
Disembarkation of the Nordic pulp industry in the South and the World Bank

Until recently, relatively little was known about the Nordic countries in the South. At the best, Finland, Norway and Sweden were known because of their progressive social legislation, their solidarity against the Southern dictatorships, their composers, such as Sibelius, the Nobel Prize or more popular facts such as famous tennis players and racing car drivers, the Helsinki Olympics or the World Football Cup in Sweden.

Unfortunately, the situation has changed and now there is a much less positive perception, particularly as a result of the action of companies linked to the pulp and paper industry. With the Finnish consulting company Jaakko Poyry at the forefront, companies such as UPM/Kymmene, Metsa Botnia, Stora Enso and Aracruz Celulose have started disembarking in the countries of Asia and Latin America and generating conflicts with the local population. Such conflicts originate first of all with the occupation of vast tracts of farmland by eucalyptus plantations to supply their factories with raw material. This is followed by conflicts arising from environmental impacts on the water, flora and fauna, depriving the local population of the essential elements to ensure their sustenance. Then come the scant and appalling jobs generated by the eucalyptus plantations resulting in a negative balance of workstations on a regional level. And, finally added to all this, are the environmental and social impacts from the operation of the pulp mills.

Of course these companies are not alone in the big pulp and paper business. Many other companies, particularly European ones, provide the various components of the highly expensive pulp and paper mills, while export credit agencies facilitate the export of such factories to the South.

Given the high cost of a pulp mill (approximately between 600 million and 1.2 billion dollars, depending on the size), the essential factor is access to credit, both multilateral and private, and in many cases, with access to the latter syndicated to the former. This is where multilateral banking comes on the scene: the World Bank and regional banks such as the Inter-American Development Bank and the Asian Development Bank.

The World Bank, through its International Financial Corporation (IFC) grants credits to the private sector, while directly facilitating the granting of loans from private banking to the enterprises it finances. The Finnish company Botnia (associated to another Finnish company, UPM/Kymmene) has planned to install a gigantic pulp mill in Uruguay that will produce 1 million tons of pulp per year, at an estimated cost of 1.2 billion dollars. The proposed IFC investment consists of an A loan for IFC's own account of up to \$100 million and a syndicated B loan for the account of participants of up to \$100 million.

The proposed factory will be installed on the Uruguay River, shared by Uruguay and Argentina. Environmental groups and social organizations from both countries as well as the Argentine government have complained to the Bank about the shortcomings of the environmental impact assessment undertaken by the company, which did not even consider the accumulated impacts caused by its factory and the already approved project of the Spanish company Ence, planning to

produce 500,000 tons in the same area.

To face these complaints, IFC hired the Japanese consulting firm Pacific Consultants International to carry out additional studies. The issue also gave rise to a trip to Uruguay by the Compliance Advisor Ombudsman (CAO), Meg Taylor, who incorporated many of the criticisms made by civil society in her report, both concerning the pulp mills and regarding the associated eucalyptus plantations.

The consulting firm's report was made public on 19 December. More than a report it resembled a complete treatise on all the falsehoods repeated by the pulp and paper industry (we recommend all our readers to read it). From the first page of the report it is possible to guess the conclusion as it states that "both companies are leading producers in their sector, both technologically and in terms of their corporate and social values, policies and approaches." The sole fact that the report affirms that in Spain Ence is leader in its values policies and social approaches shows its total lack of critical vision on the issue, given that the history of this company includes environmental destruction, criminal acts and the social rejection of its activities.

Just as a sample of the report's complete lack of seriousness, we highlight its affirmation regarding plantations: "The development of plantations in the region is a positive factor as the plantations provide an improved habitat structure with more niches for a wider variety of flora and fauna, thus increasing biodiversity over the current grazing land conditions... As a result, biodiversity is enhanced by these projects, not decreased." Even the most ardent defenders of monoculture tree plantations have never dared to make such an affirmation.

Also as a sample is the part of the report referring to dioxins. The report affirms that "ECF bleaching... has the advantage of essentially eliminating dioxin and furan production" adding that "full replacement of elemental chlorine by chlorine dioxide results in the decrease of dioxins and furans in the effluent to undetectable levels." That is to say, dioxins and furans are effectively generated. The "detectable" level will obviously depend on the scale of the operation. In this case we are considering two enterprises of an accumulated scale that will place them among the greatest in the world, but nevertheless, the report rejects the possibility of "detecting" dioxins and furans. Furthermore, the report chooses to ignore the existence of recent studies carried out in Sweden proving that ECF pulp mills have increased the dioxin levels in the Baltic Sea.

In relation to the above, it is interesting to see what the World Bank Guidelines say on the subject: "The use of elemental chlorine for bleaching is not recommended. Only ECF processes are acceptable, and, from an environmental perspective, TCF processes are preferred." From this it may be inferred that, from an environmental perspective, the ECF process does have impacts. However, the report does not mention them nor does the Bank say anything to the consulting firm.

In spite of the report's clear lack of objectiveness and its bias in favour of the companies, the Bank accepted it as "its" report although it maintains that it is a draft for consultation. The reaction of local environmentalists was immediate, through a communiqué that ended by stating that "summing up, given its lack of seriousness, this report does not constitute a credible basis for IFC to take decisions regarding the granting of loans requested by the companies and even less so for a consultation of Uruguayan and Argentine citizens.

As always, it seems that the World Bank's processes for consultation and participation are a mere formality to approve projects that have been approved in advance. In spite of the fact that we have had this experience several times already (in particular during the consultation process on the revision of the Bank's forestry policy), we still have the remote hope that we are wrong and that – as

corresponds – the Bank will file this report and that finally the requested loans will not be granted.

See the consultant's report at:

http://www.ifc.org/ifcext/lac.nsf/Content/Uruguay_Pulp_Mills_CIS

See the Grupo Guayubirá's press communiqué at:

http://www.wrm.org.uy/countries/Uruguay/The%20World%20Bank_Botnia_Ence.doc

See Ricardo Carrere's open letter at: <http://www.wrm.org.uy/countries/Uruguay/To%20IFC%20from%20Ricardo%20Carrere.doc>