
Uruguay: Pulp mills and citizen participation – the World Bank in the limelight

A member of the Bretton Woods family since its creation in 1944 together with the International Monetary Fund (IMF), the World Bank continues to be one of the main actors in drawing up and applying macro-economic policies in Southern countries, financing public and private companies in what it qualifies as “development” projects (ranging from the construction of highways to the installation of pulp mills).

These loans are granted under conditionalities that imply the implementation of economic policies involving from privatization of state or public services to the deregulation of labour and environmental laws. The objective has been to leave the State with minimum functions so that it is market competition that serves “public interest.” In fact these “development” policies have been instrumental to insert the countries of the South in a global architecture based on a central-peripheral relation of dependency.

The World Bank has been decisive in the consolidation of industrial tree plantation projects, supplying the necessary funds to offer “incentives” (tax exemption, reimbursements, soft loans, direct and indirect subsidies, etc.) to plantation forestry companies, providing the opportunity for this export-oriented production to take off. We have already commented on this in the case of Uruguay (see WRM Bulletin 83).

However, in this country plans have not gone as smoothly as the World Bank and the paper industry groups would have liked. For them, the installation of pulp mills on the Uruguay River has become a thorn in the flesh. The opposition that it has given rise to, both in the country itself and in Argentina among the population neighbouring the projected mills – which has deployed such a high degree of mobilization that the Argentine Government has taken up the position of the local groups, leading to a diplomatic confrontation with Uruguay – is a difficult obstacle to overcome in the participation policy of the World Bank itself.

To this are added the faults committed in this respect within Uruguay. As part of the consultation and dissemination process related with the draft report on the accumulated impact of Botnia and Ence pulp mills entrusted by the Bank to Pacific Consultants International, on 14 February the International Finance Corporation (the WB branch responsible for private sector loans), held a meeting in Montevideo “to help inform about its taking a decision to consider funding” for the mills.

The Guayubira Group – that has systematically faced up to the expansion of the large-scale monoculture tree plantation model and its corollary, the pulp mills – decided not to take part in the public hearing, considering that the objective was to achieve endorsement of the report. Previously Guayubira had told World Bank officials that the report on the accumulated environmental impact of the pulp mills is totally biased in favour of plantation forestry and of the pulp mills and that it lacks the necessary objectiveness to be considered a serious and informed basis for discussion on such an important issue. In this respect, Guayubira had recommended that the Bank demand the consulting company to substantially improve its report to enable it to serve as a basis for the broad consultation that the Bank wanted to carry out. However this was not the case and for this reason the group

decided not to participate and to make public its well-founded criticism of the report, and to demonstrate in the streets its opposition to the funding of the pulp mills by the World Bank (see the arguments in <http://www.guayubira.org.uy/celulosa/audienciaBM2.html> and photos of the demonstration in http://www.guayubira.org.uy/celulosa/fotos_IFC_BM.html).

Furthermore, the World Bank had not invited the Uruguayan Network of Environmental NGOs to the public hearing. This Network formally participates in the Ministry of the Environment's Technical Advisory Commission on the Environment (COTAMA). Although at the last moment – and by chance – the Bank was able to repair its serious omission, the Network ended up by tangentially receiving a last-minute invitation.

Acknowledging that these industrial projects are part of one of the most contaminating sectors of industry in the world, the Uruguayan Network of Environmental NGOs submitted its comments on the Accumulated Impact Assessment at the Public Hearing. Some of the most noteworthy arguments are: the assessment has serious technical errors such as confusing shads with sardines; not respecting the requirements of the National Environmental Office; lack of scientific knowledge and concrete data necessary to make a true assessment; there are doubts on the economic benefits as there is no official data on job generation; because they are located in an Free Trade Zone, these projects do not collect taxes. The Network stated: "We consider that merely in IRIC (Tax on Industrial and Trade Income), Uruguay will give up receiving approximately US\$ 120 million per year. However, part of this figure --that will add profit to the companies-- will be eligible for a similar tax collected by the Finnish and Spanish States. This means that the Uruguayan State will resign to an amount close on US\$ 40 million per year that will go to increase the coffers of European states, an inadmissible situation given the comparative economic conditions of our countries. Moreover, while the State leaves off collecting taxes that legitimately correspond to it, it will have to make a series of expenditures arising from the needs for facilities and services that these industrial activities demand. In addition to all this, monoculture tree plantations will increase, without us knowing what their environmental impacts will be" (see the complete report in <http://www.uruguayambiental.com/articulos/RedUruOngAmbCelulosa.pdf>).

The World Bank did not have the endorsement of any of the most outstanding social actors involved in this process. The Guayubira Group decided not to participate in the public hearing due to the lack of seriousness of the report to be discussed and submitted its criticism in writing. The two Guayubira delegates who wished to make a brief declaration explaining the reasons for this position were not authorized to take the floor. The Uruguayan Network of Environmental NGOs – invited at the last minute – submitted a well-founded exposé of the criticism made to the accumulated impact assessment giving rise to the meeting. The National NGO Association (ANONG) was not even invited. The delegate from the Workers Trade Union (PIT/CNT) who was foreseen to participate in the panel of speakers, informed at the last minute that he could not attend, so organized workers were also absent. Now the issue is on the front page of the world news and the World Bank, one of the makers of the process, is in the limelight...

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