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Uruguayan Cellulose Plant Opens Despite Argentine Objections After Talks Fail

by LADB Staff
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The bilateral conflict between Argentina and Uruguay regarding a US$1.2 billion Uruguayan cellulose pulp mill worsened in the final months of 2007. Argentine environmentalists, generally backed by the Argentine government, say two plants being built along on a river the two countries share will create harmful contamination (see NotiSur, 2005-09-16, 2006-02-10, 2006-07-28 and 2007-02-16), while Uruguayans say the pollution will be minimal and the income from paper mills will be necessary for the tiny country’s economy.

Uruguay's President Tabare Vazquez inaugurated a port serving one of the plants in September and, after talks broke down between the two nations, the plant opened in November. The two countries have both taken claims to the International Court of Justice (ICJ) at The Hague, but the court has so far refused to block either the plants in Uruguay or the Argentine protests that repeatedly impede access to roads into Uruguay.

Uruguay closes border crossing
In late August, President Vazquez inaugurated a port serving the controversial new pulp mill, to the backdrop of several dozen Argentine protesters in a flotilla of boats and dinghies. Residents of the Argentine town of Gualeguaychu then staged their boldest demonstration in months on Sept. 2 against the pulp mill across the river in Fray Bentos, Uruguay. Years of protests have failed to persuade the mill's Finnish owners, Botnia, to move to another location.

Financial support from the World Bank and International Finance Corporation (IFC) have made the two plants Uruguay's largest investment projects ever possible. Vazquez authorized the start-up of the plant on Nov. 8 during a summit of regional leaders, inflaming tension with Argentina, which is implacably opposed to the plant. Then President Nestor Kirchner of Argentina slammed the decision as a "stab in the back," while Vazquez, fearing violent protests, temporarily closed the border and banned flights over the plant on the banks of the Rio Uruguay dividing the once-friendly neighbors.

The plant opening led the presidents of the two countries to give polite but opposing speeches at the 17th Ibero-American Summit in Chile the week of the facility’s inauguration. Spain's Prime Minister Jose Luis Rodriguez Zapatero, who visited Argentina and Uruguay after the summit, urged both sides not to give up on diplomacy. Spain has mediated in the dispute, even though the second plant is operated by the Empresa Nacional de Celulosa de Espana (ENCE).

Argentine protesters from Gualeguaychu fear the mill will contaminate the river and ruin the economy of their riverside resort, which boasts thermal springs and a yearly carnival. Argentina has claimed before the ICJ that Uruguay's unilateral decision to allow construction violated a 1975 treaty on joint management of the Rio Uruguay.

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Months of efforts sponsored by Spain’s King Juan Carlos to find a diplomatic solution have foundered, but both Uruguay and Argentina had appeared willing to calm the dispute until the world court’s ruling, which could take a year or more, to keep the dispute from hurting trade. Argentina’s newly-inaugurated President Cristina Fernandez, Kirchner’s wife, had angered protesters with what they considered an appeasing tone by saying Argentina would be vigilant to see whether, in fact, the plant did pollute.

Though Fernandez is likely to pursue similar policies as those of her husband, Uruguay had been hoping she would prove more constructive in style. Botnia had been ready to launch for weeks, but Vazquez heeded first an Argentine plea not to give the green light until after its elections and then a plea from Spain to wait until after the Santiago summit.

In Chile, Vazquez sought out Kirchner for a friendly handshake. But his patience snapped after the Argentine leader pledged his continued support to the Gualeguaychu protesters. The 1 million ton-a-year plant is Uruguay’s largest foreign investment and is expected to add 1.6% to GDP and boost already booming exports. With its tall chimney stack belching smoke and the smell reminiscent of boiled cauliflower hanging in the air for days, it was working at about 70% capacity in November as wood chips were cooked and the pulp sieved and bleached. While forestry products account for a significant fraction of South America’s industrial output (including plants within Argentine borders), pulp facilities often come under scrutiny for pollution, as in the case of a Chilean operation accused of harming an endangered swan species (see NotiSur, 2005-05-06).

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