

The Corporate Boomerang:

The role of shareholders in Ecuador's transnational advocacy networks



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Cover photo source: *Crude Reflections*. Photo exhibit by Lou Dematteis and Kayana Szymczak. Retrieved from <http://www.chevrontoxico.org>.

This thesis documents an emerging form of transnational advocacy, called the shareholder transnational advocacy network (STAN), which links local activists with domestic and international NGOs and shareholder groups to exert leverage over corporate behavior. The study presents and develops the "corporate boomerang model," a model which builds on existing theory to address recent trends in international focus on corporate social responsibility, including a growing focus on corporations as targets of civil society movements and a rise in shareholder advocacy as a means of changing corporate behavior. This new model raises an important research question: what factors influence the effectiveness of transnational advocacy networks using shareholder mechanisms to influence corporate behavior? This question is explored through a case study comparison of two STANs operating in Ecuador where indigenous communities have connected with shareholders in a shared effort to change corporate oil extractive practices in Ecuador's Amazon rainforest. By examining the strength and density of the two STANs, the vulnerability of their targets, and the context of the two networks, the study highlights specific factors that explain differences in the outcomes of the two case studies. The key purpose of this study is to inform future shareholder advocates and other STAN members, offering a systematic approach to understanding shareholder transnational advocacy network activities and to assessing STAN effectiveness.

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Chapter 1: Introduction

Two years ago, on April 21, 2004, Pablo Tsere, the 37-year-old chief of the indigenous Shuar tribe of Ecuador, stood before the shareholders of Burlington Resources to call on the oil company to halt its exploration efforts in the central and southern regions of Ecuador's Amazon rainforest. The indigenous chief's long toucan-feather headdress and maroon-painted cheeks stood in stark contrast to the dark business suits of the thirty senior executives and other shareholders surrounding him at Burlington's annual shareholder meeting in Houston, Texas. Tsere had traveled from his home in the Pastaza Province of the Amazon to represent the thousands of members of the Kichwa, Shuar, Zápara, Shiwiar and Achuar indigenous nationalities residing in Burlington Resource's newly acquired oil concessions. He was facing shareholders gathered to vote on a resolution about Burlington Resources' indigenous rights policy.

"We Shuar are an ancient people who continue to live in our territory according to our customs," Tsere told the shareholders. "I am here to request that you respect our collective rights."

For the past four years, Burlington Resources had been paralyzed from operating in the Pastaza province, facing strong opposition from indigenous groups seeking to defend their territory from corporate and state interests in extraction of the oil reserves in the region.

"If it comes to the last resort, we will defend our territory," Tsere told Burlington's chairman and CEO Bobby Shackouls.

Pablo Tsere knew all too well the detrimental impacts of oil extraction. For the past three decades, his people had witnessed the legacies left by oil companies seeking to profit from the Amazon's oil reserves. Indigenous communities throughout the Amazon had been devastated by toxins leaked into groundwater and soil, roads cut through vital ecosystems, gas flares releasing contaminants into once-pristine tropical air, pipelines running through cropland—the effects of oil companies seeking to extract resources from under the feet of those who had lived in the Amazon for generations.

But Tsere's message to Burlington's shareholders did more than just demonstrate the unyielding commitment of Pastaza's indigenous communities to resist oil exploration in their region. Tsere's presence at the Burlington Resources annual shareholder meeting marked an emerging new twist to the decades-old conflict between indigenous communities and oil

companies in Ecuador's Amazon rainforest. After years of grassroots organizing and local resistance against oil workers and oil representatives, indigenous communities had finally gained access to a new arena in which to bring their fight—the corporate boardroom.

1.1 Research Question

The purpose of this thesis is to investigate a new form of transnational advocacy network which links indigenous communities with corporate shareholders in a shared effort to change the extractive practices of multinational corporations in the oil sector. The thesis documents the emerging role of shareholders in the complex networks of domestic and international actors seeking to promote the integration of indigenous rights and environmental sustainability into the policies and practices of oil companies. Building on existing theory, I propose a new organizational structure to describe this emerging form of activism, which I call the shareholder transnational advocacy network (STAN), and a new model by which these networks exert leverage over their targets, which I call the corporate boomerang model.

This new form of transnational advocacy raises an important research question: what factors influence the effectiveness of transnational advocacy networks using shareholder mechanisms to influence corporate behavior? I answer this question through a comparison of two case studies from Ecuador's Amazon rainforest, where strong indigenous opposition to oil development has been sustained for nearly two decades. The first case study examines a shareholder transnational advocacy network operating in the southern Amazon, where indigenous resistance has successfully blocked all attempts by oil companies to initiate oil production in the region. The second case study evaluates a STAN in the northern Amazon which has been less successful in influencing the practices of its targeted oil companies.

1.2 Policy Significance

The conflict between indigenous communities and oil development explored in this thesis represents the intersection of some of today's most critical issues related to development, human rights, and the environment. In this section, I aim to highlight how this thesis relates to significant policy issues raised by recent trends in the global oil industry as well as the development strategies of oil-rich states in the latter half of the 20th century. I also discuss current trends in international focus on corporate social responsibility that make these questions particularly relevant to contemporary international politics.

1.2.1 Oil, Human Rights, and the Environment

As world oil demand has skyrocketed in recent years, multinational corporations have been driven to the farthest corners of the globe in search of new reserves, coming into increasing contact with the indigenous populations occupying some of the world's most resource-rich regions. This increasingly globalized quest for oil supplies has inevitably driven conflict between corporate interests in oil development and indigenous peoples' efforts to protect their territories from the devastating social and environmental effects of resource extraction. According to the Rainforest Action Network, a nonprofit working to protect indigenous rights in oil-rich tropical forests, "The high correlation between petroleum basins and indigenous communities on every continent tells a story of increasing pressure on indigenous peoples and their homelands to feed the industrialized world's growing appetite for oil and gas" (quoted in Gedicks 2001, 41).

Oil extraction on indigenous land has raised some of the most critical and salient environmental justice issues in history. How can states implement national development strategies based on resource extraction that do not come at the expense of the communities on or near oil reserves? Who holds the responsibility for taking into account the differing local, regional, and national effects of development? How can states protect environmental and human rights while still encouraging national development strategies that seek to exploit natural resources? What is the best way for indigenous communities to assert their basic human rights?

Conflict between oil companies and indigenous communities provides perfect grounds on which to consider the inextricable issues of national development, environmental protection, and human rights. In 1972, the United Nations General Assembly endorsed the principle that "man has the fundamental right to freedom, equality, and adequate conditions of life, in an environment of a quality that permits a life of dignity and well-being" (CESR 1994). The endorsement of this principle was significant in establishing the inherent link between environmental degradation and human welfare; early considerations of human rights had treated the issues in separate dimensions, failing to acknowledge their interdependence (CESR 1994). It is now recognized that the environmental impact of resource extraction is innately tied to severe social consequences, and environmental degradation that debilitates a community's ability to continue traditional lifestyles can constitute a violation of human rights.

This link between environmental degradation and human rights is particularly salient for indigenous populations. The increased coincidence between the locations of indigenous communities and oil production has fostered serious human rights concerns due to the vulnerability of many indigenous cultures to changes in land use and natural resources. Indigenous cultures typically rely on sophisticated and integrated land-use practices that make use of complex ecosystem dynamics and a large variety of natural resources. Oil production inevitably requires significant physical alteration (and degradation) of the environment, a consequence that can have a profound impact on traditional indigenous lifestyles. As Kretzmann and Wright of Project Underground explain, “territorial integrity and control are necessary for the cultural reproduction and ultimately the survival of Amazonian indigenous populations whose way of life and well being are closely tied to a thriving rainforest” (quoted in O’Rourke 2003, 596). The world’s indigenous population is estimated to be between 300 and 600 million people, with these populations spread throughout approximately forty percent of the world’s countries. Indigenous groups in 39 of these countries currently “face an immediate to medium-term threat from new oil and gas exploration” (O’Rourke 2003, 596).

The extent to which oil development threatens indigenous communities cannot be overstated. Oil production poses a real, immediate, and urgent threat to the very survival of thousands of people around the world, and the effects of oil extraction raise some of the most serious human rights concerns in history. In 1990, environmental lawyer Robert F. Kennedy, Jr. flew to Ecuador to survey the damage caused by oil production in the Amazon. Upon his return, Kennedy remarked:

Like most U.S. citizens, I like to believe that when American companies go abroad, American values go with them. This hasn’t happened in Ecuador. Today, American-owned companies are leaving an ugly legacy of poverty and contamination in one of the most important forests on Earth (quoted in Kimerling 1994, ix).

Indeed, every stage of oil production is associated with severe environmental, cultural, and health impacts on communities located in the proximity of oil reserves¹. The profound impacts of oil extraction necessitate close attention to corporate extractive practices. Why study corporate social responsibility in the oil sector? Ask the parents of a Quichua infant who has fallen in an oil-contaminated river in the Amazon rainforest, her body now covered in open sores and blisters. Ask a Cofán indigenous woman after an open fire in a waste pit has caused a “black rain” storm that coats her crops and causes her children to break out in

¹ These impacts are discussed in greater detail in chapter three.

skin rashes. The issue of indigenous rights and oil extraction merits close analysis because thousands of lives across the globe have been destroyed by the “business practices” of multinational oil companies.

1.2.2 Oil and Development

At heart of the environmental justice concerns prompted by oil extraction are key development issues emerging from recent trends in the world’s oil industry and oil-producing states. Within the past century, oil production has developed into a globalized industry dominated by multinational corporations. The beginnings of this transformation date back to the end of the 19th century, when improvements in transportation and drilling techniques prompted a shift in the oil industry from “small, single-stage, local firms to large, vertically-integrated corporations” (Reed 2002). Firms, recognizing that finite reserves and dynamic oil costs necessitate a wide geographical spread of oil supplies, began to expand their operations so as to limit competitors’ access to reserves, increase extraction options (shifting production according to changes in costs), and adjust for depleted reserves (Reed 2002).

Post-World War II shifts in economic policy throughout the world have also played a key role in shaping today’s global oil industry. A widespread shift towards neoliberal economic reform (particularly in developing, resource-rich countries) has served to liberalize trade, increase foreign access to national markets, deregulate economic activity, and privatize previously state-controlled activities (such as resource exploitation). These neoliberal policies have effectively opened and widened the channels through which multinational corporations can access foreign natural resources.

Many resource-rich states have responded to this increased corporate presence in the extractive industry by institutionalizing the role of private corporations in resource extraction. The expansion of the oil sector in the second half of the 20th century was marked by the rapid development of “petro-states,” or states characterized by a statutory monopoly over oil supplies. These resources are typically maintained by a state oil company facilitating joint-venture exploration/extraction agreements with private companies (Watts 2005). In return for access to reserves, and, frequently, military forces to ensure the security of operations, MNCs pay rent directly to the state, who is then charged with the task of distributing this revenue nationally. Because these petro-states are so heavily dependent on this form of revenue to bolster state income, oil development is now deeply embedded in

the governmental structures of these oil-rich countries. The gravity and magnitude of the contemporary oil industry—coupled with the profound environmental and social impacts of oil development—make insight into development strategies based on oil extraction particularly significant.

Despite the fact that the burdens of oil development are often borne most heavily by communities (most often indigenous) living in close proximity to production sites, development policies designed to increase oil extraction are rarely accompanied with effective mechanisms by which to redistribute oil revenues. As one scholar notes, “Oil-dependent economies are...some of the most sordid, chaotic, socially unjust, and inequitable of all political economies” (Watts 2005, 384). Only a small percentage of oil revenues collected by the state are ever redistributed back to indigenous communities as compensation for the damages incurred by oil development. Oil rents collected from private companies in exchange for extraction rights are typically earmarked for other uses; in the case of many petro-states, this national income is used to service large foreign debts.

In addition to failing to compensate indigenous communities for the environmental and social impacts of oil production, oil-dependent states often do not make adequate efforts to curb the adverse effects of oil production in indigenous territory. Petro-states, eager to attract MNCs to joint-venture agreements, will typically implement policies to lower costs for oil companies, thereby providing a more attractive environment in which MNCs can operate (Watts 2005). Unfortunately, these policies often come at the expense of those communities located in the land concessions leased out for oil exploration and extraction. Oil dependent governments commonly reform property laws to allow governmental and private access to lands previously owned or inhabited by indigenous residents (Sawyer 2004). In addition, because petro-states are often desperate to maximize private oil investments, corporate activities in the oil sector (including direct violations of constitutional environmental and human rights) are frequently overlooked by regulatory agencies. Communities find that the traditional avenues for asserting their rights—such as legal recourses—erode as states hesitate to make demands on oil companies for fear of deterring private investment (Sawyer 2004). Collusion between government officials and multinational corporations tends to result in poor governmental oversight of corporate activity, and corrupt local judicial systems provide little assistance to communities seeking restitution for environmental or human rights violations. Communities therefore find few options available

to seek adequate compensation for the devastating impacts of irresponsible oil development (O'Rourke 2003).

It is evident that the transnationalization of the oil industry, facilitated by the neoliberal policies of petro-states and other resource-dependent countries, has created a fundamental point of contention between indigenous communities and multinational corporations. This conflict only promises to be perpetuated by the continual expansion of oil extraction throughout the world. The pervasive nature of this corporate-community tension, and the likelihood of increased conflict in the future, necessitates investigation into possible modes of reconciliation between indigenous and corporate interests.

1.2.3 Oil and CSR

Clearly, these issues raised by the world's growing demand for oil have generated much academic discussion including a wide breadth of perspectives and approaches. This thesis, however, seeks to address these development, human rights, and environmental issues from a relatively new angle, taking into account recent trends in the corporate social responsibility movement—particularly the recent rise of shareholder activism as a mechanism for changing corporate practice related to environmental and social issues.

In 2000, demand for oil reached 75 million barrels a day, showing a 60% increase since 1970. Estimates suggest that this demand will only continue to increase, reaching 123 million barrels by 2025 (Shelley 2005, 7). Rather than simply facilitating an unbridled expansion of the world's extractive industry, however, the rising economic, political, and social forces resulting from increased oil demand have resulted in a complex co-evolutionary process between a powerful transnational corporate drive to satisfy oil demand and an increasingly strong civil society countermovement. The driving forces of oil exploration and extraction have been accompanied by a growing network of organized civil society actors responding to the inseparable issues of environmental degradation from subterranean resource extraction and the human rights consequences of oil development (Gedicks 2001).

Although opposition to oil development on indigenous lands originated as a grassroots issue, the movement has now taken the form of strong transnational advocacy networks, characterized by connections forged between domestic actors (indigenous groups and local organizations) and international activists (such as international nongovernmental organizations, or NGOs) (Keck and Sikkink 1998). Increased resource and information flows between domestic and international actors have strengthened the pressure put on oil

companies to integrate indigenous issues into corporate decision-making. Most recently, the globalized nature of the indigenous rights movement has become astoundingly apparent by the development of a link between domestic activists and a new set of international actors. Indigenous organizations, through connections with international NGOs, have successfully engaged shareholder advocates in their struggle to increase corporate social responsibility in the oil sector. As demonstrated by Pablo Tserere's presence two years ago in the Burlington Resources boardroom, the once grassroots indigenous rights movement has now expanded to include strategies that rely on shareholder pressure aimed directly at the top management of oil corporations in their home country. As a recent article in *Business Week* explained, "The plight of indigenous groups is [now] penetrating the boardrooms of multinationals" (quoted in Gedicks 2001, 2).

The integration of shareholders into transnational advocacy networks is indicative of a recent yet pervasive trend in civil society movements organized around extractive issues. Human rights and environmental activists have largely shifted their targets from states, once viewed as the sole guarantor of indigenous rights, to corporations, whose activities most directly impact indigenous welfare. Indeed, the end of the 20th century has been marked by the rapid rise of a new corporate social responsibility (CSR) movement, as civil society actors have advocated for the integration of stronger social and environmental performance into companies' core business practices.

Even more recently, however, CSR issues have expanded beyond the discourse of public interest groups to permeate the rhetoric and practice of mainstream business actors. In 1992, the CEO-led World Business Council for Sustainable Development was founded to promote CSR principles (Watts 2005). Since 1992, companies and investors have increasingly come to embrace CSR initiatives, and shareholders, recognizing the inherent link between long-term shareholder value and sustainable business practice, now play a key role in pressuring companies to improve their social and environmental practices.

1.3 Academic Significance

While transnational advocacy to promote environmental and human rights has spurred much academic discourse and generated much theoretical literature related to civil society movements, the recent shifts in these networks have yet to come under such rigorous analysis. Still, existing literature on civil society movements can prove useful in considering the influence of shareholder activity on multinational oil corporations. In particular,

concepts such as the transnational advocacy network and the related boomerang model put forth by Margaret Keck and Kathryn Sikkink (1998) offer a useful framework for analyzing current civil society movements related to the oil industry. Transnational advocacy networks (TANs), according to Keck and Sikkink, are “dense webs of connections” between various domestic and international actors that “share values and frequently exchange information and services” (Keck and Sikkink 1998, 9). These networks are “organized to promote causes, principled ideas, and norms,” often focusing on a specific state target (Keck and Sikkink 1998, 8). When channels between domestic actors and states are blocked, transnational advocacy networks can set into motion the “boomerang pattern of influence,” in which domestic groups ally with international actors to apply pressure on the state from the outside (Keck and Sikkink 1998). Such strategies implemented by transnational advocacy networks constitute what Keck and Sikkink label as the “boomerang model.” These strategies are particularly important in the developing world, where domestic actors often lack power or influence over state activities, and therefore must rely on the leverage and information offered by international allies.

The Keck and Sikkink model was created primarily to describe transnational advocacy networks targeting states for policy/practice changes, and therefore it does not rigorously investigate the dynamics of recent networks organized around corporate behavior. The purpose of this thesis, then, is to contribute to literature on transnational advocacy networks by expanding on two key aspects of TANs not specifically addressed by Keck and Sikkink’s work. First, I will extend the use of the boomerang model to describe a movement in which corporations, not states, are the primary targets of the transnational advocacy network. Second, I will describe the emerging role of shareholders as actors in advocacy networks, analyzing their contribution to the dynamics between the domestic and international activists of transnational advocacy networks. I have called this variant of Keck and Sikkink’s transnational advocacy network the shareholder transnational advocacy network, or STAN. The leverage mechanisms implemented by this new organizational structure constitute my proposed modified version of the Keck and Sikkink model, which I call the corporate boomerang model. My study highlights specific factors that influence the effectiveness of corporate boomerang leverage strategies implemented by STANs.

1.4 Argument

This thesis applies Keck and Sikkink's concept of transnational advocacy networks to shareholder activism targeted at multinational corporations. The thesis presents and develops the "corporate boomerang" as a model to explain the processes by which local activists link with domestic and international NGOs and shareholder groups to exert leverage over corporate behavior. I evaluate the relative success of two shareholder transnational advocacy networks operating in Ecuador—targeting Burlington Resources and Chevron—in an effort to identify specific factors that determine STAN effectiveness. I argue that the relative success of the Burlington STAN in comparison to the Chevron network can be explained by significant differences in both the strength and density of the networks, the specific vulnerabilities of the two targets, and the varying contexts of the two networks.

Regarding network strength/density, the regional context of the Burlington network—namely, the lack of oil development in the southern provinces of the Amazon—has afforded this network certain advantages in maintaining a cohesive identity and strong communication channels among domestic network members. In addition, because oil conflict arrived much later to the southern Amazon, network members of the Burlington STAN have had the opportunity to learn from the experiences of oil-affected northern Amazonian regions, whereas domestic actors of the northern network have had more limited access to information regarding the impacts of oil development. Furthermore, the findings of this study suggest that effective networks must be strong and dense within close network levels, but strong relationships between all levels of network members are not necessarily critical. For example, it may be more effective to maintain strength and density between local NGOs and indigenous groups, and between shareholders and international/national NGOs, but not necessarily between indigenous groups and shareholders.

Regarding target vulnerability, analysis of different company characteristics has also revealed several notable explanations explaining Burlington's relative receptiveness to shareholders in comparison with Chevron. Once again, the different network contexts—particularly the fact that shareholder demands of Chevron concern past actions of a subsidiary company, whereas pressure from Burlington's shareholders is focused on the company's current operations—has molded company reactions to shareholders. Chevron has avoided reputational damage by distancing itself from the former Texaco, and, because it no longer is invested in Ecuador, the company has less incentive to accommodate

shareholder and community demands. Furthermore, the different corporate cultures of the company—largely shaped by Burlington’s relative inexperience to shareholder advocacy—also partly explain the different outcomes experienced by shareholder advocates. Finally, the fact that the Chevron STAN concerns pending litigation has also afforded the company certain advantages in deflecting shareholder advocates’ challenges.

This study identifies the complex interplay of network, corporate, and contextual variables that explain the different outcomes of the two STANs. The most significant contribution of this study is the development of a systematic approach to understanding shareholder transnational advocacy network activities and to assessing STAN effectiveness. This study will inform future shareholder advocates and members of shareholder transnational advocacy networks.

1.5 Research Methods

1.5.1 Research Design

The following study addresses new approaches to transnational advocacy networks by comparing two different networks targeted at changing corporate oil extractive practices in Ecuador’s Amazon rainforest. The primary case study for this thesis investigates a shareholder transnational advocacy network aimed at Burlington Resources in Ecuador’s southern Amazonian region. This case study will be compared to a second shareholder network operating in conjunction with a class-action lawsuit filed against ChevronTexaco by indigenous communities in the Ecuadorian northern Amazon. The lawsuit seeks to hold Chevron accountable for contamination resulting from sub-standard extractive practices employed by Texaco during its years of operation in the Amazon. Both of these transnational advocacy networks exemplify the corporate boomerang model by relying on shareholder pressure on U.S.-based oil companies to improve extractive practices in Ecuador.

I draw upon Keck and Sikkink’s work on TANs to consider the relative successes of the two shareholder transnational advocacy networks in Ecuador. Keck and Sikkink identify a set of conditions under which networks are most likely to be successful. The authors organize these network characteristics into categories of variables that affect the effectiveness of the network, including: a) the density and strength of the network, b) the

vulnerability of the target, and c) the context of the network.² I followed the Keck and Sikkink framework for my research methods by analyzing the networks in my study according to these indicators of network effectiveness. My findings are based primarily on existing literature and 33 in-depth interviews conducted with various members of the two transnational advocacy networks.

1.5.1.1 Strength and Density of Network

As Keck and Sikkink explain, “networks are more effective where they are strong and dense” (1998, 206). The density of a transnational advocacy network can be characterized through analysis of the organization of actors in the network, including the quantity and size of organizations in the network, the consistency of exchanges between network actors, and the quality of these interactions. The strength of the network can be measured by the coherency of network identify, or the alignment of the goals and perceptions of different network members. I relied almost exclusively on interviews with 33 network members to understand the implications of network strength and density on the outcomes of the two shareholder campaigns.

1.5.1.2 Vulnerability of the Target

I developed a set of indicators by which to measure the relative vulnerability of Chevron and Burlington Resources as targets of STAN efforts. These indicators assess certain variables related to the companies’ reputations, competitive/economic behavior, and corporate cultures. To gather data on these indicators, I drew on newspaper accounts, company reports and policies, Securities and Exchange Commission filings, and other documentary evidence. I also conducted eleven personal interviews with shareholder advocates, corporate governance experts, and NGO staff members involved in shareholder advocacy. Interviews with shareholders were first used to develop a set of indicators for assessing the (potential) effectiveness of a shareholder campaign, and subsequent research applied these indicators to Burlington Resources and Chevron. The ultimate goal of this approach was to create a general impression of the different “corporate cultures” of the two

² The third category used to analyze the Corporate Boomerang Model was not explicitly delineated by Keck and Sikkink. I developed this category by combining several characteristics presented by the authors as important to the success of a network.

companies regarding shareholder advocacy and assess the companies' varying vulnerabilities to reputational threats posed by the STAN activities.

1.5.1.3 Network Context

The successes/failures of networks cannot depend simply on the internal organization of the network and the vulnerability of the chosen target. Outside factors inevitably play a large role in shaping a transnational advocacy network, and therefore the context under which the network is operating must be considered in an evaluation of the effectiveness of the campaign. By selecting two cases in Ecuador, I try to control for a number of contextual factors that might influence network effectiveness; however, the two cases do differ in several key ways. I drew most heavily on interviews with network members and documentary evidence to assess the different contextual factors of the two networks. I then integrated these contextual factors into my findings relating to the strength/density of the network and the vulnerability of the target, demonstrating causality between differences in the two networks' contexts and variations in the network strength/density and target vulnerability.

1.5.2 Data Collection Techniques

To prepare for interview, I divided up participants into the following three categories, designing specific interview protocols tailored to each participant group.

1. Shareholder advocates/shareholder organizations (either directly or indirectly related to the Chevron/Burlington Resources networks) (9)
2. Members of network affiliated domestic and international NGOs (16)
3. Indigenous leaders (8)

All interviews were conducted either by phone or in person. Interviews followed a semi-structured format, based on an approximately 15-question protocol. Participants were identified either through background literature research, newspaper or journal accounts, or recommendations by other participants.

All interviews conducted in Spanish were recorded and transcribed by a native Spanish speaker. I performed all translations of these interviews, and any in-text quotation from an Ecuadorian interview is my own translation from the interview transcriptions. I followed each round of interviews with a period of analysis, in which I employed a coding system to place data in the appropriate categories, according to the Keck and Sikkink

framework. Follow-up interviews were used to clarify or ask additional questions of participants.

To conduct research on companies, I reviewed company reports—including annual reports and corporate responsibility reports—company websites, Securities and Exchange Commission filings, and proxy statements to collect information on the companies examined in this thesis.

1.5.3 Limitations to Methods

This thesis compares two case studies in an effort to determine specific factors that determine the effectiveness of STANs operating according to the corporate boomerang model. It must be acknowledged, however, that the depth of research on these two case studies is not balanced. Given the time constraints for the project, and certain safety precautions taken during field research, I did not have the opportunity to conduct field research in northern Ecuador, limiting the degree to which I could analyze the Chevron case study. My analysis, therefore, is heavily weighted toward the first case study, which describes the southern STAN targeting Burlington Resources. Clearly, this thesis opens channels for future research that could significantly strengthen the case study comparison with a deeper examination of local-level networks in the northern Amazon. Still, despite the disparity of research depth for the two case studies, the comparison examined in this thesis does achieve its goal of identifying specific factors that have partly determined the effectiveness of the two STANs.

In addition, due to time constraints, this thesis does not properly address the important and complex role of legal and political structures related to indigenous rights and oil production. There is a breadth of literature analyzing international and national law pertaining to this issue; this literature is reviewed only briefly in this thesis, however, as the focus of the project is restricted to the relationships and activities of network actors.

Finally, resource and time restrictions also limited the scope of interviews I could conduct during my study period. While I focused on interviewing key members of the two STANs, this thesis could be greatly improved by the inclusion of the perceptions of actors peripheral to the network. Certain complications reduced my designated study period for interviews with shareholders, and future research could certainly be well-used in interviewing a wider breadth of shareholder advocates, mainstream shareholders, and company employees.

1.6 Chapter Summary

This thesis is organized into seven chapters. Chapter two will present a review of current trends in literature related to transnational advocacy networks. The purpose of this chapter is to provide theoretical grounding for the corporate boomerang model, addressing different variables that must be considered in determining the potential effectiveness of a transnational advocacy network.

Chapter three will provide a necessary overview of the basic political and economic trends that have shaped oil conflicts in Ecuador's Amazon rainforest. This chapter will serve to establish the political context relevant to both case studies, addressing the political, legal, and environmental variables that shape this context.

Chapter four will present the two case studies. The goal of this chapter is to "build the networks" by describing all relevant network members and their roles in the STAN. This chapter will also compare the outcomes of the two networks, relying on Keck and Sikkink's framework for measuring effectiveness of transnational advocacy networks. The chapter will conclude by pointing to differences in the particular contexts of the two networks.

Chapter five will compare the density and strength of the two shareholder transnational advocacy networks, analyzing how the different regional contexts of the two case studies have affected certain variables integral to the relationships between network members. This chapter will highlight several key differences between the networks related to quantity and quality of exchanges between network actors, the amount of information flowing through the network's communication channels, and the alignment of goals and identities among different levels of network actors.

Chapter six will assess the "vulnerability of the targets," comparing certain characteristics of the two companies that determine their relative receptiveness to shareholder advocacy on environmental and social issues. This chapter analyzes the two companies' corporate cultures and other factors that may explain the varying success experienced by shareholder advocates in their attempts to influence corporate policy and practice.

The final chapter of the thesis will discuss implications of the study's findings for shareholder advocacy strategists, particularly those currently involved in the two networks analyzed in this thesis. This chapter will also discuss new developments that may significantly shape the future of the Chevron and Burlington Resources shareholder transnational advocacy networks.

Chapter 2: Unraveling the Boomerang

This thesis evaluates an emerging form of transnational advocacy network (the shareholder transnational advocacy network, or STAN) which links together in a network corporate shareholders and indigenous groups with the goal of changing corporate behavior. Although this particular variant of transnational advocacy network has only developed within the past few years, and is therefore still too young to have generated much critical analysis, sociologists, political scientists, and international relations scholars have long been trying to understand the dynamics and global implications of transnational advocacy networks. Traditional theory on transnational advocacy networks provides a useful framework for evaluating recent adaptations to the TAN model. In an effort to present the academic context of the corporate boomerang model, the following chapter will blend traditional theory on transnational advocacy networks with literature related to the recent corporate social responsibility movement. Through this analysis I aim to highlight areas in which my thesis diverges from previous efforts to transnational advocacy, offering a new perspective on transnational activism.

The first section of this chapter will discuss in depth Keck and Sikkink's work on TANs on which I base my model of the STAN-based corporate boomerang. The second section of this chapter will look more closely at the recent shifts in the focus of civil society movements from targeting states to targeting private actors, such as multinational corporations. The empirical evidence supporting this shift presents new opportunities for theorizing the role of transnational advocacy networks in world affairs, necessitating a revisit to the theories underlying TANs. As I will explain further in the third section of this chapter, I accommodate these changes in NGO activity by proposing a new, corporate-focused TAN variant, comprising the corporate boomerang model. I will then continue the discussion by drawing on relevant theories regarding the effectiveness of transnational advocacy networks to develop a general set of indicators by which to evaluate shareholder transnational advocacy networks. The final section of this chapter will discuss markers by which to measure the success of STAN efforts.

2.1 Transnational Advocacy Networks and the Boomerang Model

The burgeoning body of literature concerning transnational advocacy networks can be organized into three basic areas of study regarding TANs and their influence on

international politics. In an effort to review the underlying theories of the TAN model—and, subsequently, the STAN variant proposed in this thesis—I will first provide an overview of TAN theory, exploring a) the definition of a transnational advocacy network and the components that comprise these networks, b) explanations for their recent rise in civil society movements, and c) their role in international politics.

2.1.1 What is a TAN?

Keck and Sikkink define a transnational advocacy network as a “set of relevant actors working internationally on an issue, who are bound together by shared values, a common discourse, and dense exchanges of information and services” (1998, 2). As the authors explain, the goal of these networks is to gain leverage over powerful actors, such as governments, to maximize influence over these targets and to induce policy change. TANs rely on effective information exchange between network members and “fluid and open relations among committed and knowledgeable actors working in specialized issue areas” (Keck and Sikkink 1998, 8). These networks become particularly important when domestic actors find themselves without avenues to influence their targets from home, launching a “boomerang pattern of influence” in which grassroots domestic groups ally with influential international actors to pressure the target from the outside (Keck and Sikkink 1998, 12). Such linkages between domestic and international allies are mutually beneficial; domestic actors benefit from increased access to resources and new leverage points by which to pressure their targets, and international actors gain legitimacy in their cause by collaborating directly with the domestic groups whom they claim to represent in the international sphere. TANs employing the boomerang model are able to simultaneously work domestically and internationally, attempting to exert leverage over their targets in both realms (Keck and Sikkink 1998).

Keck and Sikkink identify four different types of strategies, or “politics,” that networks use to pressure their targets and influence policy change in a particular issue area (1998, 16). The first two types of network strategies described by the authors relate to the networks’ important task of drawing attention and garnering support for their issues; what the authors call “information politics,” for example, refers to the spread of credible information to strengthen networks’ relationships, bring in new actors, and generate more pressure in the appropriate areas of impact on the target. Use of personal testimonies by affected actors is a particularly important use of information politics, as personal stories are

often more appealing than objective fact to removed, often distant audiences. Similarly, “symbolic politics” refers to the use of symbols to make a situation more understandable and appealing to a diverse audience.

The second two network strategies listed by Keck and Sikkink refer to modes of direct influence on targets. “Leverage politics” describes networks’ ability “to call upon powerful actors to affect a situation where weaker members of a network are unlikely to have influence” (Keck and Sikkink 1998, 16). This type of network strategy is particularly relevant to the case studies examined in this paper; as will become apparent in the following chapter, members of the transnational advocacy networks organized around indigenous rights in the Ecuador’s Oriente sought out shareholders of oil corporations—who, by the right of partial ownership of the company, have leverage over company—to influence corporate behavior in the Amazon. The authors also describe a fourth network tactic, called “accountability politics,” in which network actors call upon their target to uphold previously stated policies or commitments (Keck and Sikkink 1998, 16). By employing different combinations of each of these four types of strategies, networks are able to effectively frame an issue in a manner that will attract public attention, placing the issue on the public agenda and subsequently pressuring targets to consider policy change.

Keck and Sikkink’s TAN model proposes a particular type of civil society influence on world affairs, although several attempts have been made to subsume the TAN model in more general models of transnational civil society activity. Wapner (1995), for example, advocates for a more generalized “global civil society” approach to understanding the profound and varied roles of activist organizations in transnational politics. He describes a model in which non-state actors operate in “that arena of social engagement which exists above the individual yet below the state,” creating a “global civil society” (1995, 312-313).

Tarrow (2001), on the other hand, criticizes this global civil society model of transnationalization for encompassing too wide a range of international relations and obscuring differences in the transnational activities of non-state actors. Describing Wapner’s model as “unspecific, deterministic, and undifferentiated,” Tarrow delineates three more precise forms of transnational action overlooked by the general global civil society model (2001, 14). These activities include transnational social movements, international nongovernmental organizations (INGOs), and transnational advocacy networks. What is particularly important in this analysis is the relationship between these forms of transnational activism; advocacy networks are distinct from social movements and INGOs, according to

Tarrow, in the fact that they *contain* the other two forms of transnational advocacy, serving as structures through which actors of INGOs and social movements can come together to form flexible relationships.

Keck and Sikkink also seek to differentiate their model from other types of transnational nongovernmental relations, asserting that the TAN concept “cannot be subsumed under notions of transnational social movements or global civil society” (1998, 33). The authors explain that the distinguishing feature of transnational advocacy networks is the “centrality of principled ideas” among all actors of the network—they are motivated by shared values (1998, 30). Khagram, in his analysis of transnational opposition to large-scale dam construction in India, further elucidates this argument by differentiating transnational coalitions, or cross-border alliances formed around specific campaigns, from transnational advocacy networks, which are based on “core shared normative concerns” (2004, 12). The case studies of this thesis fall within the TAN definition, as they are not focused so much on one specific campaign but rather on ongoing advocacy for shared values of indigenous rights, cultural and environmental preservation, and corporate social responsibility.

Rodrigues (2000) further identifies a distinctive subtype of transnational advocacy network, called “environment protection issue networks” (EPINs). While EPINs do exhibit most of the characteristics of advocacy networks, Rodrigues eschews several network characteristics that Keck and Sikkink present as integral to the TAN model. First, EPINs are often centered around specific geographical regions and local issues, whereas other advocacy networks tend to focus more on encouraging widespread policy changes. Secondly, EPINs are not necessarily formed around distinct “shared values,” a feature Keck and Sikkink propound as a defining characteristic of transnational advocacy networks. Because environmental issues impact a large host of actors in many different ways, members of EPINs are not always bound by the same principles. Indigenous communities, for example, may be more focused on maintenance of traditional livelihoods, whereas other network members, such as environmental organizations, may be concerned with environmental conservation. In other words, while EPINs are still organized around a specific goal or outcome, this goal may not reflect a unified set of values shared by all actors involved with the network (Rodrigues 2000). The case studies analyzed in this study closely resemble this form of TAN, as they bring together actors with different concerns who are unified by the value environmental protection of the Amazon.

2.1.2 *What explains the rise of TANs?*

While transnational advocacy networks are not an entirely new phenomenon, the number of effective alliances between domestic and international actors has dramatically grown in recent decades. As a proxy to estimating the growth of transnational advocacy networks in the second half of the 20th century, Keck and Sikkink point to the dramatic increase in socially/environmentally-oriented international NGOs (INGOs). The number of environmental INGOs, for example, grew from just two in 1953 to ninety by 1993. International nongovernmental organizations working on human rights issues have also expanded, starting with thirty-three organizations in 1953 to 168 forty years later (Keck and Sikkink 1998, 10). As a result of this rapid increase in transnational activism, much scholarship of transnational advocacy networks has been devoted to understanding the causes promoting their recent global expansion.

A variety of factors have been suggested to explain this large global diffusion of NGO activity³ in the latter half of the 20th century. Keck and Sikkink point to the legacy of social norms put in place in the form of post-WWII international institutions to promote human rights (1998, 200). These norms, according to the authors, were reinforced by the cultural movements of the 1960s, increasing “public perceptivity” to the interests of human rights groups and other NGOs. Cheaper travel costs and improved communication technology also provided a means by which a more diverse group of people were able to travel throughout the world, interact with different communities internationally, and, ultimately, forge the international links that comprise today’s new form of global civil society (Keck and Sikkink 1998).

Batliwala points to failed regulation of transnational corporations in the 1970s as the “earliest catalyst” for the internationalization of civil society movements (2002, 394). The efforts by civil society actors to influence policy were then bolstered by the UN “conference decade” of the 1990s, where NGOs were given an established, legitimate role to play in international discourse on issues such as human rights and the environment (Batliwala 2002). The UN conference decade illuminates Wapner’s (1995) suggestion that the major underlying cause of NGO growth has been a large shift away from public acceptance of a

³ Note: References to NGOs are intended to be interpreted as pertaining to most members of transnational advocacy networks. Because NGOs often comprise the bulk of actors involved in advocacy networks, statements made about NGO activity can serve as proxies for understanding transnational advocacy networks as a whole.

state-centric model of world affairs, and an increasing recognition of non-state actors as significant players in a wide variety of international issues.

2.1.3 What role do TANs play in international politics?

Today's discourse on transnational advocacy networks reflects a marked shift in the scholarship of international relations and contentious politics. Tarrow (2001) explains that the bulk of early transnational relations scholarship strongly emphasized an anti-realist perspective, seeking to dethrone the realist conception that holds states as the only relevant actors in world politics. Despite serving to broaden the study of transnational relations beyond the realm of state interaction, however, anti-realist theory remained largely focused on the international political economy, failing to recognize the influence of international non-state actors in other areas of society.

Tarrow points to several distinct changes in academic approaches to understanding transnational politics that explain recent focus on transnational advocacy networks as principal players in this sphere. Most importantly, Tarrow describes the "normative turn" in transnational relations study which emphasizes the autonomous role of norms in shaping international debate. This shift in transnational relations theory is most relevant as context for the subject matter of this thesis. Transnational advocacy networks rely heavily on both normative change (reshaping norms that are antagonistic to the network goal) and norm diffusion (spread of norms consistent with the TAN's principles) to induce policy changes (Keck and Sikkink 1998).

Acceptance of norms as being influential to transnational politics has fostered an academic environment more amenable to emerging theories such as Keck and Sikkink's transnational advocacy network concept, which assumes norms to be largely important in determining political outcomes. Khagram (2004) also recognizes the crucial role norm manipulation plays in the tactics of transnational advocacy networks. He argues that the degree to which global norms become institutionalized increases the likelihood of transnational networks to be effective. It should be noted, however, that there is still some disagreement regarding the manner in which norms have come to be embraced by scholars of international relations; Finnemore and Sikkink, for example, argue that the so-called "normative turn" represents, in fact, a "return to some traditional concerns of the discipline" that had been overshadowed in recent decades by an overwhelming focus on economic theory to understand international politics (1998, 888).

Finally, it is important to recognize that the theories presented thus far all converge around a primarily positive interpretation of NGOs and their role in international politics. While there is still some debate regarding the structures through which civil society exercises its influence, and the extent to which this influence is effective in changing target behavior, these theories espouse an image of NGOs as organizations working to better some aspect society, whose actions and outcomes directly reflect their original intentions and stated values. This view, however, is not uniform to all scholars of transnational relations. Demars (2005) criticizes scholarship of transnationalism for failing to acknowledge the extreme variability of NGO activity and its consequences. Demars suggests instead that considering the full range of NGO impact reveals the organizations to be “wild cards in world politics,” whose effects are often unintended and highly unpredictable (2005, 162). As Demars further argues, “NGOs often create inadvertent political consequences whose impact is more important than either success or failure in reaching official goals” (2005, 2).

2.2 Switching Focus: From States to MNCs

While Keck and Sikkink do acknowledge that states are not always the primary target of advocacy networks, the traditional theory supporting the TAN-based boomerang model presented in the previous section strongly emphasizes the shaping of state policies through a variety of network strategies. Largely absent from this literature is a non-state-centric analysis of TANs that reflects the shift, within the past decade, from states to corporations as the targets of TAN activities. This shift recognizes the pervasive spread of corporate activity and influence into nearly all areas of society, including domestic politics. Bendell describes this new focus on corporations as a “strategic turn” by members of advocacy networks (primarily NGOs) “towards the private sector” (Newell 2000, 34). While this shift in NGO practice is well documented and has attracted considerable attention in the past decade, these changes have yet to be integrated into TAN theory. The empirical evidence supporting changes in NGO focus towards corporate activity necessitates a reconsideration of TAN theory that de-centers the state as the primary target of NGO activity.

The growing body of recent literature relating to NGO-business interactions reveals the increasing importance of NGO activity in shaping corporate behavior, but the relative effectiveness of NGO influence on multinational corporations is still widely contested. Perspectives on NGO-business interactions fall generally into two camps; those adhering to a pessimistic outlook propound the view that corporations remain relatively immune to

NGO or other civil society pressures. Optimists, on the other hand, point to cases in which corporations have undergone large restructurings to embrace NGO-driven initiatives, demonstrating “corporate environmentalism” and “corporate social responsibility” (Bendell and Murphy 2002, 246). Identifying with this latter school of thought, Bendell and Murphy go so far as to suggest that NGO initiatives “represent the emergence of a new form of regulations for international corporations which might be called civil regulation” (2002, 246). The authors argue that recent NGO pressure on corporations has grown so strong that civil society, rather than governments or international institutions, now sets the standards by which international corporations must abide. While this viewpoint represents a rather strong optimism that has yet to be widely embraced, the arguments outlined by Bendell and Murphy do at least reflect the large shift in NGO activity from state-centered to corporate-focused.

A discussion on the impact of NGO activity on corporate behavior, however, begs first a more fundamental question: what has caused this recent “strategic turn” by NGOs towards private sector actors? While such a question clearly demands an intricate response that cannot be fully addressed at this moment, I have condensed the literature on this issue into four major factors that explain the recent diversification of network targets to include multinational corporations. Most generally, global neoliberal policy—including the shrinking role of states in economic activity and a systematic deregulation of the private sector—has left gaping holes in the regulation of multinational corporate behavior. NGOs, in turn, have attempted to fill these regulatory gaps. As states have scaled back their governance, NGOs have found targeting states to be increasingly less productive, and have in turn looked to more promising targets (Schurman 2004). In addition, NGOs and other civil society actors have responded to mounting frustration at the failures of international institutions—particularly the United Nations—to develop strong international agreements to regulate and monitor corporate behavior. While there have been several significant attempts since the 1970s to create specific codes of conduct for transnational corporations, it was not until the 1999 World Economic Forum that Kofi Annan addressed these issues by launching the UN Global Compact, an international initiative that called upon businesses to adopt core principles related to human and labor rights as well as environmental protection (UN Global Compact 2007).

Perhaps the most significant catalyst for NGO pressure on corporate activity has been the dissolution of previous divisions drawn between corporations and the political

sphere. It is now becoming increasingly clear that corporate activity plays a large role in states' approaches to development strategies, including environmental decisions and resource-use policy (Newell 2000). Corporations are no longer seen outside of the political sphere, as their investment leverage often strongly influences political decisions and their activities yield profound environmental and social impacts. The far-reaching impacts of corporations have made them appealing targets to NGOs seeking to achieve goals based on widespread societal norms (Newell 2000). In other words, the shift in NGO focus should not be viewed so much as a turn away from the original goals motivating efforts to change state policy, but rather as a recognition that the activities of states and corporations are intricately intertwined and both must be dealt with to induce significant change.

Due to the significant response NGOs have recently drawn from the business community and international institutions, activist pressure to improve corporate environmental and social practice has developed into what is now considered a global movement to promote corporate social responsibility. While some point to early seeds sown in the 1980s as the beginning of the upsurge of activism regarding business ethics, the launching pad for today's global CSR movement came in 1992, when the environmental issues raised at the United Nations Conference on the Environment and Development prompted many large corporations to respond by joining World Business Council for Sustainable Development (WBCSD) (Utting and Ives 2006). This group was one of the first to design a definition for CSR, describing it as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of its workers...as well as the local community and society at large" (Watts 2005, 393).

Kofi Annan's proposed UN Global Compact pushed CSR issues into a prominent role on the agenda at the 1999 World Economic Forum in Davos, Switzerland (Weissbrodt and Kruger 2003). In 2003, the United Nations Sub-commission on the Promotion and Protection of Human Rights produced the "Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises." The subcommittee's comprehensive set of norms related to corporate social responsibility mark a landmark step in the establishment of international legal principles holding businesses accountable for their behavior (Weissbrodt and Kruger 2003). In early 2006, through a joint initiative between the UNEP Finance Initiative and the Global Compact, an Investor Group organized by Kofi Annan produced the UN Principles of Responsible Investment (UNEP 2007).

Throughout the 1990s, a growing human rights network, coupled with several major corporate disasters, cultivated CSR activism specifically targeted at the oil industry. These efforts were rewarded in 1997, when Shell Oil Company—in response to public outrage at the company’s business conduct in Nigeria—took the landmark step of issuing a “Statement on General Business Principles” that directly addressed many of the concerns of CSR activists (Watts 2005). A year later, British Petroleum issued a similar statement, and by the end of the decade nearly every oil company had developed some sort of “code of conduct” addressing issues such as community development, environmental responsibility, and labor rights (Watts 2005).

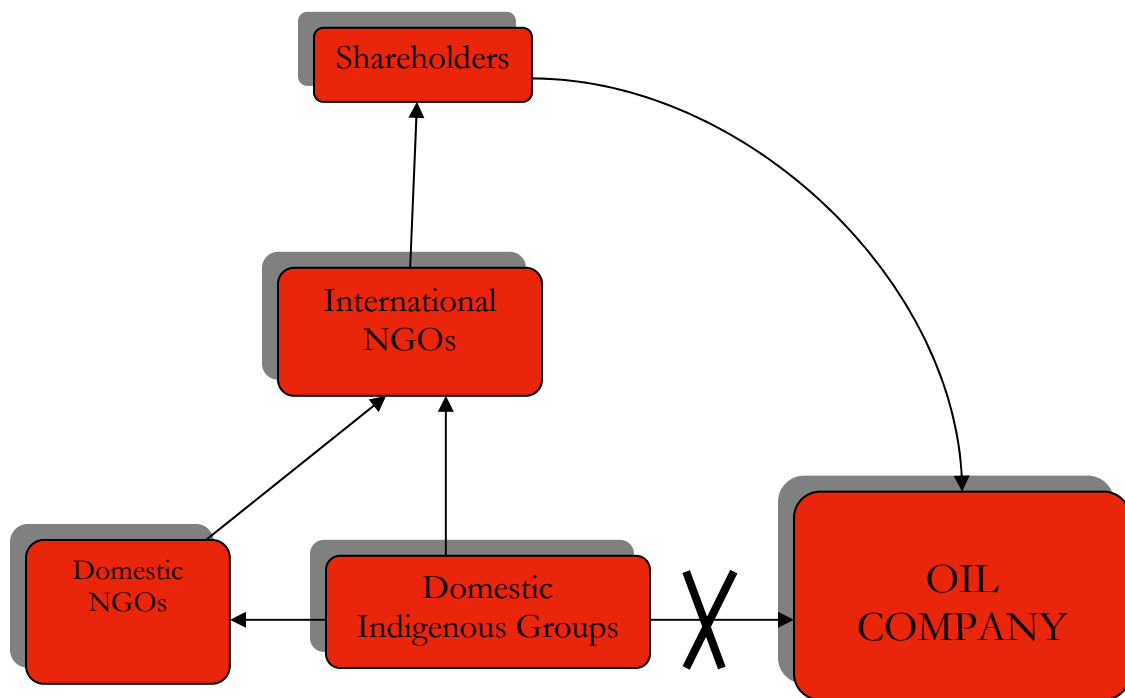
Clearly, there exists a significant amount of empirical evidence demonstrating an emerging global focus on corporations as the targets of civil society actors seeking to influence world politics and promote environmental and social issues. Despite these pervasive trends, however, few attempts have been made to integrate corporate-focused NGO activity into traditional models of transnational activism. Wapner’s interpretation of the global civil society model does provide a basic premise for theorizing NGO-corporate interactions, expanding the focus of transnational activism to include non-state-directed “socially oriented activities” (1995, 313). This analysis of transnational advocacy is a preliminary attempt to integrate NGO-business interactions into the extant models of transnational activism; still, the global trend in civil society movements provides great opportunity for theorizing TANs within a CSR framework. I propose to apply CSR theory to the traditional models of transnational activism by theorizing the “corporate boomerang,” a corporate-focused version of transnational advocacy.

2.3 STANs and the Corporate Boomerang Model

The corporate boomerang model sketches out the leverage politics of a new type of transnational advocacy network, called the STAN, which links indigenous communities with NGOs and corporate shareholders to influence the policies and practice of multinational corporations. The model assumes that indigenous communities, with few avenues to influence corporate practice from the local level, align with domestic and international NGOs, who in turn provide connections to corporate shareholder groups. These shareholder groups implement certain mechanisms, such as shareholder resolutions and dialogues with the company, to pressure corporations in their home country. STAN members can be categorized into four levels (moving from the most grassroots level to the

international/corporate actors): the first level is comprised domestic indigenous federations; the second, domestic NGOs; the third, international NGOs; the fourth, shareholders. Indigenous federations provide necessary testimony and local knowledge of the issue, which serves to legitimize and strengthen NGO and shareholder action. Domestic NGOs serve primarily to empower indigenous communities, providing necessary resources and appropriate connections to more powerful allies. International nongovernmental organizations play a similar role as their domestic counterparts, but they are also instrumental in both informing shareholders of relevant issues and facilitating contact between shareholders and indigenous communities. Finally, shareholders—empowered by their support and testimony from local organizations—use exert pressure on corporate senior management to change the company’s policy and practice. This type of advocacy network clearly demonstrates a boomerang pattern of influence, as indigenous communities—facilitated by domestic and international NGOs—align with more powerful actors to pressure the corporation from without, rather than at the domestic level.

Fig. 2-1. The Corporate Boomerang



The Corporate Boomerang

2.3.1 *When are STANs effective?*

Keck and Sikkink's analysis of transnational advocacy networks implementing a boomerang pattern of influence highlights several characteristics that may determine the effectiveness of the network. This framework can be applied to evaluating the effectiveness of STANs as well. Foremost, the authors note the fact that certain characteristics inherent to the network and its components—namely, its strength (measured by coherence of identity) and density (determined by the quantity/quality of interactions between network actors)—partly determine the network's success in influencing its target. The authors also emphasize the nature of the target, and its vulnerability to different types of leverage, as keys to understanding a network's effectiveness in achieving its goals. Finally, they incorporate criteria relating to influential factors external to the network and its targets into a third criterion, which I have labeled the “network context” (Keck and Sikkink 1998). I will use these three criteria—the network density and strength, the vulnerability of the target, and the network context—as a framework for developing a comprehensive set of indicators to evaluate the effectiveness of shareholder transnational advocacy networks. A summary of this framework is provided in Box 2-1.

Box 2-1. Summary: Framework for Evaluation of the Corporate Boomerang

- Strength and Density of the Network
 - Identity
 - Structural Relationships
- Vulnerability of the Target
 - Economic and Competitive Behavior
 - Reputation
 - Infrastructure
 - Competitive Behavior
 - Corporate culture
 - Nature of the good
- Context
 - Political
 - Legal
 - International
 - National/Regional

2.3.1.1 Strength and Density of a STAN

As Keck and Sikkink elucidate through a variety of case studies, networks must be both strong and dense to maximize their leverage over powerful targets. The strength of a

network can be measured by the cohesiveness of the network's identity. The density of a network refers to the nature of the structural relationships that comprise the network. Keck and Sikkink offer an eloquent observation to describe the importance of these two variables in shaping an advocacy network, explaining "the voice of the network is not the sum of the network component voices, but the product of an interaction of voices" (Keck and Sikkink 1998, 207).

Strength

While the establishment of a uniform identity is key to reinforcing a network's strength, the very nature of a network—as a forum to link widely different actors separated by cultural differences, geographical locations, amount of resources, etc.—makes such a task a difficult challenge. The identity of a transnational advocacy network must represent the viewpoints of each level of network actors, integrating values and concerns of domestic actors with the goals of NGOs and, for STANs, the interests of shareholders. It is useful to assess the cohesion of a network's identity by first examining each level of actor involved in the network, highlighting the strengths and weaknesses each group of actors faces when establishing its own identity and legitimacy.

Domestic grassroots groups are key to shareholder transnational advocacy networks; international NGOs and shareholders depend on domestic actors to legitimize their activities and provide essential local knowledge. In her comparison of three environmental protection issue networks in Brazil, Rodrigues (2004) points to the degree of local representation in the network as an important factor in increasing the legitimacy and capacity of issue networks. Keck and Sikkink also acknowledge the "quality of the local nodes of the advocacy network" as crucial to the network's effectiveness (1998, 145).

For the remainder of this analysis, I refer to indigenous communities—the focus of this thesis—when addressing the domestic actors in an advocacy network. One of the greatest challenges facing indigenous groups is accurate representation of indigenous values to other members of the transnational advocacy network. For example, indigenous communities are faced with the innately contradictory tasks of choosing representatives who can best convey the values of the communities while also establishing credibility in the international sphere. Individuals who are comfortable working internationally are, in fact, the least likely to be representative of an indigenous culture that traditionally has had limited contact with the international community. The more integrated an individual is in

international world politics, the less embedded s/he will be in the local communities.

However, the more locally-based a representative is, the less effective s/he will most likely be in inserting indigenous concerns into the international political agenda (Brysk 1996).

Divisions in community perspectives also pose great challenges to indigenous groups seeking out allies to represent their interests internationally. Indigenous leaders communicating with NGOs are often taken as the authentic representatives of homogenous groups, masking discrepancies among families and individuals in the community (Sawyer 2004). Dissentions among community members, however, can seriously undermine a leader's legitimacy in representing indigenous groups. This dynamic can have two contrasting results; indigenous leaders sympathetic with the norms of an advocacy network will claim to represent domestic interests to international allies, translating a particular stance to NGOs who advocate on behalf of marginalized domestic actors. These NGOs, in turn, will present a specific image of indigenous communities that disguises intra-community conflict and can potentially make a network more vulnerable to attempts to weaken its credibility (Garvey and Newell 2004). On the other hand, the target of a transnational advocacy network, such as a company, can undermine the strength of the network by taking advantage of these community divisions. Companies can strategically choose the community representatives with whom they negotiate, ensuring that the "representatives" of the community are those individuals who support the company's position (Sawyer 2004). Clearly, some degree of uniformity in domestic interests is critical to the network's effectiveness.

NGOs, as the second layer of actors in transnational advocacy networks, also face certain challenges in establishing legitimacy and a consistent identity. While the recent proliferation of NGOs in world politics has drawn considerable attention, their role in shaping international and national politics, this role is still not clear. One school of thought holds NGOs as essential alternatives to the state, picking up slack in areas where the government's policies or regulation have failed to adequately provide for its citizens. Others view NGOs not as complements to states but rather as their primary transformers (Fisher 1997). Therefore, because the activities of NGOs are not prescribed, NGOs must struggle to maintain an identity amidst competing frameworks describing their role in society. Unfortunately, establishing an autonomous identity is further complicated by the fact that NGOs often must cater to their donors in order to continue to receive funding for their work. The activities an NGO chooses to engage in must reflect the organization's

conception of its role in society as well as the perceptions of its members and donors (Fisher 1997).

NGOs working as part of transnational advocacy networks have the responsibility of promoting the interests of the marginalized communities with whom they are collaborating, a role which subjects them to considerable challenges to their legitimacy. What right does a San Francisco-based NGO have in claiming to represent an indigenous community thousands of miles away in the Amazon rainforest? NGOs must develop specific strategies to legitimize their work, such as emphasizing their practical experience in the field and expert status on a particular issue, or promoting a specific value upheld by more formal structures, such as international law (Hudson 2001). Still, there is much confusion surrounding issues of legitimacy in the NGO sector. As Hudson argues, the notion of legitimacy is socially-constructed—i.e. what makes an NGO legitimate for one person may not hold for another—and therefore NGOs must consider carefully the terms for legitimacy established by their primary stakeholders and respond to these expectations (Hudson 2001).

Shareholder advocates, too, face challenges in maintaining a coherent identity, as they straddle two vastly different communities when promoting indigenous/NGO interests in the corporate sphere. At the same time that shareholder advocates must retain credibility among mainstream shareholders in order to be convincing in their portrayal of environmental and social issues as key elements to sound business practice, they must also remain at least partially immersed in the other levels of the activist network, whose voice they claim to bring to the corporate boardroom.

The strength of a network depends not just on coherency within each level of the network, but also on the shared identity between all sets of actors. Networks must be organized around a common set of issues. It is misleading to state, as many do, that these commonalities between network members constitute the network's shared identity; a more appropriate description is offered by Pieck, who defines this middle ground as occurring at the "borders of different cultures" (2006, 310). This area of convergence often develops as a tense, unstable middle ground between actors reacting to different motives and values (Conklin and Graham 1995). This middle ground is held up by assumptions on both sides of the "Other's" interests, and how these interests will help to achieve a specific goal (Conklin and Graham 1995). Such dynamics leaves ample room for misconceptions and misrepresentation within the network. Some of these misrepresentations are strategic; Northern environmental NGOs, for example, may depict indigenous leaders as sound

ecological managers of the rainforest whose environmental values are consistent with those of Northern conservationists. This may not be an accurate representation of indigenous culture, but it serves to make indigenous rights issues more appealing to the environmental community (Pieck 2006). In addition, the tenuousness and instability of this middle ground of values is subject to collapse with slight changes in either party's positions. For example, as soon as indigenous cultures begin to focus more on social autonomy/sovereignty rather than environmental conservation, they can become alienated from their international environmental NGO allies (Pieck 2006).

It should also be noted that the strength of a network does not depend entirely on the ability of network members to project an identity consistent across all levels of network members. True, a network must develop a "shared identity" to outwardly portray its interests and maximize its leverage over its target; these efforts to project a unified image, however, easily mask differential power relations between actors in the network (Batliwala 2002). As Batliwala notes, it is easy to obscure the intricacies of networks' various components by projecting the network "through the rosy lens of 'social movement,'" but "the fact is that these different actors enjoy varying levels of power and privilege in shaping the debate, speaking for the affected, and gaining entry into policy-making arena" (2002, 396). Southern groups rely on alliances with northern NGOs for resources and clout; this disparity in resources, however, inevitably creates asymmetries between the different levels of actors in the network. As Bendell and Murphy note, such power dynamics may result in "ethical imperialism," in which northern NGOs impose values or solutions on their southern counterparts (2002, 261). In the middle ground between shareholders, international NGOs and domestic groups, indigenous communities can be forced into uncomfortable roles assigned by other network members attempting to use indigenous issues to further certain agendas (Pieck 2006). These differential power dynamics are particularly disconcerting as northern NGOs are charged with representing the interests of their southern allies. A strong network, therefore, is not one that only portrays itself according to a cohesive, unified identity but also reconciles power differentials between actors in the network.

Density

A network's density is highly dependent on its structural attributes, such as the quantity and quality of interactions between network members. Keck and Sikkink define a network's density by the "total number and size of organizations in the network, and the regularity of

their exchanges” (1998, 206). I have added to this definition by including the quality of these exchanges as a measure of network density—measured by the amount of information exchanged in interactions between network actors. Clearly, the stronger the relationships between all levels of the network, the more effective the network will be in taking advantage of different opportunities to maximize its leverage over the target. However, as Fisher notes, the relationships among network actors “are never seamless, smooth, or consistent,” as the ideals and values of network members must converge to initiate collaboration between widely different actors (1997, 453).

In a comparison of three Latin American activist networks, Rodrigues (2004) identifies several procedural attributes that contribute to a network’s density and partially determine the effectiveness of a network’s efforts. Most importantly, Rodrigues argues, is the establishment of a large local “umbrella group” to provide a forum through which local actors can reconcile differences within the domestic level and among other levels of the network. This umbrella group must serve as an arena for resource sharing and conflict mediation—a central “node” *at the domestic level* through which international actors can easily access local network members. In addition, Rodrigues asserts that such organizations must have flexibility in their organizational structure and membership requirements, thereby maintaining a broad, inclusive, and diverse membership base. This umbrella group should not, however, substitute for “well-established lines of cooperation between network members at all levels” (Rodrigues 2004, 146).

International actors and local groups must also establish long-term cooperative relations, with sustained frequent interaction between local groups and their international allies. International NGOs, prompted by the time constraints imposed on them by donors and funding sources, tend to prioritize short-term “crisis response,” rather than long-term involvement in processes to strengthen communities’ local capacities (Rodrigues 2000, 146). Network members must clearly define each actor’s commitment to the network, focusing on long-term local empowerment and building of technical ability to strengthen local positioning in opposing corporate targets.

Finally, Rodrigues emphasizes the importance of using early contact between network members to generate a consensus of definitions of concepts related to the network’s activities. For example, because environmentally sustainable development is often the focal point of alliances between environmental organizations and indigenous groups,

network members must agree on a definition of this goal at the onset of collaboration (Rodrigues 2004).

At the most basic level, dense networks are characterized by frequent consultation between network members. Attempts have been made to provide mathematical models of network density, incorporating a variety of variables such as local structures, global connectivity, and organization or randomness of network “nodes” (see Watts 2004). More qualitative assessments of network density may compare levels of communication within each set of network actors and across different levels of actors. The quality of these exchanges may be measured by assessing the amount of pertinent information shared through these communication channels.

In summary, the structural issues in the relationships between different network members contribute to the strength and density of a network, and therefore its overall effectiveness. The goals and perceptions of each level of network member must fall into some common ground, and interactions between network members must be frequent and of high quality to facilitate better understanding between all levels of actors in the network.

2.3.1.2 Vulnerability of the Target

Clearly, networks that are strong and dense are more likely to be effective in achieving their goals. Still, the effectiveness of network activity is also largely determined by factors external to the network itself, including the nature of the opposition target at which the network’s strategies are aimed. In other words, the success of shareholder transnational advocacy networks is in part determined by the relative vulnerability of the targeted company to the types of leverages used by these networks to encourage changes in corporate behavior.

In her evaluation of the anti-biotech movement in Western Europe, Rachel Schurman (2004) develops a useful framework for understanding the specific characteristics of a company that may determine its vulnerability to activist pressure—particularly pressure from shareholder advocates on environmental and social issues. The author groups these characteristics into four broad categories, or “industry structures,” three of which are particularly useful for understanding the case studies presented in this thesis. These categories of indicators include: a) the economic and competitive behavior of the firm, b) the corporate culture of the firm, and c) the nature of the industry’s good. I will treat each of

these industry structures in turn as a means of outlining the specific firm characteristics that may determine its vulnerability to activist pressure.

Industry Structure 1: Economic and Competitive Behavior

The very nature of firms, as profit-maximizing competing economic actors, creates certain innate vulnerabilities to activist pressure. For example, a firm's need to maintain low costs by protecting initial investment (including company reputation, infrastructure, etc.) can make it particularly susceptible to any external activity (such as NGO, community, or shareholder pressure) that may threaten these investments. In addition, activists can take advantage of firms that are seeking to occupy a specific market niche by distinguishing themselves in the industry, convincing companies that a competitive advantage can be gained through the adoption of improved social and environmental policies (Schurman 2004).

Reputation. The need to uphold a reputation, or maintain a specific brand name, can force firms to be more responsive to activist and shareholder pressure that threatens to mar the company's public image. As Utting explains:

The protection of company reputation and brand-name image has become a key managerial concern for firms in certain product sectors. To minimize or avoid any tarnishing of reputations, some companies are not only attempting to respond to environmental concerns related to their business activities but are engaging new forms of risk management by trying to anticipate where the next problem or threat might come from, and take preventive action (Utting 2002, 283).

Clearly, the more a firm invests in its brand name, the greater interest it will have in safeguarding this investment by being responsive to potentially threatening actors (Schurman 2004). Lawrence (2002) points to Shell's "serious crisis of reputation" in the mid-1990s—spurred by two high-profile conflicts, including allegations of human rights abuses in Nigeria and Greenpeace's widely-publicized opposition to the sinking of the Brent Spar—as the principle factor explaining the company's willingness to participate in dialogues with Amnesty International and Pax Christi. As Lawrence explains, "The company's reputation was a valuable asset that had to be managed, along with other commercial risks and opportunities" (2002, 75). A company can spend years developing a brand name that distinguishes it from other firms in the industry, and a threat to the company's reputation has the potential to significantly impact shareholder value.

Aside from investing heavily in a reputation or brand name, a company will also be more likely to respond to reputational threats if it has a retail line for its product. Because its product is marketed directly to consumers, the company is vulnerable to potential changes in consumer preference prompted by damage to the company's reputation. Managers must gauge the potential impact on the company of shifts in consumer preference due to reputational challenges (Spar and La Mure 2003). For example, the proportion of gas station purchases by consumers contributing to an oil company's total revenue may determine its reaction to threats to the company's public image (Logan 2006).

Finally, a company will also most likely respond to activist pressure if it has previously undergone serious attacks on its reputation or brand name. For example, General Electric's "ecomagination" initiative is often held as a model success case for shareholder activists pressuring companies to improve their environmental performance. The willingness of GE to respond to shareholder pressure is frequently attributed to its eagerness in avoiding further tarnishing of its reputation after the negative publicity it received by environmental activists blaming the company for failing to take responsibility for its contribution to pollution in the Hudson River (Harold 2006).

Activists can threaten a company's reputation through a variety of tactics. NGOs frequently organize public demonstrations, publish reports, or launch consumer education campaigns to draw public attention to a company and its behavior. Shareholders can file resolutions at the company's annual general meetings calling upon the company to improve its environmental or social performance. Although these resolutions rarely pass, they do serve to attract the attention of financial analysts and the media, and can therefore serve as a catalyst for promoting dialogue between the company and shareholder groups.

Infrastructure. Aside from investments in its reputation and/or brand-name, threats to other investments—such as infrastructure—may also provide incentive for a corporation to be more receptive to shareholder or other activist pressure. For example, community sabotage of oil infrastructure can have a significant financial impact on an oil company's production in a certain region, depreciating the value of the company's assets and prompting the firm to consider entering into dialogue with the community. In such cases, the high cost of community strife may prompt a company to accommodate the interests of its shareholders so as to protect its investments (Utting 2002). Furthermore, the amount a company has invested in infrastructure may increase the leverage shareholder advocates have

in persuading mainstream shareholders to support their initiatives; if they can make a financial argument to pressure a company to take action on a particular issue, shareholder activists are more likely to garner support from non-activist shareholders interested in maintaining shareholder value (Harold 2006).

It should be noted, however, that the case for “safe-guarding investments” can also be used to explain a reason for why firms may be less flexible in responding to activist pressure. Calls for changes in corporate behavior that would require a company to retire heavy infrastructure (such as closing a mine)—imposing significant transaction costs of capitulation to activist demands—are most likely to be met with strong resistance by the corporation (Schurman 2004; Spar and La Mure 2003).

Competitive Behavior. Schurman also points to a firm’s competitive position as a potential source of vulnerability. Capitulation to activist demands may, in fact, be financially rewarding; strong environmental or social performance may help to distinguish the company as an industry leader, conferring a competitive advantage to the firm (Spar and La Mure 2003). Schurman describes “challenger firms,” or companies seeking to unseat industry leader incumbents, as particularly good targets for activists, as such firms may be more willing to risk deviance from industry conventions (Schurman 2004).

Industry Structure 2: Corporate Culture

We begin with the obvious but often neglected proposition that managers have lives beyond the firm. They raise families, reside in communities, and participate in social events. They have different social and educational backgrounds as well as diverse belief structures and moral systems. To a large extent, of course, custom (and academic models) dictate that managers leave these belief systems at the office door. Yet they don’t always (Spar and La Mure 2003, 85).

As Spar and La Mure (2003) eloquently argue in the excerpt above, managerial commitment to the ideals of social movements can overhaul cost-benefit analyses that suggest a company should act contrary to the pressures of activists. Nascent CSR literature frequently references a company’s “corporate culture” as a driver promoting a corporation’s willingness to embrace CSR values. The definition of this concept, however, remains rather vague; references to corporate culture are rarely accompanied with a comprehensive definition of the term. Schurman defines the corporate culture of a company as “the explicit and taken-for-granted norms and practices of business behavior” (2004, 250). This definition, however, does not cite the specific characteristics of a firm that comprise its

corporate culture as a whole. The purpose of the following analysis is to mesh together several different analyses of this concept to generate a list of company variables that may indicate its “corporate culture.”

As Schurman acknowledges, the belief systems of a company’s founder, CEO, or largest shareholding family are important in both influencing activists’ choice of targets and shaping the type of response a company will have to activist demands. The stated corporate culture of a firm can be particularly important for networks’ employment of accountability politics, as activists can draw attention to misalignments between a corporation’s stated values and its practice.

The notion of managerial and Board commitment to CSR practices includes the values of the company’s executive officers and the oversight of the Board of Directors on management’s performance. A recent study of business executives, for example, found that the majority of executives surveyed placed responsibility on the company’s CEO and Board Chair to promote CSR principles within the corporate structure (Utting and Ives 2006). However, apart from first-hand accounts, and perhaps the content of specific corporate policies (which should be taken cautiously as an indicator of corporate culture, as companies can design shallow policies to deflect activist pressure without undergoing major change), the specific belief systems of an individual firm’s management can be difficult to ascertain. Still, certain aspects of a firm’s corporate governance can indicate a corporate culture more amenable to integration of social and environmental improvements into business practice. Certain corporate governance indicators, for example, can facilitate increased oversight by the Board of Directors on management performance on environmental and social issues. I have identified the following four indicators of corporate governance that predict a company’s corporate culture with respect to its commitment to CSR values (see Box 2-2).

Independent Board Members. Policies ensuring that members of the Board of Directors are independent and unaffiliated with the company can be key to ensuring proper objective oversight of management activity.

Board committee oversight. The creation of Board committees to oversee the company’s response to social or environmental issues suggests Board-level commitment to certain values (Cogan 2006). For example, one factor explaining Shell’s willingness to negotiate with NGOs such as Amnesty International is CEO Moody-Stuart’s structural re-organization of the company to assign a committee of executive and board-level managers to review the company’s social and environmental performance (Lawrence 2002).

Independent Board Chair. Most importantly, autonomy of the Board of Directors from the company's senior management plays a key role in ensuring Board oversight of management decisions and practices. To maintain such autonomy, the Board of Directors can establish a policy to separate the roles of Board Chairman and Chief Executive Officer, permitting only an independent director who has not served as an executive officer to chair the company's Board of Directors (Cogan 2006).

Compensation policies. Finally, the company's CEO and other executive officers' compensation can be linked to achievement of specific CSR goals, providing incentive for the executive management to improve social and environmental performance (Cogan 2006).

<p>Box 2-2. Corporate Governance Indicators of Corporate Culture*</p> <p>MANAGEMENT EXECUTION</p> <ul style="list-style-type: none">▪ Specific statement or policy issued▪ CEO personal position clearly articulated <p>BOARD OVERSIGHT</p> <ul style="list-style-type: none">▪ Independent Board Directors▪ Board committee oversight of certain social/environmental practices▪ Independent director as Board Chairman▪ Executive compensation linked to CSR goals <p>PRIMARY SHAREHOLDERS</p> <ul style="list-style-type: none">▪ Proxy voting record

*Adapted from Cogan 2006

Industry Structure 3: Nature of the Good

Schurman also notes that the nature of the good/service produced by the company is a strong indicator of the company's vulnerability to activist pressure. For example, goods that are widely known to have adverse environmental, social, or health impacts are inherently subject to close public scrutiny. Because the good I examine in these case studies (i.e. oil) does not vary between the two companies, I will not address this issue in great detail. Still, it is important to note this industry structure insofar as it suggests that oil may possess certain innate characteristics that make its producer more/less vulnerable to activist pressure, and the implied vulnerability of the targets studied in this thesis may not be applicable to all corporations subject to the pressures of shareholder transnational advocacy networks

(Schurman 2004). Most importantly, oil demand is fairly inelastic, suggesting that consumer preference will be less responsive to certain network activities, such as public exposure of oil companies' poor environmental and/or social performance. In addition, because oil is considered a necessity, rather than a luxury good, analyses of certain corporate initiatives to sell products with an environmental premium (such as Patagonia's efforts to incorporate environmental performance into its outdoor clothing retail) may not be applicable to the companies investigated in this thesis (Spar and La Mure 2003).

2.3.1.3 Network Context

It is impossible to evaluate an advocacy network's effectiveness considering the contextual factors that inevitably play a pivotal role in determining the successes/failures of network activity. The transnational nature of TANs provides for a complex and rather difficult analysis of their context, as such networks operate under international *and* domestic political and legal frameworks.

Recognizing that network effectiveness can be largely shaped by external factors, Keck and Sikkink emphasize the importance of consideration of a network's "opportunity structure," or political context, to gauging network success (1998, 7). This focus on political context was first emphasized in the early-1980s by the work of "political process" theorists, including Tilly, McAdam, and Tarrow (McAdam et al. 1996). These authors stressed the conviction "that social movements...are shaped by the broader set of political constraints and opportunities unique to the national context in which they are embedded" (McAdam et al. 1996, 3). Tarrow further defines the concept of "political opportunity structure" as "the dimensions of the political environment that provide incentives for people to undertake collective action by affecting their expectation for success or failure" (1994, 85). The opportunity structure for STANs targeting corporate behavior and centered around indigenous rights is largely dependent on the following domestic and international political factors: a) the nature of the state's relationship with the corporation, b) the nature of the relationship between the state and its indigenous population c) the state's vulnerability to different international actors, and d) the national and international legal context (Garvey and Newell 2004).

Domestic Political Factors

The bountiful literature on petro-states and the impact of the global oil industry on resource-rich developing countries depicts a complex yet useful scenario for understanding state-corporate relations and their impact on opportunities for transnational advocacy networks. As mentioned in the previous chapter, petro-states are characterized by intimate state-corporate relations, fostered by the eagerness of multinational corporations to secure new sources of crude oil and the state's heavy dependence on income gained through oil rents (Karl 1999). As Watts notes, most of the greatest environmental and human rights violations in the oil industry “emerge from [these] intimate relations—legal, institutional, political, and diplomatic—between states (petro-states or foreign state interests) and the oil business” (2005, 387). Clearly, these mutually-dependent close relations between oil companies and petro-states greatly impede activists' efforts to change corporate extractive behavior. For example, many petro-states offer corporations military protection to secure their activities from disruption by local activists (Sawyer 2004). Tight formal relations between states and corporations also allow for the parties to shift blame between themselves in response to activists' demands. Companies can defer to the realm of state responsibility, claiming to be unable to “intervene with national sovereignty” by addressing activist concerns (Watts 2005, 387). Companies also claim that states impose certain practices—such as a lack of transparency—on corporations as part of the joint venture agreements (Watts 2005). These state-corporate dynamics seriously undermine the efforts of transnational advocacy networks to hold corporations accountable for the impacts of extraction, and therefore the contextual factors related to the nature of the relationship between the target oil company and the state plays a large role in determining the effectiveness of a network's efforts.

Intimate state-corporate relationships also have a profound impact on the nature of a state's relations with its indigenous population. At the heart of indigenous opposition to oil development is the issue of land rights (Sawyer 2004). Oil concessions leased by the government to multinational corporations often overlap with the traditional territory of indigenous communities, and therefore the extent to which the state recognizes a community's property rights can significantly strengthen or weaken a community's position relative to a corporation seeking oil development on their land. Most often, the urgency felt by petro-states to attract foreign direct investment prompts states to implement structural changes in policy that relax indigenous land rights and undermine the community's

opposition to development of oil reserves on their territory (Sawyer 2004). The political salience and embeddedness of an indigenous community in government can help to counteract such processes, however, by providing greater opportunity to promote state recognition of indigenous land rights (Martin 2003). In cases where indigenous populations are unable to significantly permeate governmental structures, communities may initiate a boomerang pattern of influence, as domestic actors seek outside assistance in response to blocked channels of negotiation with the state (Keck and Sikkink 1998).

International Political Factors

A state's vulnerability to certain international actors—such as international lending institutions—may also reduce its flexibility in regulating the private sector, making the state less responsive to activist concerns regarding the human rights implications of corporate activity. Contextual factors related to the state's relations to international institutions or organizations can be considered as part of the network's "international political opportunity structure" (Martin 2003). Structural adjustment programs imposed by international lending institutions—such as the World Bank or the International Monetary Fund—emphasize expansion of resource extraction and exportation. Eager to repay large debts, oil-producing states may provide strong support to MNCs seeking access to oil in indigenous territory, thereby strengthening a network's opposition target (Martin 2003).

Existing laws governing states or corporations can also serve as drivers promoting network success. In general, international law provides minimum requirements which are supplemented by more specific regional or national legislation (CESR 1994). I will briefly outline the international law pertaining to the case studies of this thesis. The domestic legal structure, however, will be addressed briefly in the following chapter.

The United Nations Economic and Social Council has played a key role in establishing the groundwork for international law pertaining to the rights of indigenous peoples. Spurred by the 1948 Universal Declaration of Human Rights, the UN has devoted increasing attention to indigenous issues for the past half-century. In 1993, the Working Group on Indigenous Peoples, a sub-division of the UN Sub-Commission on the Prevention of Discrimination and Protection of Minorities, released the Draft Universal Declaration on the Rights of Indigenous Peoples, coinciding with the UN-designated Year of Indigenous Peoples (Stamatopoulou 1994). Some of the major issues addressed by the declaration relate to indigenous land rights, including the right to use and control traditional

lands. While the document does not explicitly refer to subsurface land rights, it does acknowledge indigenous right to conservation and protection of the environment in traditional territory as well as required compensation for any adverse effects of resource development.

It is also important to note that legal provisions comprise only a part of the legal factors influencing a network's effectiveness. As Garvey and Newell point out, "legal frameworks do not provide a 'neutral' space," and the effectiveness of legal institutions is largely dependent on the enforceability of the laws (2004, 13). In addition, indigenous communities and other domestic actors often have limited access to institutions through which they can assert their legal rights (Garvey and Newell 2004).

2.3.2 Measuring STAN Effectiveness

An analysis of the different drivers that promote or impede network success necessarily raises another fundamental question: what constitutes a network's "success?" How does one measure how effective a network has been in achieving its goals? I again draw on Keck and Sikkink's work (1998) to provide a framework by which to evaluate network success. The authors list five overlapping areas in which a network can be effective; to simplify this framework, eliminate areas of overlap, and make it relevant to STANs, I address the following three areas of effectiveness: 1) framing debates and getting issues on the agenda; 2) affecting policy; and 3) causing procedural change at the international and domestic level (Keck and Sikkink 1998, 201). I have developed a set of specific outcomes that fall under each category to evaluate the overall success of a network's activities.

2.3.2.1 Framing Debates and Getting Issues on the Agenda

Shareholder transnational advocacy networks provide the opportunity for the interests of grassroots—and often marginalized—domestic groups to be heard by the company's top management. One of the most important functions of STANs, therefore, is the ability of shareholders to push certain issues onto the corporate agenda and integrate new practices into the core business strategies of the company. In addition, shareholders pressuring the company to address the concerns of indigenous groups have the opportunity to garner support for their demands by framing these issues in terms of the company's long-term financial success, or in terms of the company's stated commitment to corporate social responsibility.

Shareholder resolutions can serve as an effective means for activists to communicate their concerns directly to a company's executive management, thereby forcing certain issues onto the corporate agenda. Annual shareholder meetings provide an official forum for shareholders to frame issues of concern in a manner that will be most appealing to the company; resolutions pertaining to climate change initiatives, for example, will often call upon the company to report on and take action to address the *financial* risks posed to the corporation by global warming (Ceres 2007). Such a request implies that climate change poses significant financial risk to the company, and that there is in fact a "business case" for the company to take action (Ceres 2007). Similarly, resolutions calling upon an oil company to improve its relations with indigenous communities translate a network value—such as indigenous rights and environmental protection—into a "business case" framework, presenting the issue in terms of a manager's fiduciary duty to maximize shareholders' interests (Hetherington 1969).

While shareholder resolutions rarely pass, filing resolutions can lead to certain outcomes that serve as progress markers for shareholder activity. A submitted resolution is subject to one of three outcomes: the company may request that the SEC approve omission of the resolution from the ballot on the basis of one of thirteen established grounds; the shareholders may choose to withdraw the resolution after receiving adequate response from the company; or, lastly, the resolution may go to a vote at the company's annual general meeting (AGM) for shareholders (O'Rourke 2003). Withdrawals are generally regarded as the most successful outcome for a resolution, as they imply that the company has responded satisfactorily to shareholder demands. Shareholders may withdraw resolutions if the company takes measures such as opting to engage in dialogue with shareholders and other stakeholders, or releasing an acceptable statement or policy. Such outcomes effectively demonstrate shareholders' ability to get issues on the agenda of corporate executives (Harold 2006).

Resolutions that are not omitted or withdrawn proceed to a vote at the annual general meeting, where filers are permitted to present their resolutions before the general body of shareholders (Harold 2006). Because a corporation's management and board members typically own a large number of shares in the company, and large institutional investors often consistently vote with management, environmental and social proposals typically only receive approximately ten percent of the shareholder votes (O'Rourke, A. 2003). Still, higher votes—in the range of 20 to 30 percent—are regarded as significant

achievements, and enough support to spur a response from senior management (Harold 2006). In addition, voting results determine whether or not a resolution can be filed again the following year; a resolution must receive a three percent vote in its first year, a six percent vote in the second year, and a ten percent vote in its third year in order to return to the ballot the following year (O'Rourke, A. 2003). Consistent filings of resolutions can serve to keep an issue on the corporate agenda for multiple years.

2.3.2.2 Affecting Policy

Policy changes initiated by executive officers or other members of a company's senior management may mark significant progress in a network's efforts to achieve its goal. Such policies changes may come in the form of business guidelines for operations, such as Shell's Statement of General Principles, or a policy statement on a specific issue. While such responses do show a company's acknowledgement of shareholder and other activist pressure, the degree to which policy generated at headquarters is translated into practical changes at sites of operation is often questionable. Policy changes are often regarded as incremental progress, allowing network activists to employ "accountability politics," highlighting any inconsistencies between a company's rhetoric and its actual business practice.

2.3.2.3 Procedural Change

Although resolution outcomes and policy changes indicate incremental network progress, the ultimate goal of transnational advocacy networks targeting corporations is to induce change in corporate practice and behavior. Evoking change, however, does not necessarily imply that the network has been effective in achieving its goals; it is the type of changes that the company makes that truly determines the effectiveness of the network's activities. Analysis of procedural change falls into two opposing interpretations regarding its relative importance. Critics often dismiss company action as "greenwash," a term first coined in response to the allegedly insincere commitments of the Business Council for Sustainable Development in response to the 1992 Rio Earth Summit (Utting and Ives 2006). This term refers to token actions taken by corporations to deflect activist pressure or competitively position themselves in the market by claiming to have a strong commitment to CSR principles. According to this view, procedural changes are rarely constructive, often serving a more symbolic or deceitful purpose, rather than a commitment to certain values.

A second perspective on procedural change, however, provides a more optimistic outlook on corporate activity, suggesting that activist concerns can be reconciled with strong core business strategies that improve a company's social and environmental performance while yielding multiple benefits to the company. This view propounds that there is a strong business case for corporations to implement socially or environmentally sound practices. In recent years, much attention in this area has turned to stakeholder management theory, which "correlates the health of a company with its responsiveness to the concerns not only of shareholders but of multiple stakeholders" (Utting and Ives 2006, 16). A stakeholder is defined as any actor who affects or is affected by a corporation's activities (Bendell 2000).

There is certainly no shortage of literature on stakeholder management; in fact, the past decade has generated an abundance of stakeholder theory, mainly based on specific case studies of successes/failures in corporate attempts to include stakeholders in decision-making. This proliferation of stakeholder theory based on case studies has resulted in a slightly jumbled assortment of various insights into stakeholder management, which I have compiled into a comprehensive list. Box 2-3 highlights some of the major attributes of a successful stakeholder engagement process. As mentioned earlier, oil companies are notorious for excluding community or other stakeholder input from their decisions regarding oil development; therefore, increased stakeholder engagement is often the primary goal of transnational advocacy networks targeting oil companies. I have included a review of stakeholder management theory to provide an idea of what effective "procedural changes" a company could make to be more responsive to its stakeholders.

2.4 Conclusion

Traditional TAN theory establishes a framework for evaluating the role of transnational activism in international politics. Missing from this analysis, however, is a comprehensive model that reflects recent practical changes in TAN activity, including a shift in focus from state targets to multinational corporations and the inclusion of shareholders as network members. The corporate boomerang model that I propose in this thesis integrates research on TANs with the literature on corporate social responsibility to develop the concept of a STAN, or a shareholder transnational advocacy network. The innovations of the STAN-based corporate boomerang model are four-fold. First, I have developed a concept to describe a newly-emerging TAN variant (the STAN) that includes shareholders as network members and corporations as network targets. Secondly, the corporate boomerang

model includes new mechanisms by which network actors can apply pressure on the target, including the various strategies of shareholder advocacy. Thirdly, this thesis offers a new way of evaluating the effectiveness of transnational advocacy, adapting Keck and Sikkink's indicators of network effectiveness (network strength/density, target vulnerability, and network context) to corporate targets and networks linking indigenous groups, NGOs, and shareholders. Finally, I offer new ways of measuring network success that reflect changes in the mechanisms networks use to maximize their leverage over their targets.

Box 2-3. Stakeholder Management Theory: A Brief Review*

CORPORATE BENEFITS TO STAKEHOLDERS ENGAGEMENT:

- **Intellectual Capital:** Access to external expertise and ideas of NGOs, local knowledge of communities. Free consultations.
- **Social Capital:** Greater productivity and higher quality because of trust generated by good stakeholder relations. Stronger working environment. Increased credibility: "NGOs are warehouses of ethical and environmental credibility."
- **Reputational Capital:** Improved reputation through stakeholder engagement.
- **License to Operate:** Stable operating environment, access to land, validation from local NGOs and communities for operations.

PROCEDURAL CHARACTERISTICS OF A SUCCESSFUL STAKEHOLDER ENGAGEMENT PROCESS:

- Early engagement
- Correct identification and prioritization of shareholders
- Open sharing of information/Transparency (i.e. briefing papers)
- Appropriate time frames to converse. Repeated meetings.
- Meaningful indicators of progress
- Organizational capacity for all parties
- Realistic expectations
- Face-to-face dialogue
- Flexible facilitation of dialogue
- Negotiation-training in community
- Mutually agreed upon translator
- Exchange of position papers
- Public forum for dialogue/debate
- Participatory community needs assessment
- Commission specific working groups/studies to facilitate increased understanding in certain areas and report backs
- Independent environmental impact assessment, released to public
- Long-term sustainability built into corporate-funded community development

*See Greenall 1999; Jones 1999; Lawrence 2002; Barton 2005; Sawyer 2004; Keenan 2002

Chapter 3: Network Context — Environmental and Political Context

As Keck and Sikkink emphasize, transnational advocacy networks cannot be evaluated without consideration of the contextual factors influencing the effectiveness of the network. Clearly, networks do not operate in a vacuum; the effectiveness of a STAN is dependent not only on specific vulnerabilities of the target, or strengths of the network, but also on the ability of the actors in these networks to manipulate opportunity structures determined by the network's context. Drawing on this insight, the following chapter establishes the political context relevant to the indigenous networks of the two case studies analyzed in this thesis. As noted in the previous chapter, I have consolidated the various external factors determining a network's effectiveness into a single indicator, labeled the "network context," which includes those variables—such as environment, political, and legal factors—that constitute the network's opportunity structures.

Ecuador's cultural, political, social, economic, and environmental history has indeed created a complex network context for transnational advocacy networks organized around indigenous rights in the Amazon. Years of oil extraction, an embedded racial hierarchy, a consistent lack of indigenous representation in the political sphere, a markedly intimate and dependent relationship between the state and multinational oil corporations, a large vulnerability to the demands of multilateral lending institutions, and an infamously volatile government certainly suggest a rather forbidding environment for indigenous organizations and other actors demanding greater recognition of their rights by state and corporate institutions. However, as this chapter seeks to illuminate, this history has in fact created an intricate mosaic of both opportunities and limitations for the country's indigenous peoples. Sawyer argues that "neoliberal maneuvers and oppositional tactics are mutually constitutive," and "the very policies that nurtured transnational capital undermined people's rights and produced disruptive subjects" (2004, 18). In other words, although oil development in the Amazon has been accompanied by severe social and environmental impacts that have taken a heavy toll on the indigenous peoples of Ecuador, these effects have served to spur indigenous resistance and opposition to state policies, widening the opportunity structure for indigenous groups seeking a unified response to oil production in the Amazon.

3.1 Environmental Context

The context of a transnational advocacy network organized around the issue of oil extraction cannot be fully understood without an appreciation for the severity of the direct environmental and health impacts of oil extraction on neighboring communities. The stakes of indigenous resistance against oil development in ancestral territory are high; every phase in the process of oil extraction is associated with profound and invasive environmental degradation, resulting in serious health consequences for indigenous communities living on or near oil reserves. The direct effects of oil production on local communities are best summarized by categorizing the extraction process into three distinct phases: exploration, production, and transportation.

The environmental effects of oil extraction begin long before any oil is removed from the ground. To begin exploration, companies must transport heavy equipment deep into the rainforest, either by building roads through forests or clearing half-hectare areas for helicopter landings. Oil companies then conduct seismic investigations by detonating explosives at periodic intervals along cleared trails. Indigenous residents often complain that the combination of deforestation and loud explosive activities greatly alter species composition and wildlife patterns in the area.

Seismic investigation is then followed by exploratory drilling, in which exploratory wells are built to extract and test subsurface liquids. Each well is accompanied by a waste pit, or “separation pond,” into which oil workers siphon drillings wastes. These pits are often open and unlined, and degradation of the pits, or overflow from excessive rainfall, can cause toxic wastes to leak into sediments and contaminate groundwater used for drinking, bathing, and fishing by neighboring communities. Two studies conducted by the Ecuadorian government examined 187 oil waste pits in the northern Amazon, finding 80% of the pits to be poorly constructed (CESR 1994). Drillings wastes include a variety of toxic substances such as drilling muds (a thick liquid used as a lubricant and pressurizer, containing many toxic chemical additives), industrial cleaning solvents used for drilling, petroleum, and formation water (Kimerling 1994). Formation water is deep subsurface water containing hydrocarbons, salts, and heavy metals (O'Rourke 2003). Aside from contaminating water sources, toxins leaked from waste pits can bioaccumulate in fish later consumed by local residents. Waste oil from exploration activities is burned openly, releasing contaminants directly into the air to be widely dispersed throughout the region. Lighter compounds in the

oil wastes will evaporate, traveling great distances from the drilling site before being deposited by precipitation.

If seismic explorations reveal the reserves to contain significant amounts of commercial oil, oil development will move into the production stage during which production wells are sunk into the ground for drilling. These wells generate the same wastes as the exploratory wells as well as additional chemicals used for drilling, which are deposited into nearby separation ponds. A study conducted in Ecuador's Amazon in 1993 by a team of scientists, doctors, and lawyers from Harvard University found extremely high levels of toxic compounds, including polycyclic aromatic hydrocarbons (PAHs) and volatile organic compounds (VOCs) in waste water samples at the point of release into the environment (CESR 1994).

Following extraction, oil is transported to nearby separation facilities where it undergoes treatment to separate the petroleum from natural gas and formation water (Kimerling 1994). Excess gas from the separation process is burned, releasing contaminants from the gas flares into the air. Separation facilities also discharge wastes, called "produced water," into adjacent pits. Produced water, or "toxic brine," is composed of a toxic mix of hot formation water, oil, and chemicals used in the drilling and separation processes. This mixture of wastes can contain a wide variety of toxins, including heavy metals (lead, arsenic, chromium, cadmium, etc.), cyanide, sulfates, and other contaminants that are deposited into waste pits and ultimately released—untreated—into soils and groundwater (Kimerling 1994).

After separation, oil must be transported to distant refineries through pipelines. These pipelines are prone to rupture or leakage; in Ecuador, the government recorded approximately thirty spills in twenty years of production, releasing a total of 16.8 million gallons of oil into the environment (Kimerling 1994).

Clearly, oil production is an intrusive process characterized by the production of many toxic wastes that are released untreated into the surrounding environment. Human exposure pathways to these wastes are varied and far-reaching, as the byproducts of drilling can travel far from the drilling site. Community members may bathe or drink from contaminated water sources, or consume fish with bioaccumulated heavy metals. Residents often come into direct contact with oil products by walking barefoot on roads coated with crude oil for dust control (CESR 1994). Gas flares release contaminants into the air, to be inhaled by the residents of nearby communities. Local workers are often hired to clean up

production sites, where they are required to submerge themselves in oil wastes to clean spills or repair separation ponds (CESR 1994).

The health consequences of such frequent and sustained contact with oil and drillings wastes are significant. Skin exposure to oil and waste products can lead to a variety of skin diseases, including contact dermatitis, skin loss, changes in pigmentation, eczematous reactions, and skin cancers (CESR 1994). Inhalation of airborne toxins increases likelihood of asthma, hypersensitivity pneumonitis, and interstitial pulmonary fibrosis (O'Rourke 2003). A comparison study conducted by the Ecuadorian Union of Population Health Promotion surveyed 1,077 residents in 10 communities in oil contaminated areas and 388 in residing in non-contaminated areas of the Amazon, finding elevated rates of abortion, fungal infection, dermatitis, headache, and nausea in the contaminated regions (CESR 1994). A recent study published in the *International Journal of Occupational Health* found elevated rates of leukemia in children living in the proximity of oil fields in the Amazon (Hurtif 2004).

Just as significant as direct contact with oil and its associated wastes on indigenous welfare is the degradation and/or destruction of important natural resources as a result of oil extraction. Communities report loss of fish due to water contamination, and many important game animals die after mistaking waste pits for watering holes (Kimerling 1994). Roads built by oil companies often run through indigenous crops, and contamination of soil further reduces the amount of area available to communities for cultivation of traditional crops.

It is apparent that the direct consequences of oil production near or on indigenous territory can be profound and devastating for local communities. Predictably, the implications of state policy facilitating increased oil production in Ecuador certainly suggest a narrowing of the opportunity structure for indigenous resistance to oil development. This does not mean, however, that indigenous efforts to oppose oil have declined with increased production. Despite the significant challenges posed to the indigenous population by the social, environmental, and health impacts of oil production in the Amazon, the effects of oil development on indigenous territory have also served as an impetus for increased indigenous resistance.

3.2 Political Context (I): Oil and the State

3.2.1 Oil in Ecuador

Oil in Ecuador has been marked by a preeminence of transnational interests over the country and its people.

Centro de Derechos Economicos y Sociale (CDES), 2006

In 1964, Ecuador's government signed a 58-year contract with the U.S. Texaco-Gulf consortium, granting the company 1.5 million hectares of land in the Amazon rainforest for oil exploration and exploitation. Three years later, in 1967, Texaco received positive results from its explorations near Lago Agrio, in the Sucumbíos province of the northern Amazon. On June 26, 1972, the first barrels of crude oil began to flow through the country's newly-constructed 312-mile-long Trans-Ecuadorian Pipeline. That same year, Ecuador became the second-largest producer of oil in Latin America, and the following year, in 1973, the country joined OPEC to become its second-smallest producer, producing 25,000 barrels per day and relying on oil for 70 percent of the country's exports (Gedicks 2001; Sawyer 2004).

Texaco's discovery of oil in Lago Agrio would launch the largest transformation of the country's economy and society since the Spanish Conquest (Gedicks 2001). The 1971 national Hydrocarbon Law, which facilitated private investment in oil production and created a national oil company (Corporación Estatal Petrolera Ecuatoriana, or CEPE) to take charge of all contractual negotiations, paved the way for Ecuador's "Oil Era"—decades characterized by a heavy dependence on oil exports to support state revenue, vigorous state efforts to continuously smooth the path for private investment by multinational corporations, and a general prioritization of extraction of the Amazon's resources despite the significant social and environmental costs of oil production (Kimerling 1994). According to Ecuadorian law, the state has control over all subsoil resources in the Amazon, despite the territorial claims of indigenous communities. State-corporate relations were formed through "risk-sharing contracts," in which foreign companies were granted access to oil concessions in the Amazon in exchange for a profit share of the oil produced (Sawyer 2004). As CDES, an NGO working in Quito to promote indigenous rights in the Amazon, remarks, Ecuador's oil production was modeled on the extraction of "el mayor volumen posible, en el menor tiempo posible, con el menor costo posible" (the greatest possible volume, in the least possible time, with the least possible cost) (CDES 2006).

The "oil boom"—the decade and a half following Texaco's initial discovery of oil in the Amazon—brought handsome profits to Ecuador as prices for crude oil consistently climbed.⁴ On February 15, 1972, President Ibarra, who had served as a dictator for five terms and had initiated the country's shift towards major oil production, was overthrown in a coup d'état headed by General Guillermo Rodríguez Lara. The new military regime immediately increased the state's share of oil revenue, and oil soon accounted for fifty

⁴ During this period, oil prices climbed from \$2.50/barrel in 1972 to \$35.26/barrel in 1985 (Gerlach 2001).

percent of the state's total budget (Sawyer 2004). As oil prices continued to rise, state income increased rapidly; in the first three years of the military regime's rule, annual revenue increased by 400 percent (Gerlach 2003). Bolstered by this increase in revenue, public expenditures also shot up, increasing at a rate of 12% per year and rising from 22% of the country's GNP to 33% a decade later. Throughout the 1970s, Ecuador experienced unprecedented growth, and the state embarked on a development path heavily reliant on oil revenues to "modernize" the country (Gerlach 2003).

Oil revenues were used to finance a variety of public initiatives, including electrification programs, universities, ambitious infrastructure and social service programs, heavy energy and food subsidies, and tax breaks (Sawyer 2004). A significant amount of funds were spent to heavily subsidize domestic petroleum products at half the cost of production, dramatically increasing domestic consumption of petroleum. The number of automobiles in the country, for example, rose from 80,000 in 1970 to 223,000 just seven years later, in 1977 (Gerlach 2003). Ecuador's export-led development path also included government incentives to support manufacturing and industry, and Ecuador's agricultural economy quickly transformed into an economy based on services, manufacturing, industry, and mining. The country's cities—namely Quito and Guayaquil—expanded at unprecedented rates, and a new urban middle class quickly grew as large populations from neighboring provinces moved into the growing cities (Gerlach 2003). By the time President Jaime Roldós was democratically elected in 1979, ending the military regime's seven-year rule, the state budget had expanded by 540 percent (Gerlach 2003).

When oil revenue was insufficient to maintain this high level of spending on ambitious modernization plans, the military regimes turned to foreign borrowing, relying on future oil reserves as loan guarantees (Gerlach 2003). Foreign debt rose just as quickly as state revenue; between 1974 and 1982, Ecuador's foreign debt had climbed from 18 percent to 60 percent of the country's GDP (Sawyer 2004).

3.2.2 Oil, Structural Adjustment, and the Indigenous Population

Unfortunately, this high dependence on oil revenues put Ecuador's economy in a vulnerable position—and as world oil prices quickly dropped in the 1980s, falling from \$34.48/barrel in 1981 to \$12.70/barrel in 1986, the country began to realize the full impact of this vulnerability (Gerlach 2003). Ecuador's debt continued to climb throughout the 1980s; by 1994, the debt had nearly doubled from its 1982 level, and Ecuador had the

highest per capita foreign debt in all of Latin America (Sawyer 2004). Due to the price drops, oil revenues were no longer sufficient to service Ecuador's accruing debt, and the state turned to structural adjustment loans to repay the mounting debts. Multilateral lending institutions, including the World Bank, the IMF, and the Inter-American Development Bank, collaborated to impose conditions on the state to institutionalize neoliberal policies that cut public spending. Throughout the 1980s and 1990s, Ecuador was forced to implement austerity programs that included unpopular restrictions on federal expenditures, such as cutting state subsidies for consumer goods and education/health services.

The social effects of Ecuador's precarious economic situation following the oil boom were profound. The percent of citizens living below the poverty line rose from 47 percent in 1975 to 67 percent by 1995 (Gerlach 2003). In addition, the structural adjustment programs implemented by the Ecuadorian state were particularly detrimental to the country's indigenous population; while the scaling back of social programs and the rise in prices of necessities affected all Ecuadorians, the disenfranchised indigenous populations took the hardest hit (Gerlach 2003). A three-country study of Bolivia, Peru, and Mexico, provides insight into the distributional effects of neoliberal reforms that can be extrapolated to apply to Ecuador's indigenous populations following the structural adjustments of the 1980s and 1990s. The study concluded that indigenous populations tend to bear more of the burden of a country's economic adjustment. In Bolivia, according to the study, the bottom 20% of the income pyramid—of which 64% was indigenous—bore a disproportionate share of the burden created by the neoliberal economic adjustments of the 1980s (Brysk and Wise 1995). Results were almost identical in Peru. The study cited two main reasons for such results. First, spending cuts are often felt most heavily by the country's poorest sectors, who are most reliant on public services. Second, disparities in education put indigenous groups at a disadvantage in benefiting from the increased economic opportunities created by the structural adjustments (Brysk and Wise 1995). Therefore, the austerity programs implemented by the Ecuadorian state in an effort to balance its books after massive debt accruelement proved to be particularly hard on the country's indigenous populations. This suggests that the state's vulnerability to the demands of foreign institutions such as multilateral development banks contributes to the rather closed political opportunity structure facing indigenous groups seeking the resources to build transnational advocacy networks organized around indigenous rights in Ecuador's Amazon rainforest. As anthropologist Suzana Sawyer observes, "in the wake of the growing social, economic,

political, and environmental ills caused by unchecked capitalist activities, *indigenas* found the state unresponsive to the tragedies tormenting their lives” (2004, 215).

A member of a Quito-based environmental NGO working on oil issues summarized the effects of decades of oil on Ecuador’s population.

The reality of Ecuador is that there have been all these years of oil production and really it hasn’t helped the Ecuadorian people live better. In fact, it is completely the contrary; before oil production the Ecuadorian population lived better...there was not as much debt as there is today—the huge foreign debt that we have—nor the poverty indexes as high as they are today. Before there were limits to the poverty...now we are poor.”⁵

3.2.3 Oil and MNCs

In addition to severe austerity programs, the neoliberal reforms mandated by structural adjustment loans required the state to step up oil exploration by establishing increased incentives for MNCs to explore and produce oil. As focus turned toward providing an amenable political and economic environment for MNCs interested in Ecuador’s oil reserves, little attention was given to the environmental effects of increased oil exploitation—the country did not even pass its first environmental policy until 1984, twelve years after oil production was initiated in the Amazon.

The need to intensify oil production and attract foreign capital to boost oil flows served to further decrease state autonomy from the multinational corporations operating in the Amazon. For example, the Texaco-Gulf consortium was described as being “closely involved in governmental policy-making...Thus, Texaco, although a transnational actor, established an authoritative role within the Ecuadorian national political system” (Martin 2003, 74). This close relationship between the state and transnational corporations only grew stronger as the state sought to attract new corporations into the oil industry. Between 1984 and 1993, the state held six rounds of international licensing for oil, adding twelve additional oil companies to new concessions in the Amazon (Martin 2003). Martin argues that MNCs play a key role on shaping the political opportunity structures of transnational advocacy networks in Ecuador, because “in Ecuador, the high level of influence of multinational oil companies upon governmental structures and processes allows them to affect or change state institutions. Thus, the concept of political opportunity structures is broadened” (Martin 2003, 8).

Because these newly-granted oil reserves lacked any infrastructure for oil development, foreign corporations pushed the Ecuadorian state to enact legal changes that would provide

⁵ Interview with NGO staff member. 9 January 2007.1.

incentives for the long-term investment required to initiate production in the new concessions. In 1993, in response to these demands, President Ballén ushered in new amendments to the 1971 Hydrocarbon Law which were designed to attract foreign investors to the country by reducing the state’s intervention with private companies extracting oil (Sawyer 2004). Most notably, the amendments implemented a new type of state-corporate contract for exploration and exploitation, called “production-sharing contracts,” that reduced state supervision of MNC exploration activities (Sawyer 2004). In addition to these reforms, Ballén released Ecuador from its production quota of 275,000 barrels per day by withdrawing from OPEC. Within one year, production jumped to 373,000 barrels per day (Sawyer 2004). Through ten rounds of concession leasing, the Ecuadorian government has now divided the Amazon into over twenty-five oil blocks to be leased to oil companies for exploration and extraction.

It is clear that Ecuador’s dependence on its oil exports has fostered intimate relations between the state and the multinational corporations operating in the oil concessions of the Amazon. MNCs have come to hold a prominent and authoritative role in Ecuador’s political sphere, pressuring the state to enact policy changes that would smooth MNC access to oil reserves. Such a dynamic clearly narrows the Amazonian networks’ political opportunity structure, building significant obstacles for the indigenous communities resisting oil development in their territories.

3.3 Political Context (II): The Indigenous Population and the State

The political context for Ecuador’s transnational advocacy networks is largely shaped by various national and international political reforms that have increased the state’s dependency on its oil resources. The political context for advocacy networks including indigenous members, however, is also largely determined by the long and complicated historical, political, and legal factors shaping state-indigenous relations in Ecuador. This section will explore the complex dynamics between the Ecuadorian state and its indigenous population.

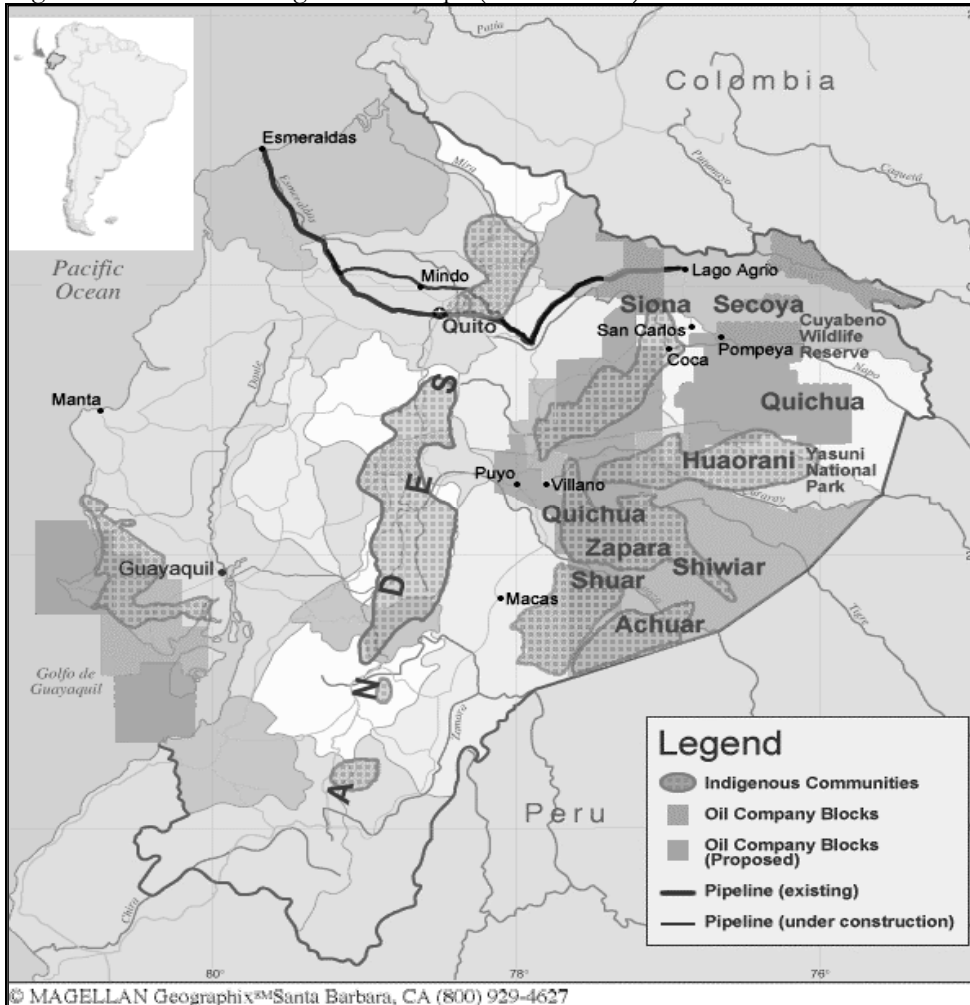
Ecuador’s Oriente covers thirty-two million acres of tropical rainforest, representing nearly half of the geographic area of the country. The Amazon region is home to nine indigenous nationalities, divided among 5 provinces.⁶ Although Ecuador’s indigenous peoples represent an estimated 35 percent of the country’s total population, the Amazonian Indians number only 200,000—a mere 3.5 percent of the country’s indigenous population

⁶ Including Sucumbíos, Napo, Pastaza, Morona Santiago, and Zamora Chinchipe

(CDES 2006). The remaining indigenous groups are split between the highland regions of the Andes and the coastal regions of the west.

The map in Figure 3-1 shows the distribution of indigenous groups across the Oriente. While many of these indigenous communities have been granted title deeds to their land, much of this territory overlaps with the government’s petroleum concessions, for which the government owns all subsoil resources. Clearly, land rights represent one of the key issues in the indigenous resistance to oil development on ancestral territory.

Fig. 3-1. Amazonian Indigenous Groups (Cerretti 2006)



As Martin notes, the Ecuadorian state characteristically “suffers from a lack of representation of its diverse population” (2003, 52). Sawyer, too, characterizes the state’s relations with its indigenous population as exclusive, explaining that the indigenous are “seen as outside the political economic system” (2004, 205). The categorical exclusion of Ecuador’s indigenous peoples from the upper-class, elite-dominated political system stems from the country’s long history of

latifundio, a racial hierarchy system in which large landowning classes founded haciendas for agricultural goods and textiles, acting as patrons for their indigenous workers (Martin 2003). The indigenous workers were dependent on their *patrones* for food, clothing, shelter, work, health care, and daily needs. Such dependency left the indigenous community with little opportunity to organize politically or participate in

the country's political system (Martin 2003).

The result of the

patronazgo system, as

Sawyer argues, was the

creation of "hierarchical

binaries," in which the

indigenous peoples have

been "banished to the

fringes" of Ecuadorian society, and are characterized as separate from the mestizo population

(Sawyer 2004, 34). According to Sawyer, "Indians have little place in the elite notion of the

Ecuadorian nation," and one cannot be both Indian *and* Ecuadorian—the former category

represents the country's savage, traditional, tribal population, and the latter describes the civilized,

modern, cosmopolitan, and national Ecuadorians (2004, 35).

While this binary portrayal of Ecuador's indigenous and mestizo population can be argued as a contrived social system resulting from a long history of racial hierarchy, certain differences between the country's indigenous and non-indigenous populations cannot be ignored. As the poverty rate in Ecuador has increased over the past thirty years, indigenous people have been affected disproportionately. A rigorous World Bank study of the indigenous populations of Ecuador and other Latin American countries recently came to the conclusion that "indigenous peoples in Latin America have made little economic and social progress in the last decade, and continue to suffer from higher poverty, lower education, and a greater incidence of disease and discrimination than other groups" (Hall and Patrinos 2006, 1). In 1998, for example, 61.1 percent of Ecuador's non-indigenous population were living below the poverty line—compared to 86.9 percent of the indigenous population (Hall and Patrinos 2006). Poverty among the rural Amazonian population is continually increasing, rising from 69.9 percent of the population in 1995 to 82.7 percent in 2003 (Hall and Patrinos 2006). Martin argues that these discrepancies in poverty rates can be attributed to a lack of

Fig. 3-2 Amazonian Indigenous Populations (CDES 2006)

Indigenous Group	Population
Kichwa	100,000
Shuar	110,000
Cofán	1000
Secoya	380
Siona	400
Huaorani	2200
Shiwiari	700
Zápara	200
Achuar	5500

political efforts to provide adequate funding for social programs for the country's indigenous groups; less than one percent of the state budget, for example, is spent on the indigenous population, and 70 to 80 percent of this funding for indigenous communities is funneled through state bureaucracies, avoiding any direct management by the indigenous people (Martin 2003).

Failure to mend discrepancies in poverty rates, however, represents only one form of the state's shortcomings in providing for its indigenous populations. Central to the conflict between the Ecuadorian state and its indigenous people is the state's failure to acknowledge indigenous land rights and the autonomy of indigenous communities to make decisions regarding land use in their territory. The indigenous movement of the past decade has been primarily focused on securing communal land titles in the Amazon. While some gains have been made in this area, the state has remained largely unresponsive to indigenous claims to ancestral land. In 1992, for example, following a large indigenous protest in Quito, President Borja capitulated to indigenous demands for communal land title deeds to their Amazonian territory. Still, Borja's response to the indigenous uprising demonstrates the state's consistent compromise of indigenous land rights. Borja granted the Indians only 55 percent of the ancestral territory they claimed, and the titling map created by the IERAC, Ecuador's land titling agency, divided the territory into nineteen land blocks with communal land titles that failed to follow any natural social divisions of indigenous nationalities (Sawyer 2004). As Sawyer describes:

the titled land blocks did not correspond to divisions within indigenous authority structures, or to their land-use patterns, or to their understandings of their identity as nationalities. The state's land blocks scientifically dehumanized Amazonian worlds, where rivers, ridges, groves, and forests had been imbued with specific histories, mythologies, identities, and rights. In their stead, the adjudication map fixed a mosaic of geometric shapes devoid of any lived sense of place (Sawyer 2004, 51).

Rather than serving as a tool to give indigenous communities more autonomy and legitimacy by granting land rights to their territory, Borja's land titling in 1992 compromised Amazonian indigenous communities, creating "chaotic demarcations that were intended ultimately to divide the integrity of indigenous nationalities, undermine their solidarity, and erode the deeply embedded cultural practices of living in a landscape" (Sawyer 2004, 51).

The categorical exclusion of indigenous peoples from the state's political system, and the general disenfranchisement of the indigenous population through failures to mend discrepancies in poverty or grant full land rights to indigenous nationalities, clearly depicts a rather oppressive and closed opportunity structure for indigenous groups seeking to

organize around indigenous rights in the Amazon. This political context also explains the transnational strategies employed by indigenous activists. As Martin emphasizes, “all of these factors contribute to closure of venues of opportunity for actors in social movements, forcing them to look beyond the borders of states to mobilize” (2003, 52).

Still, such conclusions regarding the effects of the state’s exclusion of its indigenous population do not address the full effect of state policies on the opportunity structure of Ecuador’s transnational advocacy networks. In fact, systematic neglect by the state of the indigenous population has, in certain ways, helped widen the opportunities for indigenous groups to organize. As Lucero argues, “the relative neglect of the Ecuadorian lowlands by the state allowed indigenous actors greater degrees of freedom in consolidating regional organizations that could confront the threats of outside forces like highland colonizers and multinational oil companies” (2006, 11). Indeed, since the beginning of the oil era in Ecuador, the Amazonian indigenous population has created complex national and international networks to confront issues including land rights, oil production, and indigenous autonomy over rural development.

3.3.1 Indigenous Organizing

In 1964, Ecuador enacted its first Agrarian Reform and Colonization Law. Aside from establishing Ecuador’s land titling agency, the IERAC, the purpose of the law was to help relieve population pressures in Ecuador’s highland areas by encouraging colonization of the Oriente. Landless highland peasants were encouraged to settle in “empty” areas of the Oriente, on land granted to them by the newly-formed titling agency (Mendez et al. 1998). That same year, the first wave of settlers (called *colonos*) arrived to the Oriente near Macas, in the southern Amazonian region, prompting immediate tensions over land rights between settlers and the indigenous communities of the area. The development of settlements in the Amazon disrupted the indigenous traditional form of land use, which involved rotating forest zones for hunting and cultivation (Mendez et al. 1998). In 1964, with the help of Catholic missionaries, the Shuar Indians were the first to form an indigenous federation to defend their territory and seek a legal title to their lands.

Settlement of the Oriente continued throughout the 1970s, facilitated by a stronger Agrarian Reform law in 1973 and a new homesteading act in 1978 that provided additional inducements for settlers seeking to colonize the Oriente. Texaco’s development of oil infrastructure in the northern Amazon, including a road running into the Napo province,

paved the way for increased immigration into the Oriente, resulting in increased contact between indigenous communities and settlers.

Following the formation of the Shuar federation, several provincial indigenous federations were created, including the Organization of Indigenous People of Pastaza (OPIP, 1979) representing the Kichwa communities of the Pastaza province, and the Federation of Indigenous Organizations of the Napo (FOIN, 1979) (Gerlach 2003). In 1980, these Amazonian federations, representing the various indigenous nationalities spread throughout the Oriente, united to form the Confederation of the Indigenous People of the Ecuadorian Amazon (COFENIAE). Six years later, in 1986, COFENIAE joined the regional indigenous organizations of the highland and coastal areas (ECUARUNARI and COICE) to form CONAIE, the national umbrella indigenous organization representing roughly 70 percent of the country's indigenous population (Sawyer 2004). CONAIE's political motives are delineated in the sixteen common goals established by the three regional federations at the formation of their alliance.

The beginning of the contemporary indigenous movement is marked by CONAIE's first major uprising in 1990, when indigenous communities blocked roads, refused to sell produce in the markets, and staged massive marches and hunger strikes throughout the country in order to push for the concession of sixteen demands made of the Ecuadorian government (Sawyer 2004). These demands included issues such as the proper land distribution to indigenous groups, investment in indigenous infrastructure, the removal of barriers implemented by the state to impede indigenous economic development, cultural rights for bilingual education, and the state's recognition of Ecuador as a plurinational, multi-ethnic state.

The first *levantamiento indigena* created an indigenous movement that transcended separate ethnic groups to mobilize around the political and cultural issues that affected all of the country's *indigenas* (Sawyer 2004). Two years later, in 1992, OPIP organized a second march to Quito. Over 2000 members of the Kichwa, Achuar, and Shiwiar nationalities marched 250 km over the Andes Mountains to make two demands of the state. First, the protestors demanded communal titling for over 70 percent of the Pastaza province. Second, the indigenous groups asked for a constitutional reform that recognized Ecuador as a plurinational state. The 1992 march resulted in the drawing of the IERAC cadastral map mentioned earlier in this chapter (Sawyer 2004).

For the first years of the indigenous movement, CONAIE's actions were limited to activities outside of the political system, such as protests; the group continued to organize periodic uprisings in response to specific concerns regarding the right of Ecuador's indigenous population to participate in the country's political decisions. In November of 1995, however, CONAIE amended its strategic approach by inserting itself directly into the political sphere. Building a coalition with other various social movements in the country, CONAIE facilitated the creation of Pachakutik-Nuevo Pais, the first leftist, indigenous political party of Ecuador (Sawyer 2004). When its members entered their first elections in 1996, Pachakutik experienced political success on all levels of government, winning eight of the eighty-two congressional seats and seventy-one positions in local and provincial elections (Pallares 2002). In 1998, Pachakutik was successful in ensuring that certain collective rights of the indigenous people were incorporated into the Ecuador's new constitution in 1998 (Gerlach 2003).

Despite these advances in political representation, however, the indigenous organizations' progress in achieving their political goals has been far from a smooth path. In January 2000, CONAIE played a pivotal role in ousting President Jamil Mahuad, whose unpopular neoliberal reforms and plans for the dollarization of Ecuador's currency spurred a massive uprising in Quito. Protestors installed the Junta of National Salvation, or the "Triumvirate," as Mahuad's replacement; unfortunately, the Junta, which included CONAIE's President Antonio Vargas, lasted a mere 24 hours before the Triumvirate was dismantled and Vice-President Gustav Noboa assumed the Presidency. Noboa was certainly an improvement over his predecessor, who had recently been accused of corrupt dealings with the country's top bank executives, but Mahuad's dollarization policies were still carried through by mid-February when Noboa successfully passed the "Leyes Troles."

The recent political turmoil resulting from President Lucio Gutierrez's brief term also highlights the ambiguous results of the indigenous movement's attempts to achieve greater political representation. It appeared that the indigenous movement had made large gains in the 2002 elections, when General Lucio Gutierrez was elected to the Presidency. Gutierrez had been a leading military officer in the 2000 coup, and was supported in the elections by Pachakutik. Upon taking office, Gutierrez appointed to his cabinet two historic CONAIE leaders, Nina Pacari and Luis Macas (Lucero 2006).

Similar to the short-lived Triumvirate, however, what appeared to be a major political success for Pachakutik/CONAIE did not last long. A mere few months into his

presidency, Gutierrez began to implement conservative fiscal policies supported by the International Monetary Fund (IMF) that ran counter to his campaign promises, and charges of corruption began to surface as well (Arteta and Hurtado 2005). Pacari and Macas were both dismissed from their positions in the cabinet because of disagreements over Gutierrez's economic reforms, and Gutierrez's alliances with individual members of CONAIE served to create deep divisions in the indigenous federation that continue to plague its unity today.

The continued tenuous state-indigenous relations—resulting from a long history of tension between the Ecuadorian elite and indigenous populations—has created a complex political opportunity structure for today's transnational advocacy networks centered around oil development in the Oriente. While years of repression have put the country's indigenous groups at a political disadvantage, the failure of the state to protect indigenous rights has also spurred the creation of strong indigenous federations to advocate for indigenous interests. Understanding the historical underpinnings of the relationship between the state and its indigenous population helps to reveal the complexity of the current context of the case studies analyzed in this thesis. In some areas, the state has effectively impeded indigenous organizations and their transnational networks; in other ways, however, the TANs of the Oriente have slipped through certain openings in the political structures, seizing opportunities to organize and expand network activities.

3.3.2 Indigenous Rights

Whereas the neoliberal policies shaping the political opportunity structure for STANs in Ecuador appear to present significant challenges for networks organized around oil development, the legal factors contributing to the STANs' political opportunity structure offer certain opportunities for STANs to implement resistance strategies. Oil activity in the Oriente is bounded by legislation imposing procedural requirements on states and corporations implementing development projects near indigenous communities. Key to these legal provisions is the requirement imposed on states and corporations to consult indigenous groups prior to the exploitation of natural resources found in their territory. Indigenous communities have effectively relied on this requirement of consultation as a tool to block oil production in areas with high community opposition.

In 1998, Ecuador adopted a new constitution that recognized the country as a multi-cultural state and emphasized that the exploitation of natural resources on indigenous lands must be done in a manner that maintains the cultural and environmental integrity of the

indigenous population. In addition, the new constitution gave indigenous peoples the right to prior consultation before the initiation of any stages of resource extraction on their land that may affect the community (Anguelovski 2007).

Despite these constitutional rights, however, it is important to note that certain provisions in this 1998 constitution also pose significant barriers to indigenous communities' efforts to defend their ancestral territories from oil development. Most notably, Article 84.2 grants the State the right to designate any area of land as a "public utility" and to determine its future development. Furthermore, while indigenous groups have been granted land titles to much of their territorial claims, these land titles do not apply to sub-soil resources, which continue to be the property of the state (Anguelovski 2007). Still, according to ILO Convention 169—which Ecuador ratified in 1998—even when states own the right to sub-surface resources they are required to a) maintain procedures through which affected populations are properly consulted, b) provide opportunities for affected communities to participate in the benefits of the activity, and c) provide just compensation to the affected communities for damages sustained. Figure 3-3 highlights key international and national legislation that partially shape the political opportunity structure for two STANs examined in this thesis.

3.4 Conclusion

Ecuador's political, economic, and legal history has formed a complex network context for the shareholder transnational advocacy networks organized around oil development in the Amazon rainforest. While the state's heavy dependence on oil revenues and tense state-indigenous relationships certainly pose challenges to the networks, specific political and legal openings have also widened certain channels in the opportunity structure of the Amazonian STANs. In addition, an understanding of the environmental consequences of oil development helps to highlight the high stakes of the networks' activities, which are aimed at protecting the Amazonian indigenous communities from the detrimental environmental and health impacts of oil development.

Fig. 3-3. Legal Framework

<p>International Law</p> <p>I. ILO C Convention 169 (ratified by Ecuador in 1998)</p> <ul style="list-style-type: none"> i. Art. 15.1: “The rights of the peoples concerned to the natural resources pertaining to their shall be specially safeguarded. These rights include the right of these peoples to participate in the use, management, and conservation of these resources. ii. Article 15.2: “In cases in which the state retains the ownership of mineral or sub-surface resources or rights to other resources pertaining to lands, governments shall establish or maintain procedures through which they shall consult these people, with a view to ascertaining whether and to what degree their interests would be prejudiced, before undertaking or permitting any programmes for the exploration or exploitation of such resources pertaining to their lands. The peoples concerned shall wherever possible participate in the benefits of such activities, and shall receive fair compensation for any damages which they may sustain as a result of such activities.” iii. Art. 7.1: “The peoples concerned shall have the right to decide their own priorities for the process of development as it affects their lives, beliefs, institutions, and spiritual well-being and the lands they occupy or otherwise use, and to exercise control, to the extent possible, over their own economic, social, and cultural development. In addition, they shall participate in the formulation, implementation and evaluation of plans and programmes for national and regional development which may affect them directly.” iv. Art. 14.2: “Governments shall take steps as necessary to identify the lands which the peoples concerned traditionally occupy, and to guarantee effective protection of their rights of ownership and possession.” v. In addition, in applying these provisions of the convention, governments must a) “consult the peoples concerned through their appropriate representative institutions regarding administrative measures that may directly affect them,” and b) “establish means by which these peoples can freely participate at all levels of decision-making.” <p>II. Rio Convention, Principle 10 (1992)</p> <ul style="list-style-type: none"> i. Encourages the participation of all concerned citizens in decision-making processes regarding environmental issues. <p>III. UN Declaration on the Rights of Indigenous Peoples</p> <ul style="list-style-type: none"> i. Art. 30: “Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands, territories, and other resources, including the right to require that States obtain free and informed consent prior to the approval of any project affecting their lands, territories, and other resources, particularly in connection with the development, utilization, or exploitation of mineral, water, or other resources.
<p>Inter-American Law</p> <p>I. Art. XXI.2: “The states shall take necessary measures to ensure that decisions regarding any plan, program, or proposal affecting the rights or living condition of indigenous people are not made without the free and informed consent and participation of those people.</p>
<p>National Law</p> <p>I. 1998 Ecuadorian Constitution:</p> <ul style="list-style-type: none"> i. Art. 84.2: The state will “preserve the unprescriptible property of communal lands, which will be unalienable, unattachable, and undivisible, except for the State’s faculty to declare their public utility.” ii. Art. 84.5: “The State will recognize and guarantee the collective rights of the indigenous people, including the right to be consulted about plans and programs of prospecting and exploitation of non-renewable resources in their territories that could affect them environmentally and culturally” (translated). iii. Art. 88: “Any state decision that could affect the environment, must take into account the criteria defined by the community, for which (the community) will be expressively informed. The Law will guarantee its participation.” <p>II. Environmental Management Law: The State has the responsibility to assure that communities are properly consulted regarding projects that threaten to impact their environment.</p>

See Angueloski 2007; CDES 2006

The threat of oil extraction in the Ecuador's Oriente has prompted anti-oil mobilization by indigenous groups in both the southern and northern Amazonian communities. Shareholders, in turn, have become key players in this indigenous resistance, as they have increasingly recognized the positive correlation between shareholder value and the improved environmental and social performance of a company. This chapter examines these indigenous-shareholder connections in Ecuador through Keck and Sikkink's TAN lens, describing the structures, goals, and activities of the two case studies of shareholder transnational advocacy networks. Case study one describes a STAN targeting Burlington Resources, whose attempts to initiate oil production in the southern Amazon have been met with both strong opposition by indigenous communities and pressure from shareholders to follow proper consultation procedures before launching operations. My second case study will examine a STAN operating in Ecuador's northern Amazon, targeting Chevron for the environmental and social legacy left by Texaco after three decades of oil production in the region. I conclude by evaluating the relative success of the two STANS; a comparison of the two case studies reveals that the Burlington network has been relatively successful in comparison to the Chevron STAN.

The data for this chapter comes primarily from interviews, supplemented by documentary evidence. The thesis does not claim to address every actor affiliated with the network, but rather focuses on those principal actors identified by research participants. In addition, it must be noted that, due to research constraints, there is a greater emphasis in this chapter on the network dynamics of the first case study. For this reason, the case studies are presented in reverse chronological order, so that the robust description of STAN in the first case study may provide a stronger basis for understanding the second case study.

4.1 Case 1: The Burlington Resources STAN

Burlington Resource's concessions in Ecuador are located in Blocks 23 and 24 of the Pastaza and Morona Santiago provinces, a region known more commonly as the Oriente's *centro-sur*.⁷ Both blocks were first included in oil negotiations in 1995, during the 8th round of concession leasing (Acción Ecológica 2006). In 1996, Argentine company Compañía General de Combustibles (CGC) was awarded 100 percent of the drilling rights to Block 23,

⁷ Central-south

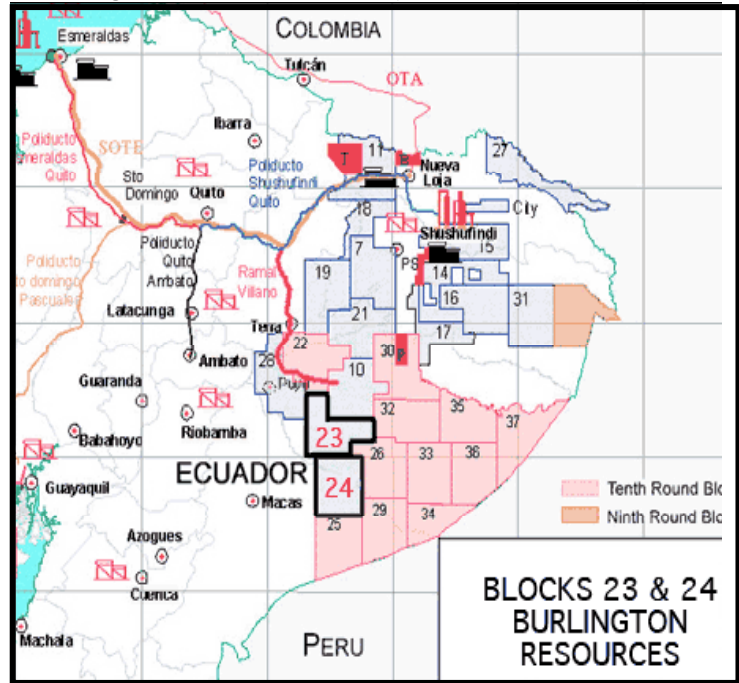
serving as the block’s operator. Three years later, after purchasing CGC’s partner company, Chevron acquired a 50 percent share of the concession, which it sold to Burlington Resources in March 2003. CGC continues to be the operator of the block.

Drilling rights to Block 24 were granted to Atlantic Richfield Company (ARCO) in 1996⁸. Following its acquisition by British Petroleum in 1999, ARCO sold its share to Burlington Resources, granting the company 100 percent of the license to the concession (Acción Ecológica 2006). In March 2006, ConocoPhillips acquired Burlington Resources, becoming the official owner of Burlington’s 50 percent stake in Block 23 and its 100 percent operating share in Block 24.

Due to strong opposition from indigenous communities living in the southern Amazon provinces, Burlington Resources did not succeed in conducting any oil activity during its period of ownership of Blocks 23 and 24. Despite large efforts to obtain indigenous consent for oil production, including a “community relations” program (to be discussed later in this chapter), Burlington was unsuccessful in martialling majority support from the indigenous communities located within these blocks. Shareholder and indigenous pressure on the company to follow proper consultation procedures and respect indigenous rights was met with some success, as the company pledged it would not move into the territory by force. ConocoPhillips has not yet given any indication regarding its plans for oil development in the two blocks.

Figure 4-2 offers a visual representation describing the interactions of actors in the transnational advocacy network targeted at Burlington Resources in Blocks 23 and 24. The following section of this chapter details these actors and their roles in the network,

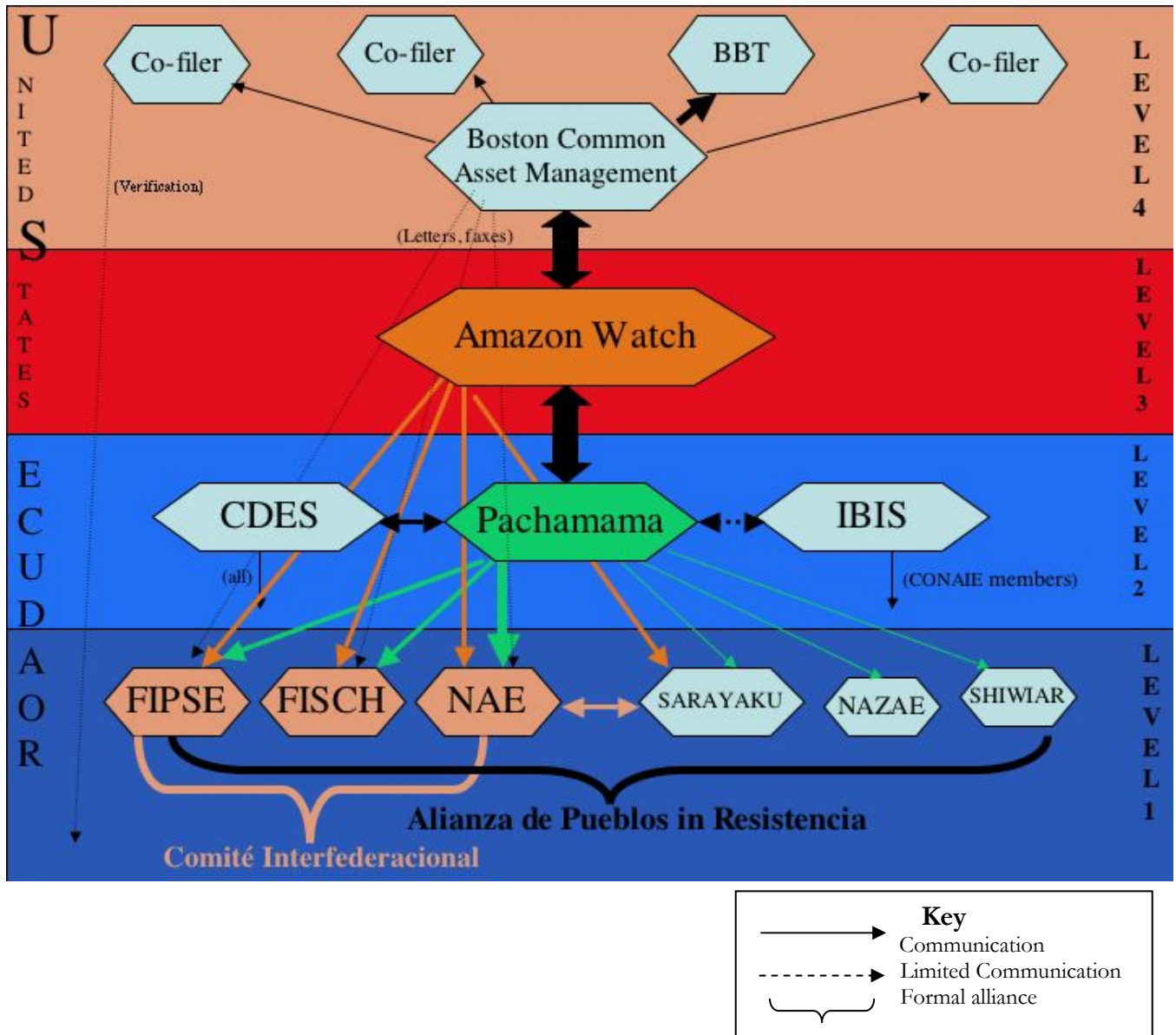
Fig. 4-1. Blocks 23 and 24 (Amazon Watch 2007)



⁸ There is a discrepancy in sources regarding the date of this transaction. See (Amazon Watch 2006); (Acción Ecológica 2006)

organizing actors into four levels: local actors (indigenous populations), national actors (Quito-based NGOs), international actors (international NGOs), and shareholders.

Figure 4-2. The Burlington STAN



4.1.1 Level 1: Local Actors

4.1.1.1 Organizational Structures

The Pastaza and Morona Santiago provinces are located in the ancestral territories of five distinct indigenous nationalities, including the Achuar, Shuar, Kichwa, Shiwiar, and Zápara. Each nationality is organized into a three-tiered governance structure, with communities representing the most local level, followed by associations, or a collection of

roughly five communities, and, most broadly, the indigenous nationalities' federation.⁹ The federations are headquartered in cities outside of the Oriente, and are run by a President, Vice-President, and a team of elected “*dirigentes*,” or leaders, who are responsible for serving as a liaison between communities and external actors, orchestrating a variety of community projects, and making decisions regarding territorial management. The highest level of authority and decision-making in the indigenous population is the *asamblea*, the yearly general assembly of representatives from each association, federation leaders, and community members. *Dirigentes* of the governing federations must act as “spokespeople” of the assembly, and are responsible for carrying through the assembly’s goals and resolutions in their work during the course of the year. Federation Presidents or other leaders do not have the authority to make independent decisions for the communities on key issues without assembly approval (FINAE 2004).

Achuar. Achuar territory spans both oil concessions in the *centro-sur*, covering the far northeast corner of Block 24 and the southern ten percent of Block 23 (Acción Ecológica 2006). The Achuar communities lie within some of the most remote locations of the region, and have remained relatively untouched by roads, settlers, or other non-indigenous development. The indigenous nationality includes 5000 inhabitants, organized into sixty-four communities and nine associations. Once a part of the Shuar federation, the Achuar communities of Blocks 23 and 24 split off to form an independent federation in 1992, now called the Nacionalidad de Achuar del Ecuador (NAE).¹⁰ NAE’s headquarters are located in Puyo, where the office is run by the federation’s President, Vice-President, and a team of *dirigentes*, each charged with separate functions. *Dirigentes* head such divisions as health, education, communication, territorial defense, sustainable (alternative) development, and national coordination.¹¹ Federation leaders serve 3 year terms.

NAE has maintained a firm position of total opposition to any oil activity in Blocks 23 and 24, and devotes a large amount of its resources and activities to territorial defense. In addition, in an effort to generate an independent source of revenue for the federation and communities, NAE is currently developing several sustainable development projects, including Kapawi, an indigenous-run ecotourism lodge, and Aerotsensak, an independent

⁹ Interview with NGO leader. 8 January 2007.20.

¹⁰ Interview with NAE leader. 11 January 2007.11.

¹¹ Interview with NAE leader. 11 January 2007.11.

airplane service providing flights into the rainforest with trained Achuar pilots.¹² As one director explained, alternative development remains a primary focus of the NAE federation: “We must be able to replace the economic income from oil, we must find alternatives that can bring in the same quantity of revenues. So that we can have our own, our own economy.”¹³

Shuar. The majority of Shuar communities are located within Block 24, although five percent of Block 23 covers Shuar ancestral territory (Accion Ecológica 2006). The Amazonian Shuar population is primarily governed by two federations. The Federación Interprovincial de Centros Shuar (FISCH), the oldest indigenous federation of the Amazon, is located in the southern town of Sucúa. In 1996, the Federación Independiente del Pueblo Shuar del Ecuador (FIPSE) split from FISCH, establishing headquarters in Macas to represent communities located in more remote areas of the Oriente. Unlike the Achuar, many of the Shuar communities have long been exposed to missionary and *colono* presence in their territory, resulting in increased migration from Amazonian communities to the cities neighboring the Oriente.

Kichwa. Eighty-five percent of Block 23 coincides with Kichwa territory, with over five thousand Kichwas living in communities lining the banks of the Bobonaza River (Acción Ecológica 2006). While these communities are loosely joined under the Organización de Pueblos Indígenas de Pastaza (OPIP), internal disagreements regarding the ambiguity of the organization’s position on oil negotiations have fractured the Kichwa communities. In 1992, the Sarayaku, an OPIP member association, received a collective title to 135,000 hectares of land, 65 percent of which falls within Block 23 (CDES 2005). The association, which is comprised of five communities and over one thousand inhabitants, has maintained an autonomous governance structure, due to its decade-long firm resistance to oil development in the region. The Sarayaku communities have remained untouched by colonization of the Oriente, and have now become known internationally for their strong commitment to cultural preservation and resistance to oil in their territory.

Similar to the Achuar and Shuar governance structures, the primary decision-making body of the Sarayaku is the yearly assembly, attended by nearly all members of the five

¹² Interview with NAE leader. 9 January 2007.5.

¹³ Interview with NAE leader. 9 January 2007.5.

communities. The governing federation, called the TAYJASARUTA, is comprised of two parts: first, the Sarayaku *dirigentes*, which include a President, Vice-President, and 17 *dirigentes* of various divisions (health, education, economy, etc.); and, second, representatives of various organizations, including a youth and women's representative. The Sarayaku office, which is located in Puyo, is also run by various *técnicos*, or support staff—from the Sarayaku communities—trained in various skills (CDES 2005).¹⁴ All 17 *dirigentes* serve a two-year term.¹⁵

Zápara and Shiwiar. The Zápara and Shiwiar Nations are both located in the far east of Block 23, and their combined population totals less than one thousand people. The Zápara federation, whose office is also located in Puyo, consists of five leaders, including a President, Vice-President, and *dirigentes* of education, territorial management, and woman/health.¹⁶

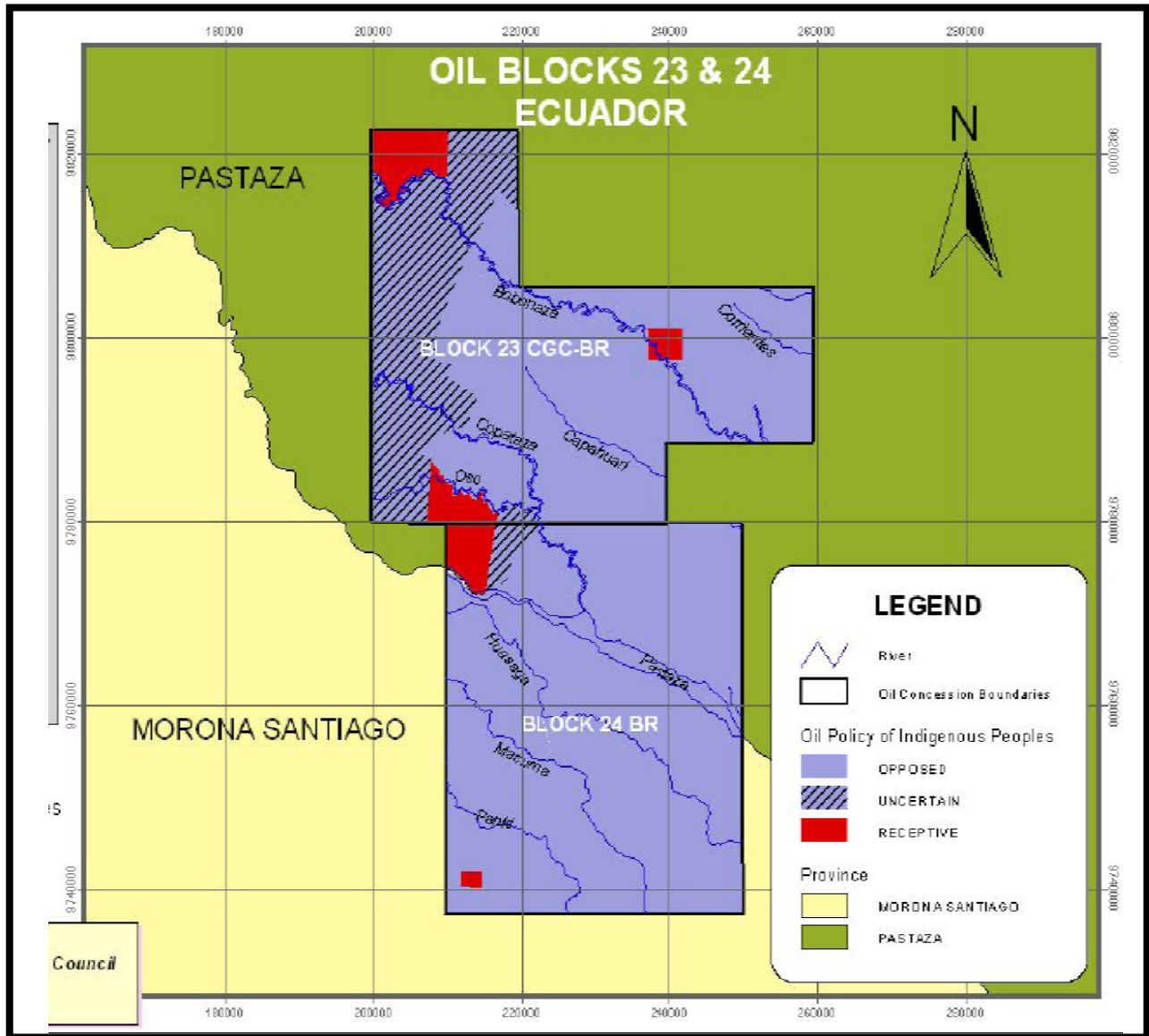
Additional Federations. Together, FIPSE, FISCH, NAE, and Sarayaku represent more than 80 percent of the communities in Blocks 23 and 24, and the assemblies of all four indigenous groups have repeatedly ratified the decision to oppose all oil activity in the two concessions (FINAE 2004). This decision has also been supported by the Shiwiar and Zápara nations. It should be noted, however, that there exist several smaller indigenous federations located in the Pastaza and Morona Santiago provinces with more receptive positions to oil development. Such federations include: AIEPRA, an evangelical indigenous organization comprised of dispersed communities throughout Pastaza; OSHE, a Shuar organization with limited territorial claims; and FENASH, a former component of FISCH that has recently been separated from the larger federation. In addition, several Kichwa members of OPIP have reportedly signed agreements with CGC, including leaders of the Canelos association (FINAE 2004).

¹⁴ Interview with Sarayaku leader. 15 January 2007.29.

¹⁵ Ibid.

¹⁶ No members of the Shiwiar federation were interviewed.

Fig. 4-3. Map of regional positions on oil (FINAE 2004)



4.1.1.2 Goals and Activities

In 1999, the Shuar and Achuar federations (FIPSE, FISCH, and NAE)—once traditional enemies—united to form the Comité Interfederacional¹⁷ to offer mutual support and coordinate activities related to territorial defense and collective rights.¹⁸ This alliance marks a key step in the formation of the *centro-sur* networks, giving local actors the

¹⁷ Interfederational Committee, commonly referred to in English as the Achuar-Shuar Defense Council. See (FINAE 2004).

¹⁸ Interview with NAE leader. 11 January 2007.11.

opportunity to collaborate on projects and jointly take advantage of national and international resources and channels for organization. While the Comité Interfederacional is the only formal alliance in the region, the Zápara, Shiwiar, and Sarayaku have all expressed support for the Comité, maintaining frequent dialogue with the alliance and working closely with the Achuar and Shuar federations to collaborate on various initiatives (FINAE 2004).

In 2004, the Comité developed a Plan of Action, clearly defining the alliance's goals and responsibilities. The two-fold objective of the alliance, as stated in its 2004 report, is to “coordinate and carry through initiatives related to territorial defense,” and “establish and uphold policies to strengthen the unity of the federations” (Comité Intefederacional 2004). This objective signals a clear transition to a network-approach to oil resistance at the local level—now a key strategy for the indigenous communities in Blocks 23 and 24—with local actors forming a single entity, or, in the terminology of Keck and Sikkink's TAN model, a “local node.”

The Comité has developed a technical assistance team with the responsibility of providing training for the leaders of each federation in issues related to legal collective/land rights, the development of autonomous land management and alternative development, and the organization's governance. The Comité is further divided into four commissions, each charged with a specific objective, labelled as follows: *policy*, assigned the role of strengthening the unity of the Shuar and Achuar nationalities; *oil/legal*, mandated to support the initiatives of the organizations with respect to territorial defense, inform leaders of subjects of legal rights, and design proposals for alternative development projects; *territory*, charged with supporting the legalization of collective ownership of the territories; and *communication*, designed to improve inter-federational communication (Comité Interfederacional 2004). While the leaders of the federations meet frequently as members of the Comité, an interfederational convention is held annually to allow the participation of community members in the Comité's activities. Leaders of the Comité and members of the technical support team have also conducted a series of visits into the rainforest to discuss community positions on oil development and receive community input regarding resistance strategies (Comité Interfederacional 2004).

Consistent with Keck and Sikkink's TAN model, the “local nodes” of the *centro-sur* network are responsible for simultaneously employing domestic strategies to achieve network goals as international actors apply external pressure. The indigenous federations

have relied on a variety of forms of resistance activities, including legal recourse in local court systems, marches/protests, dissemination of information related to oil activity and its impacts, dialogues with local and national authorities, detainment of workers attempting to enter indigenous territory, awareness campaigns through national and international press coverage, and, of course, allying with international actors to apply pressure on company headquarters.

Legal tactics employed by indigenous groups opposing Burlington Resources' attempts to gain access to Blocks 23 and 24 has relied heavily on the exercise of the community's right to prior consultation, as discussed in the previous chapter. Although the company has not succeeded in carrying through any exploration/exploitation activity since it first acquired the two blocks, the indigenous federations have accused Burlington of employing a "divide and conquer" strategy, or, in other words, rewarding sympathetic individuals as a means of undermining indigenous unity. According to one member of an NGO who works closely with the indigenous federations of the Pastaza and Morona Santiago provinces, the company's "community relations" program serves as an attempt fulfill the legal obligation of prior consultation by skirting around communities' primary governing organizations, who have established firm opposition to oil. He explained:

The companies know they need consent. So then question is, how can they manufacture it?...There's been a trend in terms of how to manufacture consent for a project—companies have learned that they have to deal with a federation, so they help groups splinter off and form new federations, these 'federaciones fantasmas.'¹⁹

Aside from the formation of supportive "ghost federations," or federations with limited territorial claims but comprised of individuals willing to negotiate with the company, interviewees accused Burlington Resources of attempting to "buy off" federation leaders, encouraging them to disregard the assemblies' resolutions by signing agreements to negotiate with the company.

In 1999, FIPSE—supported by NAE and FISCH—filed a lawsuit against ARCO at the Constitutional Court of Ecuador, claiming that the company's "divide and conquer" strategies violated the communities' rights to prior consultation. The lawsuit resulted in an injunction prohibiting ARCO for conducting negotiations with any indigenous people without the authorization of the primary governing council (FINAE 2004). To accompany FIPSE's request for an injunction, three hundred indigenous members of FIPSE, FISCH, and NAE

¹⁹ Ghost federations. Interview with NGO staff member. 8 January 2007.20.

marched through Macas in protest of ARCO's activities (Acción Ecológica 2006). The court later determined that the injunction also applied to Burlington Resources, following Burlington's purchase of Blocks 23 and 24 from ARCO. In April 2002, the three federations filed a second lawsuit, charging Burlington Resources with failure to comply with the injunction by continuing to form side agreements with individual communities. The lawsuit is still pending. Six hundred members of FIPSE, FISCH, and NAE marched from their communities to Macas to participate in a protest against Burlington Resource's community relations program (Comité Interfederacional 2004). Later that year, in November, the Civilian Anti-Corruption Commission of Ecuador determined that Burlington had violated several clauses of its contract for Block 24, advising the government to terminate the contract (FINAE 2004). In 2003, the Ecuadorian government was forced to call a *force majeure* due to strong indigenous resistance to oil development in both blocks, allowing Burlington Resources and CGC to suspend the exploration and exploitation deadlines of their contracts.

The Sarayaku of Block 23 have also taken legal measures to resist the entrance of Burlington and CGC into their territory. In July 2004, after reviewing the Sarayaku's petition charging Burlington's partner, CGC, of human rights abuses, the Inter-American Commission on Human Rights issued precautionary measures in favor of the Sarayaku communities (Sarayaku 2006). The Sarayaku had charged CGC with human rights abuses that included violence, threats, and, most notably, a river blockade—initiated by pro-oil members of the Canelos community—restricting all travel by the Sarayaku people along the Bobonaza River. Because the river traditionally served as the Sarayaku's means of transportation, small airplanes now serve as the only means of access to the Sarayaku community (CDES 2005). In June 2005, the Inter-American Court of Human Rights ratified the provisional measures issued by the commission (Sarayaku 2006). Other resistance measures taken by Sarayaku have included detainment of oil workers entering Sarayaku territory and the establishment of "Peace and Life" camps to guard territorial borders.

4.1.2 Level 2: National NGOs

Informants identified four principal national NGOs with key roles in the southern Oriente STAN. These organizations, based in Quito, offer various forms of support to indigenous federations and communities, including legal assistance, capacity-building, facilitation of dialogues, and financial support. By far the most prominent of these

organizations is Fundación Pachamama, the Ecuadorian arm of the San Francisco-based Pachamama Alliance. Since its founding in 1997, Pachamama has played a pivotal role in assisting the indigenous federations of Pastaza and Morona Santiago, working most closely with the Achuar communities but recently extending its work to include FIPSE, FISCH, Shiwiar, and Sarayaku.²⁰ Staff members of Pachamama described their work as limited primarily to financial support of community initiatives, although the organization does work with communities on capacity-building initiatives and often serves as facilitators of meetings between federations and other external actors. As one employee described, the mission of Pachamama is to “strengthen the organizational features of the federations in issues related to territorial defense.”²¹ Pachamama has also served as a primary link between international actors and federations, as international organizations rely on the foundation of trust and credibility Pachamama has established among the indigenous federations of the *centro-sur*.

The Centro de Derechos Económicos y Sociales (CDES) also has a central role in the second tier of network actors. CDES, a branch of New York’s Center for Economic and Social Rights, was founded in 1997, and serves as the legal advisor to indigenous federations throughout the Amazon. As one lawyer at CDES explained, “It can be said that the work of CDES is...to strengthen the [indigenous] organizations with information—giving support in the form of information related to their legal rights and other issues of justice.”²² When describing the differences in the network roles played by Pachamama, informants agreed that, while the organizations do have distinct functions, there is much overlap and coordination. One informant explained that “Pachamama is fundamentally a funding organization that gives economic resources to the federation for their projects, whereas CDES is the organization that executes the projects. But there there is a strong relation and much coordination between the two.”²³

While slightly less prominent than the former two organizations, the Ecuadorian branch of Denmark-based IBIS, located just a few blocks away from Pachamama’s Quito office, provides primarily financial support to federations. These funds are often accompanied with required trainings to improve the management and administration of funds. Acción Ecológica, a Quito-based environmental organization that will be discussed in more detail in the second case study, has played the important role of connecting indigenous

²⁰ Interview with NGO staff member. 3 January 2007.3.

²¹ Ibid.

²² Interview with NGO staff member. 5 January 2007.13.

²³ Interview with NGO staff member. 2 January 2007.3.

federations of the centro-sur with northern indigenous leaders, organizing and funding trips for southern indigenous leaders to visit the oil-devastated areas of the northern Amazonian provinces. As one staff member described, Acción Ecológica's basic role in oil-related activities is to "make visible the impacts of oil...to strengthen the resistance of indigenous communities against oil."²⁴

4.1.3 Level 3: International NGOs

Informants from the four national organizations based in Quito were asked to identify the key international NGOs with whom they have collaborated and the type of support offered by these NGOs. Participants listed Amazon Watch, Oxfam International, Amnesty International, the Rainforest Action Network, and the Amazon Alliance as the principal international NGOs offering financial support to indigenous initiatives. Oxfam International and Amnesty International were also identified as playing important roles in raising international awareness about oil issues in Ecuador through large publicity campaigns. While the support offered by these NGOs—along with the US arms of CDES and Pachamama—has undoubtedly been significant in supporting the activities of the network's domestic actors, they have not played key roles in the shareholder-NGO-indigenous relations and are therefore not included in the depiction of the Burlington STAN.

Unlike the other international organizations, however, Amazon Watch, whose headquarters are located in San Francisco, has played a pivotal role in orchestrating shareholder-indigenous links in the transnational advocacy network targeted at Burlington Resources. Since beginning its work with shareholders in 2003, Amazon Watch has functioned as the nearly exclusive channel between shareholders and Ecuadorian NGOs/indigenous federations. Amazon Watch's work includes organizing shareholder delegations to Ecuador to facilitate direct contact between indigenous groups and shareholders, arranging for indigenous leaders to attend shareholder meetings or present demands to company headquarters, providing information and updates for shareholders active in filing resolutions with the company, attending dialogues between shareholders and company representatives, presenting at shareholder meetings, and translating interactions between indigenous leaders and international actors. When asked to describe his role in the shareholder transnational advocacy network, Kevin Koenig, Amazon Watch's Northern

²⁴ Interview with NGO staff member. 9 January 2007.1.

Amazon Coordinator and primary staff member working with shareholders of Burlington Resources, explained:

What we at Amazon Watch are trying to do is build that bridge a little bit...we're working with the shareholders and trying to understand that world, and what you can achieve with it, and also with the communities...It's a real complicated thing, and it involves constantly updating both sides about what is going on, you know, and...building trust on both sides...We make it so that the indigenous people have a way to access the company, an opportunity to say "look, this is our position. So you can't say you don't know. This is us, face-to-face. We don't want oil."²⁵

Amazon Watch maintains a close relationship with Pachamama, often working out of the Quito organization's office during staff members' frequent trips to Ecuador.

4.1.4 Level 4: Shareholders

Boston Common Asset Management, founded in 2002, has served as the primary filer of resolutions related to Burlington Resources' operations in Ecuador for the past four years. As primary filer, the social investment firm is responsible for coordinating all participating co-filers of the resolutions; such responsibilities include channeling information and updates to co-filers, gathering research, arranging conference calls among shareholders, working with Amazon Watch to draft yearly resolutions, and facilitating company-shareholder dialogue related to indigenous rights issues. Boston Common Asset Management, on behalf of its client Brethren Benefit Trust, has repeatedly filed resolutions asking the company to improve its policy on indigenous rights and report on its compliance with this policy.

According to Steven Heim, Boston Common Asset's Director of Social Research, the relationship between the social investment firm and Amazon Watch began in April/May 2003, after Heim was informed of a presentation in New York City—organized by Amazon Watch—by indigenous leaders from Ecuador regarding the oil conflicts of the Amazon. The event was followed by a conference call of interested shareholders and other activists. In September 2003, Amazon Watch contacted participants of the conference call to elicit interest in filing a resolution with Burlington Resources; due to the late timing of the call (shareholder resolutions must be filed in November of the year prior to its presentation at the shareholder meeting) Boston Common Asset Management—on behalf of Brethren Benefit Trust (BBT)—was the only firm with shares in Burlington able to respond quickly enough to prepare the resolution. Since 2003, Boston Common Asset Management has filed three resolutions with Burlington Resources on behalf of its client BBT (additionally helping

²⁵ Interview with Kevin Koenig. 8 January 2007.

to draft and support a fourth resolution filed in 2005 by City of New York Pension Funds). Boston Common has also participated in several dialogues with company representatives and continued to write letters to the company (see Appendix B for a complete timeline of shareholder activity).²⁶

As illustrated in the network diagram (Fig. 4-2), Boston Common Asset Management serves as the primary link between shareholders, Amazon Watch, and domestic actors. As one shareholder noted, “the primary filer [of the resolution] is responsible for most of the communication with indigenous people, the company, etc...they are the liaison, then the co-filers attend the meetings.”²⁷ Indeed, all resolution co-filers interviewed agreed that the majority of the information they received regarding indigenous activity and company response came either directly from Steven Heim or through meetings (arranged by Heim) with Amazon Watch. One co-filer, however, noted that religious affiliations with a Lutheran church in Quito allowed the shareholder group to verify information with domestic actors.²⁸

When asked to describe their role in the network, shareholders discussed the importance of using their position in the company to facilitate access of indigenous concerns to company management. As described by a resolution co-filer:

Investors need to get involved in this dynamic because otherwise it’s a David and Goliath struggle—investors have a unique position that communities could never get without them...my role is to bring the voice of the people that can’t be there to the head of the company...to make sure they are getting a fair hearing.²⁹

Apart from relaying indigenous concerns at the annual shareholder meetings, shareholders have used their positions as company owners to designate indigenous leaders as proxies to their seats at the shareholder meetings, giving indigenous federations direct access to corporate headquarters. In 2004 and again in 2006, Amazon Watch coordinated several indigenous delegates from the Shuar, Achuar, and Sarayaku federations to present their positions to the shareholders at the annual general meetings of Burlington Resources and ConocoPhillips. Emphasizing the importance of this strategy, one shareholder interviewed described his impressions of the indigenous delegate’s presentation at a Burlington Resources annual shareholder meeting in Houston:

It’s always a dramatic moment...it’s one of the reasons you employ this strategy...these corporate executives never actually hear from anyone that is affected

²⁶ Interview with Steven Heim. 14 February 2007.

²⁷ Interview with shareholder activist. 26 February 2007.22.

²⁸ Interview with Co-filer for Burlington Resources resolution. 26 February 2007. 33.

²⁹ Ibid.

by their projects. And then suddenly they have an Achuar president standing in front of them, headress and all.³⁰

Bringing indigenous leaders to shareholder meetings to convey their experiences and concerns directly to company management has continued to be a key strategy for shareholder advocates in garnering shareholder support for resolutions filed with the company.

Similar to the domestic efforts of the indigenous federations in Ecuador, shareholder activity has primarily focused on urging Burlington to acknowledge and follow proper consultation procedures in its concessions. As Heim explains, the principal goal of shareholders has been to:

convey the indigenous positions to the company so that they can follow proper procedures in their contact with indigenous peoples and respect indigenous rights, following the proper traditional governance structures...of the indigenous communities.³¹

All shareholders advocates emphasized that their primary goal is to apply pressure on the company to respect indigenous rights when moving forward with operations in Ecuador.

In March 2005, Amazon Watch organized a shareholder “fact-finding” mission to Ecuador, designed to facilitate direct contact between indigenous leaders and shareholders, thereby promoting increased understanding and coordination between the network members and familiarizing shareholders with the governance structures of the indigenous communities in Burlington’s concessions. The delegation included visits to four indigenous communities of the Pastaza/Morona Santiago provinces, a meeting with federation leaders of the region, meetings with Ecuadorian authorities, and a trip to witness the oil-devastated areas of the northern Amazon. An analysis of this trip will be presented in the following chapter.

4.2 Case 2: The Chevron STAN

In 1964, the Ecuadorian state granted Texaco the rights to the oil concession in the northern Amazonian region surrounding Lago Agrio. In its 28 years of operation, the company extracted roughly 1.5 billion barrels of crude, netting an estimated \$30 billion in profits (Kimerling 2006; Amazon Defense Coalition 2006; Maass 2007). Throughout the 1970s, Nueva Loja, the town located closest to Texaco’s first commercial oil field, rapidly developed into a “boom town,” as settlers poured into the Amazon on newly-developed roads that opened up previously inaccessible areas of the Oriente (Kimerling 2006). Lago

³⁰ Interview with shareholder proxy for Burlington Resources annual shareholder meeting. 15 January 2007.

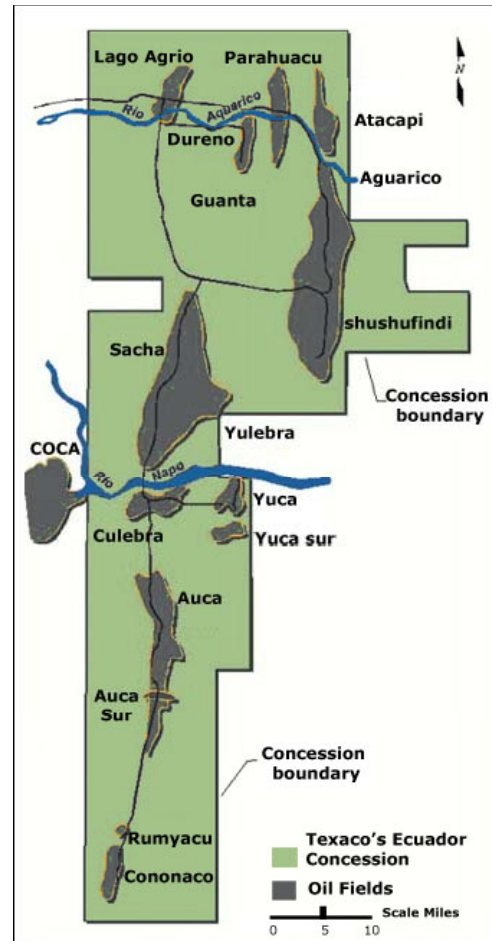
³¹ Interview with Steven Heim. 14 February 2007.

Agrio,³² as the city is now nicknamed, currently has a population of over 35,000 residents (Hearn 2006; Maass 2007).

Texaco's operations, which were carried out from the initiation of its contract in 1964 to the contract's expiration in 1992, spread throughout the northern Amazonian provinces of Napo, Orellana and Sucumbíos (see figure 4-4 for maps of Texaco's concessions). At the conclusion of its contract, Texaco turned over its operations to Petroecuador, Ecuador's state-run oil company (Kimerling 2006). During its period of operations, Texaco operated under very little environmental regulation by the state, which expected the company to take responsibility for implementing proper drilling technology. According to Judith Kimerling, author of the ground-breaking study that first revealed the detrimental environmental and health impacts of Texaco's operations, Texaco operated "in [an] environmental law vacuum...Texaco set its own standards and policed itself" (Kimerling 2006, 436). Texaco reportedly constructed 350 wells and 1000 open-air waste pits, allegedly discharging 18 billion gallons of toxic wastewater into the Amazon's surface and subsurface waters and soils during the duration of its period in Ecuador (Amazon Defense Coalition 2006).

In 2001, Chevron and Texaco merged to form ChevronTexaco. Shareholders, NGOs, and local communities (indigenous and *colono*) have coordinated efforts pressure Chevron to accept responsibility for environmental damage done by

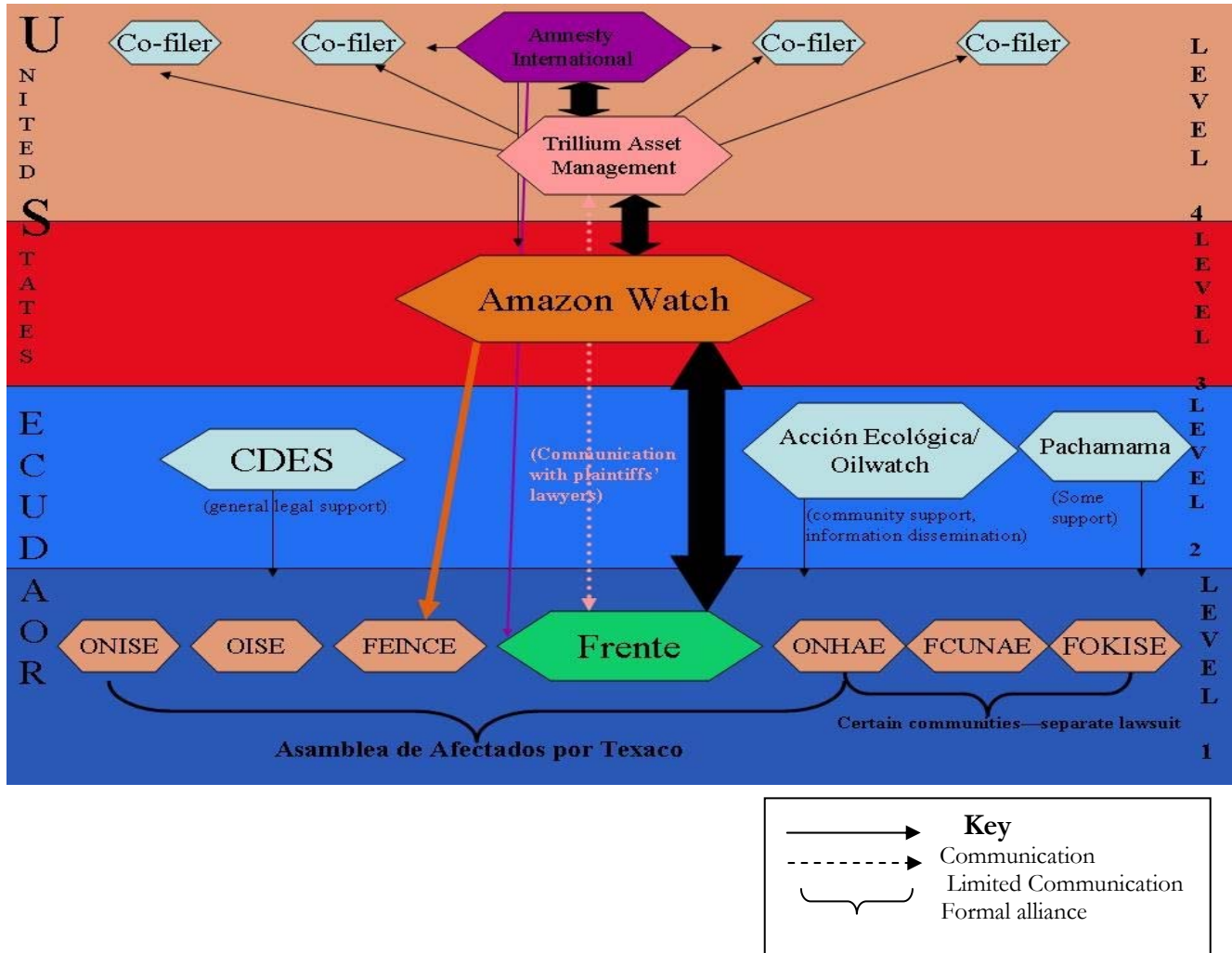
Fig. 4-4. Texaco's 1964 Concession in the Amazon (Amazon Watch and Frente 2007)



³² "Sour Lake," the name of Texaco's founding town in Texas.

Texaco. Despite these efforts, Chevron has yet to change its position on Ecuador, and has not invested in environmental remediation of the northern Amazon. Figure 4-5 offers a visual depiction of the network and its relevant actors.

Fig. 4-5. The Chevron STAN



4.2.1 Level 1: Local Actors

4.2.1.1 Organizational Structures

Texaco's operations—and its widespread effects—expanded over the territory of five indigenous nationalities spread throughout the watershed of the Napo River, a tributary to the Amazon. The environmental and social consequences of Texaco's oil development were profound, permanently altering the lives of nearly every indigenous community of the northern Amazon. Direct dispossession of land for oil infrastructure and settlers pouring in

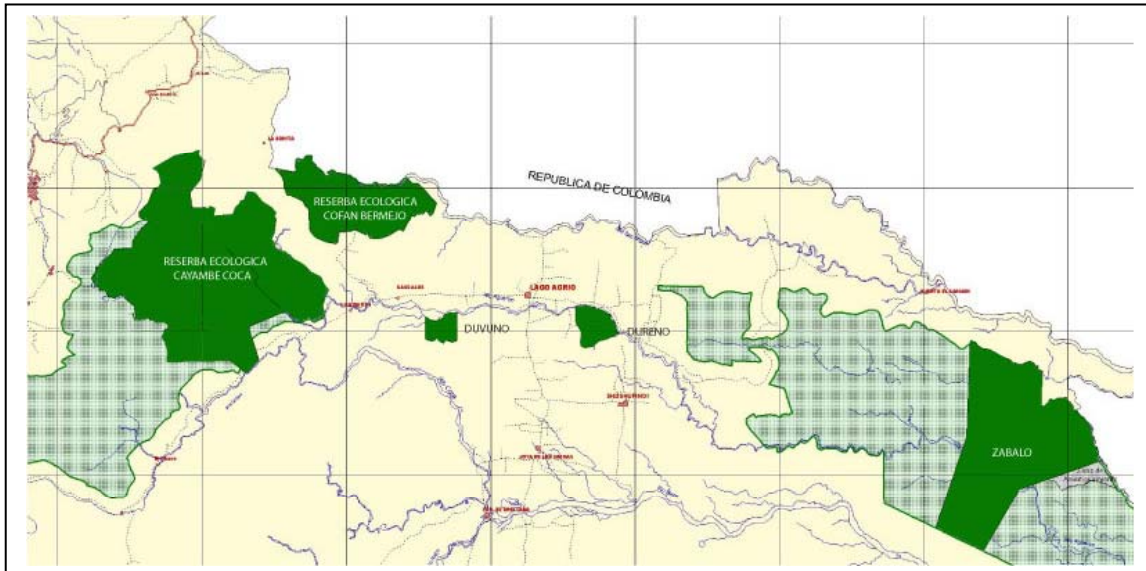
through Texaco's newly constructed roads forced much of the indigenous population to migrate from ancestral territory, and communities were forced to relocate within the ever-diminishing indigenous territory (Kimerling 2006). By 1989, more than one million hectares of the Oriente had been colonized, with settlers—estimated to number roughly 250,000—residing along 500 km of roads paved primarily by Texaco (Kimerling 2006). Indigenous populations diminished rapidly; one indigenous nationality, the Tetes, were forced to flee their communities around Lago Agrio and are now considered extinct. Due to chemical and noise pollution, coupled with large loss of land, communities could no longer depend on the Amazon to provide basic necessities, and many indigenous peoples were forced to shift away from subsistence living and enter into the cash economy to purchase food and other items. Such a transition has resulted in diminished food security and increased rates of malnutrition among indigenous populations of the northern Amazon, as consumption of protein-rich resources from the rainforest (such as fish) were replaced with a diet heavy in carbohydrates (Kimerling 2006). Epidemiological studies have also shown high rates of cancer, birth defects, and spontaneous abortions among populations living in areas affected by Texaco's operations (Donziger 2004).

Indigenous communities are now located in landpockets throughout the northern Amazonian region, many choosing to retreat as far as possible from Lago Agrio and the former sites of Texaco's drilling. Still, many of the indigenous communities of the Napo, Orellana, and Sucumbíos provinces, including the Cofán, Siona, Secoya, Kichwa, and Huaorani, have maintained the traditional systems of governance—with federations and assemblies—of the indigenous nationalities throughout the Amazon.

Cofán. Oil production in the northern Amazon most severely hit the Cofán indigenous groups, who lived, hunted, and foraged in the region surrounding Lago Agrio. Once numbering as many as 15,000, there are now less than 600 Cofáns living in the Oriente. This population is divided into ten communities, located in five non-contiguous areas of the Sucumbíos province in the northernmost region of the Amazon (Fundación 2007). The majority of the communities are located within ecological reserves granted to the Cofán by the government for use and management (see Fig. 4-6). Dureno, the largest Cofán community representing four sub-communities, and Dovuno, a smaller community, remain outside of these protected areas (Fundación 2007). The ten Cofán communities are represented by the Federación Indígena de la Nacionalidad Cofán del Ecuador (FEINCE).

The federation is run by a board of directors, elected every three years, which includes a President, Vice-President, treasurer, secretary, and ministers of health, education, territory, women, and youth (Fundación 2007).

Fig. 4-6. Cofán Territory (Fundación 2007)



Siona/Secoya. The Siona and Secoya nationalities have only recently been considered two separate ethnic groups. Due to large land loss and other effects of the colonization and development of the northern Amazon, the population of indigenous members of these two groups saw significant reductions in size similar to that of the Cofáns, with less than 600 people remaining in the Oriente (Kimerling 2006). Remaining communities are located in the territories surrounding the Cuyabeno Reserve (see “Zabalo” in Fig. 4-6 for location of reserve) in northeastern Oriente. The Secoyas are governed by the Secoya Organization of Ecuador (OISE), and the Siona Nation of Ecuador (ONISE) represents the Siona communities.

Huaorani. Numbering 2000 people, grouped into 24 communities, the Huaorani are located in eastern Amazon in the region of Yasuni National Park (Frente 2007). The Huaorani federation is called the Organization of the Huaorani Nation of the Ecuadorian Amazon (ONHAE). The Huaorani have a long history of oil conflict and attempted negotiation with oil companies; because they are not key players in the STAN examined in this thesis, however, they will not be discussed in much detail.

Kichwa. The Kichwa, the most populous indigenous group affected by Texaco, reside in communities scattered through northern Amazon. The Kichwa have formed two separate federations in the north: the FCUNAE federation is based in Coca, representing communities along the banks of the Napo River and in the regions surrounding Coca. FOKISE (recently changed from FOISE) is based in Lago Agrio, representing the Kichwa communities of Sucumbíos.

Frente de la Defensa de la Amazonia. The Amazon Defense Front, more commonly referred to as the “Frente,” is a colonist organization located in Lago Agrio. Created in 1994 as an institution to spearhead local participation and administration of monies related to the *Aguinda* lawsuit, the Frente is the primary link between local-level network activities related to the ChevronTexaco case and national/international actors.

The Frente is governed by a team of five leaders, including a President, Vice-President, and three directors, heading the divisions of Capacity-Building, Organizational Strengthening, and Community Management.³³ Although the Frente does not include indigenous members, indigenous federations are affiliated with the Frente’s work through the *Asamblea de Afectados por Texaco*,³⁴ a “structure created to represent all affected people and make joint decisions regarding the Texaco case.”³⁵ The Assembly’s Executive Council includes one representative from the Secoya, Cofán, Siona, and Huaorani federations (FCUNAE and FIKOSE are not represented on the council) and representatives from *colono* communities (Kimerling 2006).

4.2.1.2 Goals and Activities

The broad objective of the Frente, as described by one of its leaders, is to “defend the lives that we live in the Amazon.”³⁶ Leading the charge on local initiatives related to the Texaco lawsuit, the Frente maintains close ties with the plaintiffs’ lawyers, using the Assembly as a vehicle through which representatives of affected communities can connect to the legal team to discuss the lawsuit.³⁷ The Frente is also largely responsible for the publicity campaign for the Texaco case. Although the organization was initially formed to deal with

³³ Interview with Frente staff member. 10 January 2007.32.

³⁴ Assembly of People Affected by Texaco

³⁵ Interview with Frente staff member. 10 January 2007.32.

³⁶ Ibid.

³⁷ Interview with member of legal team for Texaco lawsuit. 16 January 2007.10.

issues related to the lawsuit, however, it has now expanded its projects to include a variety of community capacity-building initiatives, including legal training, monitoring of oil activities, and development of economic alternatives to oil.³⁸ The Frente also provides a link between local groups and international actors.

Indigenous federation activities apart from the Frente are limited, although several indigenous communities of the northern Amazon have implemented alternative development initiatives, including ecotourism projects. The positions of the federations on oil development vary across indigenous groups and individual communities. While the Cofán have taken a firm position against any further production of oil on their land, for example, the Secoya and Siona federations have maintained a more ambiguous position regarding oil development. In fact, the Secoya federation was recently involved in oil negotiations.³⁹

4.2.2 Level 2: National NGOs

Informants generally agreed that Acción Ecológica, and its affiliated branch of OilWatch, an international network monitoring oil activities around the world, plays one of the largest roles in the northern Amazon's oil resistance. The organization has been involved in oil issues in this area for decades, and it has now established a team of staff members devoted entirely to oil issues in the Amazon. Due to ideological differences, however, Acción Ecológica has limited interactions with the Frente, offering support only in certain areas related to the Texaco case.⁴⁰ A staff member of the NGO also explained that collaboration with other national NGOs is infrequent.⁴¹ Acción Ecológica's work is focused primarily on information dissemination; the organization has published several books related to oil in the Amazon, and frequently organizes community trainings to describe the processes and effects of oil extraction.⁴²

In addition to Acción Ecológica, the CDES and Pachamama staff members interviewed responded that their organizations have had some involvement in the northern Amazon region. CDES has offered primarily legal advice regarding the Texaco lawsuit, while Pachamama has supported capacity-building initiatives in indigenous communities of the north.

³⁸ Interview with Frente staff member. 10 January 2007.32.

³⁹ Interview with NGO staff member. 2 March 2007.26.

⁴⁰ Interview with NGO staff member. 9 January 2007.1.

⁴¹ Ibid.

⁴² Interview with NGO staff member. 9 January 2007.25.

4.2.3 Level 3: International NGOs

Informants listed Amazon Watch, Amnesty International, and Oxfam International as the key international NGOs involved in the northern Amazonian network. Amnesty's work related to the ChevronTexaco network has continually increased throughout the years; as one NGO employee explained, the organization has "really taken on the Chevron campaign"⁴³ by releasing publications about the issue and employing other strategies to increase public awareness. Oxfam has offered much financial support to the Frente and other network members.

Amazon Watch's role in the Chevron STAN is nearly identical to its position in the Burlington Resources network; the organization acts as the primary bridge between shareholders and national/local actors in Ecuador. Similar to the Burlington Resources STAN, Amazon Watch serves as a "bottleneck" of information running between domestic actors and shareholders.⁴⁴ In addition, Amazon Watch has collaborated with the Frente on publicity campaigns regarding Texaco's legacy in the northern Amazon. The two organizations maintain a joint website providing information about Texaco's operations and the *Aguinda* lawsuit.

4.2.4 Level 4: Shareholders

Trillium Asset Management, a social investment firm founded in 1982 and located in four offices across the United States, has served as the primary filer since 2003 for resolutions filed with Chevron regarding its operations in Ecuador's northern Amazon. Trillium was first approached by an Amazon Watch member at a 2002 corporate accountability conference. After collaborating with Amnesty International on a resolution regarding Chevron's human rights practices, Trillium first filed a resolution explicitly related to Texaco's legacy in Ecuador for Chevron's 2004 ballot. Since then, Trillium has filed two more Ecuador-related resolutions with the company; one resolution, filed for the 2005 ballot, asked the company to report on initiatives taken to address environmental and health concerns of communities in Texaco-affected areas, and the second resolution, filed for 2006, called on the company to report its expenditures related to the Texaco lawsuit. Most recently, a more general resolution was filed relating to Chevron's environmental policy

⁴³ Interview with NGO staff member. 8 January 2007.20.

⁴⁴ Interview with filer of Chevron resolution. 22 March 2007.2.

when entering new host countries. Trillium has met with company representatives twice since filing the original resolution, and has held several conference calls with Chevron during this period as well (see Appendix C for a full timeline of shareholder activity).

Similar to Boston Common Asset Management of the Burlington STAN, Trillium, as the resolutions' primary filer, is responsible for coordinating and providing information for the co-filers of the resolutions. All co-filers interviewed reported to have conducted little research outside of the information provided by Trillium, Amazon Watch, and the Interfaith Center for Corporate Responsibility (ICCR), whose members filed a separate Chevron resolution for the 2006 ballot. Trillium employees reported to receive their information from Amazon Watch, media sources, and the plaintiffs' lawyers for the Texaco lawsuit.⁴⁵ In March 2004, one year before the delegation trip of Burlington's shareholders to the Amazon, several filers of the ChevronTexaco shareholder resolutions—including Trillium—participated in a “fact-finding mission” to Ecuador, where they met with Ecuadorian authorities, members of Congress, representatives of the Frente, and members of the indigenous and settler communities located in Texaco-affected regions of the Amazon.

Respondents echoed similar sentiments about their role in the network as expressed by Burlington's shareholders. Informants pointed to their ability to convey indigenous concerns to company management and give access to indigenous representatives to act as shareholder proxies in the annual general meeting as their primary function in the STAN. In addition, however, shareholders strongly emphasized that a key aspect of their work is to convey to Chevron the legitimate shareholder risks posed by the Texaco lawsuit, including damage to the company's brand name that may affect their ability to access foreign oil in the future.⁴⁶ One shareholder stated that her ultimate goal in her work with Chevron regarding Ecuador-related issues is to recognize these risks to shareholder value and “take responsibility for Texaco by just settling and paying for environmental remediation.”⁴⁷

4.3 Outcomes of STANS

As described in Chapter 2, Keck and Sikkink identify three measurements for evaluating network success, including: a) framing the debate and getting issues on the agenda, b) affecting policy, and c) influencing procedural change. These measurements can be

⁴⁵ Interview with filer of Chevron resolution. 22 March 2007.2.

⁴⁶ Ibid.

⁴⁷ Ibid.

applied to the outcomes of the STAN activity targeted at Burlington Resources and Chevron. I rely on evaluations of outcomes by network members to determine the relative effectiveness of the two networks.

4.3.1 Case 1: Burlington Resources

While shareholders and other members of the Burlington Resources STAN expressed some frustration with the company's response to shareholder pressure, informants were also able to identify several critical achievements resulting from the implementation of network strategies. Shareholders pointed to successes all in three indicators of network effectiveness, and the following section summarizes shareholders' reactions to the results of their efforts.

4.3.1.1 Framing the Debate and Getting Issues on the Agenda

As detailed in Chapter 2, shareholder resolutions are an effective means of drawing the attention of corporate management to particular issues, and the outcomes of these resolutions indicate the degree to which the resolution achieved this goal. Of the four resolutions filed with Burlington Resources, three were withdrawn after satisfactory negotiations between the shareholders and the company.⁴⁸ The fourth resolution did not proceed to a vote, due to the timing of ConocoPhillips' acquisition of Burlington.

In addition to the outcomes of the resolutions, shareholders and indigenous presence at Burlington meetings did prompt the company to agree to dialogue to discuss its practices related to indigenous rights in its Ecuadorian concessions. In 2004, following Shuar president Pablo Tsere's presentation at Burlington's annual general meeting, company representatives requested a half hour meeting with Tsere, Amazon Watch, and several shareholders. While noting that the agreement to dialogue was an important step for the shareholders in drawing company attention to the issue, one shareholder proxy present for the meeting expressed disappointment at the company's response. He said:

The meeting itself just really spoke to where the company was at...just their whole attitude was out of line, they treated [Tsere] like...well, they were just really rude. They kept saying things like, 'you can't tell me that your people don't want some kind of development.' It was very insightful...it confirmed what we all believed—the company had a somewhat progressive public image, but they weren't matching up to it.⁴⁹

⁴⁸ Interview with filer of Burlington Resolution. 14 February 2007.17.

⁴⁹ Interview with shareholder proxy at Burlington Resources annual meeting. 15 January 2007.20.

While another shareholder was hesitant to interpret the tone of the meeting as “hostile,” she did acknowledge that certain impasses were hit “about issues like who [the company] is meeting with, and why they are choosing certain people to listen to and not others.”⁵⁰

According to informants, however, subsequent meetings seemed to demonstrate a positive progression in the company’s response to shareholder concerns. Later the same year, in October 2004, Burlington agreed to Boston Common’s request that the company meet with Heim and other co-filers to discuss indigenous positions on oil development in the Amazon. The following March, at the 2005 annual shareholder meeting, representatives from the company engaged in informal discussions with shareholder representatives. One shareholder present at this meeting described the discussions as “more productive”⁵¹ in getting the company to understand indigenous political processes and the company’s responsibilities for conduction prior consultations. He explained:

I think we did get this stuff across to them at this meeting...we finally got to the root of where the conflict was...it was a really interesting discussion—because you, know, finally...it was good.”⁵²

When asked to identify specific advances made in pushing their issues onto the agenda, shareholders generally agreed that the company’s willingness to meet with the shareholders marked an important accomplishment in itself. One NGO staff member working with shareholders remarked:

Just the fact that we got the company meeting was a success...I think that’s really critical. There’s somebody that can both get the ear of the company and can bring up issues to the company in different ways that NGOs can’t...and just the fact that they had to fly all over the US to have meetings with shareholders—costing them time, costing them money—it definitely put stuff on their radar.⁵³

A co-filer for the Burlington resolutions agreed, labelling the company’s willingness to meet with shareholders as a success and explaining that “it shows some progress and success that they’ve been willing to meet with us, because we’re building mutual history here.”⁵⁴

4.3.1.2 Affecting Policy

Shareholders generally agreed that the withdrawal conditions of the three resolutions did represent significant progress toward achieving certain policy goals established by the

⁵⁰ Interview with co-filer for Burlington Resources resolution. 26 February 2007. 33.

⁵¹ Interview with NGO staff member. 8 January 2007.20.

⁵² Ibid.

⁵³ Interview with shareholder proxy at Burlington Resources annual meeting. 8 January 2007.20.

⁵⁴ Interview with filer for Burlington resolution. 26 February 2007.33.

network. In 2004, in response to the shareholders' resolution which requested the development of an indigenous policy, Burlington published a one-page indigenous policy report (see Appendix D). According to shareholders, the policy represented mixed results in achieving network goals. Shareholders described the policy as "weak,"⁵⁵ criticizing the policy for failing to "address the real issues,"⁵⁶ and explained that the resolution was withdrawn to avoid omission by the SEC for company compliance, setting a precedent that weak policies constitute compliance for policy requests.⁵⁷ At the same time, however, it was widely acknowledged that the policy represented the first step in "getting Burlington to pay at least some attention"⁵⁸ to shareholders' concerns regarding indigenous rights. As Keck and Sikkink (1998) note, policies are generally regarded as incremental progress in measuring network effectiveness, widening the opportunity for networks to employ "accountability politics" by holding the target to its stated policy and highlighting differences between policy and practice.

Additional policy successes identified by the shareholders in interviews included a public statement by CEO Bobby Shackouls and a commitment in the 2004 annual report that the company would not proceed into the its oil concessions by force.⁵⁹ Similar to the indigenous policy, however, these statements were met with some skepticism by shareholders; one shareholder referred to Shackouls' statement as "corporate fluff."⁶⁰ Other shareholders, however, indicated more optimism regarding the significance of the statements:

What was significant..was that [Shackouls] publicly committed that Burlington would not move forward by force in the block where they are the operator...no company we'd ever worked with had said that before.⁶¹

Regardless of shareholders' doubts regarding its sincerity, Shackouls' statement did at least provide shareholders with a formal CEO commitment to which shareholder advocates can hold the company accountable.

4.3.1.3 Procedural Change

While all shareholders acknowledged a significant disconnect between the policies issued by Burlington's headquarters and its practice on the ground, shareholders did attribute

⁵⁵ Interview with resolution filer. 14 February 2007.17.

⁵⁶ Interview with shareholder proxy at Burlington Resources annual meeting. 8 January 2007.20.

⁵⁷ Interview with resolution filer. 14 February 2007.17.

⁵⁸ Ibid.

⁵⁹ Interview with resolution filer. 14 February 2007.17.

⁶⁰ Interview with shareholder proxy at Burlington Resources annual meeting. 15 January 2007.20.

⁶¹ Ibid.

the recent calm in Ecuador's oil conflicts in the *centro-sur* to shareholder pressure on the company. As one shareholder commented:

Looking back at the Burlington stuff, I think it really was useful, I think that things would be totally different in southern Ecuador...I mean at that point there was no other way to pressure Burlington...It didn't result in Burlington pulling out, but it prevented them from going in.⁶²

Another comment reveals the perceived importance of the role of shareholders in facilitating company understanding of the issue, despite the little change of Burlington's practices in Ecuador.

I think it has made a really big difference. Again not because a resolution has been passed, or not passed, but...looking at where Burlington went from the very beginning to where they ended up, there really was a revolution in a lot more understanding about indigenous politics...and sure, there was still a lot of deceit going on and on the ground they are still trying to do this divide and conquer stuff, but there were real people in that company that were starting to get it. And in the short term, this shareholder pressure really helped take pressure off of the communities.⁶³

Informants in Ecuador were less ready to attribute any changes in company practice to shareholder activity, although they did acknowledge the recent "total silence" of the oil companies.⁶⁴ In general, domestic network members point to the lack of any oil development in Blocks 23 and 24 —prevented through a variety of network strategies—as the network's greatest success.⁶⁵

4.3.2 Case 2: *Chevron*

As one NGO staff member commented when discussing the outcomes of the Chevron STAN, "Chevron has really dug their heels in."⁶⁶ This remark summarizes the general sentiments expressed in interviews by shareholder advocates working with Chevron. Shareholders revealed great frustration at the outcomes of shareholder activity with the company, explaining that shareholder advocacy has produced little change in the company's position regarding the environmental and health concerns of communities living in Texaco-affected regions of the Amazon. As one shareholder proxy explained, shareholder advocacy has led to "a rise in defensiveness from Chevron—they're now ignoring the shareholders,

⁶² Interview with shareholder proxy at Burlington Resources annual meeting. 8 January 2007.20.

⁶³ Ibid.

⁶⁴ Interview with NGO staff member. 4 January 2007.24.

⁶⁵ Interview with Sarayaku leader. 11 January 2007.15.

⁶⁶ Interview with NGO staff member.8 January 2007.20.

turning the microphone off in the middle of their speech...”⁶⁷ According to shareholders, Chevron has not changed its response during the five years of shareholder advocacy related to the issue, continuing to state that Texaco fulfilled the requirements of its contract and therefore the company is not responsible for the environmental damage in the northern provinces of Ecuador’s rainforest. One shareholder even complained that Chevron has treated shareholders “like the naïve tools of NGOs and lawyers,”⁶⁸ failing to recognize any legitimacy in shareholders’ concerns. Needless to say, a measurement of network outcomes according to Keck and Sikkink’s three indicators reveals relatively disappointing results in comparison to the several areas of progress experienced by the Burlington network.

4.3.2.1 Framing the Debate and Getting Issues on the Agenda

Despite Chevron’s repeated challenges with the SEC, the first three Ecuador-related resolutions filed with Chevron proceeded to a vote at the company’s annual general meeting, each receiving under ten percent of shareholders’ votes. When interpreting these results, shareholder advocates explained that the voting results were regarded as successes in the beginning years, as the issue was relatively new to shareholders, but that the continued low vote in the third year was “disappointing, because the votes just plateaued, instead of going up.”⁶⁹ Last year the resolution did not receive enough votes to be included on this year’s ballot, and shareholders were forced to submit a new resolution with different content. A co-filer for the resolutions expressed his opinion on the voting record, asserting:

I don’t think that we have martialled enough votes among shareholders for the company to address these issues...and I think that the only way that change will occur is that if legal processes force them to change.⁷⁰

As explained in Chapter 2, however, high votes on shareholder resolutions are not necessarily the ultimate measure of success for shareholder advocates; filing resolutions also gives shareholders the opportunity to draw attention to issues at the company’s annual shareholder meeting, serving as an effective means for getting issues on the company’s agenda. Shareholders of Chevron, however, explained that Chevron’s management has been relatively unresponsive to the concerns presented by shareholders at the annual general meeting—they even tend to limit the number of questions shareholders and proxies are

⁶⁷ Interview with NGO staff member. 2 March 2007.26.

⁶⁸ Interview with filer of Chevron resolution. 22 March 2007.2.

⁶⁹ Ibid.

⁷⁰ Interview with filer of Chevron resolution. 28 Feb. 2007.12.

allowed to ask on the issue. One shareholder who participated in a meeting explained that the company's CEO refused to answer questions asked during the meeting, repeatedly asserting that he had already spoken on the issue and did not intend to continue dialogue.⁷¹

Shareholders even reported that indigenous leaders and NGO members have been "cut off" from speaking at the shareholder meetings.⁷²

Respondents expressed similar disappointment in Chevron's approach to dialogue with shareholders on the issue. Filers of the resolutions have had little direct contact with the company; the company has thus far only agreed to one in-person meeting and several conference calls with the shareholders. A shareholder advocate present at the meeting with Chevron observed that the company representatives were unreceptive to shareholder concerns, refusing "to acknowledge the litigation as a material threat to shareholder value," failing to provide adequate responses to shareholders' questions, and insisting that the legacy of Texaco's oil operations posed no health threat to neighboring communities.⁷³ One resolution co-filer, who participated in a conference call with the company, remarked on his impressions of the dialogue:

I thought we were talking to people who just wanted to put a good face on Chevron, they did not talk about what they intended to do, they were just trying to shine up Chevron...⁷⁴

Similar to the challenges shareholders experienced in entering into dialogue with the company and pushing their issues onto the corporate agenda, interviewees described their difficulties in effectively "framing the debate" as a legitimate issue of corporate accountability. Shareholders explained that Chevron has consistently maintained a distinct separation between its CSR division and its litigation team. When asked to comment on the litigation, CSR representatives claimed that the matter was a legal issue that did not fall within their purview of responsibilities.⁷⁵ This position, shareholders claimed, has allowed the company to avoid recognizing the issue as a matter of corporate social responsibility for which the company must take action (regardless of the case's ruling), treating the issue as a legal matter whose outcome will be determined by the court. According to one NGO member who has been involved in shareholders' work in this area:

⁷¹ Interview with filer of Chevron resolution. 28 Feb. 2007.12.

⁷² Interview with shareholder proxy. 2 March 2007.26.

⁷³ Interview with filer of Chevron resolution. 22 March 2007.2.

⁷⁴ Interview with filer of Chevron resolution. 28 Feb. 2007.12.

⁷⁵ Interview with shareholder proxy. 2 March 2007.26.

[Chevron] has kept their CSR team separate from the Texaco case, and there seems to be no communication between them [the CSR and legal teams]. So they've set up this culture that Texaco case is not a CSR issue.⁷⁶

Clearly, shareholders have face significant challenges in addressing the Texaco issue as a legitimate concern relating to the company's CSR values. This issue will be discussed further in Chapter 6.

4.3.2.2 Affecting Policy/Procedural Change

As is evident from the challenges experienced by shareholders in achieving successful results in Keck and Sikkink's first measurement of outcome success, shareholders also reported to have achieved little progress in affecting company policy or influencing procedural changes. One shareholder commented that she "felt like [Chevron] isn't taking it seriously at all."⁷⁷

4.3.3 *Comparing effectiveness*

Interviews conducted with shareholders clearly revealed sharp contrasts between the perceived success of network outcomes for the two case studies. In general, it appears that shareholders of Burlington Resources were more readily able to identify moments of success and company capitulation to shareholder demands, while shareholders of ChevronTexaco continued to emphasize the unresponsiveness of the company to repeated shareholder concerns.

The remainder of this thesis will explore specific network factors contributing to these differences in the companies' reactions to STAN pressure. Before proceeding to this discussion, however, is essential to understand that such an analysis does not portend to depict this binary comparison as a success/failure juxtaposition. Shareholders of both companies expressed frustration at various company tactics. I do not intend to applaud Burlington Resources or berate Chevron; I merely attempt to address explanations for the different outcomes and *relative* achievements made by shareholders of Burlington. The purpose of highlighting specific factors that determine network effectiveness is to help guide members of shareholder transnational advocacy networks in shaping their strategies and understanding certain network characteristics that may affect the outcomes of their work.

⁷⁶ Interview with NGO staff member. 2 March 2007.26.

⁷⁷ Interview with filer of Chevron resolution. 22 March 2007.2.

4.4 Conclusion

The case studies examined in this thesis tell two widely different stories of oil and indigenous conflict. In the northern Amazon, indigenous communities have felt the effects of oil activity for decades; they have watched the oil industry transform their communities, environment, and culture. Their primary focus is remediation; they aim to pressure Chevron into taking retroactive responsibility for environmental damage. Network goals for the future are varied; some communities look toward fair negotiations with oil companies to foster community development, while others seek to avoid any further oil production on their remaining territories. Other concerns, however, are more immediate; communities struggle to maintain a supply of food and water amidst an Amazonian environment transformed by oil chemicals and deforestation. As one member of a US-based NGO explained:

It's depressing...I've probably been there twenty-five times and I cry every time. It's amazing these people have to live their lives like this.⁷⁸

A shareholder describing her experience on a delegation to Ecuador offered similar impressions.

We went to the north, to Lago Agrio, to witness one of the judicial inspections...it looked like a parking lot until you got closer and realized it was all sludge. It was water covered in sludge. And everyone around there was sick...They need to use plastic jugs to store their water, so they have potable water, because they can't use the river...They're so happy just to get those plastic jugs, and they once had the river....⁷⁹

In contrast, in the Pastaza/Morona Santiago provinces, the indigenous communities have thus far been spared the negative consequences of oil production, retaining for the most part their traditional lifestyles, cultures, and ancestral territories. They have had the opportunity to witness the impact of oil in the northern Amazon and build a resistance network based on cultural and environmental preservation. As a result, the resources available to domestic actors in the southern Ecuador network have been far greater than those available to the indigenous communities of the North.

As discussed in the previous chapter, understanding the context of a STAN is key to evaluating its effectiveness. Chapter 3 reviewed the contextual factors common to both STANs, as determined by Ecuador's political opportunity structure. As this chapter reveals, however, there are differences between the two case studies and the contexts in which these STANs are operating. Both STANs are active in the current period; however, the

⁷⁸ Interview with NGO staff member. 2 March 2007.26.

⁷⁹ Interview with Chevron resolution filer. 26 February 2007.22.

communities of the northern Amazon have born the brunt of oil for three decades, whereas the *centro-sur* has thus far remained relatively untouched by oil operations, only recently becoming exposed to oil conflict. In addition, unlike the Burlington network, the issue at stake in the Chevron STAN involves litigation. These differences in network context have shaped certain characteristics of the networks and their targets, as I explore in greater detail in the following chapters.

The principal purpose of this chapter is to establish an understanding of these contextual differences between the two case studies, as the implications of these differences will be integrated into analyses of the strengths of the networks and the vulnerabilities of the targets in the following chapters. It must be noted, however, that the context of a network is merely one factor that shapes a STAN—it is by no means the single determinant of a network’s strength or a target’s vulnerability. For example, while the difference in the timing of the oil conflict in the two regions has led to a stronger resistance network in the South, as will be discussed in later chapters, this is not the only outcome which could have resulted from the late arrival of oil in the southern Amazon. In addition, while the past two chapters have offered one particular depiction of the contexts of the two case studies, it is important to acknowledge that network context is not static. Contextual factors are dynamic, constantly evolving and, as a result, continually shaping networks and influencing their potential to be effective.

Table 4-1. Summary of Case Study Comparison

Network characteristic	Case Study 1: Burlington STAN	Case Study 2: Chevron STAN
Region	Central/Southern Amazon, Blocks 23 and 24	Northern Amazon
State of oil development	Some seismic exploration, no extraction	Extraction since 1967
Indigenous groups	Cofán, Secoya, Siona, Kichwa, Huaorani	Achuar, Shuar, Zápara, Shiwiar, Kichwa
Shareholder resolutions (requests)	Indigenous rights policy, sustainability report	Report on initiatives to address community concerns regarding Texaco’s operations, disclose costs of environmental litigation
Outcomes (I): Framing debates/getting issues on the agenda	<ul style="list-style-type: none"> • Three resolutions withdrawn • Several company dialogues, improvement over time 	<ul style="list-style-type: none"> • Resolutions under 10% each year
Outcomes (II): Affecting policy	<ul style="list-style-type: none"> • Indigenous Communities Rights policy • CEO statement 	<ul style="list-style-type: none"> • Human Rights Policy, nothing Ecuador-specific
Outcomes (III): Procedural Change	No drilling yet	No change

Chapter 5: Density and Strength of the Network

Up North the federations are small...it's just a really different position [from the south]...The Cofán are, well, if you spend time with them you see how different they really are. They've born the brunt of oil for thirty years now, and they've lost a lot of their territory, they've lost a lot of their people, they've lost a lot of their culture...They're trying to make it through the day with enough jugs of clean water for their families...In the south, the resistance is strong. They're working together, they've mostly got it together.⁸⁰

The above remark, offered by a staff member of Amazon Watch working in both the northern and southern regions of the Amazon, succinctly captures the key differences in the densities and strengths of the two STANs examined in this study. The following chapter will closely examine these differences, emphasizing how the different historical trajectories of oil development in the northern and southern regions of the Amazon have shaped the density and strength of the STANs operating in these areas. Furthermore, this chapter will discuss the implications of these differences in the characteristics of STANs for the effectiveness of the network. I begin the chapter by comparing the densities of both networks, evaluating the channels of communication between network members and the quality of information flow between different levels of network actors. I will then go on to discuss the relative strengths of each network, assessing the alignment of goals and identities among network actors of both STANs. The differences in the timing of oil conflict in the two regions emerges as a key explanation for the variations in strength and density of the networks examined in the two case studies.

5.1 Density of the Network

A network's density refers to the nature of the structural relationships that comprise the network—in other words, the quantity and quality of exchanges between network actors. To assess the quantity of exchanges between network members, informants in each of the four network levels were asked to describe their communication with actors in the other three levels. The quality of these exchanges was analyzed through an assessment of networks' use of information; as Keck and Sikkink emphasize, information exchange is a fundamental characteristic of relationships in transnational advocacy networks, and therefore understanding actors' access to information and the amount of information flowing through

⁸⁰ Interview with NGO staff member. 8 January 2007.20.

communication channels is key to determining the density of a transnational advocacy network.

5.1.1 Communication

- **Communication patterns among shareholders and NGOs are similar for both case studies, but communication is stronger among local-level actors of the South.**

Interviews revealed that while communication between the upper three levels of the network was relatively similar between the two networks, local-level communication appears much stronger in southern Ecuador. For example, interviews with network members in the second and third levels of the network—national and international NGOs—produced similar responses regarding communication levels. NGO staff members in both case studies claimed to have strong communication channels with indigenous federations, including daily telephone/fax communication and frequent field visits. As a member of Pachamama explained, “We are always in contact [with southern indigenous federations]. Always. Always. Always.”⁸¹ Amazon Watch staff members also claimed to be in frequent contact with shareholders of both Chevron and Burlington Resources through phone calls, emails, and meetings. Interestingly, however, communication between the fourth and first network levels varied across the case studies. Shareholders of the Burlington network emphasized the importance of maintaining communication with indigenous leaders (in addition to frequent communication with Amazon Watch) as a means of verifying information received from NGOs. Filers of the Chevron resolutions, however, do not communicate directly with local-level actors, relying instead on intermediaries, such as Amazon Watch, to provide information. Still, Chevron shareholders did claim to verify all information received from NGOs through media sources, company statements, and other research avenues.

Interviews revealed a greater difference between the two networks in communication levels within the local, indigenous network level. Indigenous leaders from the southern provinces emphasized frequent communication within and among the different indigenous groups as a key network strategy. Federation leaders, as elected officials working under the mandate of the General Assembly, stressed the critical importance of maintaining frequent dialogue between the federation offices and its member communities (frequently referred to as the federation’s “bases”). This communication, according to leaders of the Achuar,

⁸¹ Interview with NGO staff member. 3 January 2007.3.

Sarayaku, and Zápara federations, is primarily maintained throughout the year by radio correspondence. One Achuar leader explained that NAE maintains daily contact with many of its member communities⁸² through radio communication, with an appointed leader in charge of coordinating and improving communication between NAE and its bases.⁸³ The goal of the NAE communication division is to provide radios to all communities, although currently there remain a few remote communities who are not yet equipped to communicate directly with NAE.⁸⁴ Leaders also explained that they occasionally travel into the rainforest to visit their home communities, using the opportunity to inform community members of federation activities. In addition to constant radio communication, the Sarayaku communities have weekly Friday meetings, attended remotely by the federation leaders in Puyo listening in through radio connections.⁸⁵ The Zápara federation, due to its smaller size and limited resources, has so far only distributed radios to eight of its seventeen communities.⁸⁶ Still, leaders stressed that expansion of this radio project is a priority for the federation.⁸⁷ Despite this emphasis on communication through radio contact, however, leaders of all three federations stressed that the most important and effective form of communication is the yearly assembly, where federation leaders have the opportunity to update hundreds of community members on projects and discuss issues related to territorial defense and oil development.

Southern indigenous leaders also claimed to have strong lines of communication between the federations in the region. The Comité Interfederacional meets every 2 to 3 months, but leaders of FIPSE, FISCH, and NAE are often in contact by phone and email.⁸⁸ In addition, the Comité holds annual conventions with more than 500 participants to discuss the committee's position on oil extraction and establish action plans to coordinate resistance strategies (Comité 2004). Although communication is less frequent between the Achuar and Shuar federations comprising the Comité and the Shiwiar and Zápara federations, the presidents from all five nationalities in the region meet every few months to share

⁸² Interview with NAE leader. 9 January 2007.5.

⁸³ Interview with NAE leader. 12 January 2007.28.

⁸⁴ Ibid.

⁸⁵ Interview with Sarayaku leader. 11 January 2007. 14.

⁸⁶ Interview with NAZAE leader. 12 January 2007. 31.

⁸⁷ Interview with NAZAE leader. 11 January 2007. 30.

⁸⁸ Interview with NAE leader. 10 January 2007. 28.

experiences, coordinate activities, and offer support on various projects.⁸⁹ NAZAE's office is located several streets away from NAE's Puyo headquarters.

In the Texaco-affected Northern regions of the Amazon, nearly all communication channels between local actors run through the Frente. The Frente's Assembly of Affected Peoples brings together its indigenous and *colono* members every two months to "analyze the case and make resolutions, define strategies and also receive information from leaders about how the case is advancing."⁹⁰ In addition, the six members of the Executive Council hold a monthly meeting to discuss the progression of the lawsuit.⁹¹ Lawyers involved in the Chevron case also meet periodically with specific communities every six months.⁹²

Communication between the various indigenous nationalities of the northern Amazon, however, was described to be very limited. Separated geographically and culturally, local communities of the Chevron STAN have not traditionally collaborated in forums apart from the umbrella of the Frente.⁹³ One informant suggested that the lack of communication between indigenous groups of the North can be explained by the timing of the oil threat in the northern Amazon compared to the South; because the impacts of oil were relatively unknown when Texaco first began production near Lago Agrio, indigenous communities did not feel pressure to develop a strong, unified resistance against oil development.⁹⁴ Thirty years later, displacement and devastation in the region have served to further distance communities from one another, and indigenous groups' limited resources for organizing have forced them to rely on the Frente as the primary vehicle for organization and communication.⁹⁵ Efforts are currently underway, however, to encourage more direct communication between indigenous communities—particularly between several Kichwa and Huaorani communities.⁹⁶

5.1.2 Information

- **North-South networks have allowed local actors of the south to take better advantage of information integral to the strength of their resistance.**

⁸⁹ Interview with NAZAE leader. 12 January 2007.31.

⁹⁰ Interview with Frente leader. 10 January 2007.32.

⁹¹ Ibid.

⁹² Interview with lawyer of Texaco lawsuit. 16 January 2007.10.

⁹³ Interview with lawyer of a Texaco lawsuit. 3 March 2007.19.

⁹⁴ Interview with NGO staff member. 8 January 2007.20.

⁹⁵ Interview with lawyer of a Texaco lawsuit. 3 March 2007.19.

⁹⁶ Ibid.

In 1980, the indigenous nationalities of the Amazon joined together under the auspices of COFENIAE, the official governing body of Ecuador's eastern lowland indigenous population (Gedicks 2001). As indigenous leaders of the Pastaza province explained, however, recent internal conflict within COFENIAE has fractured the indigenous organization, severely weakening alliances between its member indigenous groups.⁹⁷ According to informants, former President Lucio Gutierrez's efforts to ally with specific members of COFENIAE has severely debilitated the organization, resulting in internal divisions between representatives sympathetic to oil negotiations and those maintaining a firm stance of opposition to all production.⁹⁸

In response to recent conflict within the Amazon's regional indigenous organization, indigenous federations have formed an alliance independent of COFENIAE, providing a forum to link indigenous and *colono* groups from throughout the Oriente who are resisting oil development. The alliance, called the *Alianza de Pueblos en Resistencia*,⁹⁹ meets twice a year and includes members from all five southern federations, the Frente, northern indigenous federations (occasionally), and several other smaller federations.¹⁰⁰ As Patricia Gualinga, a Sarayaku leader and the current coordinator of the Alliance, explained:

The alliance is a space created to strengthen the fight against oil, to join together in solidarity...a space where organizations can identify with one another about similar problems...It is the result of the divisions of COFENIAE that left us without a strong organization representing us...The purpose of the Alliance is to form roots of mutual objectives and common goals, it is the only space for resistance struggles of the North to come together with those of the South, to strengthen our strategies of resistance.¹⁰¹

According to Gualinga, the Alliance serves as the primary information channel between the northern and southern provinces of the Amazon. While actors in both regions claimed to benefit from the "support of the resistance strategies," as well as the opportunity to "exchange experiences and define common strategies,"¹⁰² southern indigenous leaders—unlike their northern counterparts—emphasized that the information received through this alliance has been integral to their resistance networks. This North-South flow of information, therefore, appears to be more essential to the strength of resistance networks of the Pastaza/Morona Santiago provinces than those of the north. This dynamic is a direct

⁹⁷ Interview with NAE leader. 12 January 2007.28.

⁹⁸ Interview with NAE leader. 12 January 2007.28.

⁹⁹ Alliance of People in Resistance

¹⁰⁰ Interview with Sarayaku leader. 11 January 2007.15.

¹⁰¹ Patricia Gualinga. 11 January 2007.

¹⁰² Interview with Frente leader. 10 January 2007.32.

effect of the different historical trajectories of the two regions; because oil arrived first in the northern regions of the Amazon, and oil development in these regions had been underway for decades by the time oil development became an issue in the southern provinces, northern oil-affected areas have served as an example for the *centro-sur* indigenous groups. Network members of the southern Pastaza/Morona Santiago provinces have had to opportunity to witness and learn about the detrimental environmental and social impacts of oil production experienced in the North. One Achuar indigenous leader explained:

What I learned [from visiting the North]...is the reality of oil. They can't eat fish, they can't grow crops. They are sick. Their lives are totally changed. And for this reason we say "no." No, no, no. We know that oil won't bring what the companies say it will. So this is the position of the Achuar.¹⁰³

Southern leaders all pointed to their observations of the Texaco-affected areas as the key impetus of their resistance to oil in Blocks 23 and 24.

NGOs—Acción Ecológica in particular—have played a key role in facilitating North-South exchanges through “Toxitours,” in which indigenous representatives from the South are brought to visit oil-devastated areas of the northern Amazon. Staff members confirmed that the information received by indigenous leaders through these exchanges is key to the relative strength of southern resistance networks. One staff member of Acción Ecológica described the importance of her work facilitating this north-south information flow, explaining:

With Toxitours we strengthen the resistance of these indigenous people of the *centro-sur*...Principally we give information to the community, especially in parts where there is no oil activity, so that the community knows the real threats that they are facing, if they let oil activity enter...[the oil companies] say that there is going to be progress and development for the community if there is oil, but we know that it is completely the contrary. We have thirty years of experience with what has happened in our Amazon...and we bring [southern indigenous leaders] to the north of the Amazon so that they can see directly, can see the effects and also listen to the testimonies of the affected communities in the north of the Amazon...¹⁰⁴

Understanding the impacts of oil development—as demonstrated by the Texaco-affected provinces of the northern Oriente—has been fundamental to strengthening the resistance southern advocacy network. Due to the different historical contexts of the two case studies, the southern advocacy network has had the opportunity to build a strong resistance grounded on an important source of information, taking greater advantage of the North-South flow of information from their northern allies. While network members of the

¹⁰³ Interview with NAE leader. 9 January 2007.5.

¹⁰⁴ Interview with Acción Ecológica staff member. 9 January 2007.1.

northern regions did claim to benefit from the *Alianza*, this source of information has been far less critical for building the density of the northern network.

▪ **Indigenous federations of the south have had more training in accounting and management of funds.**

As revealed in the previous finding, the advocacy network of the southern Amazon region has a “density” advantage in the construction of its network, relying on the experiences of the oil-affected communities of the North to provide critical information related to the impacts of oil development. Along this theme, information flow between NGOs and domestic actors of the southern Amazon has been strengthened by the observed difficulties experienced by northern indigenous communities in financial management. The influx of revenue (from oil companies, NGOs, etc.) into the non-cash economies of the indigenous communities in the North led to high levels of corruption among federation leaders, mismanagement of funds, and community divisions. Based on these observations, the indigenous federations in the southern provinces have received more information and training in accounting and financial management to avoid the problems experienced by northern communities. A staff member of an NGO working with indigenous communities of both regions clearly explained the situation:

The communities in the north, in addition to having had all the impact, I think that the ways the negotiations have happened...well, you're dealing with federations that have never had any money and suddenly you're getting 800,000 dollars from the company. They've never managed money, they've never had interactions with the cash economy, but in the last twenty years they were suddenly thrown money and there's been mismanagement left and right. In the south, they were aware of this and Pachamama has played a huge role in training them [in money management]. With the Achuar, with Kapawi, they've gotten an early lesson in financial management. And the Sarayaku and Achuar have accountants.¹⁰⁵

Staff members of Pachamama and other funding organizations confirmed that funds given to federations for various projects are often accompanied by trainings in financial management. The indigenous leaders are aware, for example, that the influx of funds into the indigenous population's traditionally non-cash economy can potentially cause internal divisions. As one Achuar leader stated, “Money can divide the communities.”¹⁰⁶ Another Sarayaku leader also explained that learning to manage funds was a key turning point in the

¹⁰⁵ Interview with NGO staff member. 8 January 2007.20.

¹⁰⁶ Interview with NAE leader. 11 January 2007.11.

communities' ability to form an effective governance structure, and all funds now go directly back into community capacity-building projects.¹⁰⁷

Identifying these variances in network density—as evaluated through the degree of communication and information-sharing between network actors—reveals the manner in which the different historical contexts of the two case studies have affected the density of the networks. Indigenous networks of the South have been afforded the opportunity to learn from the North, thereby strengthening network density in this region. The consequences of oil development in the North, however, have only weakened network density, posing great challenges to the organizational strategies of the local-level networks in this region.

5.2 Strength of the Network

As reviewed in Chapter 2, extant literature on transnational advocacy networks suggests that effective networks must maintain a cohesive, shared identity—otherwise referred to as the “strength” of the network. The very nature of a network, as a forum linking together widely different actors (often separated by great geographical and cultural differences), poses significant challenges to the network in maintaining a consistent identity at all levels of network actors. In particular, the shareholder transnational advocacy networks examined in this thesis are faced with the challenging task of ensuring accurate representation of the indigenous communities throughout all four levels of national and international actors. Also integral to a network’s cohesive identity is the alignment of goals between all network actors; a network’s effectiveness is greatly influenced by the degree to which individual actors share common goals and expectations for network outcomes. The following section will compare the relative network strength of the Burlington and Chevron STANS, focusing on three indicators of strength: the quality of local nodes (identity and representation of local actors), indigenous-NGO relationships, and shareholder-indigenous relationships.

5.2.1 Quality of Local Nodes

Keck and Sikkink identify the “quality of local nodes” as a critical factor determining the effectiveness of a transnational advocacy network, and Alison Brysk stresses the importance of strong local representation to an effective advocacy network. Still, as explained in more depth in Chapter 2, local-level actors face difficulties both in maintaining

¹⁰⁷ Interview Sarayaku *técnico*. 15 January 2007.29.

a cohesive identity within their network level as well as establishing accurate representation of this identity to network members of higher levels. Interviews with indigenous leaders as well as NGOs revealed interesting differences in the quality of the local nodes of Ecuador's northern and southern networks.

▪ **The preservation of traditional indigenous advocacy culture in the southern Amazon has promoted a more cohesive local-level identity.**

Just as oil production has had significant consequences on the density of local networks in the North, the presence of oil for three decades in the indigenous territories of the northern provinces has had a profound impact on the strength of the region's local-level advocacy network. Oil development has permanently altered the landscape of the northern Oriente, rendering many indigenous communities incapable of maintaining traditional lifestyles and cultures once heavily reliant on the Amazon's natural resources. In contrast, the absence of oil production in the southern Amazon has allowed the five indigenous nationalities of the Pastaza/Morona Santiago provinces to continue traditional land use management and other cultural practices that are heavily dependent on rainforest resources to provide food, water, medicines, and other necessities. Preservation of this aspect of indigenous culture in the southern Amazon has afforded local-level actors of the region two primary advantages in maintaining network strength. First, all five indigenous nationalities share network goals strongly rooted in ideals of cultural preservation. While each nationality is defined by a unique culture and identity, dependency on and respect for the rainforest and its resources is a common thread running through the traditional cultures of every indigenous group in the region. Despite cultural differences, the five nationalities of the *centro-sur* have found unity in their resistance against oil, as environmental preservation is critical for the preservation of all traditional indigenous lifestyles. Secondly, as indigenous leaders and members of affiliated organizations emphasized, territorial and cultural defense is an integral part of indigenous identity in the southern Amazon. The network goal to block all oil production on indigenous ancestral territory, therefore, is embedded in the very identity of the network actors—an identity that has thus far been preserved due to the strong resistance of the indigenous communities located in Blocks 23 and 24.

Indigenous leaders were asked to identify the most significant impact of oil development as a means of evaluating the degree to which local-level actors shared concerns regarding oil development. The results from this interview question are telling; every indigenous leader listed "loss of culture," or "social impact," as the worst consequence of oil production,

revealing cultural preservation to be consistently the primary concern of indigenous leaders. In expressing his adamant belief of the importance of cultural preservation, one indigenous leader urgently asserted, “*Un pueblo sin cultura es un pueblo desaparecido.*”¹⁰⁸ An indigenous member of the Sarayaku confirmed that the goal of cultural preservation has served to unite indigenous groups of the southern Amazon, explaining, “Our culture unites us. Protecting the culture is the most important thing.”¹⁰⁹

Concerns regarding the social impacts of oil production largely stem from the incompatibility of oil development and a cultural dependency on a complex, integrated form of land use management. The environmental impacts associated with oil production are detrimental to traditional land use patterns that rely on a diverse set of rainforest resources. The Sarayaku, for example, live according to a *Plan de Vida*, which establishes specific zones of the rainforest for different purposes; such zones include rotating areas for hunting and fishing, *purinas*, or shared forest areas, and sacred zones reserved for shamans and power spirits (CDES 2005). Reverence for the three *sumak allpa* (territory) spaces—*jahuapacha* (sky), *caipacha* (earth), and *ukupacha* (subsoil)—is an integral aspect of Sarayaku culture, and sustainable ecosystem management is heavily emphasized in the education of Sarayaku youth (Anguelovski 2007).

Common values related to cultural and environmental preservation, therefore, have served to strengthen the common identity of local-level network actors of the southern Amazon. As informants acknowledged, however, the same is not true for the indigenous communities of the northern Amazon. Oil development in indigenous ancestral lands and exposure to outside influences have forced communities to shift away from the traditional, subsistence lifestyles still practiced by the indigenous communities in the South. For this reason, the network of the Oriente’s Texaco-affected regions cannot be strengthened by a solid foundation of cultural preservation and protection of traditional lifestyle, as is the case in the South. Emphasizing the inherent link between subsistence living/dependency on natural resources and indigenous identity, Judith Kimerling explains, “when subsistence activities are undermined or abandoned, traditional cultures are eroded... Pressures to modernize and adopt the ways of the ‘civilized’ culture are discouraging many young people from learning the methods their ancestors used to manage resources” (Kimerling 2006, 465-66). Many indigenous communities in the North no longer live according a lifestyle highly dependent on natural

¹⁰⁸ A people that loses its culture disappears. Interview with NAE leader. 9 January 2007.5.

¹⁰⁹ Interview with Sarayaku *técnico*. 15 January 2007.29.

resources, and therefore lack such an impetus to form a unified front of resistance against oil development. As one informant observed:

[The Cofán] still have culture. The women still wear their traditional dresses...but they can't fight to protect their traditional lifestyle, because they can't live that lifestyle. They can't fish—they have to buy canned tuna, and then they need cash. So many of them don't have that traditional lifestyle, that dependency on the forest, to protect in the same way that they do in the south.¹¹⁰

Indigenous leaders who had visited northern communities also noted the significant cultural impacts of oil development and the very apparent differences between indigenous groups of the North versus those of the South. When asked to explain the relative unity of indigenous nationalities in the South, one Achuar leader responded:

The indigenous communities in the north don't have the culture we have. They eat foods from the city, they live by the roads...they eat sugar and they don't drink chicha.¹¹¹ They don't have a strong sense of culture to give them strength.¹¹²

In addition to the detrimental social and cultural consequences of oil development in the northern Oriente, informants also pointed to fundamental differences in the identities of the indigenous nationalities of the southern Amazon as an explanation for the network's relative strength. According to interviewees, a strong commitment to territorial and cultural defense is a fundamental shared characteristic of the Achuar, Shuar, Sarayaku, and Zápara cultures, and, as a result, the network goal of oil resistance is not only common to the indigenous populations, but is embedded into the very identity of the local-level network members. Informants described the Achuar and Shuar as “warrior cultures,” with “deep ancestral traditions of defense of their territory.”¹¹³ Participants also noted that such warrior-like characteristics are not shared by some of the indigenous populations in the northern Amazon—yet another reason for the variance in strength between the two networks. According to one staff member of a national NGO working with indigenous communities of both areas:

The Shuar and Achuar are warrior people. In the North they aren't like this—only the Huaorani. In the North we have the Secoyas, the Cofanes, Sionas who are more passive, peaceful. They wouldn't have the capacity to mobilize and fight. [The Achuar and Shuar] have this spirit of defense with violence because they are accustomed to war.¹¹⁴

¹¹⁰ Interview with NGO staff member. 2 March 2007.26.

¹¹¹ A traditional fermented yucca drink.

¹¹² Interview with NAE leader. 11 January 2007.11.

¹¹³ Interview with NGO staff member. 8 January 2007.20.

¹¹⁴ Interview with NGO staff member. 9 January 2007.1.

When asked to point to reasons for their success in territorial defense, Sarayaku leaders also emphasized the prominent role of cultural defense in Sarayaku culture and identity. As a member of the Sarayaku community explained, for example, such values of cultural preservation are reinforced through a strong emphasis on education. Elders of the communities are responsible for passing down these values to younger generations, and much of the formal education system is focused on teaching the youth Sarayaku history and culture, emphasizing the importance of territorial defense. He described:

Sarayaku means...a clean planet, a strong culture. We learn the Sarayaku identity our whole lives. We maintain our customs, our culture, through emphasis on education...Our elders tell us how to preserve culture, our way of life. We need to start when the children are very young. Every morning the mothers tell their sons about the importance of the Sarayaku, the Pachamama. The youth grow up not wanting anything but their own culture...We train the youth from a young age about our position against oil, so that they grow up understanding.¹¹⁵

Inherent values of cultural and territorial defense, therefore, serve as common ground on which local-level network actors of the southern Amazon have built a shared identity within the Burlington Resources shareholder transnational advocacy network. The relative isolation of these communities from outside influences has allowed the indigenous component of the network to maintain this common ground based on fundamental cultural values. In the north, however, the social and environmental impacts of oil have prevented indigenous members from grounding their resistance on cultural/territorial protection, thus limiting the avenues through which different indigenous members can find a common identity to present to other levels of the network.

The opportunity to construct such a cohesive identity among local-level actors of the south has greatly strengthened the Burlington STAN relative to that of ChevronTexaco. The importance of coordination and building alliances was a common theme recurring throughout interviews with indigenous leaders of the South; leaders emphasized that the federations are all “amigos, compañeros,” with similar agendas and “unified by the need to protect our way of living in the *selva*.”¹¹⁶ As one NGO staff member observed:

The communities are so unified in their opposition. Yes, there’s a few individuals with their own agenda, but more so than anywhere else I’ve seen in the Amazon, their resistance is so general, so strong.¹¹⁷

¹¹⁵ Interview with Sarayaku *técnico*. 15 January 2007.29.

¹¹⁶ Interview with Sarayaku leader. 11 January 2007.14.

¹¹⁷ Interview with NGO staff member. 8 January 2007.20.

Indeed, all interviewed members of southern indigenous groups listed coordination between federations as a key resistance strategy and a critical element of the strength of the network.

- **Traditional indigenous governance structures form the basis of local representation in the southern Amazon, whereas non-indigenous representation of indigenous interests has caused tensions among local network members in the North.**

As Brysk notes in her analysis of the internationalization of the indigenous rights movement, local indigenous actors of transnational advocacy networks are faced with the particularly challenging task of ensuring accurate representation of their interests to the national and international levels of the network. Representatives of indigenous groups must at the same time be familiar with indigenous interests—characterized by a strong focus on local issues and a traditionally limited amount of contact with the international community—and effective at expressing these positions in international spheres. Informants recognized this seemingly contradictory task of choosing representatives who can best convey indigenous values while being well-integrated in international world politics.

As noted earlier, representatives of southern indigenous communities, or *dirigentes*, are elected community members, serving two- to three-year terms, who work out of federation offices in cities bordering the Oriente. Indigenous leaders all recognized that this structure, in which representatives are located in cities outside of the rainforest and are therefore divorced from the local communities based deep in the Amazon, creates a strong potential for inaccurate representation of the communities. In fact, many indigenous leaders noted that one of the greatest challenges to the local resistant network was Burlington’s alleged efforts to “win over” federation leaders, negotiating with individual leaders without the approval of the bases.

A common theme encountered in interviews with indigenous leaders, however, was that of the *asamblea’s* ultimate authority in the indigenous governance structure. All indigenous leaders emphasized that *dirigentes* serve only as representatives of the communities’ position as agreed upon at the annual general assembly. Such a system ensures, according to informants, that local communities are accurately represented by their *dirigentes* to other network actors, including national/international NGOs and shareholder groups. An employee of an NGO working with indigenous communities described the importance of the *asamblea* with respect to issues of oil resistance, explaining:

The leaders have always been really clear that when you get elected as President, your mandate is to carry out the resolution decided at these assemblies. The

President doesn't have the power to make a decision to negotiate with the oil company if the community is against it.¹¹⁸

A particularly revealing recent example of the effectiveness of this system of representation, and the strength it provides for domestic component of STANs, proved this assertion to be true. In 2005, shortly after the Burlington shareholders' delegation to Ecuador, the Presidents of FIPSE and FISCH covertly signed a tri-partite agreement with Burlington Resources and the Ecuadorian state, agreeing to participate in dialogues with the company. Upon discovering the actions of their Presidents, the communities immediately dismissed the leaders for violating the assembly's mandate prohibiting all dialogue with the company—demonstrating the effectiveness of the indigenous system of governance in safe-guarding against misrepresentation.¹¹⁹

The authority of the general assembly is also effective in providing other network actors a reliable source of information regarding the indigenous positions on oil development. As one shareholder activist in the Burlington STAN explained, shareholder concerns regarding the company's consultation processes were often met with assertions by company representatives that the communities "don't know what they want," or that leaders are holding out on negotiations just to "get a better deal."¹²⁰ Shareholders, however, can point to ratified assembly resolutions as credible evidence of community opposition to oil development. Following the 2005 tri-partite agreement, during a meeting between Burlington and Boston Common Asset Management, shareholder advocates were able to undermine the company's assertions that it had community support for the negotiations by asking the company to produce copies of the assembly's resolutions supporting the agreement.¹²¹ The company did not answer the requests. As one shareholder representative observed:

By the time the meeting happened, it was clear that the Presidents had signed this on their own, without the community...by the time the meeting happened, the company had nothing. The communities were livid, and the Presidents had been kicked out.¹²²

The indigenous system of governance in the southern Amazon—characterized by strong adherence to the assembly's authority in decision-making—serves as an effective means

¹¹⁸ Interview with NGO staff member. 8 January 2007.20.

¹¹⁹ Ibid.

¹²⁰ Interview with filer of Burlington resolution. 14 February 2007.17.

¹²¹ Interview with filer of Burlington resolution. 14 February 2007.17.

¹²² Interview with NGO staff member. 8 January 2007.20.

of providing adequate information to other network members regarding indigenous positions, limiting the potential for misrepresentation by federation leaders or other representatives.

Representation of indigenous actors in the northern Amazon, however, does not follow such traditional governance structures and, as a result, presents a more complicated situation with negative consequences for the network's strength. As one informant asserted, "the Frente has led the charge in terms of the lawsuit"¹²³ in the northern Amazon, and therefore the primary vehicle for indigenous representation to other network actors involved in the lawsuit (i.e. international NGOs running publicity campaigns and the lawsuit's legal team) is a *non-indigenous* organization of which indigenous federations are affiliates but not members. In fact, in 1998, the organization passed a series of resolutions formalizing the organization's representative role in the network, stating that the "any initiative made by outside groups to 'help' communities or 'follow' the lawsuit must be approved by, and coordinated with, *Frente* and a second *urbano* 'spokesperson'" (Kimerling 2006, 633). Informants offered a wide variety of perspectives regarding the effects of this system of representation. Several staff members of NGOs stressed that the Frente presented the opportunity for indigenous communities to be affiliated with and represented by an organization with far greater resources than the individual indigenous federations. Other informants, however, explained that the system was hindered by tensions between indigenous and *colono* affiliates. As one NGO employee described:

The Frente has always wanted that they [the indigenous federations] become a part of the organization, but the indigenous have rejected this...the indigenous have their own channels of organization, their own organizational structures.¹²⁴

Other interviewees explained that the division between indigenous and *colono* network members stems from the Oriente's history of settlement; because the discovery of oil in the Oriente and subsequent government incentives led to a massive influx of settlers in the region, many indigenous residents of the Oriente regard the settlers as "part of the problem,"¹²⁵ and are therefore wary of collaboration with a *colono* organization.

According to Kimerling, plaintiffs of the *Aguinda* lawsuit do not include any members from the Cofán, Huaorani, and Siona indigenous groups, although the current plaintiffs are intended to represent the entire colonist and indigenous population living in the affected area (Kimerling 2006). In addition, the Lago Agrio lawsuit requests that all compensation paid by the company go directly to the Frente, to be distributed accordingly (Kimerling 2006). The

¹²³ Interview with NGO staff member. 8 January 2007.20.

¹²⁴ Interview with NGO staff member. 9 January 2007.1.

¹²⁵ Interview with NGO staff member. 8 January 2001.20.

structure of this lawsuit, coupled with tensions between indigenous groups and *colonos*, has raised concern among specific indigenous communities regarding the accuracy of indigenous representation by the Frente. The two Kichwa federations, FCUNAE and FOKISE, have rejected inclusion in the *Asamblea*, and, according to Kimerling, actual participation by representatives of the Huaorani and other indigenous groups is low.¹²⁶ Interviews revealed that certain indigenous communities are concerned that compensatory funds from the lawsuit—if received—will not be fairly distributed. In addition, several indigenous leaders have argued that colonist interests cannot be fused with the culturally and historically distinct indigenous interests in compensation for the social and environmental impact of oil development.¹²⁷

Harnessing these sentiments, Kimerling describes the Frente as:

outsiders who profess to champion [indigenous] rights but not only refuse to listen when indigenous communities want to speak for themselves, but also claim to represent them against their wishes (Kimerling 2006, 647).

Kimerling and certain indigenous leaders allege that while indigenous communities are nominally “represented” in the *Asamblea*, the representatives are in fact elite members of the indigenous communities who do not provide an effective link between the Frente and the community.¹²⁸ Kimerling captures this sentiment in the statement issued by a Huaorani leader, claiming that “Yanza [President of the Amazon Defense Front] speaks for all but works with few” (Kimerling 2006, 645). In response to these concerns regarding representation of indigenous interests by the Frente, a group of Kichwa and Huaorani communities have initiated a separate lawsuit against ChevronTexaco, filed in a local Tena court.

While these allegations of misrepresentation are by no means shared by all members of the network, the Chevron STAN does appear to demonstrate some of the challenges predicted in Brysk’s analysis of indigenous representation in transnational advocacy networks. Unlike the southern STAN, channels of representation in the North do not follow so closely the traditional governance structures of the indigenous communities; one member of the legal team working with the Frente suggested that the organization even sidesteps indigenous federations, representing even those communities whose federations have rejected participation in the Frente’s *Asamblea*.¹²⁹

This analysis, however, does not intend to portray relations between local southern actors as seamless networks lacking any issues of representation. In fact, when asked to

¹²⁶ Interview with Judith Kimerling. 3 March 2007.

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ Member of Texaco Legal Team. 16 January 2007.10.

identify the greatest challenges to the local-level network of the Pastaza/Morona Santiago region, nearly every informant responded that Burlington’s community relations program—and the existence of “ghost federations”—has provoked divisions within the indigenous communities and federations which continue to disrupt the unity of indigenous resistance and hinder the coordination among federations. As one interviewee explained:

The Comité has been a little defunked...because you know for the last almost year and a half...I think almost every federation dealt with a lot of internal drama, and internal division, and rumors...and a lot of that was provoked by the oil companies. So [the federations] had to really internally focus and take care of their own house before they could deal with coordinating joint strategies and actions.¹³⁰

As this remark reveals, southern network actors are also challenged by issues of representation—a weakness which, according to network members, was identified by Burlington as a significant complication in its efforts to conduct proper consultation processes. Still, it is evident that indigenous-settler tensions in the North have resulted in far greater problems related to indigenous representation, significantly weakening the strength of this network in relation to the southern STAN.

5.2.2 Indigenous-NGO Connections

As detailed earlier, the strength of a network depends not just on coherency of identity within each level of the network, but also on a shared identity between all sets of actors. One effective way to measure the strength of this shared identity is to assess the alignment of goals and motives of actors within each network level. Such an assessment was performed to evaluate the common identity—as an indicator of network strength—between indigenous and NGO actors as well as between indigenous groups and shareholders.

- **The goals of principal NGOs in the southern network are more closely aligned with their local-level partners than those of the North.**

Informants of national NGOs were asked to define their goals and motives for their collaboration with indigenous groups on oil issues. Interviews revealed a closer alignment of goals between the primary NGOs and their indigenous allies in the southern network than the organizations involved in the northern network, suggesting a stronger shared identity among the first two levels of actors of the first case study.

All staff members interviewed at Pachamama, CDES, and IBIS emphasized that the organizations do not have agendas beyond those established by the indigenous communities;

¹³⁰ Interview with NGO staff member. 8 January 2007.20.

the role of these organizations, according to informants, is to assist indigenous groups in implementing the projects and strategies initiated by the communities and federations. Rather than establishing a particular position on oil production or other related issues, staff members of these Quito-based NGOs defined their objectives in terms of strengthening the communities' capacity to achieve their own goals. As one member of Pachamama described:

Pachamama's mission is to help the indigenous in their processes, their initiatives to continue living in their territory as they always have. Our mission is not to be against oil—it is to help the indigenous achieve their goals.¹³¹

Staff members at IBIS responded along similar lines:

We are not activists... We respect the decisions of the [indigenous] organizations, and we work with the organizations so that they can carry through their decisions.¹³²

These mission statements reveal close alignment between the goals of indigenous groups and NGOs in the southern network. NGO responses to concerns of oil development also mirrored those of the indigenous leaders interviewed; staff members all listed “social impact/loss of culture” as the most significant impact of oil production. When discussing these concerns, interviewees framed the environmental consequences of oil—such as groundwater contamination—as issues of environmental justice representing a significant burden on local communities. Particularly telling to this observation regarding the relative congruency of NGO/indigenous identity in the *centro-sur* was the confirmation received by indigenous leaders on this matter. One Achuar leader explained:

NAE has its own agenda about how it wants its economy to be, how we want to organize our territorial defense, education, our politics—the NGOs don't have any role in deciding this. And we won't accept funds from an NGO that doesn't support our position.¹³³

This congruency of goals between indigenous groups and NGOs, however, does not exist to such a high degree in the Chevron network. Staff members of Acción Ecológica, the main national NGO of the northern network, offered a different perspective, easily explaining differences between their organization and those of the southern network. As one staff member adamantly expressed:

We are a group of environmentalists that have our own policy position and our own voice, not like other organizations, who support communities in what ever they want to do...if they want to negotiate with the company, they support them. If they want to resist, they support them, but it is the community that dictates. We are

¹³¹ Interview with NGO staff member. 16 January 2007.27.

¹³² Interview with NGO staff member. 8 January 2007.6.

¹³³ Interview with NAE leader. 9 January 2007.5.

different as we have our own voice and we have our own position. We support only the indigenous organizations that share our position against oil.¹³⁴

A member of Amazon Watch also explicitly pointed to this fundamental difference between the two networks, comparing the relative roles of Amazon Watch and Pachamama to Acción Ecológica. He said:

Amazon Watch and Pachamama, we don't have real—we don't have initiatives that are just our own. Or positions that are just our own...whereas I think Acción Ecológica, for example, has, yeah, they are an NGO and they have their position.¹³⁵

Stressing their environmental motives for participating in a network organized around oil issues in the Amazon, members of Acción Ecológica were clear in emphasizing that their collaboration with other network actors was limited to areas of overlapping goals; in other words, the organization only shares its identity with network members who maintain the same firm opposition to oil development in the Amazon. The dynamic between Acción Ecológica and local network actors confirms Conklin and Graham's hypothesis; the convergence of environmental and indigenous groups has indeed been founded on a "tense, unstable middle ground" between the two groups, which is limited to oil resistance (Conklin and Graham 1997). Negotiations between communities and oil companies—though perhaps satisfying certain communities' development aims—do not satisfy Acción Ecológica's environmentalist motives. In fact, members of Acción Ecológica and the Frente both acknowledged that although the two organizations had closely coordinated their work for several years in the mid-1990s, significant tensions between the two groups—due to differing ideologies—have recently dramatically limited the degree of collaboration between the two organizations. An employee of Acción Ecológica explained:

With the Frente there was a breakage, a separation, of the relations we had when we were coordinating our work, and we did not continue working together...there was a discrepancy of opinions in two areas. First, regarding this network of community monitors.¹³⁶ Also, the Frente de Defensa decided in its work also to advise communities negotiating with the companies, and Acción Ecológica does not share this position, so we decided that no, if the Frente is going to dedicate itself to this, we simply will not participate. We do not believe in negotiation between oil

¹³⁴ Interview with NGO staff member. 9 January 2007.1.

¹³⁵ Interview with NGO staff member. 8 January 2008.20.

¹³⁶ Reference to a program jointly established by the Frente and Acción Ecológica to train community members to monitor all oil activity in their territories. According to a staff member from Acción Ecológica, the group of "environmental promoters," as they were called, decided to form an independent committee apart from the Frente. Acción Ecológica supported the group's decision, while the Frente did not, causing friction between the two organizations.

companies and indigenous or campesinos...so we had to separate our work from the Frente, because of a difference of policy position.¹³⁷

The staff interviewed at Acción Ecológica explained that coordination with the Frente is now limited to specific initiatives related to the Texaco case, and members of the Frente confirmed that while the organizations are respectful of their different positions and mutually recognize the importance of their different network roles, collaboration between the two groups is limited.

Because relations with international NGOs are primarily based on financial support, informants did not identify major differences between the two networks regarding the strength of the relations between international NGOs and domestic actors. One staff member of Acción Ecológica did, however, describe certain divisions within its network level:

At the national level...many often call Acción Ecológica a radical organization, because we don't share the same position that Ecuador's other organizations do...sometimes we fight with them [the other organizations] because they have a different position...and for this reason, they call us radical.¹³⁸

It should be noted, however, that members of the Burlington Resources network—despite exhibiting a strong identity shared among domestic actors—did identify several challenges to the maintenance of a common identity. For example, several NGO members expressed difficulties in maintaining relations with indigenous federations due to frequent changes in leadership. The federations' two-year term policy can be challenging for the organizations, who must continually rebuild trusting relationships with each new set of leaders.¹³⁹

5.2.3 Indigenous-Shareholder Relations

The case studies examined in this thesis certainly reflect some of the challenges theorized in extant literature on transnational advocacy networks; interviews revealed difficulties experienced by network members in achieving accurate local representation in the network and maintaining a common identity consistent for all network members. These challenges, however, are only amplified by the introduction of shareholders as a fourth level of the network. STANs represent the intersection of business actors and local indigenous groups—two sets of actors with vastly different experiences, motives, and strategies. Interviews revealed significant challenges facing both networks in promoting mutual understanding and defining common goals among all four network levels.

¹³⁷ Interview with NGO staff member. 9 January 2007.1.

¹³⁸ Ibid.

¹³⁹ Interview with NGO staff member. 8 January 2007.20.

- **Shareholders and well-informed domestic actors of both networks generally agreed that the role of shareholders is an important network strategy complementing other network activities. Still, southern actors identified greater challenges to goal alignment between shareholders and domestic actors.**

Shareholders, indigenous leaders, and staff members of domestic NGOs were asked to discuss their personal perspectives on the role of shareholders in the transnational advocacy networks targeting Chevron and Burlington Resources. The results of these interview questions revealed a general consensus among domestic actors that shareholders hold a critical and unique role in the network which complements—but certainly does not eclipse—other network strategies. Several informants described the role of shareholders to be “fundamental” to the network, offering a new venue for the expression of indigenous concerns. According to one staff member of Pachamama, “the shareholders represent a new opening, an opening for the needs and demands of the indigenous nationalities to be heard.”¹⁴⁰

Shareholders and domestic actors emphasized that shareholders’ primary role in the network is to convey indigenous concerns to top company management, offering new channels of access to the company (i.e. a “boomerang” pattern of influence, in which domestic actors find channels to pressure the target from outside the domestic country). Domestic actors, however, were careful to stress that shareholder activity should represent only one strategy of the network, to be complemented by domestic strategies such as legal action, protests, publicity campaigns, and alternative economic development projects for communities. As a leader from Sarayaku explained:

All of the Sarayaku leadership supports this [shareholder activity]...I don’t know how many shareholders are conscious about what is happening, maybe it is very few, but it is better that someone at least is telling them [the company] that we don’t agree. If there were no one there to tell them then they could tell us that they aren’t informed...so it is better at least that someone is informing the shareholder of the oil companies about what is happening. We are also using our own strategies—this is not the only strategy, it is just one of many.¹⁴¹

Shareholders of both Chevron and Burlington Resources also view their network role according to a similar framework, highlighting their unique position as company owners as a means of bringing the indigenous voice to company management. Interviewees described that their role is to “bring community demands to the table,”¹⁴² adding to—but not replacing—domestic network strategies. In fact, in line with indigenous and NGO responses, shareholders

¹⁴⁰ Interview with NGO staff member. 3 January 2007.3.

¹⁴¹ Interview with Sarayaku leader. 11 January 2007.15.

¹⁴² Interview with filer of Chevron resolution. 26 February 2007.22.

emphasized the mutual dependency of both domestic and shareholder strategies. One shareholder explained:

It is important for these two processes to be moving simultaneously—the strongest shareholder campaigns are rooted in a domestic public movement, because the shareholders can make the case to the company that there is a risk to shareholder value—a risk of litigation, of damage of property...¹⁴³

Despite the apparent congruence of role perceptions between domestic actors and shareholders of both networks, informants from the Burlington Resources STAN pointed to significant challenges facing the network with respect to goal alignment and network identity. Informants acknowledged fundamental differences between shareholder and indigenous goals; shareholders—as company owners interested in financial success—do not share their indigenous partners’ unyielding opposition to all extraction in Ecuador. When asked to state their ideal outcomes for network activities, all indigenous leaders definitively replied that Burlington Resources must cancel its contract for Blocks 23 and 24. Indigenous federations of the Oriente’s southern provinces have established a firm opposition to any dialogue or negotiations with the company. Shareholders of Burlington Resources, however, were more conservative when stating their goals, explaining that their goal is not to block all drilling—thus depriving the company of its fundamental source of revenue—but to ensure that it continues according to proper procedures, with respect to indigenous rights. One shareholder stated:

The difference in my goals and those of the indigenous...well, I know there’s some folks on the ground who don’t want any drilling at all. I can’t say that. What I want is just that Burlington knows there are people who don’t want it, and that they follow the right procedures to get consent, that they play by the rules of the game when they negotiate, that the people feel like they are getting a good deal and benefiting from negotiations.¹⁴⁴

As revealed by this statement, shareholders expressed sentiments more amenable to negotiations between the company and indigenous communities—emphasizing, however, that indigenous rights be respected in all such processes. In all dialogue with Burlington Resources, shareholders have avoided demands that the company to pull out of Ecuador, instead focusing on improving the company’s consultation processes.¹⁴⁵ A member of Amazon Watch observed that, due to the fact that the concessions represent a potentially lucrative investment for the company, shareholders must be careful in their demands of the company. He explained:

Burlington argues, “don’t you want what’s best for the company?” Why wouldn’t you want us to drill here...and the shareholders have to prove that the inherent risks

¹⁴³ Interview with filer of Chevron resolution. 26 February 2007.22.

¹⁴⁴ Interview with filer of Burlington resolution. 26 February 2007.33.

¹⁴⁵ Interview with filer of Burlington resolution. 14 February 2007.17.

and liabilities that lie within these blocks far outweigh the benefits that they might be able to get...but they couldn't outright call on the company to pull out. They never did that. They skirted away from that.¹⁴⁶

A co-filer of the Burlington resolutions explained that, as an investor, her concerns were still company-oriented, focusing on the long-term success of the company. This success did not necessarily mean canceling contracts in Ecuador, but rather establishing strong relations with the community.

In Ecuador, they've got their skin in the game. We have money in the game. They have a right to be skeptical. Who are we? Seven out of ten investors are only interested in the company's money. And even we, the responsible investors, want the company to do well. It's just that we are thinking more long-term. We are trying to tell the company that it can't be successful in the long-term if it doesn't have a good relationship with the community.¹⁴⁷

Interviewees in Ecuador also acknowledged this fundamental divergence between shareholder and indigenous goals. An owner of an oil company has greater difficulty in demanding that the company refrain from all drilling than an indigenous person with no concerns regarding the financial success of the company. As a member of Pachamama explained:

I don't think that [the shareholders] are following the same lines...because our goals are to preserve the rainforest, and theirs must be to exploit oil, and for the exploitation of oil you need to destroy the environment, you need to pollute. So I think that they are moving on parallel lines that are not going to unite...but yes, they could look for some type of agreement.¹⁴⁸

In contrast, shareholders and domestic actors of the ChevronTexaco STAN defined their goals in similar terms, both insisting that Chevron take responsibility for Texaco's operations in the northern Amazon. Because the Chevron network is focused on retroactive action—network goals are focused on remediation of *past* operations—shareholders and domestic actors have found more opportunity to construct common goals. One shareholder observed:

With Chevron, in a way it's easier [to have goal alignment], because you are asking the company to be responsible for something they've done in the past...you know, for the shareholders it's been the same demand the whole time. And I think in the South, it's harder to do.¹⁴⁹

Unlike the Burlington case, shareholders do not have to sacrifice potentially lucrative operations to insist that the company capitulate to indigenous concerns, as Chevron no longer

¹⁴⁶ Interview with NGO staff member. 8 January 2007.20.

¹⁴⁷ Interview with filer of Burlington resolution. 26 February 2007.22.

¹⁴⁸ Interview with NGO staff member. 3 January 2007.3.

¹⁴⁹ Interview with NGO staff member. 8 January 2007.20.

holds contracts in Ecuador. While shareholders' demands do require that the company endure high costs to fund environmental remediation measures and compensatory payments, advocating indigenous demands to the company does not require shareholders to undermine the company's future revenues.¹⁵⁰

- **Direct contact between shareholders and indigenous communities was far more difficult to facilitate in the southern network; indigenous groups in the North were far more receptive to shareholders.**

Shareholders and affiliated network members of both case studies emphasized the critical importance of direct contact between shareholders and indigenous communities to maintaining an effective shareholder transnational advocacy network. Shareholders offered two primary (and related) reasons explaining the importance of direct shareholder-indigenous relations: first, shareholder delegations to Ecuador were critical in facilitating increased understanding of the actual situation in Ecuador, allowing shareholders to be better informed and prepared during dialogues with the company; secondly, direct shareholder-indigenous interactions decreases shareholder dependency on NGOs to provide information, building shareholder credibility.

Shareholders all agreed that the two delegation trips to Ecuador were key to improving their work with the company. A filer of a Chevron resolution eloquently described her experience as part of a shareholder delegation by explaining:

I needed to see...what is an indigenous person living in the Amazon. I couldn't really understand until I went. When I was there and I saw it, I was struck by realizing that...we've got to preserve their way of life.¹⁵¹

Other Chevron shareholders agreed that their personal experiences on the fact-finding mission allowed them to better understand the issues for which they were advocating—particularly the profundity of the physical impacts of oil development.¹⁵²

Impressions of the second delegation echoed these observations. A staff member of Amazon Watch described the Burlington Resources delegation trip to be particularly important to following dialogues between shareholders and the company. Field experience enabled shareholders to become more independent in responding to the company. A member of Amazon Watch noted:

From the shareholder side, [the delegation] really empowered them...Even though a lot of them have been doing work on free and prior consent, I think bringing them

¹⁵⁰ Interview with NGO staff member. 8 January 2007.20.

¹⁵¹ Interview with filer of Chevron resolution. 26 February 2007.22.

¹⁵² Interview with filer of Chevron resolution. 22 March 2007.2.

down to Ecuador was really huge...because they really got to see...that the real power of the federation is the assembly...Before, they were armed with a fair amount of information, but you know anytime the company would come back with something, the shareholders would be a little bit like...they would have to talk to us to get more information, so things took a very long time to move forward. What happened after the delegations was that the shareholders understood it for themselves.¹⁵³

According to informants, direct shareholder-indigenous relations allow investors to collect information directly from domestic actors, allowing for greater autonomy from NGO intermediaries and, as a result, building shareholders' credibility. Shareholders explained that companies can undermine shareholder activists' credibility by criticizing the investors as being "one and the same" with their NGO partners, receiving falsely-interpreted or biased information from their associated organizations. "The idea [of establishing direct contact]," explained a member of Amazon Watch, "is to establish a bridge to make the shareholders more independent, autonomous."¹⁵⁴ The ability to receive and verify information directly from indigenous leaders, according to shareholders of Burlington Resources, has been instrumental to maintaining credibility when presenting indigenous positions to the company. Shareholders can respond to the company's challenges by relying on first-hand experience, rather than information filtered through an NGO intermediary.¹⁵⁵

Despite this widespread acknowledgement by actors in both networks that direct contact is a key component of network effectiveness, however, interviews revealed a significant difference between the two networks regarding the actual success of direct shareholder-indigenous interactions. The two shareholder delegation trips to Ecuador—the first comprised primarily of Chevron shareholders, the second, Burlington Resources—were met with widely varying degrees of success. The following observation made by a staff member of Amazon Watch succinctly summarizes the consensus reached by all informants regarding the results of the two shareholder delegations:

In the North, things were totally fine. In the South, things were really challenging.¹⁵⁶

Indeed, all interviewed network members agreed that local actors of the northern network had a deeper understanding of shareholders' roles and were significantly more receptive to shareholder delegates than the indigenous communities of the South.¹⁵⁷ Informants explained that Burlington's "community relations" program has fostered a deep mistrust

¹⁵³ Interview with NGO staff member. 8 January 2007.20.

¹⁵⁴ Interview with Amazon Watch staff member. 8 January 2007.20.

¹⁵⁵ Interview with filer of Burlington resolution. 14 February 2007.17.

¹⁵⁶ Interview with Amazon Watch staff member. 8 January 2007.20.

¹⁵⁷ Interview with NGO staff member. 2 March 2007.26.

among indigenous communities of any actors related to the company, and shareholders were received with varying degrees of wariness—and, in some cases, hostility—in the different communities visited. In addition, members of NGOs found it difficult to explain the abstract concept of shareholder activism to community members, resulting in misunderstandings and increased resistance to the delegation. As one network member explained:

Anything “de la compañía”¹⁵⁸ is bad. So the idea of shareholder activism, number one, what is a shareholder, and number two, that there could be anyone in the company that has shares and want to do good with it, that want to change the corporation, are very abstract concepts. Some people understood it, and some people didn’t.¹⁵⁹

Despite many efforts to thoroughly explain the shareholders’ purpose and position with respect to the company, members of the delegation were frequently misinterpreted as a representative group from the company seeking negotiations with the indigenous communities. Even the local Puyo newspaper falsely labeled the shareholders as Burlington representatives.¹⁶⁰ While members of the delegation asserted that Amazon Watch, as the trip’s coordinator, had put in much effort to prepare communities for the shareholder visits, indigenous leaders expressed sentiments that there was a “lack of communication,”¹⁶¹ and coordination between delegates and federation leaders to inform the communities was ineffective.

In contrast, delegates of the first fact-finding mission to a Cofán community described the community members as “very cordial and welcoming,”¹⁶² willing to “tell their story” to the shareholders. To explain the vast difference between the community responses received by the two delegations, informants pointed to the fact that northern indigenous communities are far more accustomed to outside influences than those of the southern provinces, and the strong front of resistance developed by the southern network has fostered among communities a deeply-rooted mistrust of any outside actors affiliated with an oil company. Indigenous leaders described a large division between the federation leaders of the South—who have had more contact with external actors—and the communities in their understanding of the concept of shareholder advocacy. Federation leaders who have participated in shareholder meetings clearly have the strongest understanding of corporate governance structures and the role of responsible shareholders; other leaders, however, have also had greater opportunity than

¹⁵⁸ From the company

¹⁵⁹ Interview with NGO staff member. 8 January 2007.20.

¹⁶⁰ Interview with filer of Burlington resolution, delgation member. 14 February 2007.17.

¹⁶¹ Interview with NGO staff member. 9 January 2007.1.

¹⁶² Interview with filer of Chevron resolution. 22 March 2007.2.

community members to learn from the reports of these experiences and be educated about shareholder activities. A leader of the Sarayaku community explained, for example, that shareholders are “really only understood at the level of the leaders, the *técnicos*...because we have had trouble explaining [to the communities].”¹⁶³

Despite this recognized division between leaders and communities, however, a perhaps even more surprising finding from interviews with network members of the southern provinces revealed a pervasive lack of understanding of shareholder activity even among higher levels of network members—including indigenous leaders and even major NGOs. Several indigenous federation *dirigentes* professed to be uncomfortable with the concept of shareholders and confused about this strategy of pressuring the company. One leader, when asked how relations could be improved between shareholders and indigenous communities, confused shareholders with community relations representatives from Burlington, responding, “we know what is happening with the shareholders is that sometimes they enter into the communities, trying to buy the consciences of the people...”¹⁶⁴

Understanding of shareholder strategies appeared to be limited even among national NGOs. A staff member of Acción Ecológica explained that only the organization’s President had been in contact with the shareholders,¹⁶⁵ and a lawyer of CDES working with the southern federations claimed to “not know much” about shareholder activities. Even a staff member at Pachamama, Amazon Watch’s closest domestic partner, expressed some confusion about the shareholders’ position, claiming:

Here we haven’t had much communication with the shareholders...for example, what do the shareholders want? I don’t know. I know perfectly well what the indigenous want, but right now there is a lot of misunderstanding about the goals of the shareholders—what they want, what they can do. It is necessary to work on having more communication, more dialogue.¹⁶⁶

In sharp contrast, a leader of the northern Amazon’s Frente claimed that all *dirigentes* affiliated with the Frente “understand perfectly well” the concept of shareholder advocacy.¹⁶⁷

The relative lack of trust and understanding among certain network members of the southern STAN appears to be inconsistent with previous findings supporting a stronger network in the South than the North. Many informants, however, expressed doubts regarding the necessity of shareholder delegations to network strength and effectiveness. One shareholder

¹⁶³ Interview with Sarayaku leader. 11 January 2007.15.

¹⁶⁴ Interview with NAE leader. 12 January 2007.28.

¹⁶⁵ Interview with NGO staff member. 9 January 2007.1.

¹⁶⁶ Interview with NGO staff member. 3 January 2007.3.

¹⁶⁷ Interview with Frente leader. 10 January 2007.

expressed reservation about the delegations, explaining that they are “too brief to really foster understanding,”¹⁶⁸ and another delegation member explained that, due to safety precautions, he did not foresee future delegations to Ecuador, and instead hoped to smooth channels with indigenous groups through letters, faxes, and conference calls.¹⁶⁹ An employee of Amazon Watch suggested that bringing indigenous leaders to shareholder meetings was sufficient, as these leaders could then relate their experiences to other federation members.¹⁷⁰ These responses appear to be inconsistent with earlier discussions in which shareholder advocates professed to have greatly benefited from their experiences as members of the delegation. This inconsistency could simply be explained by the fact that the primary shareholder advocates working on these issues have not changed, and therefore feel that participation in one delegation is sufficient in achieving their goals for increased personal experience and credibility.

Interviews with domestic actors also revealed much ambiguity about whether direct contact should be continued between shareholders and indigenous groups through shareholder delegations, suggesting that domestic and international strategies could continue simultaneously without delegations as a form of shareholder-indigenous contact. According to one NGO staff member:

This strategy belongs to the north, to the US. It is better to keep a national campaign and a separate international campaign...Each actor has his own function and, obviously, the shareholders' is to pressure the company.¹⁷¹

A leader of Sarayaku suggested that keeping communities informed of shareholder activity was unnecessary to network effectiveness, provoking too much confusion. She remarked:

I'm not sure if it is important that they [the shareholders] go to the bases...[The communities] are responsible for the local strategies and we as leaders deal with different strategies—but we don't try to explain them much, such as this question about what is a shareholder, because a shareholder has no place in the vision of an indigenous person. It could create much confusion...if we explain that a shareholder is someone with money in the company, they will not understand how a shareholder can put resources in a company that is persecuting them. We can understand how this is, because it is an economic matter, but only the leaders can understand, not the community because it is very complex.¹⁷²

A shareholder participant on the delegation agreed, stating that “understanding would take elaborate education and it would still be too abstract for [the indigenous communities] to

¹⁶⁸ Interview with filer of Chevron resolution. 26 February 2007.22.

¹⁶⁹ Interview with filer of Burlington resolution. 14 February 2007.17.

¹⁷⁰ Interview with NGO staff member. 8 January 2007.20.

¹⁷¹ Interview with NGO staff member. 9 January 2007.1.

¹⁷² Interview with Sarayaku leader. 11 January 2007.15.

really understand.”¹⁷³ Still, several network members claimed that even maintaining good relations just between shareholders and indigenous leaders is difficult, due to frequent changes in leadership.

5.3 Conclusion

A comparative analysis of the network density and strength exhibited by the two case studies presents a rather complex picture. A variety of indicators—namely communication, information flow, identity, representation, and indigenous-NGO relations—suggest that the domestic component of the southern network exhibits greater strength and density than that of the North. These differences in the strength and density of the local components of the two STANs can largely be explained by the different historical trajectories of oil conflict and development in the Amazon’s northern and southern provinces. Southern network members have relied on lessons learned from the experiences of their northern neighbors to strengthen their network—an opportunity obviously not available to the Chevron network. In addition, degradation of indigenous identity appears to be a major factor explaining the North’s relatively weak domestic component of the network, as indigenous groups are not united by a common drive to avoid environmental damage and preserve indigenous culture.

Accurate representation of local-level network members clearly presents a significant challenge to share transnational advocacy networks—particularly those involving isolated indigenous communities. The concerns of these networks’ indigenous members must be communicated to several widely different spheres of network actors—including legal teams, international NGOs, and shareholders. A comparison of these two case studies highlights several large differences in the channels of representation used in each network. In the South, indigenous representation is facilitated through traditional governance structures, with federation leaders acting as the primary representatives of community positions. In the northern Amazonian network, traditional forms of representation are complicated by the large role played by non-indigenous network members in communicating local concern to outside actors. While informants acknowledged that accurate representation of indigenous perspectives is a challenge for both networks, interviews revealed greater concerns of misrepresentation in the northern network, suggesting that the network’s relative

¹⁷³ Interview with delegation member. 26 February 2007.22.

ineffectiveness may largely be explained by its weaknesses related to accurate representation of local-level actors.

These rather straightforward explanations of strength/density differences between the networks become far more convoluted as one considers the dynamics of relationships between lower and upper levels of the network. The very characteristics that have made the local levels of the Burlington STAN so strong and dense have made it difficult for the network to maintain its strength across all levels of actors. The strong grassroots resistance strategies of the indigenous groups have fostered great mistrust of outside actors, including other network members such as shareholders. The phase of extraction in the South compared to the North (pre-extraction versus post-extraction) also provides less opportunity for goal alignment between shareholders of Burlington and indigenous groups in the South. Conversely, while the domestic levels of the northern network have been weakened by the severe impacts of thirty years of oil development, indigenous communities in this region are far more accustomed to outside actors, and are therefore more receptive to shareholder advocates—allowing for greater network strength at the international level.

Although these rather ambiguous results are certainly difficult to interpret, the findings do suggest that strong shareholder-indigenous relations are not necessarily a critical component of an effective STAN. When explaining the importance of maintaining connections with local-level network members, shareholder advocates emphasized the benefits of “personal experience” (especially in witnessing the impacts of oil production) and “maintaining credibility” (allowing shareholders more autonomy from NGOs). These benefits may be achieved, however, without direct contact between shareholders and indigenous communities—or even strong relations between shareholders and indigenous communities. Delegations may be just as effective in achieving network goals if limited to interactions between shareholders and indigenous federation leaders only. Based on this comparison analysis, it appears that strong domestic networks—coupled with an effective shareholder campaign—may be more critical to an effective STAN than strong relationships between first- and fourth-level actors.

Table 5-1. Summary of Indicators, Strength/Density of the network

Strength/Density Indicator	Chevron STAN	Burlington STAN
Communication levels: upper levels	Strong	Strong
Communication levels: level 1 actors	Weak	Strong
Information flow: Learning	Weak: North-South alliances less integral to northern resistance	Strong: domestic components of network have learned from experiences of the North
Information flow: training	Weak: mismanagement of funds has created significant divisions among domestic actors	Strong: learning from northern experiences led to training in accounting and management of funds
Local level common identity	Weak: less common ground between indigenous groups	Strong: common ground of territorial defense and cultural defense among indigenous groups
Representation of Indigenous	Weak: non-indigenous representation has led to much tension	Strong: representatives elected by communities to carry out assembly's mandate
Indigenous-NGO common identity	Weak: less goal overlap between principal NGOs and indigenous groups	Strong: greater goal alignment between principal NGOs and indigenous groups
Indigenous-shareholder common identity	Strong: greater goal alignment	Weak: less goal alignment
Indigenous-shareholder direct contact	Strong: easier coordination between shareholders and indigenous communities	Weak: much tension between shareholders and indigenous communities

Chapter 6: Vulnerability of the Target

An analysis of the density and strength of the two networks reveals several important findings explaining their varying effectiveness in influencing the behavior of their targets. These network-specific factors, however, offer a mere partial explanation for the differences in network outcomes observed for the two case studies. As Keck and Sikkink note, certain characteristics of the network's target, categorized as the "vulnerability of the target," also play a key role in determining the effectiveness of the network (1998, 29). The following chapter will evaluate indicators of the relative receptiveness of the two network targets—Chevron and Burlington Resources—to shareholder pressure on environmental and social issues related to Ecuador. What makes a company more or less likely to respond to shareholders' concerns regarding environmental and social issues? What factors explain Burlington's relative "openness"—as described by its shareholders—to Chevron's "defensiveness"? Relying on Shurman's (2004) "industry structure" framework, I will discuss several specific firm characteristics that have shaped the relative vulnerabilities of the companies to activist pressure, partially explaining the differences in outcomes experienced by the networks of the two case studies. Information for the following chapter relies heavily on interviews with shareholders, supplemented by company research gathered from company documents, reports, and other materials.

6.1 Company Basics: Understanding the Targets

Burlington Resources was originally founded in 1864 as the northern Pacific Railway Company, later renamed the Burlington Northern Railroad Company. Burlington's oil production did not begin until the 1980s, when the company first began extraction contracted through Milestone Petroleum. Bobby Shackouls became the company's CEO in 1997. Before ConocoPhillips' acquisition of company, Burlington Resources was one of North America's top natural gas producers, and was engaged in the exploration, development, production, and marketing of both oil and gas within North America and abroad. Aside from its contracts for Blocks 23 and 24, Burlington owned 30 percent rights to Block 7 and 37.5 percent of the rights to Block 21.

Chevron's history traces back to 1879, with the founding of the Pacific Coast Oil Co. In the early 1900s, Pacific Coast Oil merged with Standard Oil to become Standard Oil Co. of California, and in 1936 the company partnered with Texas Co. to form California Texas

Oil Co. (CALTEX). In 1984, Standard Oil Co. of California merged with Gulf Oil Co., adopting the name Chevron Corp. In 2001, Chevron merged with Texaco Inc., becoming the second-largest U.S.-based energy company (Chevron, History, 2007). In 2005, the ChevronTexaco acquired Unocal Corporation, further expanding its operations (Chevron, History, 2007).

Headquartered in San Ramon, Chevron is the now fifth largest energy company in the world, participating in all aspects of the oil and natural gas industry—including exploration and production, refining, marketing and transportation, chemicals manufacturing and sales, and power generation (Chevron 2005). In 2005, the company produced an average of more than 2.5 million barrels of crude oil per day. Seventy percent of Chevron’s production occurs outside of the United States (Chevron 2005).

6.2 Industry Structure 1: Economic and Competitive Behavior

6.2.1 Reputation

- **Despite its retail line, Chevron has remained relatively immune to reputational damage by maintaining a strong division between the current Chevron and the former Texaco. While Burlington does not have a retail line, the company does face reputational risk stemming from its investment in its reputation and its demonstrated connection between reputation and CSR goals.**

Much of the nascent literature related to corporate social responsibility identifies the protection of a company’s reputation, or its brand-name image, as a “key managerial concern” and frequent impetus for companies to take measures to improve their social and environmental performance (Utting 2002, 283). As Shurman (2004) points out, the more a firm invests in its brand name, the greater interest it will have in safeguarding this investment by being responsive to potentially threatening actors. When asked to discuss this factor as a possible explanation for Chevron’s and Burlington’s responses to network pressure, shareholders offered a rather ambiguous set of observations regarding the relative importance of the companies’ reputation in managerial decisions related to indigenous rights issues in Ecuador.

Most notably, shareholders identified that the greatest difference between Burlington Resources and Chevron with respect to issues of reputation is Burlington’s lack of a retail line. Shareholders of Burlington explained that this lack of consumer visibility makes the

company far more immune to public awareness strategies, as such tactics are less likely affect consumer response.¹⁷⁴

Chevron, on the other hand, is a consumer brand-name; the company's product is directly available to consumers—with the company name attached—through Chevron's gas station line. In describing the implications of this, one co-filer of a Chevron resolution stated:

Chevron is a brand name—they are vulnerable to reputational risk. If your company has got a consumer product, you've got to think about this.¹⁷⁵

Indeed, Chevron has stated that its “foundation is built on [the] values expressed in “The Chevron Way,” a statement outlining “who we are, what we do, what we believe, and what we plan to accomplish.” The Chevron Way establishes the company's core goals related to corporate responsibility. This integration of CSR values and initiatives into the company's widely-marketed identity reveals an investment in its name as a symbol of leadership in corporate responsibility (Chevron, Chevron Way, 2007). Such observations suggest, therefore, that the company does exhibit concern for its reputation, and damage to this reputation could affect the company's financial success and pose a significant threat to the company.

This notable difference between Burlington and Chevron clearly does not offer a conclusive explanation for the relative effectiveness of shareholder pressure on the two companies to address indigenous rights issues in Ecuador. Based only on relative reputational risk, it appears Chevron would be more likely to be responsive to the shareholder pressure regarding the high-profile controversy over Texaco's operations in the northern Amazon. Burlington Resources' lack of a consumer brand-name suggests that reputation would provide little impetus for the company to address the social and environmental concerns presented by shareholders. Certain additional observations regarding the companies' responses, however, help to shed light on this discrepancy. First, it must be noted that, despite lacking a retail line, Burlington Resources has invested in its reputation. In Burlington's Company Profile for investors, the company depicts itself according to four components, including “vision,” “assets,” “people,” and “reputation” (Burlington, Profile, 2005). In addition, the company's website addresses issues of corporate social responsibility under the category of “reputation,” suggesting a direct link between

¹⁷⁴ Interview with filer of Burlington resolution. 14 February 2007.17.

¹⁷⁵ Interview with filer of Chevron resolution. 28 February 2007.12.

concern for upholding a strong reputation and implementing sound environmental and social practices. Burlington's Indigenous Rights Policy falls under this category. This evidence clearly implies that Burlington has framed its attention to CSR issues according to a focus on maintaining a strong industry reputation—regardless of its lack of a consumer brand-name.

Informants also offered several explanations for Chevron's apparent disregard for the reputational risk associated with its response (or lack thereof) to shareholders' concerns regarding the environmental and social effects of Texaco's operations in Ecuador. As several shareholders pointed out, because the issue involves the *past* operations of *Texaco*—before Chevron's acquisition of the company—Chevron has the opportunity to extricate itself and its reputation from the controversy, distancing itself from Texaco's operations. As one informant explained:

Chevron can rely on the reputation issue getting buried...number one, it's a legacy operation. That was Texaco then, not us now. That was Texaco, not the new Chevron...The Texaco name was even dropped. It's not our reputation, it was Texaco—and all that's in the past.¹⁷⁶

In fact, in 2005 ChevronTexaco voted to drop "Texaco" from the company's name entirely, nominally distancing the current corporation—and its image—from the reputation and image of the former Texaco. Therefore, the fact that the company's operations terminated more than a decade ago—coupled with Chevron's complete subsumption of Texaco—allows Chevron certain advantages in avoiding damage to its reputation.

One shareholder also proposed that the heavy stakes associated with the lawsuit—and the potential for precedent-setting that may prompt additional litigation in other countries where the company operates—has prevented Chevron from taking proactive action on the issue, despite the reputational risk facing the company.¹⁷⁷

6.2.2 Infrastructure

- **While neither Chevron nor Burlington have heavy infrastructure investments in the contentious concessions, Burlington has greater incentive to establish a stable operating environment by addressing stakeholder concerns.**

As Shurman argues, a company's reputation represents just one type of investment that may drive a company to respond to shareholder pressure on social and environmental

¹⁷⁶ Interview with corporate governance expert. 9 March 2007.7.

¹⁷⁷ Interview with filer of Chevron resolution. 22 March 2007.2.

issues. In addition, the degree of infrastructure investment by the company may also partially determine its response to activist demands. Threats of infrastructure damage may represent a significant investment loss for the company, prompting it to ameliorate its relations with certain stakeholders in its operations. Conversely, heavy investments in infrastructure may limit a company's flexibility in responding to shareholder demands.

Interestingly, the companies in both case studies examined in this thesis are not currently heavily invested in drilling infrastructure in Ecuador. Texaco pulled out of Ecuador more than a decade ago. Burlington Resources has yet be successful in establishing drilling infrastructure in its concessions, and therefore its contracts—totaled at \$304 million including Colombia and Peru—represent the company's major investments thus far in the Amazon (Davis 1999).

Informants offered several interesting insights into the effects of company investment on corporate responses to shareholder pressure. As previously mentioned, Burlington has not yet established operations in Ecuador, and its concessions in Ecuador comprise very little of the company's assets, which are concentrated in North America. Burlington's international operations—including natural gas in the East Irish Sea, Argentina, and China, and oil in Algeria, offshore China, and Ecuador—comprise only 15 percent of its total volume of production (Burlington, Profile, 2005). In addition, oil accounts for only 15 percent of the company's proved reserves, which are mainly comprised of natural gas and natural gas liquid reserves (Burlington, Annual, 2004). In 2004, oil accounted for a mere 3.02 percent of the company's income—an increase from previous years (Burlington, Profile, 2005).

According to informants, Burlington's relatively minimal investment in Ecuador allows it more flexibility in delaying operations in the country to take time to respond and act on shareholders' demands for proper consultation with the indigenous population in its concessions.¹⁷⁸ Several shareholders noted that the lack of drilling operations in Blocks 23 and 24 make it “easier to walk away” from controversial concessions, should community opposition prove to be too great a risk to long-term profitability and, as a result, shareholder value.¹⁷⁹ Offering an additional perspective, an expert on shareholder activism suggested that because Burlington has yet to initiate operations in Ecuador, there is “more at stake in terms of the business going forward,” providing greater incentive to accommodate shareholders

¹⁷⁸ Interview with filer of Burlington resolution. 14 February 2007.17.

¹⁷⁹ Ibid.

and local communities.¹⁸⁰ Burlington most likely has greater interest in establishing a sustainable environment for its operations that will allow long-term profitability and protection of its investments, which, as many shareholders acknowledged, requires proper stakeholder engagement.¹⁸¹

This same argument can also explain Chevron's relative unresponsiveness to stakeholder concerns. Chevron is no longer operating in Ecuador; it does not, therefore, have an incentive to establish sound relations with its stakeholders. Poor community relations will not result in infrastructure damage—a primary reason, as Shurman contends, that companies choose to accommodate stakeholder concerns—or diminished long-term profitability. Shareholders cannot appeal for the need to create a stable environment to ensure long-term profitability, as the company no longer holds any contracts in Ecuador's Amazon. Despite the fact that shareholders have made the claim that Chevron's long-term profitability will be greatly enhanced by a demonstration of its commitment to corporate responsibility, the high costs of environmental remediation may significantly hurt short-term profits, prompting the company to ignore shareholder demands for compensation and remediation.¹⁸²

6.3 Industry Structure 2: Corporate Culture

The term “corporate culture” has increasingly come to be used in the burgeoning body of CSR literature to explain corporate commitment (or lack thereof) to corporate social responsibility initiatives. Although the definition of this term is still rather nebulous, I have relied on literature reviews and interviews with corporate governance experts to develop a comprehensive set of indicators that help define a company's corporate culture. Chapter 2 of this thesis outlines four these corporate governance indicators and the companies examined in this thesis have been analyzed according to this framework. Findings were then supplemented with shareholder interviews to gather personal perspectives on the corporate culture of the two network targets.

¹⁸⁰ Interview with corporate governance expert. 9 March 2007.7.

¹⁸¹ Interview with shareholder activist. 26 February 2007.8.

¹⁸² Interview with filer of Chevron resolution. 26 February 2007.8.

6.3.1 Management Execution

- **Both companies exhibit managerial commitment to CSR values. Burlington’s management, however, directly addresses shareholder concerns while Chevron avoids framing Ecuador-related issues according to its CSR rhetoric.**

As Shurman notes, a company’s corporate culture is largely shaped by the positions and statements of its top-level management. Managerial commitment to strong social and environmental performance—as demonstrated in companies’ annual reports, published policies, mission statements, and CEO public statements— can indicate a corporate culture more accommodating of shareholders’ pressures for improved performance in these areas. While such evidence must be evaluated cautiously, as company performance may not reflect its stated policy, a review of the stated managerial commitment of both ChevronTexaco and Burlington Resources may serve as one proxy for understanding the corporate cultures of the two companies.

In early 2004, in response to shareholder demands, Burlington published a one-page indigenous rights policy (see Appendix D), directly addressing concerns related to its consultation process with indigenous communities. The policy committed the company to:

Engage in consultation with the duly recognized or elected leadership of indigenous communities regarding the impacts of planned operations and proposed mitigation measures prior to the initiation of activity within our operational area and maintain an open dialog throughout the life of the project, in accordance with any applicable laws governing the consultation process (Burlington, Policy, 2004).

The policy also includes commitments to provide compensation for appropriated property, to “preserve cultural integrity” by implementing practices to minimize interaction with indigenous communities, to work with indigenous leadership to develop community support plans, and to “apply appropriate operating practices to preserve or prevent disturbance of sacred, historical or other culturally sensitive sites in native territories” (Burlington, Policy, 2004). It should be noted, however, that this policy applies only to those concessions for which Burlington is the “designated operator,” thereby excluding Block 23, which it shares with block operator CGC.

A review of Burlington’s annual reports reveals mounting direct attention to environmental and indigenous rights issues. The company’s 2003 Annual Report addresses only briefly indigenous rights issues, referencing the company’s indigenous rights policy. It notes that “it’s also important to point out that virtually all the concerns traditionally addressed in such policies were already covered by long-standing Burlington practices” (Burlington 2003). This is the only section in the report that refers to the company’s

operations in their disputed concession in Ecuador. Furthermore, this report makes no mention of environmental policy or initiatives. The following year—the same year that Pablo Tserre became the first indigenous leader to present at a Burlington Resources annual general meeting—Burlington directly addressed conflict in Blocks 23 and 24 in its annual report. The Vice President of Burlington’s International Division, Thomas Nusz, stated that Burlington was “consulting with the official leaders of the federations, associations, and communities representing the block’s indigenous residents,” pledging that the company would “not proceed without majority approval.” Nusz also established Burlington’s opposition to “use of force to gain access” to the blocks (Burlington, Annual, 2004). Still, similar to the indigenous rights policy, the commitment applied only to Block 24; the company turned the responsibility of taking such measures in Block 23 to CGC, the block’s operator. The annual report also refers again to the indigenous rights policy, and offers a vague statement related to environmental values.

Whether or not Burlington’s practices reflect its managerial commitment, it is clear that the company’s top management executives did directly address shareholder concerns. In fact, at the 2005 annual general meeting, Burlington’s CEO and Board Chairman Bobby Shackouls publicly confirmed that Burlington would continue to respect the governance processes of the indigenous peoples and would not enter its concessions in Ecuador by force. Burlington has demonstrated managerial commitment—at least stated, if not practiced—directly aimed at shareholders’ concerns, satisfying two executive commitment indicators¹⁸³ of a corporate culture amendable to shareholder pressure.

ChevronTexaco published its first CSR report in 2003, following three environmental reports issued throughout the 1990s (Cogan 2005). The company has now released four annual Corporate Responsibility Reports, covering its performance through 2005. Key to its presentation of its corporate responsibility initiatives is Chevron’s “The Chevron Way,” a vision statement embodying the company’s values related to corporate responsibility. As the 2005 Corporate Responsibility report explains, “the Chevron Way establishes a common understanding of our vision, values, and strategy for everyone who works at Chevron and for all who interact with us...It forms the core around which our corporate responsibility priorities are integrated into overall business” (Chevron, CRR, 2005). The company outlines eight priorities, several of which are particularly relevant to this case study, including: stakeholder consultation, community engagement, human rights, and

¹⁸³ See Chapter 2, Box 2-2.

environmental management. Chevron strongly emphasizes its initiatives in these areas, highlighting its efforts to “develop a system approach to stakeholder consultation at the corporate level,” implement its “community engagement strategy,” and achieve “enhanced environmental expectations” (Chevron, CRR, 2005).

Chevron’s 2005 Corporate Responsibility report also states that its “support for universal human rights is a core value in The Chevron Way.” In 2006, the company published a one-page Human Rights Statement. While much of the statement is devoted towards its principles on employees’ rights and security for the company’s operations, the document does mention the company’s commitment to “value and respect the culture and traditions of the many communities we work with” (Chevron, Policy, 2006).

Chevron’s strong emphasis on corporate responsibility and widely publicized goals related to human rights, stakeholder engagement, and environmental management certainly set up strong framework for evaluating the company’s corporate culture as it relates to CSR values. A close analysis of the company’s annual reports, however, reveals that this framework, while playing a key role in certain initiatives (such as action related to climate change), is not rigorously applied to its involvement in Texaco’s legacy. Chevron has directly addressed the lawsuit in every full Corporate Responsibility report since 2002, and the company’s explanation of the lawsuit and its position regarding allegations of profound environmental damage by Texaco have remained unchanged. The company claims to “vigorously defend against litigation...challenging the lawsuit on scientific and legal grounds” (Chevron, CRR, 2005). While the section related to Texaco is included in the company’s “Environmental Management” section, it is interesting to note that the report makes no link between the Texaco lawsuit and its human rights or stakeholder consultation priorities. Shareholders noted that Chevron’s CEO has echoed this position in response to shareholders’ questions during the annual general meeting, referring to the issue as a legal matter, rather than an issue of corporate accountability.

Many of the shareholder advocates interviewed for this thesis expressed great frustration with Chevron for refusing to frame the Texaco case as a matter of corporate social responsibility. Shareholders of Chevron accused the company of “hiding behind the lawsuit,” repeatedly responding to shareholder concerns that the issue does not fall within the purview of the company’s CSR initiatives or managerial decisions but rather is a matter for the company’s legal team. The presence of a lawsuit offers Chevron the opportunity to address the issue in a realm entirely separated from shareholder meetings. A shareholder

proxy working with Chevron explained that one of the company's key strategies has been to manipulate the issue's framing in an attempt to prevent shareholders from making a case grounded on shareholder value or Chevron's stated commitment to corporate social responsibility. He remarked:

Their whole thing is, let's let the courts decide. They say, "Shareholders, don't worry about this because the court is going to decide. And then they'll know the truth." They are trying to hide behind the lawsuit, to not let it turn into a CSR issues at all.¹⁸⁴

As this statement demonstrates, it appears that because shareholders' concerns relate to pending litigation, Chevron has a distinct advantage in deflecting shareholder challenges. The company has established a corporate culture that apparently embraces values of sustainability and accountability, but this CSR rhetoric has not been applied to the issue of Texaco's legacy.

Using corporate statements as an indicator of corporate culture, both companies appear to exhibit rather strong managerial commitment to general principles of corporate responsibility. Such emphasis on CSR principles establishes a permissive framework for shareholders pressuring the company to improve environmental and social performance. In addition, through annual reports and corporate policy statements, the top managers of both companies do directly address the specific content of the shareholders' resolutions. Burlington, however, appears to be more accommodating of shareholder demands in its statements regarding indigenous rights in Ecuador, claiming that the company will follow proper governance structures when consulting with communities. While Chevron's Corporate Responsibility Report addresses the Texaco issue, it does not accommodate shareholders concerns; the company has maintained a "vigorous defense" against all allegations of environmental damage. In addition, as previously discussed, Chevron has maintained a distinct division between its CSR values and its position on the Texaco litigation.

- **Shareholders of both Burlington and Chevron did not put much value on managerial commitments, due to company decentralization and disconnect between headquarters and field operations.**

Despite the apparent managerial commitment in both companies toward achieving lofty CSR-related goals, interviews revealed a prevalent wariness among shareholders

¹⁸⁴ Interview with shareholder proxy. 2 March 2007.26.

towards the use of a company's stated principles and goals as a proxy for its corporate culture. As one co-filer for a Chevron resolution explained:

ChevronTexaco does not have a managerial priority for indigenous rights...because they aren't walking like they talk...the CEO is saying one thing, but the staff is not carrying it through—which shows that it's not actually a priority.¹⁸⁵

Shareholders even pointed to specific attributes of each company that suggest a misalignment between stated managerial commitment and company practice. Shareholders of Chevron, for example, suggested that the company's highly decentralized structure made top-down implementation of CSR initiatives difficult. According to a Chevron shareholder proxy:

One big thing that affects the corporate culture is the amount of decentralization versus a centralized, hierarchical [structure] of a company. This is a big thing for ChevronTexaco—so much decentralization. They have to be pretty decentralized because they are so huge, it would be really hard to have everything come down from the top.¹⁸⁶

Therefore, the magnitude and spread of Chevron's operations—the company conducts business in 180 countries—make it difficult for all levels and branches to implement of managerial CSR goals.

While Burlington's smaller size and concentrated operations have prevented a decentralization of the company's governance structure, shareholders pointed to a large disconnect between headquarters and the company's field operations as a reason to be cautious when relying on managerial commitment as an indicator of the company's responsiveness to shareholders. According to informants, the disconnect between Burlington's Houston base and its Ecuadorian branch has prevented the realization of the company's stated goals. As a filer of the indigenous rights policy resolution observed:

They [company headquarters] often tell me that 'nothing is happening' in Quito. But we get reports from the indigenous leaders that the company is trying to negotiate with different members of the federations. Does Houston really not know what is going on?¹⁸⁷

Another network member involved with shareholder action was doubtful that this was the case, insisting instead that the company professed ignorance in order to issue commitments without fulfilling them. He explained:

In some ways they like to play that they don't know what is going on...they were very vague and abstract about details going on...but then in their meeting they had a

¹⁸⁵ Interview with filer of Chevron resolution. 26 February 2007.22.

¹⁸⁶ Ibid.

¹⁸⁷ Interview with filer of Burlington resolution. 14 February 2007.17.

lawyer who knew about everything that was going on. They wanted everyone and the press to think...they didn't know much—but then their senior lawyer knew every detail of the injunction.¹⁸⁸

These perspectives offered by shareholders certainly suggest that public statements must be treated cautiously when used as an indicator of managerial commitment.

- **Unlike Chevron, Burlington Resources provided shareholders with senior staff to participate in dialogue, indicating a stronger managerial commitment at Burlington.**

One shareholder offered another indicator of managerial priority, suggesting that a better means of gauging the management's true commitment is to look at who within the company is assigned to dialogues with the shareholders. Shareholders' goal, she explained, is to secure a meeting with the company's senior staff.¹⁸⁹

Chevron shareholders accused Chevron of “trying to contain [the issue] at lower levels,” failing to provide senior staff in dialogues between the company and shareholder advocates. Expressing his frustration with the ineffective dialogue between Chevron and shareholders, explained in part by the company's failure to provide a senior staff to participate in a meeting, a co-filer stated:

I was on a conference call with [Chevron] last year, in which my take was that we were talking to a group of middle managers who were just trying to put a shine onto Chevron's operations...¹⁹⁰

Shareholders did meet with Chevron's “corporate social responsibility team,” including both the Director for Corporate Responsibility and the Manager of Corporate Responsibility¹⁹¹, but, according to the perspective of one network member, the team apparently “does not have much power.”¹⁹² In addition, shareholders expressed frustration that the CSR team was not familiar with the details of the lawsuit, as they insisted that the Texaco case was the responsibility of the company's legal team. Similar to the earlier finding that the company has not applied its CSR rhetoric to the Texaco issue, this separation of responsibilities between the CSR and legal teams demonstrates the company's reluctance to frame the Texaco case as CSR issue related to company principles for corporate responsibility.

Consistent with noted trends, Burlington shareholders did appear to have greater success in meeting with upper-level officials in the company's management. Meetings were

¹⁸⁸ Interview with shareholder proxy. 8 January 2007.20.

¹⁸⁹ Interview with filer of Chevron resolution. 26 February 2007.22.

¹⁹⁰ Interview with filer of Chevron resolution. 28 February 2007.12.

¹⁹¹ Interview with filer of Chevron resolution. 22 March 2007.2.

¹⁹² Interview with filer of Chevron resolution. 26 February 2007.22

attended by several of the company's senior staff members, including the Vice-President of Investor Relations and Corporate Communication, the Director of Environmental Health and Safety, and the Vice-President and General Counsel.¹⁹³ Still, shareholders expressed frustration that they were often communicating with an investor relations representative whose understanding of the situation in Ecuador had little effect on the company's executive officers.¹⁹⁴

6.3.2 Board Oversight

Certain corporate governance indicators related to the composition and function of the company's Board of Directors can also be useful in identifying company-specific factors that shape a company's corporate culture and, as a result, partially determine the effectiveness of shareholder pressure. Table 6-1 summarizes the comparison between Chevron and Burlington Resources with respect to four corporate governance indicators.

While a comparison of corporate governance policies does not reveal many particularly telling differences between the two companies, it should be noted that Burlington's executive compensation policy—which is more clearly linked to achievement of environmental and social goals—may partly explain the relative willingness of the company's CEO and senior staff to address shareholder concerns regarding indigenous rights. Burlington's management may have greater incentive to improve the company's performance in these areas. Interestingly, however, Chevron's Public Policy Committee appears to have more formal oversight of the company's social and environmental performance than Burlington's Audit Committee. Although the Audit Committee is nominally concerned with the company's environmental and social performance, this is apparently not the “primary purpose” of the committee, according to its most recent proxy statement. As a corporate governance expert noted, “the board charged is Audit Committee with oversight of environmental affairs, but I don't attach much value to that.”¹⁹⁵

The inconclusiveness of the comparison of corporate governance indicators may be explained by the fact that neither company has an independent Chair of the Board of Directors, generally weakening the Board's role in oversight of company management and, as a result, limiting the role to which the Board shapes the company's corporate culture

¹⁹³ Interview with filer of Burlington resolution. 14 February 2007.17.

¹⁹⁴ Interview with NGO staff member. 8 January 2007.20.

¹⁹⁵ Interview with corporate governance expert. 9 March 2007.7.

Table 6-1. Corporate Governance Indicators

CORPORATE GOVERNANCE INDICATOR	<u>CHEVRON</u>	<u>BURLINGTON RESOURCES</u>
INDEPENDENT BOARD MEMBERS	<ul style="list-style-type: none"> ▪ According to Chevron’s Corporate Guidelines, “A majority of the Board consists of independent Directors, as defined by the New York Stock Exchange. To be considered "independent," a Director must be determined by the Board...to have no material relationship with the Company other than as a Director.” ▪ Chevron’s 2004 Corporate Responsibility Report states that all of its Board members are independent except the Board Chairman, who is also the CEO. 	<ul style="list-style-type: none"> ▪ Burlington’s 2005 Proxy Statement states that the Board of Directors determined all non-management directors to be independent. ▪ According to the 2005 Proxy Statement, all members of the board committees were independent.
BOARD COMMITTEE OVERSIGHT	<ul style="list-style-type: none"> ▪ International social, political and environmental, issues are overseen by the Public Policy Committee, established 1989 ▪ Committee is currently chaired by Senator Sam Nunn, Co-chairman and Chief Executive Officer of the Nuclear Threat Initiative. Former US Senator 1972-1996 ▪ All committees chaired by independent Director, with four- to six-year terms. 	<ul style="list-style-type: none"> ▪ Burlington charged its Audit Committee with oversight of environmental affairs, although its 2005 proxy statement does not include this responsibility in the description of the committee’s “primary purpose.”
INDEPENDENT BOARD CHAIR	<p>NO. David O’Reilly serves as the CEO and Chairman of the Board of Directors.</p>	<p>NO. Bobby S. Shackouls served as the CEO and Chairman of the Board of Directors.</p>
EXECUTIVE COMPENSATION POLICY	<ul style="list-style-type: none"> ▪ Executive’s performance linked to goals for “business operations,” therefore not covering indigenous rights in areas without operations. ▪ 2007 Proxy statement vaguely refers to “non-financial goals” that are linked to executive compensation 	<ul style="list-style-type: none"> ▪ Executives’ bonuses are linked to environmental, health and safety performance

See (Cogan 2006; Cogan 2005); (Chevron, Corp. Governance, 2007); (Chevron, Proxy, 2007); (Burlington, Proxy, 2005); (Burlington, Annual, 2004)

regarding social and environmental issues. One shareholder emphasized this characteristic of the companies as key to understanding their corporate cultures, commenting:

The Board is supposed to be a voice for the owners, and the owners are the shareholders. Where there's a failure—the Board needs to do something about it. The board isn't there to manage the company, it's the oversight body. And you can't have oversight if the CEO is also chairing the Board. It's more than a slight problem. It would be like the president of the US being the Chief Justice of the Supreme Court.¹⁹⁶

At the very least, this corporate governance analysis suggests that the corporate culture of a company cannot be fully understood by a simple evaluation of the company's governance, and such research must be supplemented with other indicators of corporate culture, including managerial commitment and shareholder perspectives.

6.3.3 Shareholder Perspectives

- **According to shareholders, Burlington's relative inexperience with shareholder advocacy largely shaped its more "open" response to shareholders, whereas Chevron's size and familiarity with shareholder challenges explains the company's limited response to shareholder advocates.**

While corporate governance indicators and characteristics of the companies' Board of Directors may serve as proxies for understanding a company's corporate culture, they by no means offer a complete explanation for the company's relative responsiveness to shareholder concerns. As one informant commented, "companies are like people—they have their own personalities."¹⁹⁷ To conduct a full analysis of the corporate cultures of Chevron and Burlington, therefore, interviews with shareholders regarding their personal perceptions of the companies were used to supplement the comparison of "managerial execution" and "board oversight" indicators.

Shareholders of both companies were each asked to define the term "corporate culture" and to apply this definition to describe their target company. While the definitions offered were quite variable, shareholders agreed that a company's corporate culture was most generally reflected in, as one shareholder articulated, "the bits and pieces that make up how the people at the top are making decisions."¹⁹⁸ Several other informants emphasized

¹⁹⁶ Interview with filer of Chevron resolution. 26 Feb. 2007.22.

¹⁹⁷ Interview with corporate governance expert. 9 March 2007.7.

¹⁹⁸ Interview with filer of Burlington resolution. 26 Feb.2007.33.

that “corporate culture is concrete,”¹⁹⁹ reflected not only by managerial decisions but also by actual company actions and procedures. Combining these various definitions, another shareholder offered that “corporate culture is the sum of the managerial style, policies, and practices” of the company.²⁰⁰

Reflections on Burlington Resources’ corporate culture varied widely. One shareholder pointed to Burlington’s “condescension” of NGOs and their role in facilitating contact between shareholders and indigenous groups, as reflected during meetings between the company and shareholders. The shareholder described a situation in which an official report, issued by an indigenous federation and translated by Pachamama, was referred to as “Pachamama’s report” throughout the meeting as a means of stripping the document of its credibility and reminding shareholders of their dependence on “radical” NGO intermediaries.²⁰¹ Other shareholders, however, described Burlington to be “relatively open.”²⁰² As one resolution co-filer explained:

Burlington has been pretty open—well, relatively speaking. They’ve answered our letters and they’ve been willing to meet—that shows some kind of responsiveness. And they’re willing to admit there’s a problem...²⁰³

Shareholders of Chevron, however, offered slightly more pessimistic interpretations of the company’s corporate culture. One interviewee strongly asserted that Chevron “will continue to operate in a way that will maximize return of their investment, regardless of the damage that they are doing to human beings in the world.”²⁰⁴ Another shareholder, when asked to describe Chevron’s corporate culture, responded that the company “is very, very defensive.”²⁰⁵ Needless to say, the differences in shareholders’ perceptions of the two companies’ corporate culture certainly supports the observed effectiveness of the Burlington network in comparison to the Chevron STAN.

In addition to describing their basic perceptions of the companies’ corporate cultures, shareholders identified several specific attributes of the two companies that partially explain their differing reactions toward shareholder pressure on indigenous rights issues. Most notably, according to shareholders, is the large discrepancy in the size of the two companies; in 2004, Chevron’s annual revenue was \$142.9 billion, whereas Burlington’s

¹⁹⁹ Interview with filer of Chevron resolution. 28 Feb. 2007.12.

²⁰⁰ Interview with filer of Chevron resolution. 26 Feb. 2007.22.

²⁰¹ Interview with filer of Burlington resolution. 14 Feb.2007.17.

²⁰² Interview with filer of Burlington resolution. 26 Feb.2007.33.

²⁰³ Ibid.

²⁰⁴ Interview with filer of Chevron resolution. 28 Feb. 2007.12.

²⁰⁵ Interview with filer of Chevron resolution. 22 March 2007.2.

revenue totaled \$5.6 billion in the same year (Cogan 2006). One particularly significant impact of this size difference in shaping each companies' response to shareholders is their relative amount of experience with shareholder challenges. Chevron, as a larger company with extensive global operations, has had far more experience with shareholder pressure on social and environmental issues. Nearly every shareholder in Burlington STAN identified the company's lack of experience regarding shareholder activism as a key explanation for the company's relative responsiveness to shareholders' concerns in comparison with Chevron. One shareholder proxy present at the annual general meetings noted the link between Burlington's small size and its inexperience with shareholder challenges, remarking:

It was pretty interesting, because I think Burlington, as a company, had never dealt with anything like this before...they were very much unlike...um...Exxon, or some other bigger company that was used to this kind of stuff. Burlington—they were a relatively small oil company...Chevron has been dealing with this stuff for a while—the big international human rights and environmental stuff...But Burlington had never had to deal with it...I don't think that they knew how to react.²⁰⁶

According to shareholders and other affiliated network members, Burlington's lack of exposure to shareholder challenges on social and environmental issues proved to have a positive effect on the company's response to the Ecuador-related resolutions. One shareholder explained that her very reason for co-filing the resolutions was the greater opportunity for the resolution to impact Burlington's decisions. She said:

When I'm choosing an issue to work on, I ask myself: is this a company where my voice can make a difference? For example, you've got Walmart. I never work with Walmart—too many shareholders making too much racket. What's different about Burlington Resources is that they are new to shareholder resolutions. It creates more of a...well, openness. An openness to being taught...I think that their biggest contribution to shaping their corporate culture is their inexperience with shareholders...they are somewhat willing to be taught...unlike those big companies that are so used to shareholder resolution they switch their hearing aids off when the shareholders speak.²⁰⁷

This statement outlines the consensus among shareholders that Burlington's small size is linked with its inexperience in dealing with shareholder challenges, a major factor explaining the company's relatively open corporate culture and willingness to conduct dialogue with shareholders.

In contrast, shareholders of Chevron pointed to the company's familiarity with shareholder activism as a reason for the company's obstinacy in responding to shareholder

²⁰⁶ Interview with shareholder proxy. 8 Jan. 2007.20.

²⁰⁷ Interview with filer of Burlington resolution. 26 Feb. 2007.33.

concerns. A member of Amazon Watch present at Chevron's annual shareholder meetings acknowledged Chevron's size and experience with shareholders as two attributes that play a significant role in shaping Chevron's corporate culture with respect to the issues addressed by Trillium and other co-filers. She observed:

A lot of [Chevron's] corporate culture has been shaped by the fact that they've always had people questioning them...they know how to deal with it. And they're so big that they can afford to turn off the microphone on an indigenous person. They're...relatively immune.²⁰⁸

A corporate governance expert interviewed also noted that a review of Chevron's responses to shareholder resolutions reveals the company to have a "litigious reputation;" the company has historically "tended to go the legal route as opposed to the accommodating route"²⁰⁹ when dealing with shareholder resolutions on social and environmental issues.

6.4 Conclusion

The two companies compared in this thesis exhibit a complex mosaic of characteristics that may explain their responses to shareholder pressure. It is certainly difficult to draw causal links between any specific attributes of a company and its reaction to shareholders. Chevron, as one of the largest energy companies in the world, appears to be more vulnerable to reputational threats—especially because it has carefully developed a company image grounded on principles of corporate responsibility. Still, the company also has several advantages—particularly the fact that shareholders' concerns are related to an issue of past operations of a company acquired by Chevron—to shareholder pressure on this particular issue. Burlington, on the other hand, exhibits several characteristics that explain its relative openness with shareholders (most importantly, its small size and inexperience with shareholder advocacy); still, shareholders pointed to several aspects of the company which suggest certain immunities from shareholder pressure. It must be acknowledged, therefore, that the purpose of understanding a target's vulnerabilities is not to definitively draw causal links between company characteristics and the outcomes of shareholder advocacy, but rather have a more complete understanding of the intricate interplay between a network's strength, the vulnerability of its target, and its context in determining the network's effectiveness in influencing its goal.

²⁰⁸ Interview with NGO staff member. 2 March 2007.26.

²⁰⁹ Interview with corporate governance expert. 9 March 2007.7.

Table 6-2. Summary of Key Findings: Vulnerability of the Target

Vulnerability of Target Indicator	The Chevron STAN	The Burlington STAN
Reputational risk: retail line	Yes	No
Reputational risk: other explanations	Investment in reputation but protected from risk by distancing from Texaco	Investment in reputation, framed according to CSR values
Infrastructure Investment	No oil infrastructure investment, less incentive to establish stable operating environment to protect infrastructure	No oil infrastructure investment, but greater incentive to accommodate shareholders and establish stable operating environment to protect future infrastructure investment
Corporate culture: Management Execution <i>Reports, Policies, etc.</i>	Much CSR rhetoric but not applied to Ecuador issue	CSR rhetoric, Ecuador issue discussed within CSR framework
Corporate culture: Management Execution <i>Decentralization</i>	High degree of decentralization due to large size of company	Disconnect between headquarters and field operations in Ecuador
Corporate culture: Management Execution <i>Senior Staff</i>	Director for Corporate Responsibility, Manager of Corporate Responsibility	Shareholders met with Vice-President of Investor Relations and Corporate Communication, Director of Environmental Health and Safety, and the Burlington's General Counsel
Corporate culture: Board Oversight	Executive pay linked vaguely to "non-financial goals", Public Policy Committee oversight	Executive pay linked to environment, health, and safety performance, Audit Committee weak oversight
Corporate culture: Shareholder Perspectives	Large size, experienced with shareholder advocacy, unresponsive to shareholders, litigious reputation for dealing with shareholders	Smaller size, inexperienced with shareholder advocacy, more open to shareholders

Chapter 7: Conclusion

On May 10, 2006, Domingo Ankuash, a Shuar indigenous leader, stood before a crowded room of ConocoPhillips shareholders to warn them that “Conoco has bought a problem” (Amazon Watch 2006). At the end of the previous year, in December, Burlington Resources Inc. had announced that it would be acquired by ConocoPhillips in a \$35.6 billion transaction. In March of 2006, the acquisition was approved by shareholders at the company’s last annual general meeting, and Burlington Resources turned over its oil concessions in Ecuador to Conoco. It had been six years since the company had first purchased the rights to concessions in the southern Amazon, and it had never extracted a single drop of oil from this region. Burlington had handed off the rights to its oil concessions, but the indigenous leaders were prepared to make sure that ConocoPhillips did not make any further progress than Burlington had.

It was certainly a different experience for the shareholder advocates who had grown accustomed to Burlington Resources’ intimate shareholder meetings. Ankuash stood before a crowd of over five hundred shareholders. The meeting’s question-and-answer period was tightly moderated as shareholders clamored to speak on a large host of issues. Out of the three indigenous leaders who had traveled by foot, canoe, bus, and airplane to arrive in Houston, only Ankuash was granted the opportunity to speak (Amazon Watch 2006).

There is a tense silence blanketing Pastaza and Morona Santiago, as indigenous leaders and communities wait apprehensively for ConocoPhillips’ decision on Blocks 23 and 24. The decision will shape future strategies of indigenous territorial defense and oil resistance, and, ultimately, determine the next steps of the Burlington shareholder transnational advocacy network. Conoco’s CEO, James Mulva, has thus far given no indication of the company’s plans for its newly-acquired concessions, commenting only that the blocks are “under review.” As a member of Pachamama observed,

There is total silence right now...the people are just waiting to hear from ConocoPhillips...They asked for a response at the meeting in Houston and they have waited six months to know the policies of the company and the response to their demands. But there is only silence.²¹⁰

Shareholder advocates were hesitant to predict how the acquisition will affect the outcomes of their efforts. One shareholder described that ConocoPhillips “has a more ‘arm’s length,

²¹⁰ Interview with NGO staff member. 4 January 2007.24.

standoff approach' to stakeholders," but this quality may be overshadowed by ConocoPhillips' recent initiatives to distinguish itself as a leader in corporate sustainability.²¹¹ ConocoPhillips did not challenge the shareholders' most recent resolution, which received the remarkably high vote of 22 percent at the shareholder meeting on May 9. As Kevin Koenig of Amazon Watch eloquently commented, "Conoco is at a crossroads. How the company decides to handle this issue will determine its true commitment to environmental sustainability, social responsibility, and good corporate governance" (Amazon Watch 2006).

Recent developments in the legal processes of the Texaco lawsuit suggest that Chevron, too, is approaching a crossroads. On March 19, 2007, Ecuadorian judge German Yanez ordered that the trial's final phase be completed within 120 days. The order is a significant step in speeding up the litigation, and it is estimated that a decision will be passed down by 2008 (Amazon Watch and Frente 2007). The court's decision will set an important precedent determining the responsibility that multinational corporations must take for the actions of their subsidiaries operating in foreign countries. In the meantime, shareholders urge Chevron to settle before a decision is passed down, calling on the company to prove its commitment to corporate citizenship by agreeing to provide compensatory funds for environmental remediation that will ease the burdens of the indigenous and settler communities struggling to survive in an Amazonian environment transformed by decades of oil production.

These pending changes may dramatically change the composition, goals, and strategies of the two shareholder transnational advocacy networks examined in this thesis. But the findings of this comparison study are not only relevant to the Chevron and Burlington Resources STANs. As NGOs and other social movement actors continue to turn their attentions toward corporate accountability and the role of business in international politics, and shareholders come to understand this strong link between a company's environmental and social performance and shareholder value, shareholders will play an increasingly large role in transnational advocacy networks as marginalized domestic actors seek out international allies to pressure corporate targets.

Shareholder advocates must carefully choose their campaigns and targets; the findings presented in this thesis, then, may serve to provide shareholder advocates with a better means of making these decisions and understanding their implications. Most significantly, this thesis provides a new model through which networks may be effectively

²¹¹ Interview with filer of Burlington resolutions. 14 February 2007.17.

analyzed, offering a set of indicators related to characteristics of the network and target that partially determine the effectiveness of a STAN. With this analysis I hope to offer shareholder advocates a more systematic framework for understanding STANs and identifying the specific challenges and opportunities presented by this new form of transnational advocacy.

The implications of recent global trends of increased oil demand are profound. The hunt for new oil reserves has led to an increasing coincidence between indigenous groups and multinational oil companies seeking out new oil reserves, raising serious environmental, human rights, and development concerns. As the indigenous leaders interviewed for this thesis adamantly defended, oil development and indigenous traditional lifestyles are incompatible, as the intensive process of oil production transforms the environment in which it occurs—an environment on which indigenous groups are entirely dependent. The leftover waste pits of oil “sludge” from Texaco’s operations in the Northern Amazon offer a chilling vivid example of the lasting impacts of oil development on indigenous territory.

Not all informants for this thesis agreed with this indigenous perspective, however. Many staff members of NGOs advocated for sustainable oil development, claiming that modern technology has reduced the environmental impact of oil production so significantly that indigenous groups and oil production can coexist if oil operations are conducted properly. Still, the development paths of petro-states, whose intimacy with multinational oil companies and dependency on oil extraction keep their economies precariously afloat, make environmental regulation and the enforcement of proper drilling procedures difficult.

These issues related to oil development are certainly not new. Oil has long generated much discussion attempting to reconcile the growing demand for oil with the myriad environmental and social impacts of oil production. This thesis, however, attempts to address these issues from a relatively new angle, incorporating more recent trends in corporate social responsibility. I adapt an existing model, Keck and Sikkink’s boomerang model, to describe a new phenomenon in which indigenous groups have allied with responsible shareholders in an effort to change the practices of an oil company operating in indigenous territory. The corporate boomerang model incorporates both the recent shift in social movements from state targets to corporate targets, and the growing recognition among shareholders that long-term shareholder value is inherently linked to the integration of environmental and social performance into the core business strategies of a company. As business strategy, long-term shareholder value, and environmental stewardship increasingly

collide, shareholders have become new key players in social and environmental movements. The corporate boomerang offers a systematic means of evaluating this new phenomenon.

In this thesis I have attempted to identify certain factors that explain the different outcomes observed for two different STANs operating within the same country and targeting the policies and practices of two multinational oil corporations. While the results of this thesis are certainly complex, several significant recommendations do emerge from the findings of the study.

The differences in the strength and density of the domestic components of the two networks, for example, appear to largely explain the relative success of the Burlington Resources STAN in comparison to the Chevron network. The lack of oil development—and its devastating environmental and cultural impacts—in the southern Amazon has afforded local-level actors certain advantages in developing their network. Actors in this network have had the opportunity to learn from the experiences of the northern provinces, strengthening indigenous drive to resist the entrance of oil companies in Blocks 23 and 24. The domestic component of the Burlington STAN has achieved effective communication channels, strong common identities, and a high degree of goal alignment between its local-level actors.

Unlike the south, indigenous groups in northern Amazonia have been hard-hit by decades of exposure to oil, settlers, and other external actors. The cultural impacts of oil development have eroded indigenous identities—fracturing the common identity among indigenous groups and generating complex challenges related to indigenous representation in the network and goal alignment between different network members.

Interestingly, however, the very characteristics that make the domestic component of the Burlington STAN so effective—including the indigenous groups' limited exposure to external actors and deeply-rooted commitments to territorial defense and cultural preservation—have caused significant challenges in the relationships between shareholders and indigenous groups. Interviews with indigenous leaders and members of affiliated NGOs revealed a prevalent wariness of shareholder advocates among indigenous community members. It then follows that, because the Burlington STAN has been more effective than the Chevron network—despite these tense shareholder-indigenous relations—strong relations between shareholders and local-level actors may not be a necessary component to an effective STAN. While it may still be important for shareholders to continue participating in delegations to Ecuador—as a means of gaining personal experience in the issues for which they are advocating and verifying information received through NGOs—these

delegations do not necessarily require much interaction between shareholders and local communities. It may, in fact, be more prudent to limit these interactions to those between shareholders and federation leaders only, relying heavily on strong and dense local networks with channels through which federation leaders (particularly those who have met with shareholders or participated in the company's shareholder meeting) can effectively relate important issues to the local communities. In this light, one particularly plausible channel of communication may be the federations' annual assemblies. Informants explained that this forum had not yet been extensively used to communicate issues related to shareholder advocacy. One recommendation stemming from these findings, therefore, is that local NGOs and federation leaders use the yearly indigenous assemblies—rather than direct shareholder-community contact—as a means of increasing understanding and acceptance of shareholder activity among local indigenous community members.

As this study has shown, however, network dynamics do not fully explain differences in network outcomes and effectiveness. The STANs examined in this thesis are targeted at two extremely different companies facing vastly different situations. First, the very fact that the issue at stake with Chevron involves the past actions of a former subsidiary allows the company certain advantages in avoiding reputational risk. In addition, because Chevron is no longer investing in Ecuador, it has little incentive to be responsive to stakeholders. Burlington, on the other hand, faced threats to its current operations, providing greater incentive for the company to be more accommodating of stakeholder demands in order to establish a sustainable working environment for its operations.

While the managements of both companies did express commitments to goals of corporate sustainability and social responsibility, the results of this study suggest that general managerial commitments must be taken cautiously when used to analyze the potential effectiveness of a shareholder campaign. Despite its rigorous CSR rhetoric, Chevron does not address the Ecuador issue within this framework, allowing the company to avoid responding to shareholder demands without failing to meet its goals of improved social and environmental performance. In addition, interviewees suggested that management commitment may not be a strong indicator of a company's corporate culture due to large disconnects between corporate headquarters (of both companies) and their field operations. It appears that more subjective indicators of a company's receptiveness to shareholder advocates—including the company's familiarity with shareholder advocacy and its history

dealing with shareholder pressure on social and environmental issues—may be a more effective means of evaluating the corporate culture of a company.

Finally, this study shows that the context in which the network is operating may also play a large role in determining network effectiveness. Shareholders and other network members must carefully consider how a network's context will shape the responses of the company's management and mainstream shareholders to advocates' pressure. In the case of Chevron, filers of the resolutions suggested that because the content of the resolutions pertained to a lawsuit, mainstream shareholders were apprehensive to vote in favor of the resolution for fear of "taking sides" on the litigation. In addition, the presence of a lawsuit afforded the company certain opportunities to deflect shareholder pressure. This finding suggests that a key strategy of shareholder advocates must be to frame the content of their resolutions according to certain contextual considerations. As shareholders explained, this year's resolution filed with Chevron may be more successful than those of previous years', as it does not address the Texaco lawsuit directly but rather relates to the company's practices when entering a new host country.

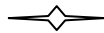
The findings of this study certainly reveal several key recommendations for members of transnational advocacy networks relying on shareholder mechanisms to change corporate practice. This thesis, however, is far from complete. My research took me from the muddy streets of the Amazonian city of Puyo to the professional offices of social investment firms in Boston. I interviewed indigenous leaders with feather headdresses and institutional investors in business suits. I discussed topics ranging from indigenous traditional lifestyle and perspectives, to NGO dynamics, to Ecuadorian politics, to common law, to extractive industry-driven development, to corporate governance, to shareholder activism and social investment. Because I had to adhere to specific time limitations to complete this study, I was forced to sacrifice a certain degree of the depth to cover such a wide breadth of network factors. A continuation of this study would ideally include greater analysis into each of the indicators used to evaluate the transnational advocacy networks. Most importantly, this study only briefly considers the companies' corporate governance in determining their response to shareholder pressure; other such analyses could take this research to greater depths, using a wider range of indicators (including the voting histories of the primary company shareholders) and ranking systems by which to compare company results. In addition, in this study I limited research participants to include primarily network members. A more rigorous approach, however, would include the perspectives of actors peripheral to the network. The

perspectives of mainstream shareholders, for example, could offer valuable insight into the voting results of the resolutions.

It is also important to note that this study almost entirely ignores the role of the state in influencing both corporate practices and network strategies. With the inauguration of President Rafael Correa on January 15, 2007, Ecuador appears to have entered into a new political stage that may significantly change the country's development path and, as a result, alter the course taken by its Amazonian networks. One member of Pachamama expressed sincere optimism regarding how these political changes will affect efforts to defend indigenous rights in the Amazon:

In this matter we have the voice of the government...Correa has declared that he has a firm conviction about the centro-sur of the Amazon...Correa is the new president and his ministers have a strong priority that there is not going to be expansion of the oil industry. President Correa has a respect of collective rights...he is prepared to work to support the indigenous policy in the centro-sur...Yes, I have confidence...we are going to have people in the ministries who have worked with us...for us it is an opportunity to improve the country and the indigenous movement...²¹²

Further analysis of Ecuador's transnational advocacy networks would look more closely at the role of the State in shaping network activities and outcomes.



I sat in a small bread shop drinking bitter tea with Sarayaku leader Jose Gualinga, discussing his impressions of the ConocoPhillips shareholder meeting he had attended the previous year. It was still early in the morning, but the thick humidity of the jungle air had already burst into an Amazonian downpour. Muddy rivers darted down the dirt streets of Puyo, banana trees cowered under the assault of raindrops on their massive leaves, and we watched as Puyo's busy streets quickly cleared of people, leaving only the city's stray dogs to run through the dark puddles. The rain came down so heavily on the tin roof of the shop that Jose had to shout across the table at me. "Going to the meeting, I realized one thing," Jose yelled as he pulled his long black hair back into a ponytail. "In Sarayaku we grow up thinking of the company as this machine. But it's not. It's people. There were elders with canes there. There were babies."

Jose's realization revealed to me the most fundamental leverage point of shareholder transnational advocacy networks. Companies are people; they are not machines with pre-programmed functions and destinations. Companies can change.

²¹² Interview with NGO staff member. 4 January 2007.25.

And they are. Several months after returning from Ecuador's rainforest I found myself sitting in a conference room in Boston with seven hundred institutional investors, CEOs of large companies, leading socially responsible investing firms, environmental organizations, and a wide array of other public interest groups. Mindy Lubber, the President of Ceres, an organization working with companies and investors to address sustainability issues, stood before this crowd to wrap up the two-day conference. She remarked:

The view that business, environmental and social interests conflict is no longer assumed or accepted. Rather these interests are deeply interrelated and mutually compatible.

Seventeen years ago, when Ceres was first founded, this vision was new, bold, and innovative. Few companies believed that environmental stewardship and social performance could be compatible with financial success. Now, sustainability has diffused into the core strategies of mainstream business.

Capital markets are far from being transformed. Still, the growing energy to advance sustainable business practice has already significantly widened the opportunities for social and environmental movements. Shareholder transnational advocacy networks have given indigenous communities new mechanisms through which to influence corporate practice and a new forum through which to defend their territory and advocate for cultural preservation. Indigenous resistance has moved from the tropical rainforest to the corporate boardroom—where, as they claim, the indigenous people intend to remain.

Appendix A: List of Key Informants

Alexandra Almeida, Oil Team. Acción Ecológica
Shelley Alpern, Director of Social Research and Advocacy, Trillium Asset Management
Pablo Balarezo, Pachamama
Louise Barragan, International Union for the Conservation of Nature and Natural Resources (IUCN)
Milton Callera, former President and current National Coordinator, NAE
Arturo Cevallo, IBIS
Doug Cogan, Institutional Shareholder Services
Patrick Doherty, New York City Employees Retirement System (NYC Pension Funds)
Steven Donziger, Legal advisor, Amazon Defense Front
Pablo Fajardo, Legal Coordinator, Amazon Defense Front
Toribio Freire, *Técnico* of Territorial Defense, NAE
John Gallagher, Catholic Healthcare Partners
Suzy Garbay, Coordinator of United Justice, CDES
Jose Gualinga, International Coordinator, Sarayaku
Patricia Gualinga, Coordinator, Alianza de Pueblos en Resistencia (Sarayaku)
Rachel Harold, Program Associate, Ceres
Steven Heim, Social Research/Shareholder Advocacy, Boston Common Asset Management
Yolanda Kakabadse, former Minister of the Environment, Fundación Futuro Latinoamericano
Judith Kimerling, Author of Amazon Crude, Attorney
Kevin Koenig, Northern Amazon Program Coordinator, Amazon Watch
Andrew Logan, Director, Oil & Insurance Programs, Ceres
Leslie Lowe, Director of Energy and Environment working groups, Interfaith Center on Corporate Responsibility (ICCR)
Mario Melo, Lawyer, CDES
Maria Belén Paez, President, Fundación Pachamama
Jose Proaño. Oil Team, Acción Ecológica
Leila Salazar, former ChevronToxico Campaign Organizer, Amazon Watch
Cristina SantaCruz, Pachamama
Anibal Santi, Director of Territorial Defense, NAE
Gloria Ushigua, Women's Director, NAZAE
Manuel Felipe Ushigua, President, NAZAE
Luiz Yanza, President, Frente de la Defensa de la Amazonia
Patricia Zerega, Evangelical Lutheran Church in America

Most in-text references are anonymous. Interviews are cited according to a confidential coded reference list.

Appendix B: Timeline of Shareholder Activity, Burlington Resources/ConocoPhillips

- April/May 2003:** Amazon Watch organizes indigenous leaders to speak in Houston and NYC.
- May 2003:** Conference call with Amazon Watch, Earthrights International, Boston Common and other SRI investors.
- Sept. 2003:** Amazon Watch contacts some of the conference call participants to solicit interest in filing resolution with Burlington. BC got approval to file from its client Brethren Benefit Trust (BBT), who held shares in Burlington.
- Nov. 2003:** Boston Common—on behalf of BBT—files first resolution asking Burlington to adopt an indigenous peoples rights policy.
- Early Dec. 2003:** Burlington contacts Boston Common, indicating interest to hold dialogue; said that they already followed policies on indigenous rights.
- Late Dec. 2003:** Burlington challenges resolution with SEC on grounds that a) resolution contained false and misleading statements about the situation in Ecuador, and b) the company planned to publish a policy in January, mooting the proposal.
- Mid-Jan. 2004:** Burlington produces a one-pg. policy on indigenous peoples rights.
- Late Jan. 2004:** Conference call held between Burlington and Boston Common to discuss dealings with indigenous peoples in Ecuador. Burlington agrees to meet with shareholders. Boston Common, on behalf of BBT, withdraws resolution.
- Early April 2004:** Boston Common sends letter to Burlington, signed by Boston Common, BBT, and several other institutional investors.
Burlington states in annual report that they will only enter into Block 24 where they had majority approval from block's indigenous residents.
- April 21, 2004:** Steven Heim and Pablo Tseres, President of FISCH and coordinator of Comité Interfederacional, present at shareholder meeting
- June/July 2004:** Boston Common begins fact finding. Writes to FIPSE, FISCH, FINAE (now NAE), and Sarayaku asking for clarification of indigenous positions. Burlington's website claimed 95% of indigenous peoples of Blocks 23 and 24 were not opposed to oil development.
- Summer 2004:** Boston Common sends email to Burling requesting meeting with shareholders and asking for details regarding their consultation process with indigenous communities in Ecuador. Burlington does not respond to questions.
- Oct. 2004:** Boston Common arranges meeting with Burlington in NYC, hosted by NY State Common Retirement Fund.
- Nov. 2004:** Boston Common, on behalf of BBT, files second resolution, asking company to publish sustainability report and noting in resolution concerns regarding indigenous rights. Co-filers include: City of New York Pension Funds, Evangelical Lutheran Church in America, Citizens Funds, Sisters of St. Joseph of Springfield, MA.
- Dec. 2004:** Amazon Watch and Boston Common begin planning trip to Ecuador.
- Dec. 2004:** Burlington challenges second resolution on grounds that a) resolution contained false and misleading statements, and b) the company had plans to publish sustainability report in 2005. SEC rules in favor of Boston Common.
- Feb. 2005:** Burlington agrees to detail its consultation process and its indigenous policy. Second resolution withdrawn.

Appendix B, continued.

March 2005: Shareholder delegation to Ecuador.

April 2005: Burlington meets with several shareholders in NYC after FIPSE and FISCH presidents agree secretly to negotiate with Burlington and government. Heim challenges Burlington on several issues, including: territory under jurisdiction of Sarayaku, FINAE, FISCH; 2002 Civil Anti-Corruption ruling to revoke Burlington's oil concessions in Blocks 23 and 24; 2002 lawsuit by FIPSE, FISCH and FINAE to block Burlington from negotiations with individual communities; and assembly consent for negotiations.

April 2005: Kevin Koenig of Amazon Watch and Steven Heim of Boston Common present at Burlington's annual general meeting. Chairman of Burlington's Board of Directors confirms that Burlington will continue to respect the governance processes of the indigenous peoples.

May 2005: Shareholders write letter to Burlington asking for further dialogue. Burlington does not respond.

Nov. 2005: Shareholders file two different resolutions with Burlington. First resolution, filed by Boston Common on behalf of BBT, asks for indigenous rights report. Co-filers include: Catholic Equity Fund, Sisters of St. Joseph of Philadelphia, Grand Rapids Dominicans. Second resolution, filed by City of New York Pension Funds, requests sustainability report. Co-filers include: Evangelical Lutheran Church in America, Sisters of St. Joseph of Springfield, MA. Boston Common helped to draft both shareholder resolutions.

Dec. 2005: ConocoPhillips announces acquisition of Burlington

Dec. 2005: City of New York Pension Funds is lead filer of resolution requesting a sustainability report. Withdraws resolution after Burlington agrees to publish report.

Jan 2006—Burlington's general counsel writes letter to BBT and Boston Common requesting that they withdraw the resolution. BBT and Boston Common refuse to withdraw.

March 2006: Burlington holds special meeting to approve acquisition by ConocoPhillips. Indigenous rights report not voted on.

May 2006: Boston Common arranges for indigenous representatives from Ecuador and Peru to get entry to ConocoPhillips' annual meeting. Heim and Domingo Ankuash, representative of FISCH, speak at meeting. Accompanied by Jose Gualinga, representative of Sarayaku. ConocoPhillips announces that it has not made a decision on how to proceed in Ecuador and Peru. After the meeting, indigenous representatives meet briefly with ConocoPhillips Chairman and CEO and Vice-President for Health, Safety, and Environment.

Aug. 2006: Boston Common sends ConocoPhillips letter signed by several shareholders raising concerns regarding acquisition of Burlington and indigenous peoples' rights in Ecuador and Peru. Request meeting with company. No response from ConocoPhillips to letter and subsequent phone calls.

Nov. 2006: Boston Common files new shareholder proposal with ConocoPhillips on behalf of BBT. Co-filers include: Marianist Community, Sisters of St. Joseph of Springfield Mont Marie, Sisters of St. Joseph of Philadelphia.

Dec. 2006: Indigenous leaders from Peru travel to Houston headquarters after no response to letters and phone calls requesting a meeting. Successful in meeting briefly with VP of Health, Safety, and Environment.

Jan. 2007: ConocoPhillips does not challenge resolution with SEC

May 2007: ConocoPhillips annual meeting to be held in Houston. First shareholder vote on the issue after three years of shareholder engagement.

Appendix C: Timeline of shareholder activity, Chevron

2002: Trillium Asset Management first approached by members of Amazon Watch at conference on corporate accountability.

Spring 2002: Amnesty International (AI) organizes conference call with ChevronTexaco regarding human rights resolution filed by AI. Trillium first approaches subject of Ecuador litigation with company. Company representative refuses to speak about it.

Fall 2002: Trillium co-files resolution with Amnesty regarding Chevron's human rights policy.

Feb. 2003: Resolution withdrawn after pledge by Manager of Corporate Responsibility to develop policy.

Spring 2003: ChevronTexaco sends two non-senior staff representatives to Trillium to discuss the Texaco issue.

November 2003: Trillium files first Ecuador-related resolution with ChevronTexaco, asking the company to "report on new initiatives instituted by management to address the specific health and environmental concerns of villagers living near unremediated waste pits and other sources of oil-related contamination in the area where Texaco operated in Ecuador."

March 2004: Several shareholders of ChevronTexaco participate in delegation to Texaco-affected areas of Ecuador's Northern Amazon.

Spring 2004: Chevron AGM. Attended by two Ecuadorian representatives from Texaco-affected areas (one *colono*, one indigenous) and Bianca Jagger. Voting results: 9%.

Fall 2004 Trillium re-files resolution with Chevron. Co-filers include the New York State Common Retirement Fund, Amnesty International USA, and the Sisters of Mercy (Burlingame, CA). Chevron challenged resolution; SEC ruled against the company.

Spring 2005: Chevron AGM. Attended by two Ecuadorian representatives from Texaco-affected areas (one *colono*, one indigenous). CEO David Reilly turns off microphone during presentation by Amazon Watch. Indigenous leaders unable to fully present. Actions accompanied by photo exhibit of health/environmental effects of oil in Northern Amazon. Voting results: 9.19%.

Fall 2005: Trillium files resolution with Chevron, asking the company to disclose costs related to the Ecuador litigation. Co-filers include New York State Common Retirement Fund, Amnesty International, and Boston Common Asset Management (on behalf of BBT). A second resolution, filed by Society of Jesus, Wisconsin Province, and co-filed by 16 Interfaith Center on Corporate Responsibility (ICCR) members, called on the company to develop a comprehensive human rights policy by October 2006. A third resolution related to Chevron's environmental standards was also filed by ICCR members.

Spring 2006: Chevron AGM. Attended by two Ecuadorian representatives from Texaco-affected areas (one *colono*, one indigenous). Voting results: Human Rights policy, 25%. Disclose Costs, 9%.

Fall 2006: Trillium files with Chevron, calling on the company to "prepare a report by November 2007...on the policies and procedures that guide Chevron's assessment of the adequacy of host country laws and regulations with respect to their adequacy to protect human health, the environment and our company's reputation."

Appendix D: Burlington Indigenous Communities Rights Policy

Indigenous Communities Rights Policy

Burlington Resources conducts hydrocarbon exploration and production activities in many countries throughout the world. We recognize that our operations have the potential to impact indigenous communities that may inhabit these areas.¹ Burlington is committed to protecting human rights and the environment, and to minimizing impacts to native lands and cultures. To demonstrate our respect for the cultural, social and religious beliefs and traditions of indigenous communities throughout the areas where we are the designated operator, we will adhere to the following principles in our operations and activities:

- Engage in consultation with the duly recognized or elected leadership of indigenous communities regarding the impacts of planned operations and proposed mitigation measures prior to the initiation of activity within our operational area and maintain an open dialog throughout the life of the project, in accordance with any applicable laws governing the consultation process.
- Provide or arrange for appropriate compensation for property used or acquired from indigenous communities in accordance with applicable law, regional custom or as mutually agreed.
- Apply appropriate operating practices to minimize employee and contractor interaction with indigenous communities, where desired by the indigenous communities, to help preserve cultural integrity.
- Work with the duly recognized or elected leadership of indigenous communities to assist them in the development of specific community support plans designed to facilitate access to needed goods and services and otherwise contribute to community development in ways considered beneficial by the communities.
- Apply preventive medical practices to minimize the risk of exposure of native populations to disease and to preserve the health of indigenous communities.
- Apply appropriate operating practices to preserve or prevent disturbance of sacred, historical or other culturally sensitive sites in native territories.

¹The term "indigenous communities" refers to tribal communities of people in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; and communities of people in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present State boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.

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