in Weyland et.al., and Cameron and Hershberg respectively, are also visible in the Latin American debate (Stefanoni, 2012). Indeed, in the latter, the characterization of the Andean leftist governments as populists has been the most common in the works of Latin American sociologists and political scientists⁴. Other characterizations coming from the activist/scholars of the *movimientista* standpoint have emphasized mostly the political projects contained in the new

² The authors include in the moderate left the two Governments of Frente Amplio in Uruguay, and the current Argentine government (Madrid, Hunter, and Weyland, 2010).

³ The authors consider the government of Rafael Correa as part of this last group.

⁴ See for instance, the book of De la Torre and Peruzotti, 2009

constitutions of Venezuela, Bolivia and Ecuador⁵. Like their Anglo-Saxon peers, the Latin Americans seemed to have forgotten the long tradition of criticism to the idea of populism that was created between 1956 and the mid-1990's by Argentinean and Brazilian sociologists⁶, and share with the scholars from the North their blindness with respect to the ongoing processes of state-building.

In this intellectual context, the interpretation proposed by Whitehead (2006) and Crabtree and Whitehead (2008) about the relationships between the unfinished projects of state-building and the succession of modernizing elites in Latin America in general – and particularly in the Andes- has been largely ignored. Summarized in a simpler way, this thesis upholds that processes of state-building in the region remain incomplete in some of its basic dimensions –specifically in comparison with other regions such as Asia and Western Europe and the Anglo-Saxon region- and that often, the ideas of progress, industrialization, and more recently, the neoliberal reform of the Latin American economies and societies, driven by successive waves of modernizing elites have expressed themselves in dramatic “... efforts at “state-building”, “state reform”, and even “state shrinking,” all arising from the hope of reorganizing inherited political institutions so that they live up to collective, broadly modernizing, aspirations” (Whitehead, 2006, 70). Although the thesis does not refer originally to the Andean contestatory left-wing governments –at least not in Crabtree (2008) - it offers in fact an innovative gateway to study and think about these governments.

The objection that could be raised to my point would be that the contestatory left-wing governments have explicitly proclaimed their opposition to every attempt of capitalist modernization – and that some of the sectors who support them are clearly anti-modernization. Nevertheless, the objection loses strength when we analyze closely who enunciates the ideological discourse of the projects of change (i.e., in Bolivia, prominently, Vice President García Linera; in Ecuador, President Correa and the Secretaría Nacional de Planificación y Desarrollo SENPLADES [National Secretariat of Planning and Development]), how is it implemented (i.e., through the creation of agencies and ambitious development plans formulated in highly technocratic language) and what policies have been effectively adopted⁷. What tends to confuse the purely discourse-oriented analysts is the fact that the new Andean governmental elites elaborate their public discourses by employing multicolored materials, some of which find their origin in the post-modern critique to development. The contemporary elites do not seem so different to yesteryear elites who also built their modernization projects by using the language and symbolic resources which at the time appeared to express the most advanced ideology, and that did so in alliance with popular sectors who disagreed with the modernization project hitherto prevailing (Whitehead, 2006).

As Whitehead has noted, every time that a new modernizing elite has seized control of the state, they have found large deficits in some of the state's basic dimensions, in particular, in its administrative capacity; therefore, the efforts of the rulers to solve those shortages are understandable. This dynamic has been explored in depth by Geddes (1996).

Geddes upholds that the (new) rulers face a typical dilemma, “the politician's dilemma”: given the interest of the rulers to remain in power, when they try to expand the state's administrative capacities, the leaders must choose between two routes, which in spite of allowing them to achieve that interest, they create in turn, a conflict between the construction of socially efficient policies that

⁵ The works of Harnecker, 2010; Boron, 2010; de Sousa Santos, 2010, are illustrative of that literature.

⁶ For an excellent study of those debates, please read Altamirano, 2011.

⁷ For Bolivia see Gudynas (2012); Stefanony (2010) and Gray Molina (2010)

would buy the support of the entire population and an alternate route that leads the rulers to distribute the available public positions to the operators of the electoral machine; that is, to please their constituents. Therefore, the conflict between the two routes involves a temporary dimension: short-term support by the leader's political organization as a result of the distribution of positions, versus the mid- and long-term chance of buying the support of the majority of the citizens that might result from the creation of administrative capacities. In addition, the politician's dilemma refers to two different sets of individual actors that respond to differentiated sets of institutional stimuli and that control different resources, which allow for differentiated strategic behaviors for each group; namely, on the one hand, the President and his government team, and, on the other hand, the operators who control the electoral machine and who may not be acting as congressmen. The strategic behavior of the President provides a variety of solutions to this dilemma.

To sum up, I will argue that: 1) the government of President Correa and his political organization is an example of "a new modernizing elite in power" who is facing the challenge of building new administrative capacities for the state; 2) that President Correa faces a typical "politician's dilemma"; 3) that the President's strategic solution has enabled the current government to design a set of policies that aim for building a post-oil economy; and 4) that the total sum of those policies are equivalent to a new stage in Ecuador's process of state-building. I will test the argument by examining the government's mining policies; first however, I will take a brief detour through the recent history of state-building in Ecuador.

4. The contemporary context of state building in Ecuador

Two elements contextualize the on-going process of state-building. First, the new ruling elite took over the state through a loose and heterogeneous coalition: *Alianza País*, which in the heat of the exercise of power has evolved into something very close to an organization owned by the President (i.e. the ruling PAIS). This process is relevant for my argument insofar as it places the President in a double role, he does not only lead the government of the Citizen's Revolution, but also, he is the founder of the political party. Namely, among the activities that he should perform to guarantee his continuity in power, he should build and consolidate an organization that responds to his demands over those of other leaders of lesser rank, even those coming from the President's staunchest supporters. Second, the government has to face the inheritance of disorganization of the state apparatus that characterized the period 1992-2006 (Andrade, 2009). Actually, in this period, the attempts by the government of Durán Ballen (1992-96) to complete the adjustment of the Ecuadorian economy and to launch a market-led development model collapsed due to the domestic instability that prevailed since 1996. With governments full of clientelistic politicians who had no greater social support and with an average duration of 18 months in office, instead of having an orderly process of state administration reform, state reforms rapidly fragmented and became chaotic. Consequently, the state did not only withdraw (albeit partially) from the government of the economy, but it also became unable to provide even limited services to the population.

Nonetheless, both this period and the period following Rafael Correa's taking of office must be seen within the greater path of historical attempts to build a modern state in Ecuador. The following section tackles this long-term process. Subsequently, I will go back to the institutional changes that the current government introduced between 2007 and 2009.

4.1 State building in 20th century Ecuador

A modern state exists when at least three dimensions are present and integrated in a coherent whole: territoriality, administration and command over resources, but in Ecuador even these minimum requirements evolved extremely disparately. It is possible to identify three major moments within the process of state-building in Ecuador during the 20th century, all of them related to natural resource-based exports booms and busts. Roughly speaking, these moments encompass the 1920's and 1930's, the post Second World War years until the early 1980's and the neoliberal period (particularly, the first half of the 1990's). Broadly, we can say that approximately between 1930 and the first half of the 1980's, the building of a modern state in Ecuador made important progress⁸. Nevertheless, as of the last date and for the ensuing two decades, this evolution ceased and even drew back in order to renew itself only from the second half of the first decade of the present century.

The Ecuadorian state gained control over its national territory (i.e. territoriality) after the war against Peru in 1942. However, this basic condition must not be confused with any real capacity of the state to exert authority upon the entire territory that it nominally runs; instead, a sort of *modus vivendi* rules among the Ecuadorian regions which comprise the national territory⁹. The three "regional economies" of the 1930's – the Northern Sierra [Highlands], the Coast and the Southern Sierra – remained loosely integrated for most of the 20th century (Maignashca and North, 1991), but the Ecuadorian state, after World War II, was capable of expanding its presence in the rural areas, even though in the low lands of the Amazon region that presence was accomplished only by sharing the authority and duties of the state with transnational oil companies, and more recently with the indigenous organizations.

The administrative dimension of the state comprises its ability to administer its subject population. Between 1930 and the first half of the 1980's, the Ecuadorian state was organized to administer the different aspects of its subjects lives. Broadly speaking, the ability of the state to collect information and create public policies increased enormously throughout those years; better roads, public schools, and the building of a telecommunications infrastructure made the state a daily presence for the majority of the population – a totally different issue is whether that presence improved the life of the population or not.

As for the third dimension, command over resources, in fact it refers to two different aspects. The first one involves the state's ability to collect taxes from its subjects. Compared to the 1930's and to other state dimensions, Ecuador made very modest progress in this area throughout the 20th century. The state's income increased only thanks to the existence of sources other than tax revenues, most notably the capacity of the state to collect royalties and taxes derived from oil exports. In this last activity, the Ecuadorian state stood out; in fact, as previously stated, since 1972 state building depended strongly on access by the state to oil revenues. In Ecuador, the two agricultural booms of the early 20th century and the 1950's did not expand the state's capacity to collect taxes, but in the 1970's, the creation of the state-owned oil company, *Corporación Petrolera Ecuatoriana* (CEPE, now called PETROECUADOR), as a counterpart of the transnational oil company

⁸ This evolution is not particular to Ecuador or even to the Andean countries; Whitehead has described it for the whole of Latin America (Whitehead, 2006,91).

⁹ The creation of this arrangement dates from the very origins of the State in 1830, but as of 1942, it was more clearly consolidated since the borders were closed.

TEXACO enabled the state to be a key player in the oil sector and provided it with access to unprecedented fiscal resources until the mid-1980's.

The enlarged state command over resources, in addition to helping the state in its self-organization process, also encouraged the formation of a rentier state. As pointed out by Collier (2010), there is an inherent contradiction between tax collection activities and the collection of royalties. In the first case, the state has to develop a set of capacities aimed at identifying the amount of individual wealth of its subjects and their annual income. In the second case –and particularly when the main player of the extractive activity is the state itself- the state has to focus on developing its capacity to transform the money coming from the international economy¹⁰ into free basic services provided to its subjects. Typically, international commodity booms favor the development of the second type of state capacities in detriment to its ability to collect taxes. This was exactly what happened in Ecuador during the 1970's. In fact, the policies followed by the military dictatorship from 1976 until 1979 separated the process of state-building from the development of fiscal capacities, and oriented it into a rent-seeking path. Oil rents, and easy access to international credit enabled the rulers of the time –and their civil successors for a short time in the following decade, although to a lesser degree- to avoid distributive conflicts and to create instead mechanisms for funneling oil money into the pockets of the ruling and middle classes and, through less than universal social services, towards a few sectors of the low classes.

In Ecuador, the armed forces have often fulfilled the role of state builders (North, 2006). Firstly, during the 1920's and 1930's when the military pursued goals concerning the national integration and the management of the economy, and simultaneously created governmental structures relatively sophisticated in order to meet the new state responsibilities. Later in the century, in the 1970's, the Nationalist and Revolutionary Government of the Armed Forces launched an ambitious project of imports substitution industrialization (ISI), which also sought the expansion of some elements of the welfare state.

The military governments of the 1930's, with the support of key groups from the landowning industrial elite and the middle class of the Sierra, achieved a moderate expansion of the industrial capacity of the Ecuadorian economy and helped the landowning elites to adjust to the combined effects of the collapse of the cocoa exports and the Great Depression. The military governments reached those achievements by expanding the state's capacities to regulate the economy and protect the nascent industries of the country.

The second and more ambitious military project of the 20th century took place during the 1970's by using the resources provided by the oil boom. The military government led by General Rodríguez Lara (1972-76) explicitly adopted a policy of "sowing the oil". His "Nationalist and Revolutionary Government" invested the state's oil revenues in building infrastructure (ports, roads, an oil refinery and telecommunications), providing generous credit to industrial entrepreneurs, expanding the role of the state as entrepreneur through publicly-owned companies in "strategic sectors" of the economy, and in improving the productivity of both the industrial and agricultural sectors of the economy. Even though the debate regarding the achievements of Rodríguez Lara's Government remains open (Conaghan, 1988; North, 1985), there is a consensus that this government embraced a development path that linked the economic growth of the country, the maintenance and expansion

¹⁰ The royalties gained from the sale of oil or mineral exports in the world market are a direct transfer of money from the international market to the domestic economy.

of the infrastructure and the capacities of the state, to the availability of huge fiscal resources coming from the oil exports.

There were two phases of the military governments of the 1970's; in the first, (1972-76) a progressive fraction of the Armed Forces controlled the state and pursued nationalist and inclusive development policies. The second (1976-79) actually eliminated some of those policies and instead used oil revenues as collateral for international loans that the military rulers used to pay a bloated state sector, and as source of cheap credits channeled towards a rentier capitalist class. The basic institutions of a proper rentier state emerged in this latter phase (Larrea, 2009).

In 1979, the military handed over power to elected civilian governments. The impact of the international debt crisis in the 1980's and the decline of international oil prices put to test the ability of these governments to manage the problems that they inherited from the rentier state: a largely inefficient, oligopolistic and slow-growing industrial sector, growing urban and rural poverty, and an inefficient and excessive bureaucracy. The civilian governments chose to sacrifice the military's project of state-building, and from 1992 onwards, they dismantled it.

As elsewhere in Latin America, the Ecuadorian neoliberals –who gained power in 1992 with Sixto Durán Ballén (1992-96)- failed to deliver their promises of sustained economic growth and “trickle-down” benefits for the majority of the population, but they brought havoc to the fragile state apparatus; only the beginning of a new oil boom around 2002 provided the required fuel to rekindle the process of state-building. The first government that benefited from a more comfortable fiscal situation was the administration of Lucio Gutiérrez (2002-2005), a former Colonel of the Army, allegedly anti-neoliberal, who seized power thanks to a broad coalition that included traditional leftist sectors, the indigenous movement and his own personalist political party. If any government seemed to fit the ideal-typical caricature of the new left-wing governments, this was it. Nevertheless, Gutiérrez proved to be incapable of ruling the country and only in 2006 with the election of Rafael Correa, the old national development/state-building scheme took off.

In summary, the Ecuadorian path towards state modernity was strongly influenced by its dependence on natural resources-based exports. In addition, although the building of a modern state did make progress during the last century, the resulting state apparatus penetrated national society, but not in a universal way. Instead, the presence of the state and the predominance of formal institutions remained fragmentary and selective. The old pattern of state-society clientelist relations, initially created between 1860 and 1930, survived the transformations occurred between 1950 and 1979, and after the “return to democracy” of the 1980's returned to full operation. Furthermore, beginning in the early 1930's, the capitalist class created quasi-corporatist mechanism of coordination among its economic groups, that strengthened its power vis-à-vis the state; the consolidation of this evolution during the 1970's helped the dominant class to increase their political power in the 1980's and 1990s. On the other hand, the presence of pieces of sophisticated legislation, that emulated the most advanced institutions of the modern states, provided the rulers with the resources that they needed so as to create “pockets of efficiency” within the state apparatus (Evans, 2007). Given these conditions, the democratic governments of the last two decades of the 20th century presided over a state only slightly rationalized; under the facade of a rational administration laid a set of hierarchically organized networks of patronage that provided some coherence to state-society relations. A mixture of state-society interactions, mostly informal, and formal institutions produced the backbone of the modern Ecuadorian state long before the

governments of the Washington Consensus of the 1990's would come to power and put forward their own version of state modernization.

During the neoliberal period, both the ruling class and the newly empowered popular sectors in combination with a minimalist state, produced a political order in which the conflicts over the control of the state were exacerbated and the state apparatus disintegrated -- even destroying a good portion of its administrative capacities. In the mid-eighties, deprived of a steady flow of resources coming from oil exports, the civil governments would have had to turn to improving the state's capacity for collecting taxes in order to pay for the daily performance of the state, but the economic and political power of the capitalist class made this route inaccessible. Instead, the Ecuadorian governments endorsed the new reigning wisdom of cutting off the state expenditure by reducing the provision of services and by decreasing the size of the public sector. Slowly, a neoliberal model emerged from the structural adjustment programs of the eighties, and in 1992, the conservative government of Sixto Durán Ballén, adopted radical neoliberal policies. By this time however, the accumulation of social conflicts and tensions between manifold actors in the rural areas of the country had given rise to a powerful indigenous movement. The disorganization of the state-society relations resulting from the tortuous path towards neoliberalism, the emergence of the indigenous movement as a strong and decisive movement, and the collapse of the political party system that had sustained democracy until 1992, opened a long period (1997-2005) of instability and "politics on the street" that made ruling the country unviable, let alone the construction or launching of a project of state-building.

At the end of this journey is the moment when President Correa took office. The President counted on a relatively vague political project, but it certainly entailed the recovery of the country's economy. However, he did not count on the instruments to implement it. During his electoral campaign Rafael Correa promised to convene a National Constituent Assembly, which took place as of 2007, the resulting new constitution granted him the required institutional tools to build and broaden the administrative capacities of the state.

4.2 The institutional context since 2009

The current Ecuadorian constitution was the result of a turbulent process that developed since 2007, when Ecuadorians were called to elect a Constituent Assembly, and concluded in 2009 when the citizenry approved the new constitution in a referendum -- a process that has been described as being "dominated by President Rafael Correa" (Cameron, 2009, 19). The current constitution seeks to achieve a (precarious) balance between three major trends: the constitutionalisation of the legal and political order¹¹; to substitute the representative liberal democracy for a participatory democracy; and, to assert a strengthened presidentialist regime. This Constitution accomplishes the latter goal through three mechanisms: the decrease of the capacities of Congress to control the Executive power and influence on the formulation of public policies; secondly, the adoption of a set of plebiscitary devices that place the President in direct relationship with the voters; thirdly and most importantly, the centrality that the Constitution grants to economic planning.

¹¹ That is, to make all the laws and their enforcement procedures to be subordinated to the values, principles and procedures set out in the Constitution; and to make the Constitution prevail over all the public powers instituted therein. See Serna Bermúdez, Pedro, "Neoconstitucionalismo e interpretación. Dos reflexiones en torno a la interpretación constitucional" en Pedro Torres-Estrada, comp., *Neoconstitucionalismo y Estado de Derecho*, México: Limusa – Instituto Tecnológico y de Estudios Superiores de Monterrey, 2006, 213.

These major institutional changes are complemented by a set of electoral rules that, on the one hand, preserve the long-standing characteristics of political competence in Ecuador, and on the other hand, introduce new incentives and strategies that would strengthen the incumbent President. Specifically, the new Constitution holds the capacity of the political parties and movements to introduce candidates¹², the system of proportional representation for pluripersonal offices (provincial councils, municipal councils, National Assembly –Congress, not to be confused with the National Constituent Assembly) and non-concurrent elections in two rounds for the Presidency and representatives to the National Assembly¹³. The most important changes to the electoral system are: the re-election for two consecutive periods of the President, and in general of all the elected authorities of the state, and the establishment of two different agencies in charge of the electoral process. There is an additional rule which does not strictly refer to the electoral system, but that tips the power in favor of the Executive. The so called “*muerte cruzada*”(mutual elimination) rule. This rule is an extreme recourse that the President could use as a plebiscitary formula to alter the composition of the Assembly in order to create a majority.

The deployment of the institutional changes designed in the Constitution took place after April 2009 when the President renewed his mandate and PAIS won a legislative majority. Indeed, while both the President and the Assembly adopted before that date legislation that expanded the control of the state upon the oil and mining resources, the 2007-2009 Development Plan did not contain any specific design of the new development model. Once Correa and his administration consolidated their position after 2009, the government launched the *Plan Nacional de Desarrollo para el Buen Vivir* (National Development Plan for Good Living). This fact allows us to pinpoint a fairly discrete group of key decision-makers, and two major sets of policies that aim to transform the oil exports-based economy of the country in an industrialized and mineral exports-based economy; i.e., on the one hand the President, his ministerial cabinet and specialized agencies within the Executive branch, and, on the other hand, the large-scale mining policies.

5. The new mining policies

In 2007 the National Constituent Assembly sanctioned a legislative initiative known as “Mining Mandate”, or simply “Mandate 6”¹⁴ suspending the mining concessions made by the Ecuadorian state since 1994. The law affected both “artisanal or small-scale mining” ventures¹⁵ and transnational companies’ interests; at least five important large-scale mining projects closed down. Both the Ecuadorian government and the national and international environmental and indigenous organizations warmly welcomed the decision of the Assembly (Chérrez, 2011); they construed the decision as the endpoint of a project, initially promoted by the governments of the previous decade, to continue with an “extractivist development pattern” (Acosta and Schuld, 2009; Gudynas, 2009; 2012; Hogenboom, 2012). Nevertheless, and with the discussion of the Mining Act and the National Development Plan in 2009, that interpretation was undermined. The government of Rafael Correa had not given up on exploiting the rich mineral resources of the country, rather it merely attempted

¹² Art. 112, *Constitution of the Republic of Ecuador*.

¹³ Non-concurrent election means that the representatives of the National Assembly are elected in the first round whereas the President and Vice President are elected in a round-off contest between the most voted candidates.

¹⁴ http://www.derechoecuador.com/index.php?option=com_content&view=article&id=4317:mandato-constituyente-no-6&catid=283:mandatos-constituyentes

¹⁵ Nearly 6,000 of this operations had to close, see Sandoval, 2002 and Ministry of Non-Renewable Resources, 2011. However, this action left the copper and gold concessions of the companies Ecuacorrientes and Kinross Aurelian relatively untouched.

to create a regulatory framework to ensure that the (foreseeing) benefits of large-scale mining exploitations would flow mostly toward the national state and that the environmental and social impacts of small-scale mining operations would be reduced to the bare minimum.

Indeed, as the government sees it, to achieve its goal of a post-oil economy, a transitional phase based on the exploitation of natural resources is needed (Ministry of Economic Policy Coordination, 2011b; SENPLADES, 2009). As planned, the development of a mineral-exporting sector –now slightly less than nonexistent- would take place in association with transnational companies that would exploit gold and copper deposits found in previous decades. In order to meet this goal, the government created a new ministry (the Ministry of Non-renewable Resources -MRNR), a state-owned mining company (Empresa Nacional de Minería – ENAMI [Mining National Company]), an agency specializing in the management of compensations for affected populations (Public Company: Ecuador Estratégico), a national mining plan, a new legislation, and initiated complex contractual negotiations with Canadian and Chinese transnational mining companies. The government expects that the development of the new “large-scale mining strategic sector” will attract U.S. \$ 16.79 billion of direct foreign investment over the next five years. All of the new mining developments would be located in the south of the country; that is, in the provinces of Azuay (Sierra, Western mountain ranges of the Andes), Loja (Sierra, foothills in Western Andes), Zamora Chinchipe (Amazon Region, foothills in Eastern Andes and mountain range of El Cóndor, in the Amazon Region) and Morona Santiago (in the foothills of the Eastern Andes, in the Amazon Region). The strategic mining projects would be developed upon a total surface of 700,907.725 ha. (National Mining Plan – MRNR, 2011; Coordinating Ministry of Strategic Sectors, 2011)

The development of the new large-scale mining strategic sector remains as a project to be implemented, four of the proposed mining developments are still being negotiated by the government through the Ministry of Non-Renewable Resources and only the *Mirador* Project (copper) has reached a contractual agreement with a Chinese company known as *Ecuacorrientes*. The government expects to conclude its negotiations with the Canadian company Kingross sometime in 2012 for the exploitation of the gold deposit known as *Fruta del Norte*¹⁶. In both contracts the government has demanded a participation of at least 52% of the profits in royalties. The two projects are located in the South East of the country, in the province of Zamora Chinchipe¹⁷; a complex interaction of cooperation and conflict between transnational companies, national governmental elites, local governmental elites and non-governmental elites (i.e., indigenous Shuar-community leaders and community leaders recently colonized) can be observed in both projects (Ponce de León, 2010). Finally, both projects entail high economic interests for the government and the transnational companies involved¹⁸.

¹⁶ El Comercio, “The IRS wants mining-based royalties in advance”, Wednesday, 23, 11,2011. Actually this negotiation failed and Kingross left the country in August of 2013.

¹⁷ In the case of *Fruta del Norte*, the mining exploitation activities would also affect the province of Loja.

¹⁸ *Mirador* entails an estimated direct foreign investment of \$1.4 billion in the next five years, and 7,5 billion, with an estimated revenue for the state of \$5.4 billion during the 25 years of the concession. Furthermore, ECSA will provide \$100 million as early royalties. *Fruta del Norte* calculates investments for an amount of \$1.1 billion in the next five years, according to Kingross, and a total investment of \$2,4 billion during the 20 years of concession, with revenues for the state of \$980 million. In addition, the government has proposed both projects as a “model” of what could be an economy based on “responsible mining”.

Only in a third mining project, *Intag*, the new state mining company ENAMI has sought partnership with the Chilean state mining company CODELCO. In other respects, ENAMI is focused on the training of small-scale mining exploitations. Incidentally, the development of large-scale mining of the copper deposits located in *Intag* has been systematically hampered by more than a decade by local organizations with international support. This successful pattern inspired Mandate 6, and is the one that the national government has decided to revert.

The government policies seem to make good use of the lessons learned from both the oil experience of the 1970's and the experiment with free-market mining during the 1990's. First, except for *Intag*, the state is not directly involved in the exploitation of natural resources, its efforts focus on two areas: collection of royalties and taxes from the transnational companies and the enforcement of the complex system of governance of natural resources. These tasks involve several governmental agencies; in addition to the Ministry of Non-Renewable Resources, the Ministry of Environment, the National Secretariat of Planning, the Public Company *Ecuador Estratégico*, the decentralized autonomous governments (GADs) and the Internal Revenue Service (Mining Development National Plan) are part of the new form of governance mode. Second, these new regulations, mechanisms and agencies are different from those that prevailed in the 1970's and the hybrid governance mode that was in place between 1995 and 2005 (Agrawal and Lemos, 2006).

Let's briefly review the two types of models of governance of natural resources that preceded the current one. Collier (2010) has pointed out that the creation of a rentier state incapable of transforming wealth coming from the exploitation of natural resources (particularly oil and minerals) into an efficient development model depends on the incapacity of the state to regulate the different phases involving the extractive activities. In dealing with decisions over natural resources exploitation a government must develop rules and instruments that would regulate the discovering of natural assets, the way in which those assets would be put to use, the management of the environmental and social costs inevitably associated with those activities, the state's participation on profits and the way in which it would use the fiscal resources so obtained, and finally the way in which the state would manage the country's exposure to the boom-and-bust cycles of the international commodities market.

As previously mentioned, the basic pattern of governance of natural resources use created in the mists of the oil boom of the 1970's, and despite partial modifications of later decades, it is still in force. The military governments created specialized agencies to regulate the discovering of oil fields, but the information produced during this phase was mostly left in the hands of transnational companies, only in the second half of the 1980's did the state oil company (initially called CEPE, and after 1988 PETROECUADOR) ventured –on a limited basis- into these activities. From 1972 onwards, the military government created CEPE (*Corporación Estatal Petrolera Ecuatoriana*) as the national counterpart of the transnational company TEXACO. Since 1984, when Texaco's fields were mature, the state company, now called PETROECUADOR, took full control over those operations. In other oil developments, this model continued with a variable participation of the national company as a minority or majority partner.

The decisions made by the Ecuadorian governments of those years left a wide leeway for companies to gather information about the country's oil reserves thus opening the possibility for the state to sell the rights to extract oil at a lower price than the companies would have paid had the state been the one having the scientific information that would had indicated the size and possible cost of the

reserves. The costs of prospecting were simply not borne by the state, but it lost money at the time of selling the rights to extraction and was unaware – for the most part – of the potential damages caused by the activities of prospecting. The neoliberal governments of the 1990's followed this early model to design the rules for developing the mining sector.

With respect to the management of environmental and social costs caused by the extraction activities, the Ecuadorian state refrained from regulating or managing them until the second half of the 1990's, leaving this phase to the free initiative of the transnational companies who agreed on compensation costs with indigenous or colonist communities that could be affected¹⁹. When in the 1990's the state began to request the undertaking of environmental studies, these were left in the hands of the oil companies with minimum intervention of a weak agency from the Ministry of Agriculture –that would become later the Ministry of Environment in 2000, without settling the organization weaknesses that this agency had. Once again, this model controlled the mining exploitations during the 1990's (small-scale mining) as well.

The participation of the state on the profits and the use of fiscal resources gained from oil exploitation is perhaps the dimension of the extractive activities that has varied most greatly since the 1970's. Initially, state participation took place in the form of royalties; the cash-starved governments of the 1980's tried to increase their revenues by switching to partnership agreements, but in the 1990's the governments switched back to the royalties model. The original model provided generous tax exemptions and other fiscal incentives to attract investment from transnational companies. These incentives were kept and deepened in the 1980's and 1990's.

As to the use of fiscal resources, the military dictatorships of the 1970's freely used the oil revenues to buy the support of the population. They established a complex system of fixed budgetary allocations of oil revenues for the provinces and various "corporations of public interest". The citizen's did not have the means to supervise the government's, or other actors', expenses. These mechanisms continued without variation (except for the increase in the number of beneficiaries) during the following two decades. Only with the 2008 Constitution were those mechanisms eliminated, although the Constitution does not provide for oversight mechanisms for the use of oil revenues.

Finally, there were no institutionalized mechanisms for managing the country's exposure to the vagaries of the international commodities market, as proved by the long-lasting crisis of the 1980's and 1990's. In 2000 the Noboa administration (2000-2) established a savings fund (*Fondo de Estabilización Petrolera*) to take advantage of high oil prices in times of prosperity, and stabilize external account deficits in less rosy times. However sane both economic goals were; they were undermined by the fact that the stabilization fund was used to pay the country's foreign debt. In 2005 the then Minister of Economy, Rafael Correa, eliminated the fund; this decision meant a return to the original model of non-management of the country's economic vulnerability due to the absence of a crisis fund. The small size of the mining activities until the present year made the creation of a savings fund apparently unnecessary.

¹⁹ A distinguished example of the costs of this model is the decades-long legal conflict between the successor of TEXACO, CHEVRON, and the indigenous peoples and settlers affected by the oil exploitation in the old oil fields of the North of the Amazon Region (Martínez Alier, 2011).

From the mid- 80's until the rise to power of the current administration, Ecuador's model of governance of natural resources experienced few deviations from its original basic form of the 1970's; when alterations took place, they tended to increase the freedom of the private companies. Thus, in the last two decades of the 20th century the Ecuadorian governments did not attempt to improve the state's regulatory and oversight capacities to manage the discovering of natural assets or their economic exploitation; as for the distribution and allocation of profits, royalties declined in favor of direct taxation of the transnational companies' profits, but the government's use of state revenues remained without citizens' supervision; the authority of the state over its subjects was further eroded by the "community development programs" set in place by the transnational companies; the mechanisms for the management of the economic vulnerability continued to be non-existent. Finally, the only change in favor of the state took place in the late 1990's with the adoption of standards for the management of environmental and social costs, which nonetheless, mostly embraced the transnational companies' ideology of self-regulation and corporate social responsibility. This last development seems to have been a response by the governments to pressures emanating from three sources: the indigenous movement, the small but influential national environmental movement, and the international diffusion of a "hybrid model" of environmental governance (Agrawal and Lemos, 2006). In the 1990's the neoliberal governments tried to extend the inherited model of governance of natural resources towards the new mining activities.

Although the Correa administration has implemented changes in the governance of oil exploitation, I will leave aside the analysis of these policies in order to focus on the emergent mode of regulation of large-scale mining. As mentioned previously, the change began when the National Constituent Assembly invalidated the mining concessions granted in earlier years. This movement allowed the state to recover its property rights upon mineral deposits, which in turn was an essential element in the government winning the upper hand in the *exploration phase*. The government rapidly used this advantage to expand his control over the *phase of exploitation*; the administration designed a National Mining Plan, negotiated new contractual regulations for the exploration and exploitation phases of mining deposits in the five large-scale mining strategic projects, and through ENAMI gained direct control over small-scale mining activities. Furthermore, the Ministry of Non-Renewable Resources has improved its capacity to collect information about the mineral wealth of the country. The government intends to develop its newly acquired capacities through the creation of the *Agencia de Regulación y Control Minero (ARCOM)* [Mining Regulation and Control Agency], making this agency responsible for elaborating a mining catalogue.

The most radical change has occurred in the state's participation on mining revenues. The new Mining Law establishes that the state will receive 52% of the profits of any large-scale mining development (majority share)²⁰, but without incurring in direct costs and that some of the indirect costs arising from the exploitation activities (e.g.: development of the communication network and improvement of ports for exports) will be at least partially assumed by the private companies. In addition, the law improves the state's capacity *to manage the environmental and social costs* resulting from mining activities; firstly, it states that the costs of environmental relief will be borne by the mining companies and requires them to submit not only environmental impact scientific studies, but also a plan to reduce those costs and to repair the damages that could potentially occur. It also mandates that those plans and the plan for resource exploitation are to be assessed by the

²⁰ Art 92, Chapter IV, Mining Law

Ministry of Environment and the Ministry of Non-Renewable Resources, but also by the potentially affected communities. The tradition established by the model of the 1970's regarding the management of the *economic vulnerability* is partially maintained. On the one hand, the Law and contracts establish mechanisms to take advantage of the peaks of the international prices that exceed those forecast at the signing of the contracts; but on the other hand, there is no provisions in the Law or the National Mining Plan that favor the creation of savings or stabilization funds for times when export prices of minerals drop in the international market. The tradition is fully preserved regarding the lack of *supervision of the state's revenues*.

6. Concluding remarks: breaking the mold of the rentier state?

Until the beginning of this decade, the academic debate about mining policies has paid minimum attention to the development of state capacities in order to manage this sector. The existing literature has focused its attention on the negative effects for development that may occur in economies with rich natural resources. Indeed, drawing from the work of Sachs and Warner (1995), "the natural resources curse" thesis has become popular; i.e., "rich natural resources developing countries grow more slowly than those who have none of those resources". That growth difference has been clarified in subsequent works as due to institutional factors. Certainly, the governments of the countries that live off of the exploitation of plentiful natural resources and under conditions of high international prices of those commodities tend to create typical rentier state institutions (Leite and Weidmann, 1999; Auty, 2008, and Auty and Gelb, 2001), as it in fact occurred in Ecuador during the 1970's.

The resource curse hypothesis casts doubts upon the policies advanced by the international financial institutions – and the transnational companies- during the 1990's, which purported that the developing countries could exploit their comparative advantages in the field of natural resources to accelerate their development (Bebbington et al., 2008). The ensuing debate failed to settle the issue in the field of development economics (Collier, 2010; Iimi, 2007), but not in the field of political institutions. Indeed, political scientists and political economists of development have shown that an economy based on the extraction of natural resources, actually affects the development of political institutions that control the appropriation and use of the state income from those extraction activities (Bebbington and cols, 2008, Collier, 2010; Karl, 200/); this harmful effect is mediated by a specifically political variable: the adoption of a rentier model of governance of natural resources by the governmental decision-makers, their access to the government coffers and their use. Bebbington (Bebbington et al., 2008) has argued that this development is also encouraged by the IFIs and the transnational companies when they foster the creation of regulations that grant advantages to the transnational companies and a discrete group of state technocrats *vis-á-vis* groups of citizens –especially those directly affected by the extraction activities- interested in protecting the environment, preserving their lifestyles, and/or watching over the prudent use of the resources procured by the State. Namely, these actors will force national governments to adopt some kind of regulatory institutions which in the mid- and long-term will lead to the evolution of a rentier state and very much likely, to the emergence of "the resource curse".

These arguments, with a few minor changes, have been adopted by Gudynas (2012, 2009) and Acosta (Acosta and Schuldt, 2009) to analyze the case of Ecuador, and specially the new government's mining policies. These analyses however, have not gone beyond the categorization of Rafael Correa's government as a "neo-extractivist" case without contributing considerably to clarify

the mechanisms underlying the new model of governance of natural resources, which certainly is not the same that prevailed in earlier periods.

The available evidence seems to give little support to the neo-extractivist thesis. Indeed, on the one hand there is a new mode of governance of the use of mineral resources, and a number of state agencies responsible for enforcing it; on the other hand, the development of the required bureaucratic capacities (i.e.: technical experts who assess the reports on environmental impact, the compliance with exploration and extraction plans, the enforcement of participation agreements and environmental management plans, etc.) will have to stand the test of time. The development of a neo-extractivist form of development is likely from this viewpoint.

Nevertheless, the neo-extractivist thesis is much more specific as it upholds that extractivist activities give rise to rentier-state institutions; the available evidence for the Ecuadorian case conflicts with this statement. As we pointed out, following Collier, the rentier state tends to focus its efforts on the looting of the revenues derived from natural resources exploitation and to leave aside the possibility of creating tax collection mechanisms imposed on their subjects and the foreign companies. This indeed took place in Ecuador for the bulk of its history, and most notably from 1972 until the mid-eighties. However, in 1999 the country began to abandon the purely rentier model through the creation of a specialized agency, the Internal Revenue Service (IRS). Notwithstanding the efforts for developing it, these were interrupted between 2000 and 2005; the current government has been systematic in its diligence to developing and improving the capacities of the IRS to collect information about the wealth of the citizens, and to rationalize the taxation structure, and above all, to improve the IRS' capacity to collect those taxes effectively, and penalize tax evasion.

The behavior of the Ecuadorian government is exactly the opposite of the one that would be expected from a rentier state (Moore, 2004); by definition, rentier states do not make organizational or political efforts – particularly those addressed to their domestic populations – to obtain the resources they live off; *the rentier states live off unearned income*²¹. In Ecuador, although a large portion of the state income still comes from oil exports and given the current boom of the oil international price, that share has diminished *vis-à-vis* the increased participation of taxes in the state's budget, the Ecuadorian state (at least a significant part of it) lives off its own earnings.

To sum-up, the changes introduced in the different phases of the mining exploitation and the rapid development of the state fiscal capacities may increase not only the future ability of the Ecuadorian state to regulate extractive mining activities, but also its dependence on natural resources revenues. If this potential becomes reality, then Ecuador would have broken the mold of the rentier state. The neo-extractivist hypothesis would seem to offer little scientific explanation for what is occurring at present in Ecuador, or for exploring the potentialities of the new model of governance of natural resources.

²¹ A similar argument is found in Besley and Persson (2011) in regard to fiscal capacities. Acemoglu and Robinson (2012) have observed that a government could invest in building up the fiscal capacities of the state, but without modifying to a great extent, the structure of the economic and political institutions that favor the transfer of revenues from the whole of society to the ruling elite, but they state that such possibility, by definition, is unsteady.

Bibliography

- Acemoglu, Daron y James A. Robinson, *Why nations fail: the origins of power, prosperity, and poverty*, New York: Random House, 2012.
- Acosta, Alberto y Jürgen Schuldt, "Petróleo, rentismo y subdesarrollo", in CAAP-CLAES, *Extractivismo, Política y Sociedad*, Quito: CAAP-CLAES, 2009.
- Altamirano, Carlos, *Peronismo y cultura de izquierda*, Buenos Aires: Siglo XXI, 2011.
- Amsdem, Alice, *The rise of "The Rest". Challenges to the West from Late-Industrializing Economies*, Oxford: Oxford University Press, 2001.
- Andrade, Pablo, *La Reinención del Estado: la era neoliberal y el proyecto republicano*, Quito: Corporación Editora Nacional-Universidad Andina Simón, 2009.
- Brenner, Robert, *La economía de la turbulencia global*, Barcelona: Ajkal, 2009.
- Auty, R, "From Mining Enclave to Economic Catalyst: Large Mineral Projects in Developing Countries", *Brown Journal of World Affairs*, 13 (1), 2008: 135-45.
- Auty, R. and S. Gebb, "Political Economy of Resource-Abundance States", en R. Auty (ed.) *Resource Abundance and Economic Development*, Oxford: Oxford University Press, 2001.
- Besley, Timothy y Torsten Persson, *Pillars of Prosperity, The Political Economics of Development Clusters*, Princeton: Princeton University Press, 2011.
- Boyd, Richard, Galjart, Benno y Ngo, Tak-Wing, eds., *Political Conflict and Development in East Asia and Latin America*, London and New York: Routledge, 2006.
- Bebbington, Anthony, Leonith Hinojosa, Denise Humphreys Bebbington, María Luisa Burneo and Ximena Warnaars, "Contention and Ambiguity: Mining and the Possibilities of Development" in *Development and Change* 39 (6): 887-914 (2008), Institute of Social Studies.
- Cameron, Maxwell, "Latin America's Left Turns: beyond good and bad" tomado de Obras escogidas de Maxwell Cameron, http://vorks.bepress.com/maxwell_a_cameron/3.
- Cameron, Maxwell y Sharpe, Kenneth, "Andean Left Turns: Constituent Power and Constitution-Making", tomado de Obras escogidas de Maxwell Cameron, http://vorks.bepress.com/maxwell_a_cameron/6
- Chang, Haa-Joon, *Bad Samaritans: the myth of free-trade and the secret history of capitalism*, Bloomsbury Press, 2007.
- Chang, Ha-Joon, *The East Asian Development Experience. The Miracle, the Crisis and the Future*, London: Zed Books, 2006.
- Chang, Ha-Joon, *Globalization, Economic Development and the Role of the State*, London: Zed Books, 2003.
- Chérrez, Cecilia/Acción Ecológica, "Criminalization of the Social Protest in Times of "The Citizen Revolution", *NACLA*, 2011.
- Chibber, Vivek, *Locked in Place: State-building and late industrialization in India*, Princeton: Princeton University Press, 2003.
- Collier, Paul, *The Plundered Planet. Why We Must –and How We Can- Manage Nature for Global Prosperity*, Oxford: Oxford University Press, 2010.
- Conaghan, Catherine, *Restructuring Domination: industrialist and the state in Ecuador*, Pittsburgh, University of Pittsburgh Press, 1988.
- Consejo Sectorial de la Producción, *Agenda para la Transformación Productiva*, Quito: MCPEC, 2011.
- Correa, Rafael, *Ecuador: de Banana Republic a la No República*, Bogotá: Random House Mondadori, 2009.

- Crabtree, John y Whitehead, Laurence, *Unresolved tensions: Bolivia past and present*, Pittsburgh: University of Pittsburgh Press, 2008.
- De la Torre, Carlos y Peruzzotti, Enrique, eds., *El retorno del pueblo. Populismo y nuevas democracias en América Latina*, Quito: FLACSO-Ministerio de Cultura, 2008.
- Drake, Paul y Hershberg, Eric, eds., *State and Society in Conflict. Comparative Perspectives on Andean Crisis*, Pittsburgh: University of Pittsburgh Press, 2006.
- Evans, Peter, *Instituciones y Desarrollo en la Era de la Globalización Neoliberal*, Bogotá: ILSA, 2007.
- Foweraker, Joe, Landman, Todd y Harvey, Neil, *Governing Latin America*, Cambridge: Polity Press, 2003.
- Geddes, Barbara, *Politician's Dilemma: building state capacity in Latin America*, Berkeley, Los Angeles, London: University of California Press, 1996.
- Gray Molina, George, "State-society Relations in Bolivia: The Strength of Weakness", in Crabtree and Whitehead, 2008.
- Gudynas, Eduardo, "Estado compensador y nuevos extractivismos. Las ambivalencias del progresismo sudamericano" in Nueva Sociedad, 237, enero-febrero 2012.
- Gudynas, Eduardo, "Diez tesis urgentes sobre el nuevo extractivismo. Contextos y demandas bajo el progresismo sudamericano actual" in CAAP/CLAES, 2009, 187-225.
- Hogenboom, Barbara, "Depoliticized and Repoliticized Minerals in Latin America", in Journal of Developing Societies, 28, 2, 2012.
- limi, Atsushi, "Escaping from the Resource Curse: Evidence from Botswana and the Rest of the World", *IMF Staff Papers*, 54, 4, IMF, 2007.
- Karl, Terry-Leen, Ensuring Fairness: The Case for a Transparent Fiscal Contract in M. Humphreys, J. Sachs and J. Stiglitz (eds.) *Escaping the Resource Curse*, New York: Columbia University Press, 2007.
- Larrea, Carlos, "Análisis parroquial y social del Referéndum y la Consulta de 2011", *Revista La Tendencia*, No. 12, Oct/Nov, 2011, 24-27.
- Larrea, Carlos, *Hacia una historia ecológica del Ecuador. Propuestas para el debate*, Quito: Universidad Andina Simón Bolívar, Sede Ecuador –Corporación Editora Nacional, 2006.
- Madrid, Raúl L., Wendy Hunter y Kurt Weyland, "The Policies and Performance of the Contestatory and Moderate Left" en Raúl Madrid, Wendy Hunter y Kurt Weyland, eds., *Leftist Governments in Latin America: successes and shortcomings*, New York: Cambridge University Press, 2010, 140-179.
- Moore, Mick, "State Formation, and the Quality of Governance in Developing Countries", in *International Political Science Review / Revue Internationale de science politique*, vol. 25, 3, 2004.
- North, Lisa, "Militares y Estado en Ecuador ¿construcción militar y desmantelamiento civil?", in *Iconos* No.26, 2006.
- Ponce de León, Catalina, *Citizen Rights and Articulations of Indigenous Resistance in the Ecuadorian Extractive Frontier*, M.A. dissertation, York University, 2011.
- Remmer, Karen, "Elections and Economics in Contemporary Latin America" in Carol Wise, ed., *Post-stabilization Politics in Latin America: competition, transition, collapse*, Washington D.C.: The Brookings Institution, 2003.
- Sachs, Jeffrey D. and Andrew M. Warner, "Natural Resource Abundance and Economic Growth", *NBER Working Papers*, 5398, 1995.
- SENPLADES, *Recuperación del Estado Nacional para alcanzar el Buen Vivir*, Quito: SENPLADES, 2009.

SENPLADES, *Plan Nacional para el Buen Vivir, 2009-2013*, Quito: SENPLADES, 2009.

SENPLADES, *Aproximación y Análisis: Calidad de los Servicios Públicos*, Quito: SENPLADES, 2009.

Stefanoni, Pablo, "Posneoliberalismo cuesta arriba. Los modelos de Venezuela, Bolivia y Ecuador en debate", in *Nueva Sociedad*, 239, mayo-junio 2012.

Stefanoni, Pablo, "Bolivia después de las elecciones: ¿a dónde va el evismo?" in *Nueva Sociedad*, 225, enero-febrero 2010.

Laws and Acts:

Ley de Minería, Registro Oficial Suplemento N157 del 29 de enero de 2009.

Ley de Gestión Ambiental, Registro Oficial Suplemento N 418 de 10 de septiembre de 2004.

Condiciones para el Licenciamiento Ambiental de Proyectos Hidrocarburíferos y Mineros, Acuerdo Ministerial 047, Registro Oficial N 67 de 19 de abril de 2007.