

# **URUGUAY-ARGENTINA - Pulp Frictions Threaten Integration (Diana Cariboni, IPS)**

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*The Mercosur trade bloc and South American integration are being put to the test by the growing frictions between Uruguay and Argentina over the construction of two pulp mills on the Uruguayan side of a river dividing the two nations.*

The protests voiced by environmentalists and other civil society groups in Uruguay for over three years have now given way to a bilateral dispute, with both sides adopting nationalistic stances and increasingly entrenched positions.

As the tensions escalate, the Uruguayan authorities have begun to dig in their heels to an ever greater degree. Some sectors of the left-leaning Broad Front coalition currently governing the country had timidly opposed the pulp mill construction projects until 2004, when they were still the opposition.

Today, however, ruling coalition members of every political stripe are firmly aligned in defence of the pulp industry, despite its dismal environmental record in many parts of the region.

Throughout the month of January, opponents of the mills have stepped up their protests by blocking one of the main bridges spanning the Uruguay River, which forms part of the border between the two countries.

The demonstrators hail from the city of Gualeguaychú in the eastern Argentine province of Entre Ríos, located across the river from the site in Uruguay where the Spanish company Empresa Nacional de Celulosa de España (ENCE) and the Finnish corporation Botnia are building pulp mills just 10 km apart.

As far as the protestors are concerned, this construction is taking place illegally, because Uruguay violated the binational treaty for joint management of the Uruguay River by granting authorisation for the mills without consulting Buenos Aires.

Uruguay maintains that Argentina gave the green light for the projects in 2004, and cites a paragraph from the Argentine state of the nation annual report that specifically refers to the matter. But Buenos Aires insists that the passage in question is erroneous.

A binational high-level working group created by Argentine President Néstor Kirchner and Uruguayan President Tabaré Vázquez in mid-2004 as a means of dissipating tensions will wrap up its efforts on Jan. 30 without an agreement between the two sides, according to sources from both countries.

For Buenos Aires, failure to reach a compromise through the working group, which it considers a negotiating instrument, and the two letters it has sent to Montevideo asking for work to be halted on the mill construction, constitute grounds for filing a complaint before the International Court of Justice at The Hague.

The Uruguayan authorities, however, stress that the purpose of the working group is not negotiation, but rather "studies and analyses, the exchange of information and follow-up regarding the eventual consequences for the Uruguay River ecosystem" of the two pulp mills.

Argentina's position is manifested on two levels: the civic activism of residents and environmental groups in Gualeguaychú, spurred on by the governor of Entre Ríos, Jorge Busti, and the declarations and letters from officials in the centre-left Kirchner administration.

The bridge closures are especially detrimental to Uruguay at this time of year, because January marks the beginning of the southern hemisphere summer and the high season for tourism, and this is one of the main routes of entry for Argentine visitors to the country.

In addition, this particular form of protest opens up a new arena of confrontation, since it threatens the free circulation guaranteed by the Mercosur (Southern Common Market) customs union, which encompasses Brazil and Paraguay in addition to Argentina and Uruguay.

Moreover, the fact that the Argentine authorities have done nothing to stop the protestors from blocking the bridge has further inflamed nationalistic sentiments in Uruguay, where any internal debate on the dangers posed by the pulp industry has been shoved to the back burner.

"Mercosur is in the worst position ever to play a role in resolving these differences," historian and political analyst Gerardo Caetano told IPS.

The weaknesses and tensions already plaguing the trade bloc have now been exacerbated by Uruguay's renewed interest in negotiating a free trade pact with the United States.

Earlier this month, Uruguayan Minister of the Economy Danilo Astori announced that his country should "begin making efforts towards reaching a free trade agreement with the United States."

"It would be impossible for a member of Mercosur to individually negotiate trade agreements, unless it intended to leave the bloc, and we have not been informed of such a decision," Brazilian Foreign Minister Celso Amorim stated last week, although he acknowledged that the largest members of Mercosur, his own country and Argentina, "have perhaps not done enough" for the development of the smaller partners.

In any event, according to Caetano, certain sectors of the Uruguayan media have been waging "a campaign to get out of Mercosur," and these sentiments have begun to have a certain echo in the government.

Moreover, he said, Uruguay does not have all of the instruments of high-level diplomacy needed to find a solution to this crisis. And above all, the government is "determined not to lose the investments" being made in the pulp mills, estimated at 1.8 billion dollars.

At the same time, the Argentine government, particularly under Kirchner, "does not seek agreement or negotiate, it is used to winning every dispute," added Caetano.

Uruguay is obliged to honour its commitments to Botnia by an investment protection agreement signed with Finland in 2002, under the previous centre-right government of Jorge Batlle (2000-2005). The agreement, ratified by the Finnish government in 2004, has a duration of 20 years.

The sixth article stipulates that companies whose investments "suffer losses as a result of war or other armed conflicts, a national state of emergency, revolt, insurrection or demonstrations" will have the right to "restitution, indemnization, compensation or other arrangements" under the most favourable terms and conditions possible.

Caetano believes that the discussions of the binational commission will end "in nothing." At the same time, however, taking the matter to The Hague will not necessarily work against Uruguay, because of the "loss of international prestige" suffered by Argentina in recent years, the result of an economic crisis and failure to keep up debt payments, among other factors.

But former Uruguayan foreign minister and current ambassador to France Héctor Gros Espiell hopes that "this route can be avoided, because it will be long and costly for both sides."

In early January, Gros Espiell was mentioned as a potential candidate to prepare Uruguay's defence at the International Court of Justice, but he told IPS that he has not received any instructions in this regard from the foreign ministry.

In his opinion, "all of the diplomatic options remain open" for reaching an agreement. "Mediation is one of these options. Negotiation offers a wide variety of instruments," added the ambassador, who is also a university professor specialising in international law and a former undersecretary-general of the United Nations.

Other solutions have been put forward by civil society. International environmental watchdog Greenpeace has pointed out that the critical attitude adopted Buenos Aires towards the Uruguayan pulp mills could very well be extended to the mills already operating in Argentina.

The group has proposed a new task for the high-level working group: the drafting of a Clean Production Plan for the pulp and paper sector in both countries, and the suspension of work on the Uruguayan plants while the plan is in preparation.

"For us, this is not the solution," activist Ana Filippini of the Uruguayan environmental group Guayubira told IPS.

Guayubira is opposed to the forestry model adopted by Uruguay — centred on large monoculture tree plantations — and the wide-scale introduction of the pulp industry. The group believes that the Uruguayan government should "open up discussion" on these issues and enforce standards with regard to water use, the establishment of free trade zones and other factors that would not imply "violating the agreement" with Finland.

"The solution would be to curb monoculture forestry, instead of promoting its growth, which is what would result from the construction of three or more pulp mills," added Filippini, alluding to the interest expressed by Swedish-Finnish forestry giant Stora Enso in building a mill in central Uruguay.

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