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Ecuador: Made in China Development

by Luis Ángel Saavedra

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"That's how it's going to be," is the favorite saying of Ecuadoran President Rafael Correa when responding to the concerns of the communities affected by the implementation of mining or infrastructure projects, especially those carried out by Chinese firms.

In his weekly Saturday radio broadcasts, President Correa often refers to a project in progress and the opposition to it from local communities. He then describes the project's supposed benefits and ends by threatening the community with either prison for its leaders or eviction of the entire community.

Some of the planned projects border on the absurd, such as the construction of the dam on the Río Grande in Manabí province, which will flood one of the most fertile river basins in the region that supports the economy of the province's largest cantón, Chone. The president gave the Río Grande communities 48 hours to leave the constructions site, a threat that, far from intimidating them, consolidated their opposition even more.

Río Grande resistance

The city of Chone, capital of the cantón of the same name, has grown thanks to the agricultural development of central Manabí, but it has also grown without planning. It lacks an adequate sewerage system and only half the population has access to potable water.

Because of the city's vulnerability—it becomes completely flooded during the winter rainy season—politicians have offered solutions to the problem during electoral campaigns. One proposed solution is precisely to construct a dam on the Río Grande. The national government took up the local politicians' demagogic discourse and signed a contract with the Chinese company Tiesiju to carry out the Proyecto de Propósito Múltiple Chone, which includes building the dam.

The dam will affect approximately 8,000 Manabí campesinos, flooding 5,000 hectares of fields and isolating an additional 14,000 ha. As a result, the Chone cantón will lose approximately US$20 million in annual income from the area's projected production.

Besides flood control, the government talks about irrigation, but the campesinos do not understand how a project can flood 5,000 ha to irrigate 2,200 ha, which is what the project calls for. Nor do they understand how the floods that affect Chone can be avoided by damming only one of the three rivers that cross the city.

The campesinos responded to the government onslaught from the Secretaría Nacional de Aguas (SENAGUA) with a huge mobilization, blocking the Tiesiju company from entering the construction site and remaining on the site 24 hours a day.

The campesinos' arguments are based on independent technical analysis that shows that the dam, far from solving Chone's problems, will bring a new danger to the city, since the land where it will be built has a geologic fault that will not support the hydraulic pressure.
In addition, the campesinos say that, as they are part of the Manabí people, recognized by the 2008 Constitution, they should have been consulted in advance regarding the project, but the required consultation never took place.

To defend their interests, the campesinos have not only set up a surveillance camp, where they have even installed satellite television, but they have also proceeded with various legal actions to protect their rights. All these actions have put the government's back against the wall despite its efforts to mobilize neighboring communities to support its position.

Elvis Suárez, president of the Comité Central de Comunidades Campesinas de Río Grande, does not understand why the president and SENAGUA insist on implementing a relatively unimportant project that has no rationale, since it requires an investment of only US$160 million in a year. "What is behind this project? Why do they insist on it if they already know that everything is wrong?" asks Suárez.

The answer seems to be far from the campesinos and far from the construction zone, since resistance to the Río Grande project threatens the government's credibility regarding other projects with Chinese companies and with the Chinese government.

**Made in China**

In the past, China was too far away for Latin American countries to think of doing business with it —so much so that, in 1975, trade between Latin American and China stood at only US$200 million. Thirty years later, the reality is totally different, as trade with Ecuador alone amounts to US$2.4 billion and investments by Chinese companies are calculated at US$5 billion. "Ecuador is the South American country that receives the largest amount of Chinese investment," said President Correa.

The Chinese projects include credit that will allow the Sinohydro company to build the Coca-Codo Sinclair hydroelectric plant, considered the largest investment in the country, at a cost of US$2 billion. China is also interested in financing the construction of the Manta-Manaus-Belén multimodal corridor, which will, relatively quickly and economically, connect China with Brazilian suppliers and markets, through Ecuador and northern Peru.

However, oil is what makes China the largest investor in the country. In September 2006, the China National Petroleum Corporation (CNPC) bought Canadian firm EnCana's assets; it also bought shares in the oil pipeline Oleoducto de Crudos Pesados (OCP), which has the capacity to transport 450,000 barrels of heavy crude a day. When the US firm Occidental Petroleum (Oxy) had to leave the country because of a legal complaint by the Ecuadoran government, the Chinese took the opportunity to expand their presence.

The China Sinopec company has also made smaller investments to operate various fields that belonged to Oxy, and the China Changquing Petroleum Exploration Bureau received a contract for work in the Atacapi Parahuachu field.

As if that were not enough, the Ecuadoran government, through various pre-sales, has also committed 160,000 bpd of its oil production to Petrochina, which is half of the state's daily production of 331,000 bpd.

With this volume of business, the Ecuadoran government's credibility with Chinese investors must be total, which is why Río Grande has become the flash point between a population looking for
respect for its rights and a government that wants to be on good terms with foreign investors, even when doing so means it must confront its own people.

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