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Pulp Production in Fray Bentos: Uruguayan Forest Development as a Source of Diplomatic
Conflict

A thesis submitted in partial completion
of the requirements for the degree Master of Arts
in Latin American Studies

by

Daniel Mateo School

2012

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ABSTRACT OF THE THESIS

Pulp Production in Fray Bentos: Uruguayan Forest Development as a Source of Diplomatic Conflict

by

Daniel Mateo Schoorl

Master of Arts in Latin American Studies

University of California, Los Angeles, 2012

Professor Stephen Bell, Chair

The Uruguayan town of Fray Bentos was long a classic enclave as the home of the British-based Liebig Extract of Meat Company. Today it is the site of a new pulp mill, which represents the largest investment in Uruguayan history. This investigation examines the geographical and sociological consequences of this investment, as part of a concerted effort to diversify land use within the interior of Uruguay. The study focuses on the diplomatic consequences and economic implications that are associated with this project. The operation of this mill near Fray Bentos was a significant source of diplomatic tensions between the governments of Argentina and Uruguay. However, the roots of these problems can be traced back several decades, as can the politics of Uruguayan forest development. I explore the origins of this conflict, while examining the broader implications of the forest industry in the shifting political and economic landscape of Uruguay.

The thesis of Daniel Mateo Schoorl is approved.

Kevin B. Terraciano

César J. Ayala

Stephen Andrew Bell, Committee Chair

University of California, Los Angeles
2012

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El río Uruguay es un tiento de plata cosiendo dos lonjas de un mismo cuero: Uruguay y Argentina. Por debajo del agua corre la tierra y esa es de todos, de los entrerrianos, los sanduceros, los correntinos, los misioneros, de toda esa gente que habita a orillas del Uruguay. El río y la historia nos han unido y no nos separa el chauvinismo, que en mi concepto no es mas que un nacionalismo de derecha. De ahí al fascismo no hay más que un paso. La patria que querían Artigas, Bolívar o San Martín era la patria grande. No estaba dividida no por fronteras ni por aduanas.

Aníbal Sampayo, Uruguayan Poet and Singer¹

The Uruguay River is a touch of silver sowing together two slices of the same leather: Argentina and Uruguay. Beneath the water runs the earth, which belongs to everyone, to the people of Entre Ríos, Paysandú, Corrientes, Misiones, and to all people that inhabit the shores of Uruguay. This river and history have united us and have not separated our chauvinism, which to my knowledge is nothing more than conservative nationalism. From there to fascism is nothing more than a step. The homeland that Artigas, Bolívar or San Martín wanted was the ideal homeland. It was not a homeland divided by borders or tariff barriers.²

Introduction

Uruguay is commonly known for being a small nation, the second smallest in South America, and is often popularly referred to as the Switzerland of South America. Aside from the capital, Montevideo, and a few tourist destinations, Punta del Este and Colonia del Sacramento for example, few places in Uruguay attract international attention. Uruguay is rarely in the news. Dwarfed between its giant neighbors, Argentina and Brazil, the nation was created as a buffer state and has been able to maintain a small, narrow economy, albeit with great difficulties during some economic periods. In many ways, Uruguay remains a city and a nation, or a country based on a center-periphery model, with its capital Montevideo as the nation's economic, cultural and social center, and the interior somewhat peripheral to the nation's politics and social development. This model persists despite a national reliance on the economic output, both for

¹ Echagüe, López Hernán. *Crónica del ocaso: Apuntes sobre las papeleras y la devastación del litoral argentino y uruguayo*. Buenos Aires: Grupo Editorial Norma, 2006, 14.

² All translations are mine, unless otherwise noted.

international and domestic markets, of the interior through the traditional ranching and agricultural industries. However, this is not to say that secondary Uruguayan towns and cities have not at times played significant roles in the nation's history and development. One such example is Fray Bentos, the capital of the western department of Río Negro. The small Uruguayan town of Fray Bentos was long a world-famous and classic enclave as the home of the British-based Liebig Extract of Meat Company.

Today it is the site of a new pulp mill plant, which represents the largest single industrial investment in Uruguayan history. This thesis will examine the geographical and sociological consequences of this investment, as part of a concerted effort to diversify land use within the interior of Uruguay, by presenting and analyzing some of the most relevant community reactions, environmental concerns, and economic implications. As these topics are presented and discussed, the emphasis will remain on why changes in land use – and the industrial production related with these changes have resulted in such varied and polemical reactions. I contend that the forest industry represents an attempt to diversify the Uruguayan national economy without drastically altering the pre-existing productive forces. This push to develop a forest industry is not a radical departure from the traditional ranching and agricultural production models in Uruguay. However, the forest industry is only one attempt to expand into new economic sectors and capitalize on opportunities that will improve macro-economic conditions for the future of the national economy. Ventures into software development and most recently mining exploration represent others but the interest here remains in planted forests as they relate to the diversification of land use.

The extension of these changes in land use is linked with the emergence of new and modern technologies through industrial production relating to the global pulp and paper industry.

The pulp mill plant near Fray Bentos, a development project completed and opened for operation in late 2007, now lies in the hands of the Finnish paper company UPM-Kymmene Oyj (UPM). Following initial installation costs of US\$1.2 billion, the plant has shown the capacity to produce just over one million tons of bleached eucalyptus per year.³ The initial installation of the new mill attracted media attention in the region on account of public protest against the construction. The ongoing operation of the mill was a significant source of diplomatic tensions between the governments of Argentina and Uruguay between late 2003 and into 2010, a subject covered internationally. However, the roots of these problems can be traced back several decades. For example, the environmental issues linked with this agro-industrial project began during the early 1970's, when the two nations made several agreements concerning water and river use along the shared Uruguay River. The significance of these agreements intensified during the 1980's, when major investments began in rural Uruguay with the development of forest plantations.

Cultural and historical changes in Uruguayan land use form a large part of this project. Uncovering the perspectives of the many groups involved, from political parties to environmental activists, is crucial for gaining a deeper understanding, with a particular focus on the social interactions between citizens, organizations and institutions concerned with these changes in land use. Beyond social issues, the research has environmental dimensions. These include the viability of sustainable eucalyptus and pine plantations and the concern over issues of contamination, especially of the Uruguay River, which is used by the town of Fray Bentos and by neighboring Gualeguaychú in Entre Ríos, Argentina. In dealing with this topic, grassroots social movements are a powerful window for deepening the knowledge of environmental concerns, as the model of planting pine and eucalyptus forests for pulp and, eventually, other

³ UPM company page. Fray Bentos. www.upm.com/EN/ABOUT-UPM/Businesses/Pulp/Uruguay/fray-bentos/Pages/default.aspx (accessed August 12, 2012).

forest products production is exported throughout the region. The considerable international coverage of this specific project near Fray Bentos is also important. For instance, in 2006, the government of Argentina launched a legal case against Uruguay at the International Court of Justice in The Hague. It filed this arguing Uruguay had violated the bilateral statutes governing water and river use.

In tracking the diplomatic consequences of these actions, and placing them into a stronger understanding of the contemporary international relations between these nations, this work will attempt to shed light on the results of foreign investment into the small nation of Uruguay. In recent years, despite the conflict between the two nations, over what has been labeled in the region as “*papeleras*” (paper mills), Uruguayan President José Mujica maintained ties to Argentina and the government of President Cristina Fernández de Kirchner. This relationship proved successful, in that the conflict centered on the banks of the Uruguay River was resolved. Through dialogue between the opposing governments and an eventual agreement the blockades led by activists between Gualeguaychú and the neighboring town of Fray Bentos had been stalled until recently. The 2010 election of Mujica in Uruguay provides a fascinating backdrop for my work, connecting many aspects of the ongoing conflict. Yet in this paper, the chronology of Uruguayan forest development will be broadly presented in economic, social, legal, political, and historical themes, that all tie in with the introduction of a concerted effort to increase the diversification of land use in Uruguay. At the apex of this trajectory has been the conflict over pulp production in the western department of Río Negro.

The small town of Fray Bentos, with a population of little over 22,000, became the focus of this controversial public debate, which has come to be known as the “*Guerra de la celulosa*,”

or paper war, in the regional literature.⁴ By referring to the conflict in these terms, one can assert that the fronts of this war are centered in the social, legal, environmental, and political arenas. In general terms, the actors and agents in this conflict include activist, environmental, and community groups, governments and politicians, multi-national companies, an international governing body, and an international trade body. As President Mujica once suggested, Uruguay is nothing more than a “corner” of the world, but an important “corner” nevertheless.⁵ Just as Uruguay can be viewed in this manner, Fray Bentos can be considered an equally important enclave. A traditional economic enclave in one sense, Fray Bentos, the capital of the department of Río Negro, is also a “local society” now central to this pulp and paper controversy.⁶ The chronology in this work of both the historical and the more recent industrial development in Fray Bentos will provide a better understanding of the town's importance as well as unveil the issues that have caused such polemical attention.

Broader themes of geopolitical conflict, as well as economic, political, and social development in Uruguay will also be examined, as they are related to the conflict and industrial development in Uruguay. Final considerations will include the long-term importance of the nature of these types of investments for a nation that counts three-quarters of its land as fertile,

⁴ Gregorich, Luis. “Carta de Argentina: Iguales y pocos distintos.” *Cuadernos Hispanoamericanos* 671, May 2006, 111.

⁵ Weissheimer, Aurélio Marco. “Entrevista a José Pepe Mujica: Líder tupamaro y actual ministro de Ganadería, Agricultura y Pesca de Uruguay.” Santiago: Centro de Estudios Miguel Enríquez (CEME) Archivo Chile, 2005, 1-11.

⁶ LeGrand, Catherine C. “Living in Macondo: Economy and Culture in a United Fruit Company Banana Enclave in Colombia.” *Close Encounters of Empire: Writing the Cultural History of U.S.-Latin American Relations*. Ed. Joseph, Gilbert M., LeGrand Catherine C., and Salvatore, Ricardo D. Durham: Duke University Press, 1998, 333-368.

low-lying grasslands.⁷ Uruguay has historically had a narrow economy with low levels of foreign investment. The push to diversify the economy through the development of the forest industry can be viewed as a policy that reflects a change in approach towards economic development for one of the region's smallest economies. The central interest of this paper remains focused on the consequences and results of this type of economic development in Uruguay, given the emerging importance of the forest industry (and related pulp and paper production) in the national economic agenda.

Uruguayan Forest Development

The modern politics of forest development in Uruguay dates back to the mid-1980s. In the broader sense, the adoption of a national forest industry can be viewed as an extension of an economic agenda that promotes accessing new markets abroad and throughout the region. As Uruguayan historian Gerardo Caetano summarizes, Uruguay must be “geared to exports” that will allow its economic and trade policies to “be highly dependent on its competitive participation in regional and international markets.”⁸ Increased governmental efforts in the region have indeed reflected this official stance of further economic integration. One example is through the creation of the *Mercado Común del Sur* (Common Market of the South), more popularly known as the Mercosur, which was signed into agreement in 1991, with Argentina, Brazil, Paraguay, and Uruguay as its founding members. Further discussion of the role of the Mercosur in relation to the disagreement over the pulp mills and its role in regional

⁷ CIA, The World Factbook. Uruguay. <https://www.cia.gov/library/publications/the-world-factbook/geos/uy.html> (accessed August 12, 2012).

⁸ Caetano, Gerardo. “Uruguay, the region and international integration.” *DEP: Diplomacy, Strategy, & Politics* Raúl Prebisch Project, no. 10, October/December 2009, 218.

environmental politics will be provided later in this paper. For now, it is important to note that the free trade bloc has been widely criticized for having become increasingly politicized and for maintaining operations as four separate customs regions.⁹ Regardless of the history of the Mercosur, the intent to integrate further economically into the region had been agreed upon by the traditional ruling parties of Uruguay. In the meantime, however, the Uruguayan left had begun to gain significant political ground over this period (mid 1980s to mid 2000s), and in no less than the span of two decades would become the national ruling party.

The specifics of how the left was able to gain support over this period are beyond the scope of this paper but are nevertheless important in understanding how the *Frente Amplio* (Broad Front) coalition would address the issue of forest development, as it continued to fuel the national economy while also cause negative press. But returning to the origins of the industry itself, the emphasis in introducing new industries is a concept that involves integrating the Uruguayan economy into regional and global markets. This notion of an integrated Uruguay has been present in the promises and political agenda of the *Frente Amplio* (Broad Front) coalition. However, it should be made clear that this national approach for an increased internationalization of the economy is not limited to merely one political party in Uruguay, nor is it a recent strategy. Integrating Uruguayan agricultural production into regional and international markets has been a key point of rural modernization and industrialization since the late 19th century and continues as such into present. This policy became much more associated with the State during the late nineteenth century, as a certain amount of “co-participation in government work” manifested

⁹ ---. “Profile: Mercosur – Common Market of the South.” *BBC News Americas*, <http://news.bbc.co.uk/2/hi/americas/5195834.stm> (accessed August 12, 2012), Quijano, Jose Manuel. “El Mercosur 2020.” *Uruguay: Agenda 2020: Tendencias, conjeturas, proyectos*. Arocena, Rodrigo, and Gerardo Caetano, Ed. Montevideo: Ediciones Santillana, 2007, 307.

itself between the two main ruling parties, *Blancos* and *Colorados*.¹⁰ Overall, Uruguay has remained a country highly dependent on its agricultural, pastoral, and ranching industries as the economic engine of the nation. In short, Uruguayan economic history can be viewed over time through production cycles, with the forest industry now starting another period with newly introduced products and types of production, that will conceivably be a mainstay of the economy for the near future. However, in turning back to the more specific case of forest development on the national level we can see the specific roles that political parties played in this matter, starting in the mid-1980s.

Fundamental in the development of a forest based economy in Uruguay is the movement from law to practice, or in other words the realization of an idea or plan. In this case, the passing of the law 15.939, known as the *Ley Forestal* (Forest Law), in late 1987 by the Uruguayan Parliament marks the beginning of the national commitment to diversify land use in the countryside through directed forestation. This law, passed under a *Colorado* party administration with Julio María Sanguinetti then serving as President, solidified the role of the State in assisting and planning the development of the forest industry. For instance, the law includes the actual species to be planted (eucalyptus and pine), and the details of State-sponsored subsidies for planters, as well as prioritized areas where forestation planting should be pursued.¹¹ This law and its incentives for private investors, along with strongly positive environmental conditions, that

¹⁰ *Ibid.*, 224; see also Cardoso, Fernando Henrique and Enzo Faletto. *Dependency and Development in Latin America*. Trans. Marjory Mattingly Urquidí. Berkeley: University of California Press, 1971. pp. 94-96, section titled, *Incorporation of the Middle Class into the Alliance for Power: The Democratization of Uruguay*, for more on the development of the two traditional ruling parties in Uruguay.

¹¹ Alvarado, Raquel. "Política forestal, plantas de celulosa y debate ambiental. Uruguay tras un nuevo modelo de desarrollo." *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 58-59.

include available and abundant water, good soil, and a temperate climate, made investments in forest plantations very attractive for both local landowners and multi-national forest companies. These investments must be viewed from a long-term perspective, given the nature of the planted forests, which range in time depending on the ultimate use or end product of the trees and timber as products. In the case of eucalyptus growth, in Uruguay the average time from planting to maturity is 5 to 7 years, which is exceptionally fast and beneficial to planters.¹²

As the forest industry became a state policy, endorsed and supported by subsequent administrations, the scale at which plantations increased was dramatic. A sense of the effects of this law and of how land use evolved during the period directly after its passing to the present, is contained in the following figures. In 1988, there were 26,000 hectares (64,250 acres) of planted forest in Uruguay. By 2003 this figure had reached 645,000 hectares (1.5 million acres) of forested plantation land nationally.¹³ To give one some further perspective on these figures, Uruguay totals 17.3 million hectares (42.7 million acres), of which 3.57 million hectares (8.65 million acres) have been identified as “Forest Priority Soils.”¹⁴ The most current figures reflect not only the growth in total forested plantations throughout the nation but also a much wider geographic distribution across Uruguay in terms of where these plantations are located. Forested plantations are not limited to the western departments, those closest to the pulp mill near Fray

¹² Interview w/ Matías Martínez, Botnia, Communications Department. September 5, 2008.

¹³ Echagüe, López Hernán. *Crónica del ocaso: Apuntes sobre las papeleras y la devastación del litoral argentino y uruguayo*. Buenos Aires: Grupo Editorial Norma, 2006, 84. The conversions from the original hectares to acres are mine and have been rounded.

¹⁴ ---. “Cumulative Impact Study Uruguay Pulp Mills. Annex B: Plantations.” International Finance Corporation. World Bank Group. September 2006. [http://ifcext.ifc.org/ifcext/disclosure.nsf/AttachmentsByTitle/Uruguay_CIS_AnnexB_Oct2006/\\$FILE/Uruguay_CIS_AnnexB_Oct2006.pdf](http://ifcext.ifc.org/ifcext/disclosure.nsf/AttachmentsByTitle/Uruguay_CIS_AnnexB_Oct2006/$FILE/Uruguay_CIS_AnnexB_Oct2006.pdf) (accessed August 12, 2012).

Bentos, but can be seen in all departments to varying degrees in terms of size and species of pine and eucalyptus.

Departments with considerably dense concentrations of plantations include Durazno, Paysandu, Río Negro, Rivera, Rocha and Tacuarembó. The Uruguayan Ministerio de Ganadería, Agricultura y Pesca [Ministry of Livestock, Agriculture and Fisheries] reports the total of registered forested plantations to be 1.7 million hectares (4.2 million acres) as of August 2010.¹⁵ These figures not only demonstrate the type of committed investments in forest plantations but also highlight the amount of change that has and will continue to take place in the Uruguayan countryside. Yet altering parts of the landscape of the Uruguayan interior, from rolling pampas to forested plantations of eucalyptus and/or pine, was only one stage in a greater attempt to capitalize off primary products. The initial interests and exploratory studies into developing pulp production in Uruguay were carried about by the Spanish company ENCE, who was granted permission to build a pulp mill near Fray Bentos in 2003, and the Finnish company Metsä-Botnia, which also received authorization in 2005 to install a mill near the same town.

The appeal of a Fray Bentos location for both of these pulp mill installation projects was subsidized by the State through the creation of the *Zona Franca*, or Free Trade Zone, where these companies would not be taxed. The creation of these tax free zones would also help secure what would eventually become \$300 million USD of foreign investment in the forest industry alone from 1987 to 2007.¹⁶ These free tax zones suggest that Fray Bentos had again become an economic enclave, as will be further explained in a subsequent section of this thesis, where

¹⁵ Ministerio de Ganadería, Agricultura y Pesca. Bosques Plantados. <http://www.mgap.gub.uy/portal/hgxpp001.aspx?7,20,441,O,S,0,MNU,E;134;2;MNU;> (accessed August 12, 2012)

¹⁶ Echagüe, López Hernán. *Crónica del ocaso*, 84-87.

foreign companies could operate openly and cheaply. Botnia, which moved forward with the construction phase of the mill near Fray Bentos (unlike ENCE, which canceled its plans), was granted even further assurance by the Uruguayan government through an agreement that protected the pulp mill from expropriation and/or nationalization.¹⁷ This again highlights the role of government in protecting the investments made in this industry but it did not yet guarantee that the endeavor would be successful. Aside from the investment and installation of pulp mills, there was a desperate need for modernizing the transportation system that would connect timber resources to the pulp plants and to ports for exportation. Since Uruguay is a nation centered on its capital city of Montevideo, where nearly half of the its total population resides, there was much need of improvements in infrastructure and maintenance for its rural transportation systems, which include railways, roads, and highways.

The much needed assistance to realize these vital upgrades in the transportation system would eventually come in 2005 when the International Bank for Reconstruction and Development of the World Bank approved a \$76 million USD loan to the Republic of Uruguay, titled the Transport Infrastructure Maintenance and Rural Access Project. The recipients of this aid and the Uruguayan agencies that would oversee and implement the infrastructural improvements include the Ministerio de Transporte y Obras Publicas [Ministry of Transport and Public Works], Administración de Ferrocarriles del Estado (AFE) [State Railway Administration], and the Administración Nacional de Puertos (ANP) [National Port Administration]. In the World Bank report for this loan, it is noted that the two main transportation corridors for forest products are the “Fray Bentos port corridor” and the “Montevideo-Rivera corridor.” The first corridor makes truck transportation more plausible on

¹⁷ Ibid., 97.

account of the close proximity to planted forest. The second has an advantage in railway transportation for the movement of forest products.¹⁸ These transportation corridors show that while the forest industry forms a large national project, in terms of land use and forest product processing locations it had been mainly centered in the western region of the country.

These changes in land use have brought to the forefront another important overlaying theme – regional ecology. It is a topic that ranks among the many issues involved with the controversy that set precedent for the diplomatic strife between Argentina and Uruguay. The relevant history of water safety and environmental protection agreements between the two countries dates back to the early 1970's, but of the several agreements, the *Estatuto del Río Uruguay* (Statute of the Uruguay River) of 1975 is the most relevant in this matter.¹⁹ As previously mentioned, the modern history of forest development dates back to the year 1985, when the Uruguayan government voted to allow forest investment and eventual wood exportation, in hopes of opening the nation to the international pulp, paper, and forest product market.²⁰ Indeed, this model would become successful as demonstrated by the Uruguayan forest plantation company *Forestal Oriental S.A.* (FOSA). In 1988 the company was responsible for the

¹⁸ ---. "Implementation Completion and Results Report (EXIM-04020 IMRD-42040)." Document of the World Bank, Report No. ICR000075, Sustainable Development Department, Argentina, Chile, Paraguay, and Uruguay Country Management Unit, Latin America and the Caribbean Region, February 26, 2007. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/05/03/000020953_20070503104249/Rendered/INDEX/ICR000075.txt (accessed August 12, 2012).

¹⁹ Arnaud, Guillermo. "Papeleras: la controversia Argentino-Uruguaya." *Archivos del Presente* 10, no. 40, 2006, 14-17.

²⁰ *Ibid.*, 19.

26,000 hectares (64, 250 acres) of eucalyptus forests planted and would become fully operational two years later, well before the Finnish company Botnia acquired it in 2005.²¹

In late 2009, *Forestal Oriental* again transferred ownership. This time the Finnish paper company UPM, who bought the subsidiary from Botnia along with the rights to operate the pulp mill at Fray Bentos, purchased it.²² Currently, *Forestal Oriental* reports owning and maintaining 225,000 hectares (555,987 acres) of land, from which 135,000 hectares (333,592 acres) are used for plantations. As recently as early 2011 UPM reported *Forestal Oriental* acquiring 25,000 hectares of land through a purchase from a private owner. Departments in which the subsidiary maintains plantations and owns land include Durazno, Lavalleja, Paysandú, Río Negro, Soriano, and Tacuarembó.²³ Other companies that are operating in Uruguay in the forest industry include Arauco (Chilean owned - plantations), Chipper S.A. (Chilean/Uruguayan owned – wood chipping), Stora Enso (Swedish/Finnish owned - pulp and paper), Urupanel (Uruguayan owned - plywood and logs), Weyerhaeuser (American owned - wood products, pulp and paper), as well as the companies formerly invested in the department Río Negro where the origins of the conflict arose, Botnia (Finnish owned – pulp and paper) and ENCE (Spanish owned – pulp and paper).²⁴

²¹ Echagüe, López Hernán. *Crónica del ocaso* 2006, 84.

²² ---. “UPM ha firmado un acuerdo para la reestructuración del paquete accionario de Botnia.” UPM company page. http://www.upmuruguay.com.uy/upm/internet/upm_fray_bentos.nsf/sp?open&cid=Content877A_C (accessed August 12, 2012).

²³ UPM company page. Forestal Oriental. http://www.upm.com/EN/ABOUT-UPM/Businesses/Pulp/Plantations/Forestal_Oriental/Pages/default.aspx (accessed August 12, 2012).

²⁴ For an excellent map of the investments and companies operating in 2007 in the forest industry in Uruguay see the map entitled *Mapa 3. Localización de las principales inversion en el complejo forestal*, in, Alvarado, Raquel. “Política forestal, plantas de celulosa y debate ambiental. Uruguay tras un nuevo modelo de desarrollo.” *Del otro lado del río: Ambientalismo y política*

Not mentioned here are the secondary companies. These involve transportation, infrastructure development and maintenance, chemical supplies, shipping, cleaning, and inspection. In other words, the companies operating in conjunction with the forest plantation and forest product processing industry.

It is beyond the scope of this project to describe the investments, holdings, and operations of each of these companies. Yet undoubtedly the number of companies involved in this industry in Uruguay demonstrates the undeniable presence and importance that forest development represents on the national level. The future of how successful the industry will be and who its primary beneficiaries will be remains uncertain but it seems safe to speculate that, aside from its relation to global demand, the industries well-being and development will be directly influenced by the political climate in Uruguay and in the region. With this in mind we turn to the development of the forest industry from the political perspective in Uruguay.

Uruguayan Politics of Development

The promise of economic prosperity, through the profitability and employment opportunities of these investment projects, has been promoted by not only foreign investors but from the national government as well. The original agreement, signed by former Uruguayan President Jorge Battle, authorized the installation of the M'Bopicuá cellulose plant 10km from Fray Bentos in 2003, as proposed by ENCE the year before.²⁵ Perhaps the onset of support for this project, from a political and economic perspective, was rooted in the economic stagnation

entre uruguayos y argentinos. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 62.

²⁵ Arnaud, "Papeleras," 19.

beginning in 1999 that led to eventual crisis. In Uruguay, the effects of the Argentine collapse of 2002 have been linked to a 20% unemployment rate and a 40% rate of citizens living below the poverty standard.²⁶ In that single year of 2002, both Argentina and Uruguay experienced a devastating decrease of close to 11% of GDP.²⁷ It has been noted that during the four-year period of the crisis “more than 100,000 Uruguayans emigrated” and, as historian Gerardo Caetano suggests, it was then undeniable that “the *State as a shield to the weak*” had been abandoned.²⁸ Despite the poor conditions in 2002 the Uruguayan national economy recovered quickly, based on favorable international conditions and benefits drawn from the policies pursued by past administrations.

In the meantime, however, electoral results reflected the difficult economic period, as well as a rising growth in leftist support since the end of the military dictatorship. In a successful national presidential campaign the *Encuentro Progresista-Frente Amplio* (EP-FA) coalition offered hope and rejuvenated political spirits during 2004.²⁹ The nuances of political representation and economic reality in Uruguayan history are many and for the most part beyond the scope of this project. However, it is critical to examine the past *Frente Amplio* administration of President Vázquez on account of its ongoing support of the forest and pulp industries. As the nation’s first democratically elected President from neither of the traditional parties (*Colorado* or

²⁶ Zibechi, Raúl. “The Uruguayan Left and the Construction of Hegemony.” *Dispatches from Latin America: On the Frontlines Against Neoliberalism*. Ed. Ballvé, Teo, and Prashad, Vijay. Cambridge: South End Press, 2006, 136.

²⁷ Christensen, Steen Fryba. “The Influence of Nationalism in Mercosur and in South America – Can the Regional Integration Project Survive?” *Revista Brasileira de Política Internacional*. vol 50, no 1, 143.

²⁸ Caetano, Gerardo. “Uruguay, the region and international integration.” *DEP: Diplomacy, Strategy, & Politics* Raúl Prebisch Project, no. 10, October/December 2009, 246.

²⁹ *Ibid.*, 136.

Blanco), the position of Tabaré Vázquez is significant from a political perspective. The policies and behavior of this administration were under a large amount of scrutiny since they were the first administration directly responsible for the supervision of cellulose pulp production. This administration also had to deal amid the ongoing tense diplomatic relations with Argentina, stemming from the projects near Fray Bentos, in the background. The government of Vázquez continued support of the pulp mill near Fray Bentos, then under operation by Botnia, throughout the five-year term (2005-2010), while also extending the neoliberal, market-friendly economic policies of past administrations.³⁰ Yet the political promise from the *Encuentro Progresista-Frente Amplio* 2004 campaign presents an interesting looking glass into this topic. For instance, the basis of the coalition's campaign was a vision of increased integration for Uruguay.

In a 2004 campaign speech Vázquez presented this vision as the veil under which the five official platforms of the coalition would be defined, as the social, innovative, democratic, productive, and integrated Uruguay.³¹ Aside from comments on Uruguay's role in Mercosur and the fragility with which the nation must balance international relations, there are still several points of interest that relate to other issues implicated in this topic. One such example, to quote from a speech by former President Vázquez, was a call to action claiming that the coalition government would maintain

a firm policy to protect the environment and active participation in efforts to ensure sustainable development, to prevent and mitigate the effects of climate change, to promote clean development technologies and to prevent the movement of toxic substances, among others.³²

³⁰ *Ibid.*, 137.

³¹ Bergamino, Ariel. "Uruguay en la hora del cambio: entre la esperanza y la exigencia." *Nueva Sociedad* 195, January-February, 2005, 19-20.

³² Vázquez, Tabaré. "An Integrated Uruguay." *DEP: Diplomacia, Strategy, & Politics* vol. 1, no. 2, January/March 2005, 193.

Several of the principles from this statement can be applied as ongoing issues concerning the pulp mill project in Fray Bentos. In terms of Vázquez and the administrative policy once in office, the government promised to build upon a national and sustainable development plan, in hopes of improving income distribution and economic growth while protecting the environment.³³ This model seems to agree with what has been released from forest industry investors, mainly through the many studies published prior to the project's initiation.

The earliest of these reports dates back to 1992, an Environmental Impact Study (EIS), when the Spanish-based corporation ENCE was first investigating the possibilities of constructing a pulp and paper mill in Uruguay. Botnia, which began operation at their plant in 2007, estimated that a total of 8,000 jobs in Uruguay would be created through this project by the year 2010 and that the mill, one of the most advanced in the world, has met all required environmental standards.³⁴ However, the *Frente Amplio* government of Vázquez introduced legislation that would alter the way the forest industry operates, in hopes to further guarantee environmental safety or to lessen the impact of the ongoing forestation. In what Uruguayan geographer Raquel Alvarado calls "*La nueva política forestal*," or the new forest politics, the changes that the *Frente Amplio* most notably implemented included the elimination of subsidies, previously the *ley 17.905* (Law 17.905) which allowed for direct subsidies. Other important changes include the improvement of contracts for forest laborers and the introduction of a law

³³ Bergamino, "Uruguay en la hora," 19.

³⁴ Metsä Fibre company page. <http://www.metsafibre.com/Company/History/Pages/Default.aspx> (accessed August 12, 2012).

that complicates the process for corporations to own land in Uruguay.³⁵ These measures, along with several others, marked a new era for the forest industry that included more government intervention but kept an ongoing emphasis on forest products as a mainstay of the export economy.

Certainly the *Frente Amplio* government of Vázquez was able to cautiously balance the responsibility they had to defend their broad economic interests in the forest industry while also limiting the ease with which foreign owned corporate investments would continue. Although as the conflict became an international issue and gained more media attention the Vázquez administration was to freeze any talks with Argentina and the Kirchner government. Domestically, this balance was tactfully summarized in the slogan adopted by the party as, “*Uruguay, país productivo*” (Uruguay, productive country), which would be coupled with the tourist-oriented slogan, “*Uruguay, país natural*” (Uruguay, natural country), reflecting the coalition’s political commitment to continue supporting this industry while preserving the environment. Yet by and large the *Frente Amplio* as a political party, which had a history of voting both for and against past legislation concerning the forest industry, was not as assertive in dealing directly with the conflict with Argentina as such developed.³⁶ This is not to say that this diplomatic setback has diminished the many accomplishments of the *Frente Amplio* government of Vázquez.

³⁵ Alvarado, Raquel. “Política forestal, plantas de celulosa y debate ambiental. Uruguay tras un nuevo modelo de desarrollo.” *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 64-65.

³⁶ Palermo, Vicente. “Papeleras: sacando las castañas del fuego.” *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 231.

From a macroeconomic perspective Uruguay has fared relatively well in past years given its regional role and its reality as a small country. Despite economic vulnerability to regional conditions the development model has proven successful when examining macroeconomic indicators. As Uruguayan economist Oscar Mario Mañán García summarized in early 2010:

The first government of the leftist coalition achieved some success if one evaluates the performance of macroeconomic indicators looking at the recent past. GDP grew at a 6.1% average, an outstanding value given the low long-term growth of the country. Inflation was located on the target range of central bank regulations policies (5.5-6.5%), with the exception of the period September 2008 to January 2010 (with a peak at 8.8%). Unemployment, meanwhile, is at historically low levels, around eight percent.³⁷

These points speak to the importance of the national economy's ability to avoid economic relapse, similar to those in 2002, despite the international economic crisis of recent years past. Perhaps this is also a reflection of the country's reliance on its more traditional industries, namely primary products and agricultural exports, along with the additions of forest, cellulose, and extractive industries. The macro-economic perspective will be discussed further along in this paper, especially in terms of the newly emerging forest industry. Before moving on, it is important to distinguish between the politics that established the forest industry and the political reactions and defense of the industry as it has developed since the 1980s. That this debate has been centered on Fray Bentos has led me to examine further into the origins of the debate, as well as the town and its connection with the economic development and industrial history of Uruguay.

³⁷ Mañán García, Oscar Mario. "Uruguay: crisis, inflexion y ¿vuelta de la política?" *Política y Cultura* No. 34, Fall 2010, 224.

Fray Bentos as an Economic Enclave

The Uruguay River has historically been tied to economic development and trade in the region, running from southern Brazil, especially the state of Río Grande do Sul into the Río de la Plata and forming “a natural boundary between Argentina and Uruguay.”³⁸ With various secondary cities and towns along its shores, the river is integral to Argentina, Brazil, and Uruguay. However, only the portion of the river from the nation’s capital Montevideo, 170 miles north into the department of Paysandú, is “navigable by small ships.”³⁹ The pulp and paper mill, initially installed and operated by Finnish owned company Botnia, is located 3km away from Fray Bentos. The decision to install the plant near Fray Bentos was justified under the basis that transportation to port, for export of pulp products, and distance to primary products, with eucalyptus planted forests in the neighboring departments of Colonia, Paysandú, and Soriano, would be ideal. The depths of the river near Fray Bentos, ranging from 10 to 15 meters in depth, made the location an attractive and strategic point from where pulp producers would be able to maximize economic opportunities.⁴⁰ This has been a geographic location of historic importance in Uruguayan industrial development and the recently constructed pulp mill is not the first large-scale industrial project that has been positioned in the region.

In fact, the history of Fray Bentos, originally named Villa Independencia, is directly tied in with the installation of a *saladero* (salting factory) and later an important *frigorífico* (refrigeration factory) in the mid to late 19th century, with connections to one of the more noted

³⁸ Caviedes, César N. “Uruguay River.” *Encyclopedia of Latin American History and Culture*. Ed. Tenenbaum, Barbara A., Vol. 5, New York: Simon & Schuster MacMillan, 1996, 342.

³⁹ *Ibid.*, 142.

⁴⁰ Annala, Kaisu, and Carlos Faroppa. *Botnia: Informe Ambiental Resumen*. Ambiental Resumen de la empresa BOTNIA S.A. y BOTNIA FRAY BENTOS S.A. December 2. 2004, 9-11.

founders of the town, the British merchant Richard Bannister Hughes (1810-1875).⁴¹ The significance of the Hughes family in the economic development of this region is undeniable. After working in trading houses as a young adult, Hughes early independent success came in Montevideo and Buenos Aires, through the establishment of a profitable trading company, *Casa Hermanos Hughes* (Hughes Brothers), that operated between Liverpool, Buenos Aires, and Rio Grande do Sul (Brazil).⁴² In 1856, he began acquiring significant portions of land where he would establish his *saladero*, eventually sold to Sres. Giebert y Compania in 1865 and later to become the famous Liebig's Extract of Meat Company. An important agricultural contribution was that Hughes was the first to import Durham breed cattle into the region, as well as his use of the then innovative wired fencing in 1867, a crucial step in ranch modernization. And lastly, he is counted as one of the founding members of the Asociación Rural de Uruguay (Uruguay Rural Association), which continues to this day as an active and influential group in Uruguayan society.⁴³

In the context of Fray Bentos and Uruguayan industrial development, Hughes essentially laid the groundwork for the successful formation of a more advanced meat processing and production business and one that would become world famous. It was undeniably the establishment and operation of Liebig's that gave the town Fray Bentos a pivotal role in Uruguayan industrial history and rural modernization in the late nineteenth century and into the

⁴¹ Pintos, Aníbal Barrios. *Río Negro: Historia general (tomo 1)*. Montevideo: Intendencia municipal de Rio Negro, 2005, 165.

⁴² For more on Hughes and his investment decisions see, Bell, Stephen. "Social Networks and Innovation in the South American Meat Industry During the Pre-Refrigeration Era: Southern Brazil and Uruguay in Comparison." *Scripta Nova (Revista Electrónica de Geografía y Ciencia Sociales)*, Universidad de Barcelona, no. 69 (84), August, 2000, 6.

⁴³ *Ibid.*, 171-173.

twentieth century. The success of Liebig's extracted and preserved meat products provided a local economic base extended throughout the region, through the creation of employment and ongoing production cycles. In brief the company can be summarized as

... an autonomous society founded in 1866 with an initial capital investment of £500,000, using the extract of meat system invented by the Baron Justus von Liebig. The first tests relating to production of the meat extract were completed in 1861 by George C. Giebert, who had acquired part of the property and a *saladero* owned by the Hughes Brothers, who had started construction in 1859, inaugurating the plant two years later.⁴⁴

In short, Liebig's was the first to successfully industrialize a form of meat extraction and is also significant as an early major foreign investment in rural Uruguay; an investment that would become a lucrative business for many years to come.⁴⁵

As previously mentioned, Uruguayan economic history can be viewed from the sixteenth century to present as a nation of production cycles. Three key factors in understanding why the rural production models in Uruguay were left unchanged for these periods were identified by Uruguayan historians José Pedro Barrán and Benjamín Nahum as "the world market, the original characteristics of production, and geography."⁴⁶ The introduction of readily exportable meat extract and later refrigerated meat products began a new cycle of products that had once been limited to hide and jerky (1700-1860), wool, hides, and jerky (1860-1914). This period, defined by the late Uruguayan historian José Pedro Barrán, as being marked by the products of frozen meat, wool, and hides (1914-present), also allowed for Uruguay to export to more distant

⁴⁴ Araujo, Orestes. *Diccionario geografico del Uruguay*. Montevideo: Imprenta Artistica de Dornaleche y Reyes (calle 18 de julio, numeros 77 y 79), 1900, 413.

⁴⁵ Jacob, Raúl. *Breve Historia de la Industria en Uruguay*. Montevideo: Fundación de Cultural Universitaria, 1981, 29.

⁴⁶ Barrán, José Pedro y Benjamín Nahum. *Uruguayan Rural History*. *Hispanic American Historical Review*, vol. 64, no. 4, November 1984, 658.

markets in Western Europe and North America, a much needed internationalization of the economy.⁴⁷ Thus contextualizing the importance of the production at Fray Bentos by Liebig's Extract of Meat Company, the implications for the national economy can be seen.

All the while Fray Bentos, whose population increased from 2,500 to 14,000 during the boom period of 1900 to 1935, was the epicenter of this new development in Uruguayan rural production and economic activity. By 1900 the factory had some 800 employees and was consuming 3,500 tons of salt per year to maintain production levels.⁴⁸

In the greater context of Uruguayan industry at the time, the development and installation of the *frigoríficos* (refrigeration factories) was an unheralded event that was anticipated with great expectation in the country. The boom period at the turn of the twentieth century was greatly related to this modernization of the countryside, with refrigeration as an integral part of this process.⁴⁹ During this period Fray Bentos, as a place, can be viewed as an economic enclave and one that fits the model of development dependency from foreign investors. In 1924, after World War I and the great demand for processed, frozen, and preserved meats, that funded the further development of *frigoríficos*, the Frigorífico Anglo, owned then by the British company Vestey Brothers acquired Liebig's Extract of Meat Company.⁵⁰ Although, as noted by Stephen Bell, Liebig's, "wisely reserved the legal rights to market its corned beef under that label," the name being Fray Bentos; by then widely recognized in the predominantly English speaking markets.

⁴⁷ *Ibid.*, 657.

⁴⁸ Araujo, Orestes. *Diccionario geografico del Uruguay*. Montevideo: Imprenta Artistica de Dornaleche y Reyes (calle 18 de julio, numeros 77 y 79), 1900. 435, 640.

⁴⁹ Nahum, Benjamín. *Breve historia del Uruguay independiente*. Montevideo: Ediciones de Banda Oriental, 1999, 72.

⁵⁰ Jacob, Raúl. *Breve Historia de la Industria en Uruguay*. 91.

This was certainly a pragmatic decision given the amount of marketing that the company had invested in while solidifying markets, including those of European armies and the “institutional poor.”⁵¹

In present day Fray Bentos, the Frigorífico Anglo, houses the Museo de la Revolución Industrial (Museum of the Industrial Revolution), standing as a symbol of past technological progress and as a reminder of past economic success. The site of the museum in the *barrio Anglo* (Anglo neighborhood) serves as a reminder of the level of success these industrial projects brought to the town and nation. The neighborhood, run originally by Liebig’s, was complete with housing provided for the workers, sports facilities, and the factory nearby. The company became more than a factory but a local society as well, attracting immigrant workers who could establish themselves in Fray Bentos for generations. After the closing of the *Frigorífico Anglo* the town suffered a crisis and local pride was greatly diminished.⁵²

In terms of economic development, however, the site of Fray Bentos is an example of the type of development that was predicated on a dependency on foreign investment and specific knowledge, for the importation and use of technology, the investment of capital, development of infrastructure, and access to a local economy of wage earners, in order to produce for distant yet central markets in the global economy.⁵³ In this sense Fray Bentos was an economic enclave, and has seemingly become so again, despite its significance in the development of Uruguayan industrial history and rural modernization. Although the national political class, specifically the

⁵¹ Bell. “Social Networks and Innovation,” 7.

⁵² Pintos, Aníbal Barrios. *Río Negro: Historia general*, 358-361.

⁵³ Cardoso, Fernando Henrique, and Enzo Faletto. *Dependency and Development in Latin America*. Trans. Marjory Mattingly Urquidí. Berkeley: University of California Press, 1979, xxiv.

Colorado party more oriented towards capitalist exporting, would eventually be able to gain more control over production, the period of the mid-nineteenth century into the early twentieth century was marked by the importance of foreign investment and commercial linkages. As sociologists Fernando Henrique Cardoso and Enzo Faletto have stated:

The financial and commercial control that characterized European capitalism was replaced toward the end of the nineteenth century by investment oriented toward control of production in the peripheral world that was considered important for the central economies.⁵⁴

As a predominantly agricultural country, Uruguay's production model has been well suited for the global economy during times of high commodity prices, but has made the national economy fragile when prices drop. Yet broadly speaking, the national economic agenda has always been conservatively based in the resources of the interior, where wealth is difficult to extract given the limitations of such a small nation. Still, it is only in the latter part of the twentieth century that the national economic perspective and priorities have begun to alter. As Uruguayan historians José Pedro Barrán and Benjamín Nahum argued,

when Uruguay is analyzed in a perspective of 200 years, that from 1700, when it was born, to 1914, when it affirmed its modernity, its unaltered structural characteristics stand out more than do innovations. It could even be stated, with a slight degree of exaggeration, that in the last resort, changes actually served to maintain the "cattle-based establishment" that was already defined by 1800. This deeply rooted conservatism of Uruguayan history could not help but be reflected in the total life of the nation, from its economy to its policies to its culture.⁵⁵

Yet in the past few decades, this economy and its national level administrative policies do seem to have been changing, albeit gradually and as much as a politically conservative small nation is able to change. This has been discussed in the previous section, in regard to the diversification of land use, as well as the developments in technological production as exemplified by the pulp

⁵⁴ *Ibid.*, 71, 79.

⁵⁵ Barrán, José Pedro y Benjamín Nahum. *Uruguayan Rural History*, 656.

industry. Returning to Fray Bentos, this town also serves as an example of change, from economic enclave and local society, struggling after the closure of the Anglo, to the center of this conflict between Argentina and Uruguay. The investment and operations by foreign companies can be both directly and indirectly related to recent changes in Fray Bentos.

The town, located on the middle course of the Río Uruguay, is, as we know, near the Argentine town of Gualeguaychú, in the province of Entre Ríos, from which the local protest against the project has been the most visible and present. Aside from the pulp mill, made possible through European and North American foreign investment, Fray Bentos now has a new and operational port, constructed by Botnia, which has been key to the unfolding industry in the region. Direct employment by Botnia on the national level increased dramatically, with some estimated 4,700 positions filled by early 2007, while secondary jobs that can be indirectly related to the Botnia project were estimated to be around 2,000, this including commercial, restaurant, and transportation positions, many of these in Fray Bentos and surrounding towns in the department of Río Negro. At the more observational and concrete level, the town of Fray Bentos itself has seen improvements in infrastructure – with improvement in roads, sidewalks, and plazas, as well as more commercial activity in the town. It is estimated that local citizens, now working since the installation and operation of the plant, inject \$1.5 million US dollars per year into the regional economy on account of increases in salaries.⁵⁶ All of this and more can easily be likened to the heydays of the Liebigs factory when production was steady and the local economy was sustaining itself at a comfortable pace. Unfortunately, one differentiating issue that accounts for many of the limitations that Fray Bentos faces, in what otherwise could have been an

⁵⁶ Alvarado, Raquel. “Política forestal, plantas de celulosa y debate ambiental. Uruguay tras un nuevo modelo de desarrollo.” *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 79-80.

improved boom period, is the negative press this project has received on account of the conflict with Argentina and most notably the blockade of the nearby San Martín International Bridge. The specific groups that are responsible for these actions and a more complete chronology of this blockade will be presented in a later section. Yet it is broadly clear that these actions have caused considerable damages in trade and other commercial activities throughout the region. In Fray Bentos, and the region as well, the blockade has had a very direct impact, in regards to tourism and local business.

The direct consequences of this blockade resulted in the decrease of imports into Fray Bentos from Argentina, at the total of \$20 million USD in 2005, while also drastically reducing tourism from Argentina.⁵⁷ This again suggests the level of urgency that existed between the governments of Argentina and Uruguay to appease local environmental groups, in order to end the blockade and see the return to open commerce, trade, and transportation. The circumstances and an overview of how such an agreement was reached in 2010 will be addressed later in this paper. Yet also presenting the perspectives of local citizens who chose to rally against the pulp mill near Fray Bentos is crucial in understanding the many aspects of this conflict. Fray Bentos, once at the center of the debate, is still involved with recent developments in plans for future pulp mills and increasing production, yet the place is seemingly less important in the larger context of the forest industry.

Community Reactions and Diplomatic Conflict

Environmental concerns relating to several issues involving pulp production near Fray Bentos and the overall forest industry in Uruguay have caused Argentine and Uruguayan citizens

⁵⁷ Toller, Verónica. *Daños Colaterales: Papeleras, contaminación y resistencia en el río Uruguay*. Buenos Aires: Editorial Marea, 2009, 190.

alike to organize in opposition to the development of this industry. As Uruguayan professor and journalist Raúl Zibechi suggests, “The intensity of movements against paper mills is creating a veritable maelstrom in relations between Argentina and Uruguay.”⁵⁸ Understanding the rationale of such groups and the types of action they are taking is key in approaching this topic. The points of contention that both government and social organizations have presented in this matter are ultimately tied to the types of technologies involved in pulp production and the effects on air, land (soil quality), and water regarding any possible contamination. The technical aspects of cellulose production will not be dealt with in great detail in this work. On the other hand, the environmental concerns will be summarized and placed into the context of the action that was taken to voice these concerns.

This section will also present how the conflict developed and what type of influence local protests had in the decisions to apply diplomatic pressure. For instance, the ongoing blockade, beginning in early 2005, of the San Martín International Bridge across the Uruguay River, between Fray Bentos and Puerto Unzué, Argentina, has caused disruption in the flow of people and goods within the Southern Cone region.⁵⁹ In 2002, the local citizens of Gualeguaychú formed an assembly, officially titled the Asamblea Ciudadana Ambiental de Gualeguaychú (Gualeguaychú Citizens’ Assembly), and have since taken action and continue to protest the installation of these mills as a violation of not only the Uruguay River Statute but also as human

⁵⁸ Zibechi, Raúl. “Argentina-Uruguay: The Paper War.” *Americas Program Report*, March 15, 2005, 2.

⁵⁹ *Ibid.*, 1.

rights violations due to water and air contamination.⁶⁰ From a commentary published in 2008 on local resistance to the *papeleras*, Maria Fernanda Stang commented that

At the regional level there has also been a diffusion of roadblocks, and a tendency towards a longer duration time of the protests. Gualeguaychú has held the longest roadblocks in Argentine history; in fact, the last blockade of the Libertador General San Martín bridge (the path linking Gualeguaychú with Fray Bentos) remained uninterrupted since November 2006.⁶¹

Such actions, exemplified by other grassroots organizations of the region as well, demonstrate the power of social manifestation as a vehicle for deepening the knowledge of environmental concerns, in this specific case all relating to the model of planting pine and eucalyptus forests for pulp and other timber product production.

Other notable organizations involved in the movement against the development of forest products in Uruguay include the Movimiento por la Vida, el Trabajo y el Desarrollo Sustentable (Movement for Life, Work and Sustainable Development) of Fray Bentos, the Asociación Soriano para la Defensa de los Recursos Naturales (Soriano Association for the Defense of Natural Resources) from Soriano, and the Ejército Alpargatista de Liberación Nacional (Alpargata National Liberation Army).⁶² Yet the Asamblea Ciudadana Ambiental de Gualeguaychú (Gualeguaychú Citizens' Assembly) has maintained the highest media profile of these organizations, undeniably on account of their implementation of the blockade of Fray Bentos and occasionally the road of Route 136, both with ongoing consequences for the

⁶⁰ Arnaud, "Papeleras," 20.

⁶¹ Stang, María Fernanda. "De los nodos al Puente: los andares resistentes de los habitantes de Gualeguaychú frente a la instalación de las papeleras." *Revista de Ciencias Sociales*, No. 20, January-June 2008, 67.

⁶² Echagüe, *Crónica del ocaso*, 59-60.

Uruguayan economy. In terms of national influence the Citizens' Assembly has been active in writing the government of Argentina regarding the specific environmental threats that the mill near Fray Bentos poses to the citizens of Gualeguaychú and throughout the region. The Citizens' Assembly's technical group, officially titled the *Comisión Científico-Técnica* (Scientific-Technical Commission) and including university professors and scientists, has formally carried out this task through documents that call for the types of studies needed to determine the levels of air and water contamination associated with the pulp mills operation.⁶³ This group has also been responsible for challenging reports that claim the pulp mill near Fray Bentos operates without immediate threat to the environment, several of which were sponsored or paid for by Botnia or the World Bank.

Local concerns about air and water contamination represent the main arguments against pulp production in the region. As noted by political scientists Miriam Gomes Saraiva and Marcelo de Almeida Medeiros, this conflict is relatable to the 1968 paper by Garret Hardin in which he describes the tragedy of the commons.⁶⁴ In this case the commons being represented by the Uruguay River. Citizens in both countries use the river as a local resource, as well as for fishing, swimming, and other recreational purposes. Yet ongoing concerns are also related to the quality of air as a pressing issue, especially given the ever-present visibility of the pulp mill chimneys from both sides of the river. The responsible management of these resources is the main concern of citizens as they take a pro-environmental stance regarding the use of these

⁶³ Toller, Verónica. *Daños Colaterales: Papeleras, contaminación y resistencia en el río Uruguay*. Buenos Aires: Editorial Marea, 2009, 103-104.

⁶⁴ Saraiva, Miriam Gomes and Marcelo de Almeida Medeiros. "La crisis de las papeleras y los actores subnacionales en el Mercosur." *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 180.

resources and possible pollution of others in the name of economic development and productivity. Sustainable development, a “reigning concept” of the 1990s, as noted by Wolfgang Sachs, in this particular case can be viewed as a way of thinking about the possible economic benefits while attempting to minimize any focus on the potential long-term environmental damage.⁶⁵ Presenting the work of the local citizen environmental groups through the tragedy (of the commons) thesis and one that emphasizes the depletion of the environment under the guise of sustainable development is certainly one approach.

Yet the groups are comprised of local citizens and are not necessarily ideologues enraptured with the environmental movement and its causes. As environmental author Susan George suggests, “People struggling for the well-being of their families and their communities do not necessarily think of themselves as ‘environmentalists.’”⁶⁶ Perhaps in the case of the Citizens’ Assembly this was not the immediate case in this situation but the longer-term identification of the group has emphasized their involvement with environmental concern. Yet to go even further with this line of sentiment, it certainly is the case that the conflict over the pulp mill and the pressure and media attention on the Citizens’ Assembly pushed the government of Argentina to adopt an environmental position over these issues of contamination.⁶⁷ This phenomenon occurred with the evolution of the group as the strategy became more sophisticated over time. Generally speaking, the group’s tactics went from organizing local protests, mainly

⁶⁵ Sachs, Wolfgang. “Neo-Development “Global Ecological Management”.” *The Case Against the Global Economy: and for a Turn Toward the Local*. Ed. Mander, Jerry and Edward Goldsmith. San Francisco: Sierra Club Books, 1996, 243.

⁶⁶ George, Susan. “Preface.” *Privatizing Nature: Political Struggles for the Global Commons*. Ed. Michael Goldman. London: Pluto Press, 1998, xiii.

⁶⁷ Reboratti, Carlos. “Ambientalismo y conflicto ambiental en el rio Uruguay.” *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 130.

with local citizens, to mobilizing activists from other areas of Argentina and eventually blockading the international bridge.⁶⁸ The success of the Citizens' Assembly in mobilizing and drawing significant media and governmental attention to the pulp mill near Fray Bentos will undoubtedly be what the organization will be remembered for during this period.

The organization continues to operate democratically, with decisions made by votes in the general assembly. This element of the group's operation suggests that perhaps the lack of hierarchical structure will allow the Citizens' Assembly to maintain an organizational legacy in Argentina. For example, as Sergio Bergman, founder of the Argentine Citizens Foundation, argues:

The Gualeguaychú Citizens Assembly – transformed into a non-governmental organization – has been an example of values translated into action, reviving the meaning of politics and power, that is not exclusive to political parties, but that is constructed through social practice and a culture of civic politics in which people become citizens of action and not passively omit, with the end of serving and representing the common good.⁶⁹

This portrayal of the Citizens' Assembly is telling of the role that the group represents beyond the more immediate objective in protesting environmental contamination along the Uruguay River. Mostly comprised of middle and working class citizens, the group has been criticized for having accepted the worst-case contamination scenario without further study into the possible effects of the pulp mill, especially over its possible 40-year operating tenure near Fray Bentos.⁷⁰ Whether this is the case or not, the organization is undeniably an important actor in the ongoing

⁶⁸ Ibid., 138.

⁶⁹ Bergman, Sergio. "Prólogo." Toller, Verónica. *Daños Colaterales: Papeleras, contaminación y resistencia en el río Uruguay*. Buenos Aires: Editorial Marea, 2009, 10.

⁷⁰ Reboratti, Carlos. "Ambientalismo y conflicto ambiental," 146.

conflict. Aside from the pressure exerted by the Citizens' Assembly on the Argentine government and the consequences of its blockade strategy, there are other agents and events involved with this conflict worth further examination.

Some of these actors include institutions as they relate directly or indirectly to the contentious situation as it developed between the two nations. One aforementioned institution, that has been involved although not to a great extent in this matter, is the Mercosur. The Mercosur has generally been a great source of disappointment for Uruguay. The country's national export totals to the partner countries have decreased from 60% in 1998 to 23% in 2006. The trade bloc's inability to deal with the conflict concerning the pulp mill plant near Fray Bentos has only heightened dissatisfaction. This also stems from the perception that Argentina and Brazil, the bloc's largest members, tend to ignore the interests of the smaller countries, while emphasizing their own bilateral relations.⁷¹ Yet the Mercosur, as a free trade bloc, can also be viewed as a means to "promote higher common environmental standards" through "protectionism in disguise."⁷² Indeed, an emphasis on institutional environmental control, management, or regulation through national legislation or government agencies in the Southern Cone region has been improved by the nations of Argentina and Uruguay, starting in the 1990s, although such has been done independently of the Mercosur or any associated collective environmental agreements.⁷³ In Argentina it seems that the creation and development of

⁷¹ Christensen, Steen Fryba. "The Influence of Nationalism in Mercosur and in South America – Can the Regional Integration Project Survive?" *Revista Brasileira de Política Internacional*. vol 50, no 1, 147-148.

⁷² Hochstetler, Kathryn. "Fading Green? Environmental Politics in the Mercosur Free Trade Agreement." *Latin American Politics and Society*, vol. 45, no. 4, Winter, 2003, 2.

⁷³ *Ibid.*, 3.

environmental regulation government agencies has been tied in with any environmental accidents or subsequently the lack thereof. Uruguay has on the other hand invested political capital into creating environmental-oriented legislation for land protection and to promote environmental assessment reports.⁷⁴

Still both nations have been caught in this conflict over not only their national infrastructure in monitoring the environment but also involved in institutional shortcomings concerning how to reconcile environmental grievances or differences. One example is the Mercosur, a seemingly logical institution to deal with this matter, but one that has been unable to arbitrate between the two nations. As far as decisions over who is in the right in this matter the International Court of Justice (ICJ) has been the main ruling body. As previously mentioned, in 2006 the government of Argentina launched a legal case against Uruguay at the International Court of Justice in The Hague.⁷⁵ It filed this arguing that Uruguay had violated the bilateral statutes governing water and river use. In late April of 2010 the Court ruled that Uruguay violated the 1975 Statute by not informing Argentina of the plans to allow construction of the two pulp mills near the river.⁷⁶ However, in this same ruling the Court also determined that there was no valid reason to dismantle the pulp mill but rather that under the 1975 Statute Argentina and Uruguay are held to the original terms of cooperation with each other and such should be honored in this matter.⁷⁷ This ruling, although seemingly favorable to both nations, was not well

⁷⁴ Ibid., 9-11.

⁷⁵ Arnaud, "Papeleras," 21.

⁷⁶ Corder, Mike. "World Court backs Uruguay in paper mill dispute." *UK Guardian*. April 21, 2010 <http://www.guardian.co.uk/world/feedarticle/9040517> (accessed August 12, 2012).

⁷⁷ ---. "Pulp Mills on the River Uruguay (Argentina vs. Uruguay)." International Court of Justice Press Release, April 20, 2010 <http://www.icj-cij.org> (accessed August 12, 2012).

received by the Citizens' Assembly who vow to continue their blockade until operations at the mill cease.⁷⁸

As the conflict developed, as a thorny issue between the governments of Argentina and Uruguay, a clever quote from a sign read, “Las Malvinas son argentinas, las papeleras uruguayas” (The Malvinas islands are Argentine, the paper mills Uruguayan), serving as a suggestion of how the conflict has taken cultural and national dimensions.⁷⁹ In fact, once out of office Vázquez publicly discussed the exploration of possible military scenarios and action if the conflict had become warlike. He also confirmed efforts to solicit military support from the United States during trips to Washington DC.⁸⁰ Fortunately no such scenarios manifested. Yet it took time and further dialogue before diplomatic tensions were to subside. In total the conflict lasted for seven years (2003-2010), before the governments of Argentina and Uruguay were able to reach any official resolution. The final agreement includes joint national efforts to monitor the plant near Fray Bentos and the Uruguay River, through the Comisión Administradora del Río Uruguay (CARU).⁸¹

⁷⁸ Niebieskikwiat, Natasha. “La Haya criticó a Uruguay, pero autorizó a Botnia y sigue el corte en Gualaguaychú.” *Clarín*. April 2010.
<http://www.servicios.clarin.com/notas/jsp/clarin/v9/notas/imprimir.jsp?pagid=2185133> (accessed August 12, 2012).

⁷⁹ Echagüe, *Crónica del ocaso.*, 67.

⁸⁰ ---. “Uruguay analizó posibilidad de conflicto bélico con Argentina por papelera.” *El Mostrador*. Santiago, Chile. October 11, 2011
<http://www.elmostrador.cl/noticias/mundo/2011/10/12/uruguay-analizo-posibilidad-de-conflicto-belico-con-argentina-por-papelera/> (accessed August 12, 2012)

⁸¹ Comisión Administradora del Río Uruguay homepage, <http://www.caru.org.uy/> (accessed August 12, 2012).

This agreement has not been without very recent setbacks as other disputes have lingered between the two nations over issues of monitoring. Allegations over Uruguay manipulating environmental monitors have been put forth by Argentina, along with accusations of Uruguay unilaterally altering regulations that UPM must meet at the Fray Bentos mill.⁸² In the meantime, it seems certain that the forest and pulp industry in Uruguay will continue operating. Evidence for this includes a new pulp mill now under construction 250 km south of Fray Bentos, as well as interest from the Swiss and Finnish joint company Stora Enso in a cellulose plant on the shores of the Río Negro in the Uruguayan department of Durazno.⁸³ These plans have begun to materialize with the announcement of plans to construct a pulp mill plant at the cost of \$1.5 billion USD through a partnership between the aforementioned Stora Enso and the Chilean paper company Arauco.⁸⁴ This development, along with other interests and proposals, including a plant in São Borja southern Brazil, demonstrates the potential regional impact of such industry in terms of investment efforts and eventually in production.⁸⁵ How these developments will influence the decisions of the environmental groups opposing the mill at Fray Bentos is yet to be seen, but certainly the recent government actions have helped to lessen the conflict.

Yet for Uruguay the issues remain economically relevant. All Uruguayan political parties face the situation of having almost a third of the nation's working age adults (mostly youth)

⁸² Fernández, Nelson. "Nueva disputa con Uruguay por los controles en Botnia." *La Nación*. June 6, 2012 Buenos Aires, Argentina. <http://www.lanacion.com.ar/1479586-nueva-disputa-con-uruguay-por-los-controles-en-botnia> (accessed August 12, 2012).

⁸³ Arnaud, "Papeleras," 22.

⁸⁴ ---. "Stora Enso y Arauco dicen que contruiran una planta." *El País Digital*. May 21, 2009. Montevideo, Uruguay. <http://www.elpais.com.uy/090521/pecono-418419/actualidad/stora-enso-y-arauco-dicen-que-construiran-una-planta/> (accessed August 12, 2012).

⁸⁵ *Ibid.*, 22.

experiencing unemployment, informal employment, and/or underemployment. This has made economic improvement a political priority through an ongoing emphasis on job creation.⁸⁶ The challenge of how to achieve sustainable and productive growth represents one of only many challenges facing the national administration. In 2003, Uruguayan exports to Mercosur countries totaled 33% while exports to NAFTA and the EU increased to 42%.⁸⁷ Even so, the majority of Uruguay's production remains in national markets, although increases have been recorded. For instance between 1980 and 1997 the percentage of exports from total production leapt from 17% to 23%.⁸⁸ Thus the pulp and paper industry and its other forest product-related industries, which are predicted to follow, no doubt will be important to future economic development in Uruguay. The challenges of responsible government through sustainable development and environmental stewardship that once resonated throughout the administration of Vázquez will surely not be the last promises for the future of a more productive Uruguay, especially as another *Frente Amplio* administration continues in office. Perhaps the greatest challenge still is the improvement of regional institutions, agreement, and support for emerging industries. The main domestic problems facing the nation include low job creation and wider income distribution.⁸⁹

Evaluating the pulp mill in Fray Bentos in terms of employment opportunities provided is a delicate matter given the initial boosts in employment due to construction and other limiting

⁸⁶ Bergamino, "Uruguay en la hora," 20.

⁸⁷ Badán, Operti Didier. "The Uruguay's foreign policy." *DEP: Diplomacia, Strategy, & Politics* vol. 1, no. 1, September/December 2004, 185.

⁸⁸ Gallicchio, Enrique. "El desarrollo economico local en el marco de una estrategia de desarrollo integral." *Cuadernos de CLAEH* 86-87, August, 2003, 106.

⁸⁹ Filgueira, Fernando, Furtado, Magdalena, and Kaztman, Ruben. "New Challenges for Equity in Uruguay." *CEPAL Review* 72, December, 2000, 94.

factors, including the ongoing blockade. Longer term impacts of the forest industry as regarding employment, economic situation, and the environment are yet to be seen. Uruguay's 2000 national census reported that per 1,000 hectares employment rates stood at 4.5 for forest land, 5.8 for cattle ranching, and 9.2 for sheep raising.⁹⁰ This of course does not account for the surge in forest development since the time after the census was completed and released. Still, the example of the partnership of originally Botnia and Forestal Oriental, now UPM with Forestal Oriental is a prime example of the diversity of employment opportunities that this industry offers in the rural interior. For example, investments in planting eucalyptus seedlings, which take from 5 to 8 years to become full-grown trees, the seedling to planting process is one area where employed supervision is needed. These companies have maintained their promise to keep a third of their land reserved as protected zones or as cattle grazing, again presenting another set of employment opportunities. Along with programs to entice private landowners to establish long term forest development contracts, providing that forest companies provide the necessary technology, infrastructure, and planting materials, will further alter the ecological landscapes of the Uruguayan interior. From a perspective that addresses agro-industrial development, socio-economic standards, and varying levels of diplomatic responsibility Uruguay is at a fragile point in relation not only to its relations with neighbors but also its own national economic development. In terms of dealing with such a period, the summary of a Uruguayan group-authored paper, addressing equity in the nation presents a profound viewpoint, in stating that

Uruguay's preparedness for coping with these challenges and for retaining its position of leadership in the region where social development is concerned will depend on the capacities of the country's people and the efficiency and effectiveness of its institutions,

⁹⁰ Echagüe, *Crónica del ocaso*, 50-51.

the threshold beyond which its citizens will not tolerate inequality and their willingness to support the needful corrections when inequality exceeds the thresholds of tolerance.⁹¹

As applied to the situation facing Uruguay, through the development of forest resources for increased industrial production in pulp, and perhaps eventually paper, the emphasis on citizenship from the previous quotation rings true and profound in this situation. The disconnect between government action or promotion of an industry and informing not only its public, but in this specific case the citizens of the neighboring country, has been tantamount to the conflict that had ensued.

That a third party will be able to further resolve any ongoing disagreements between Argentina and Uruguay over monitoring the Uruguay River, pulp mills in the region and environmental impacts of such seems unlikely. The assertion that this issue will “extinguish” naturally over time also seemed doubtful during the heights of the conflict, given that the blockade has continued and that pulp mill operations in Uruguay continue.⁹² Despite a bilateral agreement and coordination over environmental monitoring, the Ciudadana Ambiental de Gualeguaychú (Gualeguaychú Citizens’ Assembly) has continued to periodically blockade the route between Gualeguaychú and Fray Bentos.⁹³ With this in mind, the ongoing implications of the diplomatic conflict and resolution are important, given the large Uruguayan community living in Buenos Aires and elsewhere in Argentina.

⁹¹ Filgueira, “New Challenges,” 94.

⁹² Palermo, Vicente. “Papeleras: sacando las castañas del fuego.” *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 232.

⁹³ Riani, Jorge. “Volvieron las marchas por la ex pastera Botnia.” *La Nación* April 30, 2012 Buenos Aires, Argentina. <http://www.lanacion.com.ar/1469292-volvieron-las-marchas-por-la-ex-pastera-botnia> (accessed August 12, 2012).

At the very least, further commitments and action will need to be taken in studying the environmental impact of industries, such as the forest industry in Uruguay. But it is yet to be seen if a third party organization can administer, monitor, and supervise periodic studies. In Uruguay, the Dirección Nacional del Medio Ambiente (DINAMA) [National Environment Directorate] is responsible for environmental impact studies and monitoring. DINAMA carries out evaluations of air quality, water quality, and effluents in Fray Bentos and the surrounding region. UPM contracts independent companies to conduct testing and these reports to DINAMA.⁹⁴ There are varying opinions in the legitimacy of these studies or the short versus the long-term consequences or impact that such an industry has on the environment. These issues, along with the economic, legal, social, and political dimensions, will have to be addressed for any resolutions to be made.

Even so, it is undeniably clear that the forest industry has emerged as an integral part of the long-term economic reality. What this will imply long-term, across various sectors of the economy and factions of society, is yet to be seen, despite the forewarnings and evidence that has to date presented itself. President Mujica, who in the past has expressed doubts about the industry, once said, “Forest planning has made us friends and also made us enemies.”⁹⁵ This notion is extremely fitting when observing the industry. It attracts investors and employment

⁹⁴ UPM company site. The studies mentioned are presented here and downloadable. <http://www.upm.com/EN/ABOUT-UPM/Businesses/Pulp/Uruguay/fray-bentos/Pages/default.aspx> (accessed August 12, 2012).

⁹⁵ Baldomir, Lucía. “Estiman que nuevos actores dinamicen mercado forestal.” El País Digital. May 20, 2009. Montevideo, Uruguay. <http://www.elpais.com.uy/090520/pecono-418175/economic/Estiman-que-nuevos-actores-dinamicen-mercado-forestal> (accessed August 12, 2012).

opportunities, but it also invites further opposition through environmental activists and diplomatic disagreements.

Conclusion

The social and economic rejuvenation that has lifted spirits in Uruguayan politics of late can be related to the rising tide of the left in the past several elections. This period is also undoubtedly marked by remarkable economic recoveries. Since the crisis of 2002, which has resulted in positive economic growth in the past few years.⁹⁶ Although this may have changed the political landscape of the nation, the social structures that have been forged through history still run strong and are many. When comparing the economies and societies of New Zealand and Uruguay, historian John Kirby made the following observation:

An accurate description of Uruguay's economy and society a generation ago would have been: a European country with a Latin American agriculture. Today it is back in the Latin fold almost completely because, with most of its population in and around Montevideo, it forgot its dependence on the grasslands beyond.⁹⁷

Since the time of Kirby's authoring this quotation I contend that a revitalization and diversification of "the grassland beyond" Montevideo has taken place. This is especially true in the post-dictatorship years of 1985 to the present. But this is not a total dependence on the interior of Uruguay rather an attempt to extract wealth and productivity from a new industry, in this case the forest product industry or forest economy. The investments and push for planted forests in the interior of Uruguay has not lessened and does not take away from the previous

⁹⁶ Arocena, Rodrigo. "Uruguay and the learning divide." *DEP: Diplomacy, Strategy, & Politics* Raúl Prebisch Project no. 9, January/March 2009, 207.

⁹⁷ Kirby, John. "On the Viability of Small Countries: Uruguay and New Zealand Compared." *Journal of Interamerican Studies and World Affairs*, Vol. 17, No. 3, August 1975, 278.

agrarian model, based on traditional crops and ranching. Rather it adds an extra dimension of economic viability and a much needed value-added industry – pulp cellulose production – that has fueled further economic growth through foreign investments and employment opportunities. Unfortunately, there was a significant political and diplomatic fall out from this attempt to diversify land use in Uruguay.

As Uruguayan historian Rodrigo Arocena suggests, this conflict had “brought relations with Argentina to their lowest level in a long time.”⁹⁸ Even with the resolution of this conflict, its lasting ramifications point towards the ineffectiveness of not only the Mercosur but also to political tensions between the neighboring nations. On March 1, 2010 José Alberto Mujica Cordano, more commonly known as José “Pepe” Mujica, a former Minister of Agriculture, National Senator, and, perhaps most notably, once Tupamaro guerilla militant, was inaugurated as President of the Uruguayan Republic. This event marks the beginning of the second consecutive term for the leftist *Frente Amplio* (Broad Front) coalition party and solidifies a new era of political change in Uruguay.⁹⁹ In many ways, this election represented a promise to maintain the policies of the previous *Frente Amplio* administration. The center of this policy is what has been categorized as *batllismo* in Uruguayan history, or, in more general terms, a strong emphasis by the national government in maintaining a welfare state. In order to continue such policies of providing for the less fortunate members of Uruguayan society, sustainable economic growth and gradual social changes have been pursued, all enabled by improved economic

⁹⁸ Arocena, Rodrigo. “Uruguay and the learning divide.” *DEP: Diplomacy, Strategy, & Politics* Raúl Prebisch Project no. 9, January/March 2009, 210.

⁹⁹ Arocena, Rodrigo. “Uruguay en la nueva ola de las izquierdas latinoamericanas.” *Nueva Sociedad* 197, May-June, 2005, 152. The October 31, 2004 election of Tabaré Vázquez marked the first time in Uruguayan history that a member from a non-traditional party (*Colorado or Blanco*) was elected to the Presidency.

periods in the country and broader region. Yet, Uruguay, by and large, remains a peripheral nation, with historically low foreign investment rates and an economy that has been susceptible to the boom and bust trends of its larger neighbors.¹⁰⁰ The investment of the pulp mill near Fray Bentos, now operated by the Finnish company UPM, constitutes an important achievement for the national economic agenda and one that supports the ongoing encouragement of forest development. However, the ensuing disagreement over the installation of this plant and its proximity to the neighboring Argentine shores complicated this matter beyond any initial expectations.

The need for bilateral dialogue and an agreement to end to the harmful blockades between Entre Ríos, Argentina and Río Negro, Uruguay was long overdue. President Mujica, who maintained that resolving this conflict will be his first job in office, kept his word by reinitiating what proved this time around to be a productive dialogue between the governments of Argentina and Uruguay.¹⁰¹ Meanwhile, forest plantations, representing a diversification in land use in Uruguay, do not fundamentally shift the economic model dependent on agricultural and ranching industries. However, planted forest provides a greater dimension to what has been traditionally a very narrow economy and one with historically low levels of foreign investment. The example of the forest industry is not the only one of Uruguay attempting to expand into new

¹⁰⁰ *Ibid.*, 150-156.

¹⁰¹ “Mujica and Mrs. Kirchner to meet next week in Montevideo.” *MercoPress South Atlantic News Agency*. December 1, 2009. <http://en.mercopress.com/2009/12/01/mujica-and-mrs.-kirchner-to-meet-next-week-in-montevideo> (accessed August 12, 2012).

sectors. In the past decade, there has been an emphasis in the country in the software industry, with some successful results.¹⁰²

By focusing on one industry, we can approach economic development as a model that extends across society and one which changes land use and human interaction with the natural landscape. Aside from the forest plantations, there is the pulp industry. It now operates and is expanding in Uruguay as a value-added to product industry that continues to attract investors and provides the national economy with an influx of foreign capital. In this sense, it highlights the viability of a small nation in remaining relatively competitive in the global economy, given its peripheral position and small economy. The broader implications of this type of economic development, opposition to the forest and pulp industries, diplomatic conflict, environmental concerns, environmental monitoring, and promises of ongoing employment, as touched upon in this paper, are topics that will continue to be studied, analyzed, and discussed as this industry remains, expanding or contracting in given periods.

¹⁰² Arocena, Rodrigo. "Uruguay and the learning divide." *DEP: Diplomacy, Strategy, & Politics* Raúl Prebisch Project no. 9, January/March 2009, 200.

Mapa 1. El área de conflicto en el contexto regional

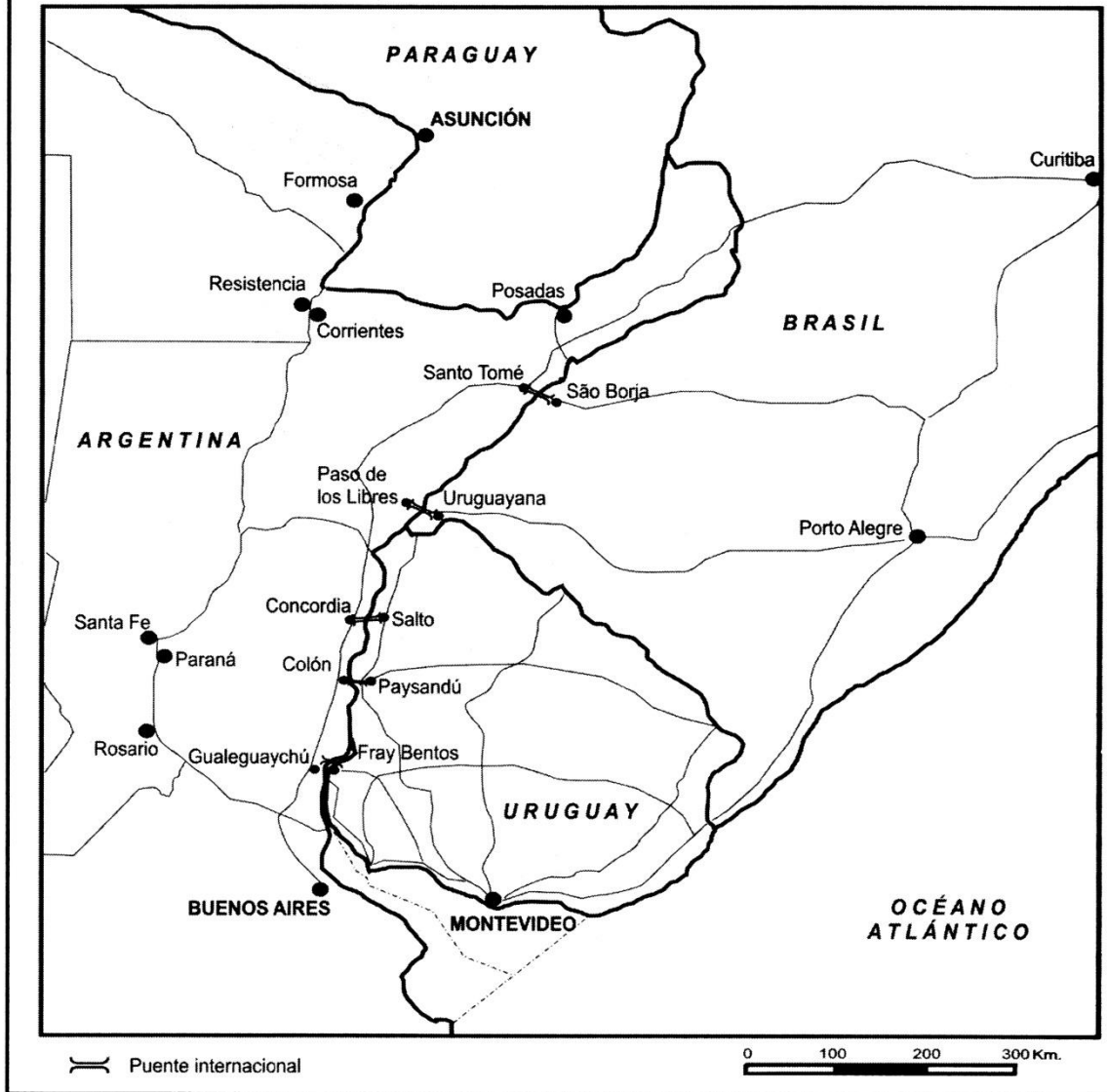


Figure 1¹⁰³

¹⁰³ Palermo, Vicente, and Carlos Reboratti, Ed. *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Buenos Aires: Edhasa, 2007, 12.

Mapa 2. Detalle del área de conflicto

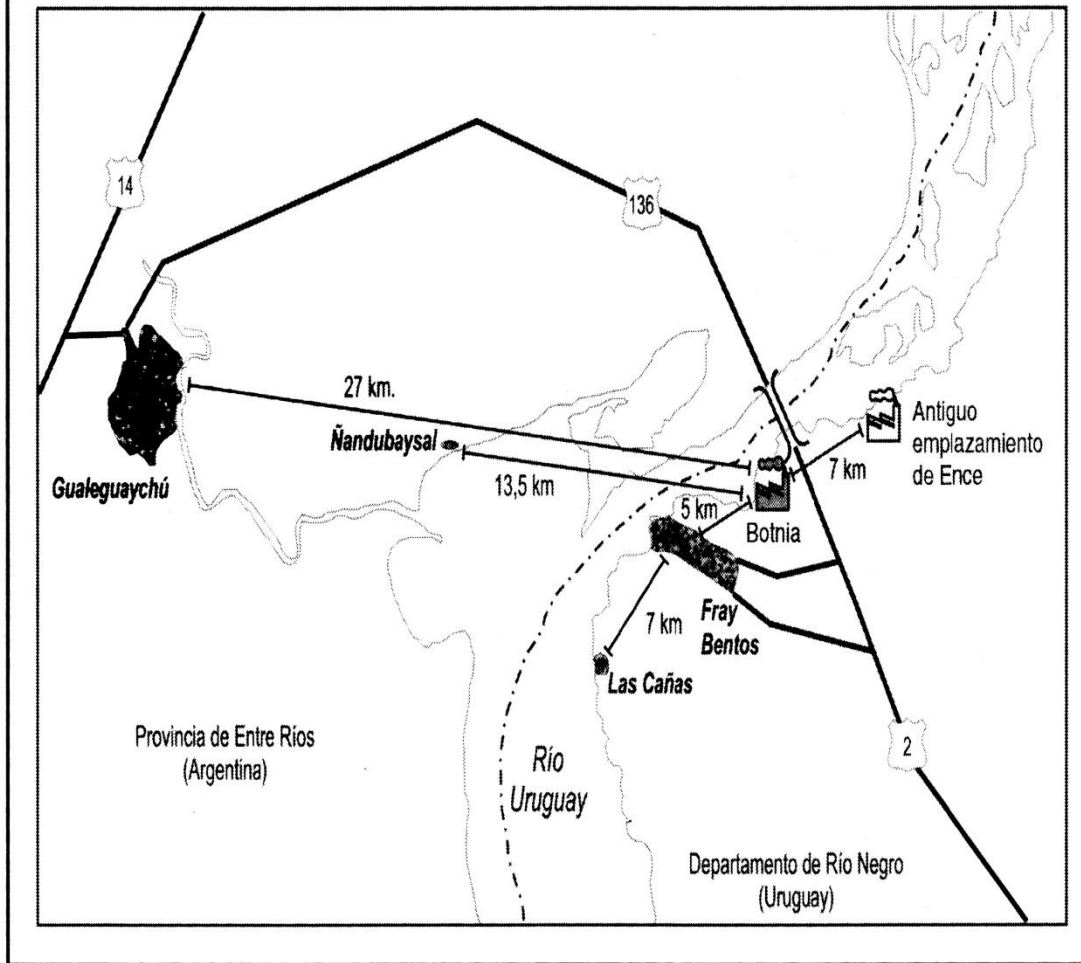


Figure 2¹⁰⁴

¹⁰⁴ Aboud, Lucía and Anabella Museri. “En caída libre. Del diferendo al conflicto.” *Del otro lado del río: Ambientalismo y política entre uruguayos y argentinos*. Palermo, Vicente, and Carlos Reboratti, Ed. Buenos Aires: Edhasa, 2007, 16.

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