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**The Pollution Haven Theory: Chevron-Texaco Case in
Ecuador**

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DEDICATION

To my dear parents, siblings, and grandparents,

With deep love and admiration, I want to express my sincerest gratitude for being the light that guides my path and the pillar that sustains my life. To my parents, Mirian and Celio, thank you for your unconditional love, sacrifice, and teachings that have shaped and strengthened me. To my siblings, Andrés and Alejandra, for their constant support, complicity and for being my life partners. And to my grandparents, Piedad and Carlos, thank you for your wisdom and immense love.

This dedication is a small tribute to everything they represent to me, a reflection of the deep affection and respect I have for them. I love you with all my being and will always proudly carry the privilege of being a part of my beautiful family.

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I want to express my deepest gratitude to my parents, who are my role model and example of unconditional love. Their support has been the engine that has allowed me to achieve my goals. This achievement is as much yours as it is mine, for without you, none of this would have been possible.

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Finally, I want to express a thank you to myself, I feel proud of what I have achieved and excited for what the future holds for me. This is not a finish line, but the start of an exciting new stage.

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"The Pollution Haven Theory: Chevron-Texaco Case in Ecuador"

Summary

With the aim of analyzing whether Ecuador met the characteristics of a pollution refuge during Chevron-Texaco's oil operations, this research has been based on the Pollution Refuge Theory, to examine the environmental regulatory framework, economic interests and environmental impact left by this foreign direct investment (FDI) in Ecuador. Through a qualitative approach and an intrinsic case study, it highlights how institutional and regulatory weakness in environmental matters enabled polluting operating practices by Texaco, resulting in significant ecological and social damage. Among the theoretical postulates are the evaluation of environmental regulations and the economic interests of both parties and the environmental impact of the company, revealing that the lack of robust regulations and effective state supervision made Ecuador an attractive destination for investments that minimize mitigation costs. The research concludes by underlining how Ecuador's regulatory inadequacy allowed it to be exploited as a haven from pollution, emphasizing the importance of balancing economic growth with environmental sustainability.

Keywords Pollution Refuge, Chevron-Texaco, Foreign Direct Investment (FDI), Environmental Regulations, Ecuador.

Abstract

This research is based on the Pollution Haven Theory to analyze whether Ecuador met the characteristics of a pollution haven during Chevron-Texaco's oil operations. It examines the environmental regulatory framework, economic interests, and environmental impact of this foreign direct investment (FDI) in Ecuador. Through a qualitative approach and an intrinsic case study, it highlights how institutional and regulatory weaknesses in environmental matters allowed Texaco's polluting operational practices, resulting in significant ecological and social damage. The theoretical postulates include evaluating the environmental regulations, the economic interests of both parties and the environmental impact caused by the company. The study reveals that the lack of robust regulations and effective state oversight made Ecuador an attractive destination for investments seeking to minimize mitigation costs. The research concludes by emphasizing how Ecuador's regulatory insufficiencies allowed it to be exploited as a pollution haven, highlighting the importance of balancing economic growth with environmental sustainability.

Keywords Pollution Haven, Chevron-Texaco, Foreign Direct Investment (FDI), Environmental Regulation, Ecuador.

"The Pollution Refuge Theory: Chevron-Exaco Case in Ecuador"

1. Introduction

The environmental issues associated with foreign direct investment (FDI) in Ecuador is a current concern, as demonstrated by the emblematic Chevron-Exaco case between 1964 and 1992. According to the pollution refuge theory, this research seeks to determine whether Ecuador was considered a pollution refuge for the U.S. company and how FDI has generated environmental impacts in the country. Understanding dynamics such as Chevron-Exaco's pattern of environmental behavior will allow us to nurture academic knowledge on how institutional and regulatory weakness in environmental matters can attract polluting FDI to developing economies and categorize them as "pollution havens." The conceptual rigor and systematic methodological soundness applied to the analysis of the Chevron-Exaco case will translate into relevant lessons to promote a socially and environmentally responsible FDI pattern in the country where the economic growth derived from FDI and the conservation of the natural environment are balanced.

While foreign direct investment (FDI) has boosted Ecuador's economic growth, as indicated by Olaya & Armijos (2017), it has simultaneously generated serious environmental consequences such as pollution and degradation of natural resources. The Pollution Refuge Theory is a paradox in developed countries, as decisions are made in favor of the environment, giving way to chain repercussions after affecting the economy of industries, originating through international trade a new form of transnationalization of pollution. The environmental disaster caused by Chevron-Exaco in the Ecuadorian Amazon, where it operated for decades without effective state supervision, may offer a useful analytical framework for understanding this theory, as it suggests that poor countries with weak environmental governance attract investments that seek to reduce their mitigation costs, thus becoming "pollution havens."

To achieve this theoretical perspective, postulates derived from its theoretical foundations have been formulated, such as the scope of environmental regulations, and the economic interests of both the investing country and the host country, highlighting the need for Foreign Direct Investment (FDI) by the developing country, and finally, the environmental impact resulting from this transnationalization of pollution (Levinson, 2009).

1.1 Objectives

Through the analysis of the Chevron-Exaco case in Ecuador, this research aims to determine whether this country possessed the normative, institutional, and political characteristics to be considered a Pollution Haven during the oil operations of said company. The Chevron-Exaco case represents one of the greatest environmental disasters caused by oil extraction activity in the Ecuadorian Amazon, leaving behind an environmental liability of great magnitude. Hence, this study primarily aims to explain the main postulates and conceptual elements of the Pollution Haven Theory. Secondly, it describes the historical context of Exaco's extractive activities in Ecuador and the terms of its Foreign Direct Investment in the country, finally, it seeks to discuss the extent to which the aforementioned case fits the postulates of said theory.

1.2 Theoretical framework

Foreign direct investment (FDI) is one of the most powerful forces behind global economic growth and one of the largest sources of external financing for developing nations. Never before have transnational corporations played such a momentous role on the global stage, spreading to all regions, industries, and sectors of the economy (Ramírez, 2010).

Kindleberger (1969) has defined this investment as the process by which residents of one country (foreign direct investors) acquire ownership of assets to control the production, distribution, and other activities of a company in another country.

While FDI has boosted economic development in several countries, it has also caused negative environmental impacts. The reversal of the Earth's climate is a consequence of human activity in industries, particularly the burning of fossil fuels and the removal of trees from the land. Therefore, this results in a rapid increase in the amount of greenhouse gases (GHGs) emitted into the atmosphere, slowing the loss of heat from the planet and eventually causing global warming. Historically, industrialization has been associated with the creation of wealth and the improvement of living standards, however, it harms the environment. It contributes to accelerating climate change. It encompasses technical innovation and the social and economic revolutions that have created both new possibilities and new difficulties (Mehmood et al., 2024).

How developed countries transport pollution is through two channels: the first is FDI, these economies invest in pollution-intensive industries and primary sector goods in underdeveloped countries. The second is trade, based on polluting goods imported (Organization for Economic Co-operation and Development, 1997). These channels will cause low-income countries to experience high rates of pollution (Freire et al., 2021). For this reason, FDI will be an element for the concurrence of the pollution refuge as a motive for the transnationalization of pollution and a bridge between the developed and the underdeveloped country, determining the country in which it will be invested through the law of comparative advantage typical of international trade (Jenkins, 1998).

Authors such as Olaya & Armijos (2017) argue that it is clear that this type of investment has boosted Ecuador's economic growth, but at the same time has generated serious environmental consequences such as environmental pollution and degradation of natural resources. This is a dilemma that can be clearly seen in the Chevron-Texaco case between 1964 and 1992, one of the most emblematic examples of the environmental problems associated with FDI in the country.

As for environmental pollution, refers to the introduction of substances or physical elements in a place that causes adverse effects on the environment, negatively altering the quality of the air, water, and soil, or generating damage to living beings and ecosystems, including a wide range of human actions ranging from the emission of toxic gases by vehicles and factories to the dumping of industrial and domestic waste in water bodies and soils, as well as the generation of excessive noise and deforestation (Peirce et al., 1998).

Through the study by Sarkodie & Strezov (2019), the impact of FDI on greenhouse gas emissions in developing countries was examined, detecting that, although FDI is recognized as a key source of external financing that contributes to economic development and growth of the private sector in these nations, it also leads to an increase in CO₂ emissions, especially in major carbon-emitting countries due to the burning of fuels in the developing world.

In the context of globalization and intending to promote economic development, numerous developing countries are enthusiastic about attracting foreign direct investment, even if it involves hosting polluting industries. This willingness frequently leads to a relaxation of their environmental regulations. Additionally, these countries often face deficiencies in their environmental management systems and lack the modern technologies necessary to effectively mitigate the polluting impact.

Kotzé & Calzadilla (2017), argue that today, approximately three-quarters of the world's constitutions contain references to environmental rights and responsibilities; and a number of scholars have made important contributions to the analytical development of the environmental rights paradigm.

While the verdict is still unclear on the actual impact that environmental rights achieve in practice, there is a general view that:

"The constitutionalization of environmental protection as a fundamental right remains attractive. People generally assume that rights, especially those enshrined in the constitution, embody values that cannot be easily compromised. The environmental cause could benefit if people considered environmental protection to be the essence of a constitutional right" (Kotzé & Calzadilla, 2017).

Environmental Law is a specialized branch of Law, in which, during its formation process, principles and concepts have been consolidated that cement environmental institutions and seek to ensure the constitutional guarantees of citizens (Maldonado & Yáñez, 2020). Jaquenod de Zsogon (1991), indicates that this branch is established through a mixture of methods, regulations, and legal instruments focused on protecting the totality of the components of the environment, both natural and human.

Environmental Law arises from the need to legally protect natural resources. For this reason, most countries have seen the urgent need to regulate the protection of the environment, understanding the importance of the environment for the well-being of the population. In recent decades, Latin American constitutions have incorporated environmental law and the rights of nature (Maldonado & Yáñez., 2020). For Narvárez (2004), the focus of this right lies in the concept of sustainable development. This implies that the production, utilization, and management of natural resources must be carried out in harmony with environmental preservation. The central idea is that economic and environmental aspects should not be addressed in isolation but in an integrated or coordinated manner. This is because economic progress and environmental protection are indivisible components of achieving sustainable development, defined as the improvement of human well-being without exceeding the limits of ecosystems.

Given that we have been aware that the prevailing model of production and consumption in our society leads to environmental collapse environmental law is nothing more than the reaction to that certainty (Mila &

Yáñez, 2020). Experience in the application of international environmental law in general shows that, from the point of view of individuals, there is a growing need for an alternative international dispute resolution mechanism to address environmental conflicts (Ezeizabarrena, 2020).

In this way, the absence of robust environmental legislation or its weak implementation can lead to the phenomenon known as "pollution shelter", which states that dirty industries from advanced countries are moving to develop countries in the form of FDI and worsening the environment of these countries (Gill et al., 2018).

The pollution haven hypothesis was first postulated by Copeland & Scott Taylor (1994) in the context of North-South trade under NAFTA. This was the first document to link the rigor of environmental regulation and trade patterns to the level of pollution in a country. Under NAFTA, companies operating in highly regulated countries like the United States and Canada entered into direct competition with companies operating in poor countries that have lax environmental standards like Mexico (Gill et al., 2018).

The hypothesis posits that polluting industries migrate from high-income countries to low- and middle-income countries through trade in goods and foreign direct investment. FDI flows remain one of the main sources of external financing for developing countries, yet the relocation of carbon- and energy-intensive industries from jurisdictions with stricter environmental regulations to localities with weak regulations results in pollution havens (Sarkodie & Strezov, 2019). Motivated by the lower costs associated with lax environmental regulation, developing countries often have a comparative advantage that allows them to specialize and export polluting products. On the other hand, developed countries are inclined towards specialization and export of products that are less harmful to the environment. As a result, developing countries are becoming havens for the most polluting industries coming from the most advanced nations (Gill et al., 2018).

Critics of trade liberalization argue that consumers in the developed world enjoy highly polluting products at lower prices because of the undervaluation of environmental resources in developing countries (Gill et al., 2018).

In essence, this theory refers to the phenomenon of pollution resulting from the difference in environmental standards between developed and developing countries, where the former adopt high environmental standards, which forces polluting industries to adapt or lose competitiveness, generating the displacement of the latter through FDI (Birnie & Boyle, 2002).

A case that could exemplify the postulate of the "pollution shelter" theory is the emblematic Chevron-Texaco case in Ecuador. Chevron Corporation is a large American energy company, formerly known as Chevron-Texaco or simply Texaco. Its origins date back to 1879 when the Pacific Coast Oil Co. was founded in California. This company grew in the following decades and eventually adopted the name Standard Oil Co. of California (Socal) in 1926. On the other hand, Texaco Inc. was founded in 1901 in Texas as The Texas Fuel Company. In 2001, Chevron (formerly Socal) acquired Texaco Inc., and Chevron-Texaco, one of the largest oil companies in the world, was born.

In 2005 the name was simplified to simply Chevron Corporation, but retained some of Texaco's heritage. It continues to be one of the largest energy companies integrating oil, gas, and geothermal exploration, production, refining, and marketing operations with a presence in more than 180 countries.

Pellegrini et al. (2020), detail that Texaco discovered the first commercially viable oil field in Ecuador in 1967 and began extracting crude oil in 1972 after constructing an approximately 500 km pipeline; from 1977, it formed a joint venture with the Ecuadorian state oil company (Petroecuador), where it acted as an operating partner, and during operations the company drilled 339 wells, built 18 production stations, 1000 km of secondary pipelines, 600 km of roads and extracted 1.5 billion barrels of crude oil.

The petroleum industry produces huge volumes of extremely polluting liquid wastes known as oilfield brines or formation waters. These effluents contain highly harmful substances such as radioactive isotopes, hydrocarbons, heavy metals, and high salinity and are discharged at high temperatures. It has been proven that the untreated discharge of these wastewater streams generates severe environmental damage and represents a serious risk to human health (Pellegrini et al., 2020).

2. Literature Review

In recent decades, growing environmental awareness has led to the analysis and identification of various human and commercial activities as causes of pollution. It is here where several theories are born that aim to understand the context and factors that contribute to the production and maintenance of polluting

activities. Throughout the world, there have been several cases in which the hypothesis of the pollution refuge theory has been proven.

In countries such as Chile, incidents have been examined that demonstrate the pollution haven phenomenon during times with less stringent environmental regulations. Currently, with the regulations in force, the effects derived from this phenomenon have been legally addressed. Despite the improvement in the Chilean environmental standard, the solutions adopted are mostly corrective, following the principle of responsibility, and lack a solid preventive system, despite the creation of institutions such as the Environmental Assessment Service. Therefore, the development of new environmental policies that address the fundamental problems of the environmental standard is crucial (Žebryte & Villegas-Benavente, 2016).

In the study by Žebryte & Villegas-Benavente (2016), it is mentioned that Chile began a boom in trade liberalization with the creation of Decree-Law No. 600 on the Foreign Investment Statute in 1974. During that decade, the Chilean economy was restructured towards a model that guaranteed and protected foreign direct investment (FDI). However, the reports of the Organisation for Economic Co-operation and Development (OECD) during the years 2013, 2015, and 2016 question the Chilean environmental standard, the benefit of economic growth from FDI, and the restructuring of environmental institutions. The same study tells us how in the case of the Castilla thermoelectric plant, the deficiencies of the Chilean environmental standard and the poor performance of the Environmental Assessment Service (SEA) and the Environmental Evaluation Commission (CEA) of the Atacama Region were highlighted. The central issue was the inadequate performance of the Atacama SEA, which favorably rated the Environmental Impact Study of the Puerto Castilla project presented by the Brazilian company OMX in December 2010. In addition, the Atacama CEA favorably qualified the Castilla thermoelectric project in March 2011, presented by the company CGX Castilla Generación S.A., after invalidating the pronouncement of the regional health authority. This qualification was based on reclassifying the project as a 'nuisance' industry rather than a 'polluting' one. These projects, which had to be evaluated jointly, would give way to polluting coal and diesel plants that would feed the Central Interconnected System.

Another example analyzed by Žebryte & Villegas-Benavente (2016) was the importation of toxic lead and arsenic waste from Sweden to Chile in 1984, carried out by the company Promel Limitada and the company Procesadora de Metales Limitada, with state authorization, evidencing the "pollution haven" phenomenon. At that time, there was no environmental regulation governing these activities, allowing the entry of polluting waste; the severity became apparent in 1997 when a population settled in the waste disposal area and residents began to become intoxicated, which led to the relocation of the waste as a solution. In 1999, a judicial process for environmental damage and compensation was initiated against the National Health Service, recognizing the damage but initially rejecting compensation. Finally, in 2007, the Supreme Court ordered the Service to compensate more than 300 affected people, reversing the initial ruling.

On the other hand, the study by Shahbaz et al. (2018), regarding environmental degradation in France due to the effects of FDI concludes that, in France, an increase in foreign direct investment worsens the quality of the environment by increasing carbon emissions. This is a *prima facie* manifestation of the pollution haven hypothesis. The results also lead us to conclude that the relationship between economic growth and carbon emissions is inverted U-shaped, which supports the EKC (Kuznets environmental curve) hypothesis. This means that, at first, economic growth is associated with increased environmental degradation. However, as the economy matures, environmental concerns become more important, and environmental policies become more effective, leading to a decrease in environmental degradation.

It is evident that FDI has been a contributing factor to the increase in environmental degradation (Shahbaz et al., 2018), and France faces a crucial dilemma, as on the one hand, from an economic perspective, it is hungry for capital investment (particular, FDI), but on the other hand, there is its great desire and effort to become a global leader in the fight against climate challenges.

In this way, the Chevron-Texaco case in Ecuador refers to one of the most significant environmental catastrophes in the history of oil extraction. Between 1964 and 1992, the U.S. company Texaco (later acquired by Chevron) drilled for oil in the Ecuadorian Amazon region. Taking into account the vacuum of environmental law during the years of the consortium, Kimerling (2013) argues that the Texaco company adopted a role similar to that of a mentor for the Ecuadorian State Petroleum Corporation, CEPE, now Petroecuador, as it is considered a prestigious international company with extensive experience in the oil sector, however, this led it to also establish guidelines in the operations of the Ecuadorian company.

However, Texaco's standards and practices did not address environmental protection. The company failed to provide guidance to its Ecuadorian staff on environmental issues, resulting in even oil workers trained by Texaco being unaware of the dangers associated with crude oil during the 1970s and 1980s, even applying

it to their scalps in the belief that it prevented baldness, and to remove it, they would wash their hair with diesel (Kimerling, 2013).

On May 4, 1995, Petroecuador and Texaco Petroleum Company entered into an agreement called the "Contract for the Implementation of Environmental Remediation Work and Release of Obligations, Liability and Claims," Clause 5.1 states that the Government and Petroecuador would release, absolve, and forever discharge Texpet, Texaco Petroleum Company, Texaco, Inc., and all of their respective related companies from any other environmental impact claims resulting from the operations of the consortium, except those related to the obligations of the Scope of Work, which would be released as the Environmental Repair Work was executed to the satisfaction of the Government and Petroecuador (District Court of The Hague, 2016).

Subsequently, on September 30, 1998, a final act was signed on behalf of Ecuador, Petroecuador and TexPet, in which the Government and Petroecuador proceeded to release, absolve and discharge forever the exonerated companies from any lawsuit or claim related to the obligations acquired by TexPet in the 1995 Contract, which had been fully and completely executed by TexPet, as agreed with the Government and Petroecuador (District Court of The Hague, 2016).

Thus, between 1995 and 1998, the area and facilities of the former consortium underwent an audit under the supervision of the government of Ecuador, and an environmental remediation program and public works were carried out, valued at US\$40 million. Texaco's remediation works in Ecuador were thoroughly inspected, certified, and approved by the Government of Ecuador, which fully released Texaco from all future claims or obligations related to its operations in Ecuador.

However, the Ministry of Foreign Affairs and Human Mobility (2015) in Ecuador alleges that Texaco company chose not to implement a patented technology that significantly reduced the adverse impacts of oil operations, despite using it in the United States, deliberately preferring to apply obsolete methods to obtain higher economic gains. During its presence in Ecuador, the company drilled and operated 356 oil wells and created at least 1,000 pools in the jungle, some clandestinely, to dispose of various waste such as crude oil, contaminated water, and toxic sludge, even going so far as to set fire to the contents of some of these pools along with the surrounding vegetation.

Texaco's discovery of commercially viable oil in Ecuador's Amazon rainforest was hailed as the salvation of the Ecuadorian economy, the product that would lift the nation out of chronic poverty and "underdevelopment." But the reality of oil extraction has been far more complex than its triumphalist launch." For those who have lived in the Amazon rainforest since time immemorial, the arrival of Texaco and 'civilization' meant destruction and ethnocide rather than development and progress," as Kimerling (2013) indicates.

The transnational oil company is responsible for the spill of no less than 15.8 billion gallons (59.9 billion liters) of oil waste and 28.5 million gallons (108 million liters) of crude oil in the Amazon. More than 2 million hectares of the Ecuadorian Amazon were affected by almost 30 years of contamination at the hands of a single company, which acted with impunity in violation of minimum environmental protection standards (Ministry of Foreign Affairs and Human Mobility, 2015)

3. Methods

In this research, a qualitative approach was used, that is, it was based on data collection methods without numerical measurement, such as observations and descriptions, with the purpose of reconstructing reality as observed by the authors of a previously define social system (Jiménez & Comet, 2016). An extraction of those fundamental concepts about the theory of the pollution haven theory was developed to determine the existence of this in the specific case of the Chevron-Texaco study in Ecuador.

The information used to relate the theory to the case study was collected from secondary sources through a Desk-Based Research methodology, which according to Bassot (2022) is defined as a form of empirical research in which data is collected indirectly, for example, from sources such as websites, articles, digital repositories, libraries, and other documents from trusted sources.

Subsequently, to achieve the general objective of this research, an intrinsic case study was used, which consists of studying contemporary issues over which the researcher has no control and answering questions such as "how" and "why"(Yacuzzi, 2005). This research hypothesis of whether Ecuador possessed the normative, institutional and political characteristics to be considered a Pollution Haven during the years of concession of said company. The importance of the case study lies in the ability to generate hypotheses and discoveries, by focusing its interest on an individual, event, or institution, and in its flexibility and applicability in natural situations (Arnal et al., 1994). The intrinsic case study refers to cases with their specificities, which have value in themselves, that is, they are of great interest to the readers and aim to achieve a better

understanding of the specific case to be studied (Jiménez & Comet, 2016). Therefore, this research explains the main postulates and conceptual elements of the Pollution Refuge Theory and describes the context of Texaco's extractive activities in Ecuador, relating them to the terms of Foreign Direct Investment and the country's environmental regulations.

Finally, in the conclusions section, an interpretive method was used, where the data were used to illustrate, defend, or challenge theoretical assumptions defined before collecting data (Jiménez & Comet, 2016). Through this, it was possible to determine, based on the elements proposed by the theory, whether in the case of Chevron-Texaco, Ecuador was considered a pollution haven.

4. Results

In the international trade world, multinational companies are constantly searching for new markets and expansion opportunities. This search is often motivated by the promise of higher economic revenues and a more flexible regulatory environment, which is closely related to the pollution haven theory. This theory states that dirty industries have migrated from developed countries to developing countries, and foreign investors are attracted by the weakness of environmental regulations (Terzi & Pata, 2020).

Although the Chevron-Texaco case in Ecuador has been widely known and debated not only in the country but also internationally, focused mainly on the environmental and social damages caused by the company's operations, the initial intentions that motivated the arrival of the American company in Ecuador have rarely been examined in depth.

The question then arises: was what happened a regrettable unintended accident or was Ecuador seen as a pollution haven by the oil company from the outset? To elucidate this issue, four main postulates of the pollution haven theory were identified, and detailed information about the Chevron Texaco case in Ecuador was analyzed. The aim was to determine whether the company did indeed consider the South American country as a pollution haven from the start of its operations or whether, on the contrary, the environmental impacts were unforeseen consequences of its activities.

Main postulates

4.1 Environmental Regulations: Strict vs. Lax

As mentioned earlier, the pollution haven hypothesis refers to an economic theory that suggests companies, in response to increasingly stringent and costly environmental regulations in their home countries, relocate their operations to countries or regions with more lax environmental regulations or lower compliance costs. This concept is relevant in the context of globalization and the international economy, which is why it is essential to analyze this first postulate in the case study. Going back to the years when the American company was granted a concession in the country, the development of environmental regulations in its home country will be considered, and whether these regulations were truly an obstacle during those decades.

After World War II, most of the world's oil was found in Latin America and the Middle East, which increased United States extraction operations in these regions, facilitated by multinational oil companies that held concessions in the oil-producing states, including Chevron and Texaco (Brew, 2019).

In the 1950s, most oil concessions were based on a "fifty-fifty" profit-sharing arrangement, where companies divided profits equally with local governments. This scheme had significant advantages as providing an equal share of profits appeased governments, while U.S. oil companies could claim a domestic tax credit to cover the costs of paying 50 percent income tax to local governments (Brew, 2019).

However, over time, major multinational oil companies exerted almost absolute dominance over the global oil industry, controlling prices and production levels. This situation was unacceptable to nationalist leaders in Latin American and Middle Eastern countries, as it represented an affront to their sovereignty. Although the producing governments attempted to regain control over their share of the industry, they could do little or nothing. Despite being oil-producing states, they had very little decision-making power over how this natural resource was extracted, marketed, or sold. They felt at the mercy of the multinationals, which reaped enormous profits, only a small fraction of which was returned to local governments (Brew, 2019).

In the 1960s, a clear example of this was Ecuador, where the oil companies Texaco, Chevron, and Amoco made considerable profits, while the Ecuadorian State did not obtain logically favorable results as a concessioner, but rather recorded losses with a high degree of detriment to the fiscal coffers (Chávez Ricardo, 1999).

On the other hand, environmental regulation in the United States was experiencing constant strengthening. In 1970, Congress established the Environmental Protection Agency (EPA) and enacted the

Clean Air Act, giving the federal government the authority to mitigate air pollution in the country. This law drove significant changes in operating modes and business practices, requiring that refineries and oil processing plants implement technologies to control their pollutant emissions (United States Environmental Protection Agency, 2007).

The Clean Water Act (CWA) is the fundamental pillar for the protection of surface water quality in the United States. Its origin dates back to an oil spill that caused a fire on the polluted Cuyahoga River in Ohio in June 1969, an event that raised national public concern. In response, the Clean Water Act was enacted in 1970, the Great Lakes Water Quality Agreement was established, and the Environmental Protection Agency (EPA) was created at the federal level, as well as the Ohio Environmental Protection Agency (OEPA) at the state level (Agencia de Protección Ambiental de Estados Unidos, 2023).

Regarding the Water Quality Criteria (WQC) that were developed as a result of the CWA, most required that all surface waters be free of oil, scum, and floating debris in amounts that are unsightly, as well as substances in toxic amounts for humans or aquatic life (Agencia de Protección Ambiental de Estados Unidos, 2023).

Section 311 of the Clean Water Act addresses discharges, including accidental spills, of oil and other hazardous substances into navigable waters and coastal areas. Under this section, "oil" refers to any kind and form of oil, including, but not limited to, crude oil, fuel oil, sludge, oil refuse, mixed with other wastes, and dredged material. "Discharge" comprises any spill, leak, pumping, pouring, emission, emptying, or release, excluding permitted discharges (e.g., through a National Pollutant Discharge Elimination System or NPDES permit). The same section prohibits the discharge of oil or hazardous substances into navigable waters of the United States and adjacent coastal areas, unless authorized under an international protocol or under conditions that the President (i.e., through EPA regulations and competent authorities) determines are not harmful (Agencia de Protección Ambiental de Estados Unidos, 2023).

The Clean Water Act, enacted on October 18, 1972, aimed to restore and preserve the chemical, physical, and biological integrity of the nation's waters. It established the NPDES permit program to regulate discharges into navigable waters, required industrial facilities to comply with technological standards, and set the national goal of eliminating pollutant discharges into navigable waters by 1985. The 1977 amendments introduced a series of technology-based standards and deadlines for industrial sources to significantly reduce discharges of toxic pollutants into waterways (U.S Environmental Protection Agency, 2023). In essence, this law sought to protect water quality through regulations, standards, and goals to reduce and eventually eliminate pollutant discharges, especially those of industrial origin.

Subsequently, the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as Superfund, was enacted by Congress on December 11, 1980. This Act created a tax on the chemical and oil industries and granted broad federal authority to respond directly to releases or threats of releases of hazardous substances that could endanger public health or the environment. Over five years, \$1.6 billion was raised, and the tax was deposited into a trust fund for the cleanup of abandoned or uncontrolled hazardous waste sites (U.S Environmental Protection Agency, 2023). The companies were held responsible for cleaning up oil spills and hazardous chemical releases.

These laws forced oil companies to invest in new technologies, modify processes, obtain permits, and pay fines for non-compliance, increasing their operating costs but reducing their environmental impact. Therefore, using state-level data from the U.S. for the period 1977 to 1994, they found that pollution-intensive industries tended to move to states where environmental regulations were weak (Millimet & Roy, 2016).

Emerging environmental laws in industrialized countries have caused highly polluting companies, in order to reduce their operating costs due to environmental controls, to tend to relocate to underdeveloped and developing countries, which are less able to bear the costs of monitoring environmental agreements and enforcing environmental standards (Terzi & Pata, 2020). However, it is also important to analyze the environmental regulations of the countries receiving these companies, which, while they may find FDI inflows attractive, must also consider the industrial pollution and environmental degradation they cause.

In the case of Texaco in Ecuador, it is crucial to take into account the environmental regulations that existed in the host country at the time in order to appreciate the difference between the regulations of both countries. To provide context about the beginning of the oil company in the country, we can say that it started in 1963 when the Texas Petroleum Company submitted a concession request for 1,431,000 hectares, which were transferred on March 14, 1964, to the companies Texaco de Petróleos del Ecuador, C.A (CTPE) and Gulf Ecuatoriana de Petróleos. S.A. (GEP) after about nine months of negotiations (Barreiro, 2006).

In January 1965, Texpet and Ecuadorian Gulf Oil Co. ('Gulf') obtained from CTPE and GEP, respectively, the right to acquire 95% of the shares that these companies held in oil, gas and other hydrocarbons

in the Napo Concession, discounted the royalties that the Government would acquire in kind, and as a consequence of the production used in the operations (Procuraduría General del Estado, 2015).

Kimerling (2013) argues that when the oil rush began, Ecuadorian institutions had very little presence or influence in the Amazon region. During the decades of Texpet's operation in Ecuador, the country's environmental legal framework did not establish strict regulations or effective control mechanisms for hydrocarbon extractive activities, which facilitated the development of highly polluting operating practices, with a devastating environmental and social impact in the extraction areas.

It was not until the presidency of José María Velasco Ibarra (1968-1972) that the 1964 contracts with Texaco and Gulf on oil royalties and surface rights were reviewed, where more beneficial reforms for Ecuador were achieved in economic terms, also revoking the concession of nearly one million hectares to Texaco and issuing the 1971 Hydrocarbons Law (Barreiro, 2006).

Following the oil "boom", President Velasco Ibarra issued the Hydrocarbons Law, published in the Official Gazette No. 322 of October 1, 1971, which eliminated the old 1937 Oil Law. It established new conditions for the national oil industry and stipulated that the State receive royalties of 6 to 16 percent of the exploitation of this resource (Procuraduría General del Estado, 2015). This Law was the basis for the creation of other legal texts that regulated the treatment of foreign investment and the participation of the State in the activity as owner of hydrocarbon deposits, as it stated that the hydrocarbon deposits and accompanying substances belong to the inalienable and imprescriptible patrimony of the State (Art. 1) and that the State will explore and exploit the resources through the Ecuadorian State Petroleum Corporation (CEPE) created on June 23, 1972, or by entering into association or service provision contracts with national or foreign companies or by setting up mixed economy companies (Art. 2) (Rosero, 2009).

In addition, the law required foreign companies to be subject to the country's courts and renounce all claims through diplomatic channels (Art. 24). In this way, a series of obligations were imposed on contractors, such as the employing a minimum of Ecuadorian personnel, approving plans, providing reports and data, employing the most advanced technology, reinvesting profits, using environmental protection measures and avoiding pollution, etc (Art. 29) (Rosero, 2009).

Unfortunately, the transitional provisions introduced in favour of companies left this Law on paper and it would not enter into force for several decades later.

Rosero (2009) details how "The first transitional provision stated that the Government would seek to have the concession contracts transformed into association contracts, thereby ensuring respect for the already granted (highly detrimental to the State) concessions and preventing the effective application of the Law, while the third transitional provision guaranteed the continuity of the refining concessionaires under the same conditions" (p.101).

Consequently, the first provision issued by the Nationalist government of President Rodríguez Lara regarding the petroleum sector was to enforce the validity of the 1971 Hydrocarbons Law through Supreme Decree 430 of June 6, 1972 (Rosero, 2009). As a result, within six months and nearing the renegotiation deadline, six new contracts were signed with Texaco-Gulf, Sun Oil, Cautivo, Cayman, and OKC, leading to a reversion of over 80% of the concession areas, which became part of the assets of CEPE and the Ecuadorian people (Rosero, 2009).

On August 6, 1973, Ecuador signed a new contract with Texpet and Gulf aimed at oil exploration and extraction, allowing CEPE to opt for a 25% stake in the Napo Concession in 1977 and reducing the duration of the concession's exploitation from the initially planned 40 years until 2004 to a new expiration date of June 6, 1992 (Procuraduría General del Estado, 2015).

On January 10, 1974, Supreme Decree No. 9 established that CEPE's 25% participation in the Napo Concession would begin in 1974, instead of 1977 as stipulated in the 1973 Contract. This acceleration in the transfer of participation to CEPE was based on Ecuador's need, as a member of the Organization of the Petroleum Exporting Countries (OPEC), to harmonize the development of its oil industry with the resolutions of that international organization (Procuraduría General del Estado, 2015).

Subsequently, President Rodríguez Lara enacted significant reforms in the hydrocarbons sector through Decree 566-A, published in the Official Registry No. 574 on June 14, 1974, which outlined the obligations and commercial activities of CEPE, the Ecuadorian government, and Texpet. The decree included an agreement that reduced Texpet and Gulf's participation from 50% to 37.5% each (Procuraduría General del Estado, 2015). However, these measures adopted by the president annoyed the Ecuadorian oligarchy, which lobbied hard until the dismissal of the Minister of Natural Resources and Agriculture, signifying a setback in the oil sector (Rosero, 2009).

This setback prevented the achievement of full oil production capacity, despite high national demand. Moreover, oil became the motivator for an aggressive debt policies. On May 27, 1977, Ecuador, CEPE and Gulf entered into a tripartite agreement know as the "1977 Gulf Contract", in which Gulf agreed sell its remaining stake in the Consortium to CEPE as of December 31, 1977. Consequently, CEPE obtained a 62.5% participation in the Consortium, while Texpet retained 37.5% and played the role of operator (Procuraduría General del Estado, 2015).

The Ley de Hidrocarburos 2967 del Registro Oficial No.711 (1978), established in Article 1 that hydrocarbon deposits belong to the State and their exploitation must follow sustainable development and environmental protection guidelines. Article 31 imposed obligations on CEPE, contractors, and associates to employ at least 95% of local labor and 90% of administrative staff within six months of operation. In the first five years of exploitation, personnel training was required to ensure that national technicians conducted 90% of technical operations, while 10% of foreign technicians would facilitate technology transfer. The law mandated the use of modern machinery, maximization of productivity, and the conduction of impact studies and environmental management plans approved by the Ministry of Energy and Mines and ecological control agencies.

On September 5, 1989, the Empresa Estatal de Petróleos de Ecuador (Petroecuador) was created, and CEPE was dissolved, transferring all its assets and responsibilities to the new company. Texpet continued as operator of the Consortium until July 1, 1990, taking charge of the methods and ways of conducting drilling and exploitation operations, including the management of crude oil waste and spills (Procuraduría General del Estado, 2015).

On March 25, 1991, Petroecuador and Texpet signed a new operations contract, registered in the Hydrocarbons Registry on July 11, 1991. This contract indicated that Texpet's investments were nearing completion since the 1973 contract was set to expire in 1992 and did not specifically establish any environmental responsibility, remediation, or indemnification on the part of the company (Procuraduría General del Estado, 2015).

In addition to hydrocarbon regulations, environmental legislation in Ecuador has been consolidated through significant laws, such as the Ley de Aguas issued by Decreto N°369, R.O.69 of 1972. Article 22 of this law prohibits water contamination in ways that affect human health or harm flora and fauna development. Article 77 states that anyone violating the law or its regulations will receive a minimum fine of five hundred sucres, adjusted according to the severity and circumstances of the violation. Additionally, repeat offenders will have their water use rights temporarily suspended. Finally, Article 78 requires the violator to dismantle any constructions made and restore the original environmental conditions, covering the necessary costs. In any case, the violator is liable for all damages caused.

Although this law addressed water resource contamination and established corresponding violations and sanctions, it did so in general terms and with less detail compared to more modern environmental regulations.

On the other hand, Decreto Supremo No. 374. RO/ 97 in 1976 gave rise to the Environmental Pollution Prevention and Control Law of 1976 was repealed in 1999. This law prohibited the discharge of air pollutants without technical regulations and defined sources of pollution such as factories, boilers, thermoelectric plants, refineries, automobiles, burning of garbage, exploitation of materials, etc. It also required environmental impact studies for new industrial projects, approved by the Ministries of Health and the Environment.

Since the 1978 Constitution, Article 19 recognized the right to live in an environment free of pollution and entrusted the State with protecting this right and nature through specific laws (Mila Maldonado & Yáñez, 2020). On October 4, 1996, during the government of President Abdalá Bucarán, the Ministry of the Environment of Ecuador was created. by Executive Decree No. 195 published in the Official Gazette Supplement No. 40 of October 4, 1996 (Ministerio del Ambiente Agua y Transición Ecológica, 2012).

Subsequently, the Constitución de la República del Ecuador (1998) established environmental protection as a primary duty of the State, including the defense of natural heritage and the promotion of sustainable economic growth (Art. 3). The State was to promote the use of clean technologies and non-polluting energies, offering tax incentives for healthy environmental practices (Art. 89). Additionally, the State and its concessionaires would be responsible for ecological damage and required to take preventive measures against potential negative impacts, allowing any person or group to take legal action to protect the environment (Art. 91).

The Environmental Management Act of 1999, based on the 1998 Constitution, was crucial for managing environmental policies and the sustainable development of resources in Ecuador. Grounded in constitutional principles such as solidarity and shared responsibility for environmental damage, it established

a Decentralized Environmental Management System under the authority of the Ministry of Environment (Stacey, 2011). However, according to Suing (2008), this system still owes a debt to society and national institutions due to a lack of political will. It also reflects a significant problem in environmental management due to insufficient resources, making it clear that nothing can be expected at the national level, let alone at the local level.

The period between 1980 and 1999 saw numerous norms and laws aimed at environmental management in Ecuador, along with significant industrial growth driven by foreign investments and an economic boom fueled by the exploration of non-renewable natural resources. However, this industrial growth occurred without adequate control or sustainable management of renewable resources, unfortunately leading to severe environmental damage and harm to areas inhabited by local communities (Stacey, 2011). Although economic development was achieved, it came at a high environmental and social cost due to the excessive exploitation of natural resources without proper safeguards.

"Ecuador depended decisively on transnational corporations to locate and extract oil, and of course on the income it generated for its economy. For this reason, despite constitutional law and various other environmental rights and duties written in Ecuadorian law, in practice, the oil environmental law is drafted, executed, and monitored by the oil companies themselves" (Kimerling, 1993).

Subsequently, the new Ecuadorian Constitution of 2008 recognized nature as an entity with its own fundamental rights, establishing a historical precedent in its legal protection.

"Ecuador's 2008 Constitution incorporated innovative changes in environmental matters. Mainly, the recognition of nature as a subject of rights, granting it legal personality. Until then, this legal status had been exclusive to human beings and legal persons, excluding other entities such as nature itself." (Mila Maldonado & Yáñez Yanez, 2020, pg. 9).

Bedón (2017) argues that one of the most notable aspects of the Ecuadorian Constitution in environmental matters is the recognition of nature as a subject of rights, rather than as a merely utilitarian entity for human beings. This conceptual transformation seeks to have a profound impact on several areas, such as the development regime and the inclusion of "good living" or "sumak kawsay" as a guiding principle of life.

In theory, Ecuadorian command-and-control laws should regulate the main sources of oil pollution, however, in practice, Texaco and other oil companies ignored these laws, and successive governments failed to implement or enforce them (Kimerling, 2006). Unlike in the United States, where environmental regulations imposed strict standards of protection, in Ecuador, these regulations were less enforced. This disparity allowed Texaco to employ less responsible practices in its extractive operations, causing serious consequences for the environment and human health in the Ecuadorian Amazon region.

In 2009, Chevron and TexPet initiated arbitration alleging that Ecuador breached its investment agreements under the Bilateral Investment Treaty (BIT). Chevron asserted that Ecuador released from all environmental impacts arising from the activities of the former Consortium, failed to provide fair and equitable treatment and that it be ordered to pay compensation for moral damages to compensate the Claimants for the non-pecuniary damage they have suffered as a result of Ecuador's egregious and unlawful conduct (Corte de Distrito de la Haya, 2016).

This raised concerns that the tribunal favored the U.S. company, weakening Ecuador's ability to regulate its environment. The oil company argued based on the concept of "fair and equitable treatment," a key protection for investors that involves respecting investors' legitimate expectations, offering legal stability and predictability, protecting against arbitrary actions and discrimination, and ensuring due process (Eiamchamroonlarp, 2017).

Balancing conflicting interests and integrating environmental protection into the investment protection regime is challenging. In this case, it is reasonable for the tribunal to consider whether the investors' poor environmental practices, inadequate handling of toxic substances, or the conclusion of a questionable Remediation Contract are relevant factors (Eiamchamroonlarp, 2017).

Despite various international legal instruments seeking to regulate FDI, such as binding agreements, bilateral and multilateral treaties, non-binding instruments, codes of conduct, and resolutions, none effectively regulate potential environmental damage caused by multinational companies in their operating countries, especially when national legislation is insufficient. Both hard law and soft law can be used to protect a state's national interests, although they have different legal implications.

Wartini (2016), mentions examples such as the Agreement on Trade-Related Investment Measures (TRIMs), which addresses investment aspects linked to trade but is not a comprehensive investment agreement.

Similarly, the Organization for Economic Cooperation and Development (OECD) has worked on a Multilateral Agreement on Investment (MAI) for high standards of liberalization, investment protection, and dispute resolution. Finally, Bilateral Investment Treaties (BITs) guarantee standards of treatment for investors but tend to protect mainly the interests of investors from developed countries, due to their origins in former colonial powers, which currently have the largest economies.

In addition to international agreements, there are codes of conduct such as the 1976 OECD Guidelines for Multinational Enterprises, which recommend respecting the human rights of those affected by their activities in accordance with the obligations and commitments of the host government. Specifically, these guidelines advise companies to contribute to non-discrimination policies in employment, effectively abolish child labor, and eliminate all forms of forced or compulsory labor by transnational companies. However, these guidelines are not legally binding and are voluntary in nature (Wartini, 2016).

In the context of international environmental treaties, during the period when Texaco was granted the concession, Ecuador had already made significant commitments to environmental protection. These commitments included adopting the Declaration of the United Nations Conference on the Human Environment, held in Stockholm in 1972. This declaration emphasized that protecting and improving the human environment is essential for the well-being of people and global economic development. Principle 2 stated that Earth's natural resources, including air, water, land, flora, and fauna, and especially representative samples of natural ecosystems, should be preserved for the benefit of present and future generations through careful planning and management. Additionally, Principle 7 urged states to take all possible measures to prevent maritime pollution with substances that could endanger human health, harm living resources and marine life, and negatively affect recreational activities and other legitimate uses of the sea (Declaración de Estocolmo, 1972). As a member country, Ecuador adhered to this agreement, committing to implement policies that protect and improve the natural environment. However, in stark contrast to these commitments, the Chevron-Texaco case highlighted a severe lack of compliance by the country in environmental protection.

Similarly, in 1992, Ecuador participated in the Rio Declaration on Environment and Development, which reaffirmed its commitment to the principles established in the 1972 Stockholm Declaration. These principles highlighted the sovereign right of states to exploit their resources according to their environmental policies, provided they do not cause environmental harm to other states. They also emphasized that development should balance the needs of present and future generations, integrating environmental protection as an essential part of sustainable development (Declaración de Río, 1992).

The Rio Declaration also established that states should cooperate to conserve the global ecosystem, with common but differentiated responsibilities, and promote the elimination of unsustainable production and consumption patterns. It highlighted the importance of cooperation in building capacities for sustainable development, developing legislation on liability and compensation for environmental damage, and supporting indigenous communities for their role in environmental management (Declaración de Río, 1992).

Principle 9 of the same document urged states to cooperate to strengthen their internal capacities for sustainable development by increasing scientific knowledge and promoting the transfer and dissemination of innovative technologies. Finally, Principle 22 emphasized the crucial role of indigenous peoples and local communities in environmental management and development, due to their traditional knowledge. States should recognize and support their identity, culture, and interests, ensuring their effective participation in sustainable development (Declaración de Río, 1992). Again, despite Ecuador's active participation in this Declaration, which underscored the importance of sustainable development and environmental protection, the handling of the Chevron Texaco case in the Ecuadorian Amazon revealed a notable dissonance between international commitments and national practices.

In Ecuador, the pursuit of economic growth through its own natural resources attracted foreign investments, but this meant that foreign oil companies always sought a reasonable level of legal protection. In this case, it was through the signing of a bilateral investment treaty (BIT) between Ecuador and the United States in 1997. Theoretically, BITs aim to protect foreign investors against expropriation, discriminatory treatment, and ensure fair and equitable treatment (Eiamchamroonlarp, 2017). However, they can also restrict the ability of states to regulate areas such as health, environment, or public interest to protect foreign investors.

It is important to recognize that Texaco's original investment in Ecuador ended in 1992, before the BIT came into effect, and since then, neither Chevron nor Texaco have had businesses or assets in the country. Additionally, the Settlement and Release Agreements, aimed at environmental compensation and remediation, are not considered "investments," nor are Texpet's expenses for these measures (Procuraduría General del Estado, 2015).

Alaña et al. (2017) argue that Ecuador requires coherent legislation that promotes a clean production model, allowing for the identification of alternatives to mitigate and prevent environmental pollution. The country, exercising its sovereignty, has the right to exploit its natural resources according to its own environmental and sustainable development policies, focusing on the needs of present and future generations. Additionally, the Ecuadorian State is responsible for ensuring that activities within its jurisdiction or under its control do not harm the environment of other states or areas beyond its national borders, to establish a cleaner and more sustainable production model (Alaña et al., 2017).

4.2 Economic Interests: Investor vs. Host Country

During Chevron Texaco's concession period in Ecuador, the economic interests of the company and the host country intertwined. On the one hand, Chevron Texaco sought to maximize its profits by extracting and marketing Ecuadorian oil, taking advantage of high crude oil prices, and reducing costs associated with compliance with environmental regulations. This strategy was part of its global plan for expansion and capture of new deposits. Ecuador, on the other hand, as a developing country, aspired to obtain tax revenues and attract foreign direct investment (FDI) through these oil projects. Foreign capital and royalties from natural resources were crucial to the country's economic development and modernization during that period.

The goal of maximizing profits for multinational companies involves reducing their operational and production costs, as well as the costs related to compliance with environmental regulations. In addition, factors such as lower wages, cheaper land costs, and tax benefits play a role. Therefore, the search for more favorable regulatory environments for polluting operations means that the presence of weak environmental laws and pollution control in a country can encourage the flow of FDI (Terzi & Pata, 2020).

Terzi & Pata (2020) argue that high environmental standards can increase costs and cause significant damage to the economy of multinationals. Speaking about the Texaco concession in Ecuador, researcher Lindsay Ofrias pointed out in an interview on the Real News Network that it was not simply a matter of an oil spill or a technological failure, but that the corporation made a deliberate decision not to follow proper waste management processes to save money, such as reinjecting production waste into the subsoil, a standard practice at the time. Instead, Texaco chose to deposit them in large open pits (Wilpert, 2017).

In November 1993, a year after Texpet's investment in Ecuador ended, a group of Ecuadorians filed the Aguinda lawsuit in the U.S. against Texaco, alleging that its oil operations between 1964 and 1992 contaminated the Ecuadorian Amazon and consequently sought environmental remediation and compensation for personal damages (Procuraduría General del Estado, 2015). However, the Ecuadorian government supported TexPet in its efforts to dismiss the lawsuit, arguing that the state is the legal entity responsible for protecting the environment and natural resources within its territory and that the plaintiffs had no right to litigate over public lands (Bishop et al., 2009).

In 1994, the Minister of Energy and Mines, Petroecuador, and Texpet signed a Memorandum of Understanding (MOU) to establish the mechanisms by which TexPet would be released from claims that these institutions might have regarding environmental impacts related to the concession. This did not affect the rights of third parties affected by the operations of the PETROECUADOR-TEXACO Consortium (Procuraduría General del Estado, 2015). In other words, although the MOU released Texpet from claims by the Ministry and Petroecuador, it did not prevent other affected parties from exercising their legal rights to seek compensation for environmental damage resulting from the consortium's activities.

On May 4, 1995, the Ministry of Energy and Mines, Petroecuador, and Texpet signed an Execution and Release Contract, whose Annex A described the Environmental Remediation Work, which was to be detailed in a Remediation Action Plan by Texpet (Procuraduría General del Estado, 2015). In November of the same year, the parties signed the "Transactional and Final Agreement," acknowledging that this agreement extinguished all rights and obligations between them derived from the 1973 Concession Contract (Procuraduría General del Estado, 2015).

In May 1996, Texpet agreed to release obligations and claims with four Amazonian municipalities for environmental contamination, paying approximately USD 3.8 million for infrastructure such as potable water and sewer systems (Procuraduría General del Estado, 2015).

Despite the District Court of the Hague (2016) detailing in its ruling that on September 30, 1998, an agreement was signed on behalf of Ecuador, Petroecuador, and TexPet, stating that the obligations acquired by the company were fully executed within the framework agreed with the Government and Petroecuador, the Ministerio de Relaciones Exteriores y Movilidad Humana (2013) defends that Article 46 of the exploitation contract signed by Texaco and the state oil company of Ecuador established that the multinational committed to using technologies with safe reinjection systems for toxic waste into the subsoil. This technology was already used in the United States, but it was never implemented in Ecuador.

In May 2003, a group of Ecuadorians filed a lawsuit against Chevron in the Superior Court of Nueva Loja in Lago Agrio, Ecuador, seeking compensation for the environmental remediation of former consortium sites. Chevron sought to dismiss the Lago Agrio claims based on the 1995 Transaction Contract, the 1996 Municipal and Provincial Release Acts, and the 1998 Final Release Act, which released TexPet and its associates from all liability (Bishop et al., 2009).

By October 2003, Chevron notified the Government of Ecuador that any economic liability arising from a court ruling should be assumed by Ecuador and Petroecuador. In February 2006, after a judicial inspection in areas of the former consortium, experts concluded that the plaintiffs had not proven their claims of environmental contamination. They also determined that the remediation carried out by TexPet was adequate and met the criteria established by Ecuador. However, in 2011, the final clause determined that Chevron was responsible for significant environmental damage caused by Texaco's (TexPet) operations in the Ecuadorian Amazon (Bishop et al., 2009).

On September 23, 2009, Chevron and TexPet filed a Notice of Arbitration based on the BIT between Ecuador and the United States, including claims related to the 1995 and 1998 Release Agreements between Texaco and the Ecuadorian government, which had previously been brought before the American Arbitration Association (AAA) and dismissed by the New York District Court. Chevron and TexPet argued that TexPet was an investor in Ecuador due to its concession in 1964, the Memorandum of Understanding to finalize any environmental claims in 1995, and the 1998 Final Act (Procuraduría General del Estado, 2015).

On September 6, 2010, Chevron and TexPet submitted their first memorial to the Tribunal, requesting that Ecuador be declared in violation of the BIT. They argued that Texpet had fulfilled its remediation obligations and received a full release of environmental liability from Ecuador regarding any environmental liabilities of the consortium. The plaintiffs asked the Tribunal to confirm that, according to the 1995, 1996, and 1998 Execution and Release Contracts, they have no legal or general liability for adverse environmental effects (Procuraduría General del Estado, 2015). In 2018, the Arbitral Tribunal issued its final award, concluding that the Lago Agrio judgment against Chevron was obtained through fraud and corruption, ruling that Ecuador had violated its obligations under bilateral investment treaties.

Oil represents much more than a natural resource. It constitutes a crucial source of income that sustains the economic models of producing countries, which is why ChevronTexaco has played a key role in the strategy to control this valuable resource and maximize economic growth derived from it.

Ofrias (2017) highlights as a crucial factor the fact that the Ecuadorian judge who ruled against the oil companies indicated that these companies saved approximately \$3 per barrel by not employing adequate technologies for the disposal of oil waste, a calculation supported by several external expert studies. This demonstrated that the company's main intention was to reduce costs and that it was more economical to clean up a spill than to prevent it.

For Wilpert (2017), there is definitely no international structure to deal with environmental violence, as occurred in Ecuador, since this is not treated as a war crime, despite most of us understanding that there are wars over resources, and what happened in Ecuador was exactly that.

Sawyer (2010), discussing the study of the legal dispute between Chevron and Ecuador, argues that even when corporations are exposed to the risk of fines or reputational damage, the cost-benefit analyses guiding their operations may be based on a highly questionable premise: it is more economical to face a lawsuit and invest in corporate image campaigns than to implement comprehensive risk management from the outset.

Pollution is the consequence of lax regulation. According to Freudenburg & Gramling (2010) study on the BP oil spill in the Gulf of Mexico in 2010, poor regulatory oversight is key to understanding how cost-benefit analyses lead to environmental disasters.

From Ecuador's economic perspective, it must be understood that until 1967, the country's economy was primarily based on agriculture and banana exports. Therefore, the discovery of significant oil reserves in the Amazon by foreign companies Texaco and Gulf was seen as the country's economic salvation, as it would lead to the exploitation of oil resources and the attraction of foreign direct investment (FDI) (Kimerling, 2006). This pursuit of economic development often leads to the relaxation of environmental regulations as a strategy to attract more investments and create employment opportunities despite the potential negative impacts.

Like other Latin American nations, the Ecuadorian government opted to sustain economic growth through its natural resources by attracting foreign investments. The last two decades have witnessed significant growth in FDI flows to developing countries. This has been accompanied by increased competition among developing countries to attract FDI, leading to greater investment incentives offered by host governments and

the removal of restrictions on foreign companies' operations in their countries. This has also resulted in a growing number of bilateral investment treaties (BITs) and regional investment agreements (Wartini, 2016).

However, a study on 97 oil-exporting countries confirmed a negative relationship between a country's dependence on oil exports and its development (Oilwatch, 2005). Countries like Mexico, Nigeria, and Angola have gone from crisis to crisis, while their populations remain with high poverty rates, and the oil activity has not created sustainable industries in any of them (Oilwatch, 2005).

In Ecuador, starting in 1967, intensive exploration was conducted in an area exceeding five million hectares of tropical rainforest, under an Ecuadorian government oil policy that did not yield significant benefits to the state. Only at the end of the 1960s did the Ecuadorian government decide to change its oil policy towards foreign companies, and in 1969, during the administration of Dr. José María Velasco Ibarra, two-thirds of the concession to the Texaco-Gulf consortium was reversed for the state, which increased royalties from oil exploitation and involved the state more in the activities and production process of hydrocarbons (Chávez, 1999).

Additionally, foreign companies and firms were required to allocate a larger portion of their investments to road infrastructure projects, airports, and other beneficial works for the Ecuadorian Oriente. This investment process led to human settlement and the resulting basic environmental degradation from the indiscriminate logging of tropical forests and the lack of a coherent conservation and preservation policy for the eastern region's environment (Chávez, 1999).

In 1972, Texaco completed the construction of the Trans-Ecuadorian Pipeline System (SOTE), which was considered the artery of the Ecuadorian economy (Chávez Ricardo, 1999). Economic development appeared distant from the reality experienced by the Amazonian peoples, where the arrival of oil company operations represented a destructive process rather than a vector of progress (Kimerling, 2006).

Economists acknowledge that there was a short period when oil activity generated 80% of the country's revenue. However, they affirm that since 1982, with the debt generated by this activity, no more hospitals or schools were built, and social programs stagnated (Larrea, 2002).

In the context of lax environmental regulation, Texaco exercised self-regulated control over its operations, which led to oil spills being addressed exclusively from an economic perspective, disregarding the environmental and human health concerns these events entailed (Kimerling, 2006). This situation demonstrates how, in a weak regulatory framework, companies can prioritize their commercial interests over ecological considerations, thus limiting the mitigation of the negative impacts of their productive activities on the natural environment and nearby populations.

In 1982, the government barely initiated a policy of openness to foreign investment in the oil industry and had to assume the administrative, economic, and technical management of oil fields, according to the exploitation contract signed with the Texaco-Gulf Consortium. In this sense, it is worth remembering that operations control was to be shared between Texaco for the first 10 years and Gulf for the remaining 10 years. However, in the absence of Gulf due to the fact that CEPE (Ecuadorian State Petroleum Corporation) had purchased its shares, the state corporation was supposed to take control and hydrocarbon operations, but this management did not occur until the contract's end (1990), which caused significant economic losses to the Ecuadorian State

In 1982, the Government had just begun a policy of opening up the oil industry to foreign investment and at the same time had to assume the administrative, economic and technical management of the oil fields, by the exploitation contract signed with the Texaco-Gulf Consortium. In this sense, let us remember that the control of operations should be shared between Texaco, for the first 10 years, and Gulf, for the remaining 10, however, in the absence of the Gulf company, because CEPE Corporación Estatal Petrolera Ecuatoriana had bought its shares, it became the State Corporation that had to assume control and hydrocarbon operations. Nevertheless, it was not until the eve of the termination of the contract in 1990 that this management took place, 1 which caused heavy economic losses to the Ecuadorian State (Chávez, 1999).

Oil quickly became the dominant sector within the country's economy. At that time, President Guillermo Rodríguez Lara promoted the idea that oil resources belonged to the state and would be the driving force that would benefit all Ecuadorians, propelling the nation toward modernity, unlike traditional sectors such as bananas and cocoa (Kimerling, 2006). However, it was the Amazonian peoples who bore the costs of oil exploitation without participating in the distribution of its benefits or in the political and environmental decision-making processes that directly affected them (Kimerling, 2006).

Imposing environmental responsibility on multinational companies like Texaco, through the "polluter pays" principle, seeks to protect the long-term economic interests of countries receiving foreign direct

investment. Although the Lago Agrio case ruling, which ordered Texaco to pay more than \$18 billion for environmental damage and health problems, might seem like a deterrent for future investments, this measure aimed to ensure sustainable economic development by including the environmental costs of extractive activities (Eiamchamroonlarp, 2017).

The principle of sustainable development does not limit economic growth but promotes less harmful development, balancing the attraction of foreign investment with environmental protection. Therefore, penalizing polluting practices and establishing environmental accountability mechanisms in free trade is essential to ensure the long-term sustainability of extractive activities, aligning the interests of host countries with sustainable development (Eiamchamroonlarp, 2017).

Internationally, Ecuador is a relatively small producer, so its oil policy did not significantly influence the international industry and is vulnerable to the power and pressure of the global market. Thus, oil development heightened the country's dependence on exports to foreign markets and foreign investment for its technology and expertise (Kimerling, 2006).

Ecuador's oil reserves have allowed the country to access massive loans relative to its size, accumulating a growing external debt over the years. It becomes evident how the benefits derived from the development of the oil industry have not been equitably distributed, maintaining persistently high poverty rates in the country (Kimerling, 2006). This situation reveals a paradox in which, although oil wealth facilitated the acquisition of vast financial resources, it has not resulted in a significant impact on poverty reduction and the improvement of living conditions for large sectors of the Ecuadorian population.

Kimerling (2006) argues that companies have pressured Ecuador to change laws and contracts to favor their interests at every opportunity. Almost four decades after the oil boom began, the country still relies primarily on foreign companies to finance costly exploration, production, and new technology transfer activities. This reliance underscores the importance of oil revenues and investment for the economy, leading to significant benefits for foreign companies.

In relation to this, Diamond (2016) discusses why some countries are richer than others, highlighting a paradox called the "resource curse," which refers to how some countries with valuable natural resources like gold or oil are not necessarily developed countries.

The "curse" described by Diamond, where resource abundance does not translate into prosperity, manifests in Ecuador, a country rich in natural resources such as oil, minerals, and forests, but still mired in crisis and underdevelopment. The accusation that foreign oil and mining companies have polluted rivers, destroyed forests, and violated the rights of indigenous communities in their quest to extract these valuable natural resources reflects the paradox of resource-rich countries often being poor.

Nigeria, for example, enjoys resource abundance, while Italy has the apparent misfortune of not being rich in gold, oil, or tropical hardwood trees. At first glance, economists thought their analyses would show that countries with abundant natural resources like Nigeria would be much richer than resource-poor countries like Italy. However, the opposite turned out to be true (Diamond, 2016).

In conclusion, the case of Ecuador highlights the tensions and contradictions that can arise between the economic interests of extractive multinationals and the host country's interests in foreign direct investment. While the discovery of oil reserves generated expectations of economic prosperity and development for Ecuador, the lack of technical knowledge and collective awareness of environmental impacts hindered the implementation of preventive and mitigating measures against the contamination caused by hydrocarbon activities.

This situation mainly benefited multinational companies like Texaco, which could maximize their profits without bearing the real costs of environmental damage, transferring these negative externalities to the Ecuadorian population. In Ecuador, the technical means to sustainably reduce the effects of contamination from hydrocarbon activities have not been developed, primarily due to a lack of economic resources, but also due to the absence of collective awareness about the true extent of environmental degradation and the lack of educational and informational resources on the matter (Chávez, 1999).

4.3 Environmental impact

Currently, pollution is a crucial global issue. It is essential to understand that extractive activities, while they can generate revenue and economic development for countries receiving foreign investment, also entail significant environmental risks and responsibilities. The case of the oil company Texaco in Ecuador illustrates unethical business practices concerning environmental care, violating the principles of responsibility and sustainable development. This has led to severe ecological liabilities and health impacts on local

communities, underscoring the need to strengthen regulatory frameworks and accountability for foreign companies' operations in environmentally sensitive areas.

It is inexplicable that the oil extracted by Texaco from Ecuador in 25 years of concession (1.5 billion barrels) was consumed in the United States in just 75 days. To achieve this production, 22 stations were built, and 339 wells were drilled over an area of 442,965 hectares, where thousands of tons of toxic material, maintenance waste, and over 450 million barrels of production wastewater (with salinity six times greater than seawater and containing hydrocarbons and heavy metals) were discharged into the environment and rivers (Oilwatch, 2005).

This type of environmental degradation by the company has also been evidenced in other regions of the world, such as Nigeria, where the company still faces accusations of severe human rights violations in Niger Delta communities between 1998 and 1999 (Oilwatch, 2005). The company began its oil activities in this country in 1962, expanding to multiple fields in the Ilae communities, from where it obtained approximately 20% of its total production in the country. Its hydrocarbon extraction processes were not respectful of the environment, and local populations were directly affected. Such was the situation faced by the Ilae, Opia, and Ikenyan communities, where the destruction of freshwater sources occurred (Oilwatch, 2005).

On the global stage, since the 1980s, the emergence of policies and corporate values promoting deregulation, privatization, and prioritization of financial gains has incentivized companies to employ deficient technologies and commercial practices, frequently resulting in environmental pollution and loss of natural resources (Ofrias, 2017).

Chevron-Texaco is a company primarily focused on economic interests, relegating social and environmental considerations to a secondary level. Its technological innovation efforts have mainly concentrated on developing techniques for deep-sea oil extraction and heavy crude exploitation. The company has gained extensive experience in onshore heavy crude extraction activities previously disregarded, such as in Venezuela or the tar sands of Canada (Oilwatch, 2005).

Technological advances are enabling more countries to become oil producers by making it viable to extract small reserves at great depths or heavy crudes previously unprofitable from an economic standpoint. However, these advances require costly research, which, in theory, should be financed by the companies themselves as part of their investments. Yet, these costs are often transferred to third parties, usually the states, exerting pressure and lobbying to obtain tax benefits and direct or indirect subsidies (Oilwatch, 2005).

When Texaco began its operations in the country, Ecuador had no history of environmental protection and little awareness of environmental issues among the population and the political world. Similarly, an environmental care process requires significant investment in technology. Therefore, the country relied on Texaco's experience as an operator in oil fields, expecting technology transfer and training for national technicians. The company was granted the design, acquisition, installation, management, and operation of the infrastructure that turned Ecuador into an oil exporter (Kimerling, 2006).

Texaco came to Ecuador using outdated practices, such as discharging produced water and other waste into the environment. It was not until the early 1990s, when the revelation of irresponsible practices in Ecuadorian oil fields alerted the international community, that other oil companies have since tried to differentiate their standards and practices from those of Texaco (Kimerling, 2006).

Ofrias (2017) argues that Ecuadorians have suffered the long-term effects and daily impacts of an oil disaster, dubbed "the Amazon Chernobyl." According to his study, the oil industry strategically uses pollution to consolidate power and increase profits, functioning more like selective chemical warfare than a means to reduce costs. This tactic resembles a form of war, where pollution is used as a tool to achieve economic and political objectives rather than merely a consequence of reducing operational costs.

For more than twenty years, plaintiffs representing around 30,000 Ecuadorians from the Amazon region have fought to hold the oil company accountable for alleged environmental abuses and human rights violations. The company has acknowledged dumping more than 16 billion gallons of crude oil and wastewater into rivers, streams, and open pits dug into the soil of northern Ecuador's Amazon during its operations between 1964 and 1992. In terms of pollutants spilled, this disaster is approximately 80 times greater than the BP spill in the Gulf of Mexico in 2010 (Ofrias, 2017).

According to Eiamchamroonlarp (2017), investors have a duty to conduct business reasonably. That is, Chevron and TexPet should have acted in Ecuador's best interest and its economic development. However, by causing severe social and environmental impacts, the company set its environmental standards without adequately including environmental protection and monitoring.

As mentioned earlier, in 1995, TexPet signed a Remediation Action Plan, which is considered insufficient as it only committed to cleaning 264 of the 1,000 created pools. It was reported that even 162 of these were not effectively cleaned. Additionally, it was alleged that TexPet covered hundreds of toxic waste pools with topsoil, without addressing the contamination. The said remediation plan has been criticized for its lack of participation with affected communities, transparency, and democratic safeguards (Eiamchamroonlarp, 2017).

Eiamchamroonlarp (2017) concludes that the main actors, especially the host state, are responsible for carefully monitoring and mitigating the impacts of any economic development on the environment. Imposing environmental responsibility on Chevron-Texaco (the polluters) benefits environmental protection and the current free trade regime, showing synergy between environmental regulation principles and economic laws.

Several factors can lead FDI to evade environmental, health, and safety controls, especially in developing countries where environmental protection levels are lower, even though robust environmental policies exist. FDI, being larger than local investment, can better absorb the costs of environmental controls and hire more qualified managers and workers. Therefore, it is important to recognize advances in environmental management abroad and have the ability to transfer modern environmental technology to operations in developing countries. This could improve their image among consumers. However, in practice, not all FDI demonstrates good performance in this area (Wartini, 2016).

Texaco's operations and oil development have significantly reduced access to renewable natural resources and harmed subsistence production without providing the affected Indigenous populations with means to acquire essential goods and necessities (Kimerling, 2006). While ChevronTexaco tries to project a positive image by promoting supposed benefits for communities and governments through job creation, the reality is far from these claims. The company faces legal proceedings for tax evasion, and the employment it creates is inferior to what it destroys in sectors such as agriculture, fishing, and women's work by damaging the sources of subsistence for these populations (Oilwatch, 2005).

The company employs a strategy to address future claims for its actions. During negotiations, it offers everything that states do not provide to citizens to obtain permits and eliminate resistance. However, when populations demand the fulfillment of those promises and compensation for damages, ChevronTexaco blames the states (Oilwatch, 2005). While the company publicly projects an image of philanthropy through supposed charity projects, its presence in local communities is characterized by abuses and environmental destruction, as in the cases of Nigeria and Ecuador.

Chevron-Texaco argued that the environmental case was a conspiracy to bankrupt the company, but Ecuador demonstrated that the evidence from the Lago Agrio process indicated otherwise. Data from the company itself clearly show the contamination they caused in the concession area, causing ongoing harm to residents (Procuraduría General del Estado, 2015).

Finally, the important point is not whether the contamination exceeds Ecuadorian standards, but that Texpet caused contamination despite being obligated not to do so by laws and the 1973 Concession Agreement. There is evidence that Texpet used inadequate practices in oil exploration and production, damaging the Amazonian ecology. Environmental experts from Louis Berger Group LBG confirmed that despite Ecuadorian legislation requiring a high degree of care to avoid environmental damage, oil contamination was evident and attributable to Texpet's operations. Before leaving Ecuador, Texpet did not properly evaluate the extent of the contamination, nor analyze the environmental and health risks it caused, nor did it conduct adequate remediation (Procuraduría General del Estado, 2015).

Ecuador has demonstrated that Texpet's contamination continues to exist in the Amazon at a level harmful to humans, animals, and their environment. LBG's evidence shows contamination of sediments, surface soils, and groundwater in places easily accessible to residents and their livestock (Procuraduría General del Estado, 2015).

5. Discussion

Foreign direct investment (FDI) has been hailed as a driver of economic progress in many developing countries. As Ramírez (2010) mentioned, the role of multinationals is currently crucial in the global scenario. However, its impact on nature, health, and safety has been a growing concern. The case of Chevron and Texaco illustrates how these large corporations often neglect their ethical and environmental responsibilities, despite the host country's environmental regulations.

Freire et al. (2021) argue that transnational pollution mechanisms such as FDI and the importation of polluting goods are causes of environmental degradation in developing countries. Although Chevron and Texaco might argue that they were not contractually obligated to take specific environmental protection

measures, despite the Ministerio de Relaciones Exteriores y Movilidad Humana (2013) asserting that Article 46 of the exploitation contract signed by Texaco and the state oil company of Ecuador committed the company to using appropriate technologies for the disposal of toxins underground, it is important to state that regardless of the existence or non-existence of a preventive contamination contract, this should not exempt corporations from their ethical responsibility.

Business ethics demand that companies act prudently and carefully, ensuring that their operations do not cause unnecessary harm to the environment and local communities. In this case, it seems evident that both companies failed to adhere to these ethical principles, resulting in significant environmental and social damage.

Theoretically, FDI should be leveraged to strengthen environmental controls and hire specialized personnel to ensure sustainable operations, due to its access to clean technologies and interest in maintaining an ethical image among consumers. However, this is not always the reality. As Wartini (2016) argues, FDI has increasingly transferred environmental and human health problems to developing countries. In practice, FDI often leads to the relaxation of environmental regulations due to economic pressure and corruption. In many cases, multinational companies offer benefits that states cannot provide, obtaining permits and eliminating resistance through economic incentives. When local communities demand the fulfillment of promises made by these companies, claims are usually directed at the state rather than the responsible corporations, diluting responsibility and perpetuating environmental damage, as Oilwatch (2005) highlights regarding Texaco's strategy for future claims.

Multinational corporations like Chevron-Texaco have projected a public image of benefactors while perpetuating abuses and environmental destruction. Examples like the case of Nigeria show how these companies operate under a facade of development and community support while failing to adequately address the negative impacts of their activities. It is crucial to develop robust monitoring mechanisms and strengthen institutions responsible for regulating and supervising the operations of such companies.

This research identified how corruption is an underlying factor that hinders the effective implementation of environmental regulations. Economic and political interests can influence decision-making, allowing multinational companies to operate without proper restrictions. This not only undermines existing regulations but also prevents the evolution of a robust and effective regulatory environment. Ecuador's experience, with its seemingly strong but practically ineffective regulatory framework, illustrates how corruption can undermine environmental protection efforts.

Prevention strategies should be prioritized over remediation in environmental management, as highlighted by Žebryte & Villegas-Benavente (2016) in the case of Chile. Companies tend to prefer fixing damages after they occur, arguing that it is more economical. However, environmental damages often have irreversible consequences, such as species loss and ecosystem degradation, that can never be fully remedied.

Regarding international commitments, it is important to remember that Ecuador participated in the 1972 Stockholm Declaration and the 1992 Rio Declaration, which emphasized the importance of sustainable development and environmental protection. However, the handling of the Chevron Texaco case in the Ecuadorian Amazon highlighted a significant discrepancy between international commitments and national practices.

The Declaración de Estocolmo (1972) established fundamental principles for the preservation of natural resources, and the Declaración de Río (1992) reaffirmed these principles, emphasizing the need to integrate environmental protection into sustainable development and highlighting support for indigenous peoples and their communities. However, in the Chevron Texaco case, Ecuador failed to adequately implement these commitments, allowing oil extraction practices that resulted in significant contamination and environmental degradation, negatively affecting the region's inhabitants.

This failure highlights the country's institutional and regulatory deficiencies, as well as a marked preference for short-term economic benefits and production over long-term environmental protection. Despite commitments made at international summits, Ecuador prioritized immediate economic development, allowing Chevron Texaco's activities to cause severe environmental damage.

Evidence shows that Texaco did not adopt the available technologies in the United States for waste management in Ecuador, instead opting for cheaper and more harmful methods for the Ecuadorian environment, as noted by the Procuraduría General del Estado (2015). This negligence not only created an environmental disaster of catastrophic proportions but also demonstrated how a lack of robust regulations can attract foreign investments at the expense of local environmental and social well-being.

Furthermore, an analysis of Ecuador's regulatory and institutional framework during Texaco's operations reveals that despite existing environmental legislation, it was insufficient to prevent contamination.

The reforms introduced later came too late to mitigate the already inflicted damages. This situation aligns with the Pollution Haven Hypothesis, highlighted by Copeland & Scott Taylor (1994), and supported by subsequent studies such as Levinson (2009) and Sarkodie & Strezov (2019). Institutional weakness and the lack of participation of affected communities in decision-making demonstrate how Ecuador had the necessary characteristics to be considered a pollution haven during Texaco's oil operations.

Authors like Kimerling (2006) and Freire et al. (2021) have emphasized the importance of strong environmental governance to prevent developing countries from becoming attractive destinations for foreign investments seeking to evade environmental regulations and to ensure that international environmental commitments translate into effective practices that protect the environment and promote truly sustainable development.

This case also reveals the consequences of contracts that Ecuador signed exonerating Texaco from environmental responsibilities, which are fundamental to understanding subsequent litigation and the magnitude of the impact. These agreements, such as the one in 1995, freed Texaco from any future liability for damages, complicating compensation for affected communities and, above all, limiting the state's ability to demand remediation and consequently impacting the international perception of environmental management in the country.

Similarly, multinationals need to adopt responsible environmental practices regardless of the host country's regulatory context, as suggested by Sawyer (2010) and Ofrias (2017). Only through a joint commitment between governments, companies, and communities can the repetition of environmental disasters like Chevron-Texaco in Ecuador be avoided. This approach not only protects the environment but also promotes equitable and sustainable long-term economic development.

Multinational companies engaging in FDI have enormous potential to shape the social and economic policies of a host country. As Eiamchamroonlarp (2017) asserts, both the host state and companies as primary actors are responsible for preventing environmental damage resulting from economic development. These global corporations can exert positive influence on state environmental protection by conditioning their investments on compliance with environmental regulations and standards. By refusing to invest or ignoring violations of ecological standards, foreign investors could pressure governments to maintain and strengthen environmental safeguards within their borders. Therefore, FDI has the power to act as a driving force for progress in the sustainability and conservation of natural resources in the nations where they operate.

Now, it is necessary to consider whether the numerous existing laws are sufficient to prevent contamination or if reinforcements and proper enforcement are still lacking. It is essential to evaluate the effectiveness of institutions responsible for supervising and ensuring compliance with regulations. Without a doubt, the historical advance marked by the 2008 Constitution, recognizing the rights of nature, also entails a strong commitment to enforcing these rights. The question remains as to who is monitoring compliance with these laws, necessitating a deep comparative analysis to better understand this situation.

Ecuador must avoid taking risks in the future by hoping to resolve problems later. Both the company and the state must act ethically from the outset to prevent future damages. Although there are counterarguments to the Pollution Haven Hypothesis, such as the argument that countries with lax environmental regulations generally have weak legal systems and poorly defined commercial laws, causing investors from developed countries to avoid investing in these countries and prefer those with clear regulations and effective law enforcement (Gill et al., 2018), this research demonstrates that weak environmental regulations allowed Texaco to adopt highly polluting operational practices, maximizing its benefits and reducing costs by not using expensive technologies or procedures like those employed in the United States.

Environmental damage caused by FDI has often been the subject of international lawsuits, as was the case in Ecuador. These can be resolved in various ways, one of which is international arbitration. In the Chevron-Texaco case in Ecuador, the decision by the International Court of Justice in The Hague has been considered by many as unfair, alleging that it was made impartially seeking to favor the multinational. However, it is important to analyze the reasons why Ecuador could not adequately defend its position. Mismanaged policies and a lack of transparency in contracts have weakened the country's ability to protect its environmental interests.

Ecuador needs to prioritize its needs and be clear in its demands, especially when signing contracts that may favor polluting companies. Effective environmental defense requires a robust regulatory framework and the commitment of all involved parties. Lack of accountability and corruption have led to unfavorable arbitration outcomes, underscoring the need for more transparent and effective governance to prevent similar situations from recurring in the future.

6. Conclusion

The Chevron-Texaco case in Ecuador confirms that the country had the necessary characteristics to be considered a pollution haven during the oil operations of the said company. The combination of weak environmental regulations, insufficient state supervision, and the prioritization of economic interests allowed Texaco to adopt highly polluting operational practices, maximizing its profits at the expense of the environment and the health of local populations.

This research underscores the importance of strengthening regulatory and institutional frameworks in developing countries to prevent them from becoming attractive destinations for foreign investments seeking to evade strict environmental regulations. Recipient countries of foreign direct investment (FDI) must implement robust environmental protection policies and effective control mechanisms to ensure sustainable development that balances economic growth with the conservation of the natural environment and social well-being.

This case also highlights the need for greater corporate responsibility on the part of multinationals, which must adopt responsible environmental practices regardless of the host country's regulatory context. Only through a joint commitment between governments, companies, and communities can the repetition of environmental disasters like Chevron-Texaco in Ecuador be avoided.

It is fundamental to adopt preventive approaches and establish rigorous monitoring mechanisms to ensure that companies fulfill their environmental commitments. The effective implementation of these mechanisms is essential to prevent environmental damage before it occurs, which not only protects the natural environment but also promotes responsible and sustainable business practices.

Furthermore, the fight against corruption plays a crucial role in this process. It is imperative that environmental regulations not only exist on paper but are also applied effectively and equitably. Corruption can undermine environmental protection efforts by allowing regulations to be circumvented and perpetuating harmful practices for the environment and local communities. Therefore, it is necessary to strengthen the institutions responsible for supervision and ensure transparency in the application of environmental laws.

Only through a comprehensive approach that combines prevention, effective monitoring, and the fight against corruption can a balance be achieved between economic progress and environmental protection. This balance is essential to ensure a sustainable future for local communities, guaranteeing that economic development does not occur at the expense of the environment and public health.

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