

Markus Kröger
University of Helsinki

New Pulp Investments and Development: Lessons from Latin America and Finland

No a las papeleras signs dot the street line, cars, windows and doors in Gualeguaychú. The Argentinean blue-white flag has gained a red line. It symbolizes resistance. On the road to Fray Bentos on the other side of River Uruguay, a sign with the blue-white Finnish flag points to Uruguay. The sign says “5 km: *Republica Oriental de Botnia*”, 5 kilometers to the Oriental Republic of Botnia.

Since the pulp mill dispute began – with Botnia in limelight as a Finnish company, largest Finnish single foreign investment ever, totaling over 1 billion Euros - some Argentineans and Uruguayans have tried almost everything to stop the investments. Finns, on the other hand, would very much like to keep their traditional industry.

In Finland, there is a saying that “money smells.” The saying refers to the wealth brought by paper and pulp mills throughout the country, especially rural towns. Mills bring good, well-paid jobs. They have been the backbone of the economy in the distant rural areas, making economic development less centered. Now these jobs move abroad to Latin America, the future home of pulp. As new mills kick off in Latin America, paper industry shuts down Finnish productive and even profitable mills.

It is not the “*Pueblo Finlandes*” planting pulp mills abroad. In Finland, there are many different sectors of citizens. The paper industry is a very specific actor and has its own logic, and is not the same as “*Pueblo Finlandes*”, as the Gualeguaychú Assembly believes. Some part of Finns get benefits from the new pulp mills in Latin America. Jobs transform, generating new types of production in Finland. The results of this structural change are not clear or studied. Some gain, some lose, also in Finland. The general trend in new pulp investments is a transfer of jobs from workers to middle class professionals like chemistry engineers or consultants.

In there where in Finland pulp smells as money, in Argentina and Uruguay it just smells. The economic benefits concentrate on the companies. Thus, Uruguay and Argentina, especially the people who now have to smell the possible odors of Botnia, could ask for some compensation. It would be a good strategy for the Gualeguaychú Assembly to transform the absolute “No” into asking for compensation. Especially the tourist sector of the city could gain compensation from Botnia.

The media has framed pulp investment resistance as “irrational” and “environmental”, as “ideological” resistance to modernization. In reality, resistance is much more complex. Those against are a heterodox group. Some critics argue, for example, for efficient tree plantation usage. Instead of pulp production, to create jobs and macroeconomic, especially local benefits, one should put efforts into developing furniture-industry and house building, for example. This would be also a carbon-reduction effective industry, which pulp production is not. Alternatively, one could free land from eucalyptus for agricultural purposes.

People do not defy pulp investment plans only because of environmentally critical reasons, but also due to economic, political and cultural causes. Confrontation takes place on a broad level, where different alternatives meet politically.

The Finnish paper industry has had conflicts with environmentalists before. They have confronted alternative economic groups, like the Sami indigenous in the North of Finland. Many of the Sami would like to see their traditional forest lands used for reindeer herding instead of turned into pulp by the Finnish State and paper companies like Stora Enso. As can be seen, the paper industry disputes are not taking place solely between “environmental” and “economic” poles. A dispute level of “economic A” versus “economic B” is common in paper industry conflicts, worldwide.

In Brazil, landless movements and indigenous resist pulp investments claiming eucalyptus plantations are part of expanding agribusiness and cause landlessness. They are right: Latin American pulp investments are, indeed, part of a deep structural transformation in the countryside. Agribusiness expansion phenomenon is the structural cause underlying pulp investment disputes. The resistance points – like Botnia dispute and landless strife - are symptoms of agribusiness phenomenon crashing with local populations’ interests.¹

In the Uruguay-river conflict, the pulp industry met a well-organized local democracy initiative. Moreover, the industry met an international borderline. Paper industry faced Argentina, a powerful Latin American country with people willing to wave criticism. The conflict has deepened.

The paper industry has heaps to learn. Pulp investments violate national borders. Currently Stora Enso is in a legal battle in the Southern Brazilian state of Rio Grande do Sul as it has planted illegally eucalyptus on lands bought in a 150 km international border perimeter. A foreign company cannot buy land in the perimeter without prior state permission. Stora Enso tries now to change the Brazilian laws. It seems like Finnish paper companies would ignore totally Latin American national borders.

The Finnish State, media and paper industry discourses on new pulp investments have been - sadly - nationalist. Following the traditional and strong interlinking of state and forest industry, in times of high nationalism like the 1920’s and then later on, most Finns still embrace the belief their state and businesses to be superior, always honest, efficient and well-mannered global actors, who take into consideration everybody’s interest. Paper industry and its powerful allies shield this national myth by a sense of taboo.

Taboo surrounds the Finnish forest industry: people consider it “the backbone of the economy”, and are afraid to criticize. It is hard to get critical voices of paper industry published in the Finnish media. Still, opening the debate is crucial, when we so clearly see that Finnish impact abroad – through pulp investments – is altogether not as nice as the nationalist discourse would have it.

Self-criticism is called for. In the orthodox nationalist view, “we Finns” are producing only quality-standard, environmentally friendly, clean technology. At present, government, business and much

¹ For more analysis on the Botnia case, please see the research article: “Uruguay ja Argentiinan sellutehdaskonflikti latinalaisamerikkalaisena maa- ja metsäkiistana” *Kosmopolis no 2/2007*. Helsinki: Suomen rauhan tutkimusyhdistys ry. [The Pulp Mill Dispute of Uruguay and Argentina as a Latin American Land- and Forest Conflict; *Kosmopolis*, Finnish Journal of Conflict, Peace and World Politics Research]

© Amici Instituti Iberoamericani Universitatis Helsingiensis, P.O. Box 59, 00014 University of Helsinki, Finland
of the society cherishes this type of “Finland”-image. It is the Finland Number One of global rankings.

However, empirical proofs, for example, the pulp investment disputes hint otherwise. The Finnish businesses and the state as well as media downplay negative cases of the globalized Finnish industry. Citizens have to acquire knowledge by alternative ways of these negative contacts. Is it really helping Finland to move production facilities abroad? And pay for this from the public, taxpayers’ money? There is a lack of transparency in export credit agencies and foreign public investments.

Politics and diplomacy rally and gear all international investments. If you argue for the market forces, lesser costs, superior production infrastructure or nature to be ultimate reasons, you participate in economism, in an act of replacing the explicitly political space by implicitly political, discursively economic worldview.

Besides classic economic capital, also symbolic capital is at play in securing new pulp investments. The paper industry has used its Finnish image without consulting the Finns, who are mostly unaware of the danger and context into which their image enters when appropriated for business cause. One should question a company illustrating itself as “Finnish” or coming from “high technology country”. Most likely, there is an economic interest behind such political framing. Such discourses aim to legitimize the investments by capitalizing on the symbolic power of “Finland”.

These symbolizations also try to hide the cruel economic non-development that pulp investments carry. The paper industry has appropriated the Finnish success-story history. It uses this to hide the reality, to sell pulp investments to the “Global South”.

One should be aware of the Finnish history and the specific role of paper industry in it before accepting paper corporations’ claims. Alas, politicians in Brazil and Uruguay have embraced the accounts given by paper companies, and hope their country turns into as prosperous country as Finland. This has not ensued, and will not ensue. Large-scale pulp investments into “the Global South” differ tremendously from the historical paper industry investments in Finland.

When Argentina and Uruguay were first world countries 100 years ago, Finland was a developing country. World system center in Western European, especially Great Britain, wanted mostly only wood products from Finland. The world system imposed restriction and role led into the dependency and development based on forest industry. The decades of forest industry focus generated of Finland the leading forest industry country in the world.

However, this was not merely an achievement of the forest industry or a favorable export scheme. Development linked to political struggle to create an economy of competition, cooperation and equal distribution of wealth. The civil society organization and the following political bargaining power saved the business from itself. Companies sought to maximize profits. Social capital rise put rationality into business, impeding it to destroy its own efficiency by the concentration of business activities into hands of an oligarchy or monopoly.

Smallholders gained titles to forestlands and organized into efficient bargaining power cooperatives to raise the price of wood sold to the companies. Workers demanded better salaries, larger share of the paper companies’ profits. Nobody won the battle, but all came to the middle-way to create national consensus. This was the key to the Finnish economy’s and forest industry’s success-story. This was the “Third way” between capitalism and socialism. This is not what the paper industry

promotes in new pulp investments. They are attempts to destroy the Third-way model, to replace the state and civil society organization by multinational corporate power.

The Finnish state set laws limiting the ownership of land by forest companies since the 1930s. The state set a broad agrarian reform that abolished *latifundia* and its power relations when reaching the 1950s. As equality increased, also creativity, innovations and competition gained ground. Citizen activism took the social space from the passivity that unequal power relations generate in a society.

A need to compete with quality instead of quantity emerged. Cooperation and innovation led into high technology and a forest industry cluster that distributed wealth and knowledge. The organized society used its political power to put limits to the paper industry magnates.

Present-day Latin American nations could use the Finnish strategy of agrarian reform and regulations, cooperation and competition structure creation to create general wealth with their booming agribusiness sectors. To which pulp investments belong, as said. You could compete with quality instead of quantity. However, Brazilian and Uruguayan governments have opted to go for the road where corporate power increases at the cost of civil society and general macroeconomic development.

As I see it, by new pulp investments the Finnish paper companies quest for their “golden era” of early 20th Century, in a rush back to the patron-times of the 19th Century. Corporate will to power can linger for decades, accept regulation, and then pop when a suitable framework appears. Such has been the globalization of last 20 years.

In the structural transformation of the global paper and pulp industry, the cultural transformation tendency has been strongly towards the ideal of “efficiency”. Forest economists order eucalyptus trees like soldiers into line. Paper industry wants to go back to the times when the societal forces did not set the regulations for their business, when they controlled the game. This demonstrates the rigid, conservative nature of the paper industry.

The new open global economy has offered paper corporations the opportunity to return to the paternal times when they control everything. Paper industry transformations are a battle for power – because companies can turn political power of control into higher profits. Profits reamed in Latin America under lesser regulations are also a tool to strike back to the traditional areas like Finland, where they lost their supreme power during the past decades, as the history tells.

Multinational companies find a perfect context for realizing their cultural aims in places like South America and South-Eastern Asia. However, the resistance in Latin America increasingly questions pulp investments. This means that the paper industry will turn its eye increasingly to easier contexts, like Africa. The times and contexts when paper companies controlled the whole process from the start to end, without smallholders or syndicates meddling in their affairs, are looked for. Paper companies want back the power, which they lost in the course of Finnish nation building: which paradoxically actually assured for the paper industry its success. Now the industry makes use of the enormous support it has received from the Finnish state to fly away. The current world system allows this.

Countries like Brazil and Uruguay can and should ask for more in return for letting paper industry to set pulp investments in their national territory. In the development process of setting regulations for the paper industry, Finland became a welfare state and thriving economy, whose members did not accept the passive, dominated role in oligarchic power relations.

NGO's have argued there has to be a more balanced pulp investment model, instead of the large-scale pulp mills and huge eucalyptus plantations. Companies and local population in the investment areas should negotiate a new, locally fitting model of pulp investments. The companies would make profit still. Then the local economy would gain. Regulating eucalyptus plantations and the mill size, alongside distribution of prosperity would mean to follow "the Third way".

Markus Kröger is a Latin Americanist in the University of Helsinki. He researches paper and pulp industry disputes in Latin America.