

TITLE: Birthing extractivism: the role of the state in forestry politics and development in Uruguay

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ABSTRACT

This study examines the role of states in developing contemporary extractivism based on recent investments and project plans in industrial forestry in Uruguay. This sheds light on several unanswered questions related to the role of the state and civil society in the governance, politics, and political economy of extractivism. The role played by states in contemporary extractive investments is a topic that requires studies that do more than simply analyse whether that role is strong or weak. Instead the focus should be on *how* states promote such investments, and on the political and socio-economic consequences thereof. Our analysis shows that the multiple roles of states need to be better understood when explaining the role of states in endorsing and expanding extractivism and its effect on the broader societal governance of business conduct. Our analysis indicates severe and negative developmental and socio-economic outcomes of pulp investments in Uruguay, which are hard if not impossible to transform as corporations can now use the investment protection laws – created by the government to regulate the state conduct – to restrict the possibilities of civil society and state actions.

Keywords: Extractivism, Governance, The state, Political CSR, Industrial forestry, Development, Rural livelihoods

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1 INTRODUCTION

Extractivism has a long history in Latin America, where even in the nineteenth and twentieth centuries the extraction of minerals such as silver and tin provided the region with foreign investments while impoverishing local populations (Moore, 2010). Today, the term extractivism refers not only to mineral exploitations but to any economic sector (i.e. farming, fishing, and forestry) engaged in the large-scale extraction of unprocessed natural resources with few benefits for the locals (Gudynas, 2013). The state role in these types of investments took a somewhat different form under the democratically elected ‘progressive’ governments of the 2000s, whose key policy was to fund social projects by boosting the growth of extractive sectors (Gudynas, 2015).

In terms of the governance of these types of operations, there is an urgent need to understand and conceptualise how extractivism come into being, or is birthed, as we choose to describe the active interaction of nation states and global corporations (see also Borrás et al., 2012; Duit, 2014; Sevilla-Buitrago, 2015; Chomsky, 2016), and how such relations affect the possibilities of citizens to engage in a meaningful debate on the desirability of these types of investments (Banerjee, 2017; Ehrnström-Fuentes, 2015; 2016a; Scherer and Palazzo 2011; Valdivia 2015; Veltmeyer & Petras, 2014; Wilson et al., 2017). What is the role of states and their governments in the governance of contemporary extractive investments? After a period during which the role of states has been seen as diminishing due to market-based global governance (Jessop, 2016), is the role of states once again on the rise, and, if so, how is this taking place? Our study on how, through which means and state roles, extractivism is birthed, will provide answers to these questions.

By bringing in and developing established methods of institutional analysis of state-society relations, the article provides new conceptual tools for understanding governance processes in

the extractive sector. By closely examining the corporate-state relations in the birthing of forestry extractivism in Uruguay, we illustrate the role states play in attracting these types of investments to their country, while often weakening democracy and/or causing negative socio-environmental and economic impacts. Our case selection and interdisciplinary conceptual work also offers political and developmental insights about the interplay between states and corporations in setting the boundaries of corporate social responsibility, while laws that are made to protect corporate operations are also an effective method of ‘managing stakeholders’, as they generally modify and curb the set of ‘political games’ (see Kröger, 2014a) available to possible investment resistance. We illustrate how the law, bilateral investment, and direct agreements with the host government not only set the boundaries for how corporations can engage with their local stakeholders but also how these arrangements silence dissent and reduce the playing field in terms of how civil society can impact the conduct of global business operations (for an indepth discussion on how corporations impact civil society see Assländer and Curbach, 2014).

The study is structured as follows. First, we unite and redirect classic tools of historical institutional analysis for assessing state-industry relations and roles with the existing research on extractivism. We focus on the state as an actor, utilising the concepts of custodian, midwifery and husbandry state roles identified by Evans (1995). After this we discuss the field research methods and data, and review the existing literature on forestry extractivism, particularly in Uruguay. The subsequent section analyses the three mechanisms and actions we found to be most important in explaining how extractivism was birthed: the state’s midwifery and custodian and husbandry roles in promoting a foreign-controlled pulpwood export model. Each of these roles are examined in the analysis section in a way that allows for a replication of this analytical model for similar studies in other contexts. A discussion section highlights how the simultaneous use of these three state roles has been instrumental

for creating a foreign-controlled extractivist industry, and how their analysis can better explain this birthing than studies discussing state or corporate ‘strengths’ or ‘weaknesses’. We also discuss how husbandry is important for creating symbolic capital/violence (see Bourdieu 1991), analysing the job creation discourses of industrial plantations through this lens. This helps reveal the true developmental and socio-economic impacts of these investments. The conclusions section connects our findings to larger theoretical and political debates.

The most important lesson here is that what matters the most is not whether the state is withering away, or is ‘strong’ or ‘weak’, but *what kind of* relation the state has with society. Evans’ book, *Embedded Autonomy: States and Industrial Transformation*, was written in 1995. With the arrival of the soft laws promoted through global governance and CSR, it can be argued that the state’s role has changed, yet it has not withered away (Jessop, 2016). On the contrary, it is possibly even more present than before, shaping pre-CSR regulatory and legal frameworks, often moulding political dynamics to influence policymaking in the direction of favouring non-state mediated politics instead of those mediated by the state. Yet, locally, the role of extractive corporations in governance of social policies has increased (Wilson et al., 2017), a seemingly paradoxical situation, whose birthing and political contours our analysis will shed light on.

There is an extensive ongoing debate on the political role of multinational corporations, corporate social responsibility (CSR) and the governance of global corporate operations (Assländer and Curbach, 2014; Banerjee 2017; Matten & Crane, 2005; Matten and Moon, 2008; Scherer and Palazzo, 2011; Scherer et al., 2016), wherein the focus has been mainly on corporate-society relations rather than on the role of the state – as the state is either perceived as static and as a taken-for-granted regulator of business conduct or as absent or weak due to

the processes of globalisation (Scherer and Palazzo 2011). To date, in this literature, the actual relationships between corporations and the governments that host these extractive operations, and the effect this has on civil society's capacity to engage in the regulation of business conduct (through national or global governance) has remained largely unexplored (Banerjee, 2017).

2. Theoretical framework

In the political, economic, and comparative politics literature, the state is usually approached from two major perspectives: as an actor or as an arena (Duit, 2014). The state is either emphasised as an important actor, which should be studied in detail as a social actor in its own right that can embed the markets (e.g., Evans, 1995), or it is approached more as an arena of politics, where corporations, civil society resistance, and government agencies struggle and/or cooperate to influence economic policies through various political games (e.g., Kröger, 2014a). Both approaches follow Karl Polanyi (2001) in asserting that, rather than emphasising the state and the society as separate actors, it is more important to study their interrelated relations, such as their 'encompassing embeddedness' (Evans, 1995), or the 'political games' through which corporations, civil society, and governments define policy (Kröger, 2014a).

The latest developments in state theory underline that it is very problematic to conduct coherent state analysis based on strength (and weakness) because there are so many contrasting interpretations as to what these mean (Jessop 2016). The concepts of midwifery, husbandry, and custodian, (Evans 1995) are helpful to distinguish specific state roles as these concepts direct our attention away from misleading and simplistic questions regarding state size and strength, and towards fruitful qualitative and relational analyses. To use these concepts for the study of extractive industries is an original and additional contribution, as the

bulk of the critical analysis of this sector has focused on political ecology, which relies heavily on textured, site-level analysis of non-formal organisations, at the expense of observing industry-state relations (Perreault et al., 2015). Other fields, particularly the study of developmental states, have much to offer to this literature.

There have been political economic analyses of extractive capitalism, particularly in Latin America, and government policies supporting extractivism have also been discussed, especially through the notions of neo-extractivism and neo-developmentalism (Gudynas, 2015; Chomsky, 2016). However, instead of making a structured assessment of how the government has birthed extractivism, including the forestry sector which is regionally important and the most visible form of extractivism in many parts of South America (in Uruguay, Chile, and Brazil, see Kröger, 2014a), the existing studies have focused on minerals (e.g. Deonandan & Dougherty, 2017), hydrocarbons (e.g. Valdivia, 2015), or flex-crops such as soybean plantations (e.g. Oliveira & Hecht, 2016; McKay, 2017), and on the general state-society dynamics and impacts (e.g. Veltmeyer & Petras, 2014; Chomsky, 2016). Uruguayan pulp investments provide a distinct case of extractivism when compared to most of the cases discussed in the above studies, which focus on neo-extractivist projects by so-called progressive governments, wherein these governments argue that the national state and society at large will benefit from the siphoning of the new resource rents to build welfare policies (as argued by the governments of e.g. Bolivia, Ecuador and Venezuela, but also Brazil, Peru and Colombia, see Gudynas, 2015). In Uruguay, we have extractivism that is located in transnational territorial spaces, mostly out of reach for tax collecting, and also in other ways providing little to welfare policy-building by comparison to some of the cases in the above-mentioned studies, which are already criticised for their negative environmental, political, economic, and/or social impacts, at least at the sites of extraction, if not also nationally. We provide a structured analysis of the key roles of states in birthing extractivism; of forestry

extractivism; and of a predominantly foreign-owned and controlled extractivism, which has little if anything in common with the assumed social distribution of the benefits of neo-extractivism.

The analysis in this study departs from Evans' (1995) institutional analysis concepts, which were originally created to highlight the crucial role that autonomous yet embedded states play in enabling developing countries to become more equal players in the global political economy, to compete on a par with the developed countries. While Evans (1995) focused on the IT sector – for the good reason that the development of that sector as mostly *nationally-owned* via specific state measures is more likely to foster growth and well-being than investing in the primary sector – we utilise the concepts as tools of political analysis of the relation between states and a mostly *foreign-owned* extractive sector. Therefore, we do not share the goal of Evans (1995) to use his heuristic tools of state-industry relations to illustrate how to better foster 'development' (in the economic growth and a state's global power ascendancy senses of this term). Instead, we provide a novel insight into how and when these same policy tools can be used to foster underdevelopment, weakening national state and civil society power vis-à-vis foreign powers. This type of Polanyian analysis on the interplay of the free-market idea and the counter-forces to this (neo)liberal process has been a fruitful basis also in earlier analyses on the politics of the forestry industry, rural development and global capitalism (Prudham, 2008; Kröger, 2014a). The kind of counter-globalisation agenda to forestry capitalism discussed by Prudham (2008) through the case of ex-workers mobilising in Canada, or organised landless and peasant movements' resistances in the global South (Kröger, 2014a), has yet to be seen in Uruguay, which appears to be an anomaly. A closer examination of how the state plays a key role (or several key roles) in birthing this type of extractivism can shed light on why this continues to be the case.

Evans (1995) distinguished four key roles a state can play in influencing industrial transformation: custodian, midwifery, husbandry, and demiurge. The state's custodian role refers to conventional regulatory actions. Midwifery includes, for example, the state's market-moulding techniques of erecting protective tariffs for new industries and providing subsidies and incentives, where 'regardless of the specific technique, promotion rather than policing is the dominant mode of relating to private capital' (Evans, 1995, p. 14). Husbandry refers to 'cajoling and assisting private entrepreneurial groups' in the hope of making them globally more competitive and can take various forms, e.g., simple signalling. Husbandry is a helpful concept in examining the role of states in the legitimisation of certain business and investment models, styles, and paces, for the purposes of securing a positive image of a conflict-free – and thus risk-free – investment environment in global financial markets. Evans (1995) also distinguishes demiurge as a fourth type of market embedding action, whereby states form state-owned companies to compete or replace private corporations as producers. However, as Uruguay did not have any state-owned pulp companies this role is not analysed.

3. Methods

The methodology selected is qualitative in its design and follows a case study approach in which cases are seen as bounded systems (rather than organisational units) with a focus on the specific issue under study (Langley & Rowey, 2006): the relations that exist between states and (the birth of) extractivism and their implications for issues of governance and regulation of business conduct. Defining case studies as bounded systems offers flexibility in terms of methods used (*ibid.*, 2006), particularly regarding data collection techniques which contrast with more restrictive definitions that only allow the inclusion of data from living people (Yin, 2003). Our material was collected in multiple stages over a period of twelve years (since 2005), and has a wide range of sources (see section 3.2. and the Tables).

3.1 Collection of Data

We utilise multiple sources to build a case for the state role in birthing forestry extractivism in Uruguay. We have conducted field research in Uruguay since 2006, including interviews and observation at the new pulp investment project and tree plantation areas. Uruguayan experts and key stakeholders on pulp investment expansion were interviewed along with critical voices (social movement and NGO representatives, journalists, farmers, and local political leaders) and an expert in the field of the legal institutions in Uruguay. Most of the interview material analysed in depth here was collected during November 2012, during the time of the construction of the second pulp mill of the Finnish/Swedish and Chilean joint venture company, Montes del Plata.

In addition to these interviews, recent media coverage (between 26 January and 20 February 2017) of the ongoing negotiations over a third pulp mill to be sited in central Uruguay has provided a rich source of data on how states engage with the forestry industry. It is, however, important to note that using mass media reports as empirical material may be misleading due to possible misrepresentations or the biases of editorial policy of the media house in question (Ehrnström-Fuentes, 2015). The same caveat applies to data from interviews with activists, as well as texts produced by MNCs, which are affected by what the text producer chooses to focus on, particularly in such a contested area as the role of the state in extractivism. Thus, to increase the trustworthiness of our analysis it was necessary to collect additional primary data, including official government documents, sector analysis reports, and the legal documents the interviewees referred to during the interviews. We thus also analyse the relevant laws, policies, and strategy papers of the Uruguayan and Finnish states and the companies, as well as NGO material related to the state's role in pulp investments. Primary data was supported by analysing previous research, for example that on landownership in

Uruguay. All the relevant material was gathered into a database to facilitate systematic analysis (see 3.3. Data Analysis). Tables 1 to 3 below detail the empirical data sources.

Table 1: Secondary Data Sources, Uruguay

Dateta	Title	Source	M	H	C
Laws, Investment Agreements, Investment contracts					
18.1.2011	Contrato de Inversion Entre la República Oriental de Uruguay y Montes del Plata	Contract Uruguay MDP	x		x
5.5.2006	Acuerdo Relativo a la Promoción y Protección de Inversiones	Agreement Finland and Uruguay			x
20.3.2002	ACUERDO SOBRE INVERSIONES ENTRE URUGUAY Y FINLANDIA	Agreement Finland and Uruguay			x
GOVERNMENT FORESTRY SECTOR REPORTS					
1.8.2014	Forestry Industry Report	Uru Inv and Exp Promotion Agency	x		
1.9.2016	INFORME DEL SECTOR FORESTAL EN URUGUAY SEPTIEMBRE 2016	Uru Inv and Exp Promotion Agency	x		
1.7.2013	Convocatoria de Presentacion de Planes Agroforestales	Ministry of Agriculture	x		
1.9.2013	Incluya bosques a sus sistema de producción	Direccion General de Desarrollo Rural	x		
URUGUAY NEWSPAPERS (two most important national newspapers)					
26.1.2017	¿En qué están los aspectos claves para que se instale la tercera planta de celulosa?	El Observador	x	x	x
26.1.2017	Cómo entender los dos comunicados de UPM sobre la "eventual" planta de celulosa	El Observador			
26.1.2017	Con el afán de concretar la inversión, Vázquez suma a Durazno y Florida en negociaciones	El Observador	x		
27.1.2017	Gobierno y UPM miden al máximo cada movimiento	El Pais	X	x	
27.1.2017	Montevideo fue Helsinki	El Observador	X	X	
29.1.2017	Ambiciosa agenda en reunión ultra reservada	El Pais		X	
31.1.2017	Retoman discusión coordinada por UPM	El Pais	X	X	
1.2.2017	LA COLUMNA DE PEPEPREGUNTÓN: Gracias UPM	El Pais			
3.2.2017	EDITORIAL: A tomar en cuenta	El Pais	X		
8.2.2017	Pit-Cnt pedirá a UPM que recurra a bolsa de trabajo	El Pais	X		
9.2.2017	Plan maestro para puerto con dos proyectos claves sin definición	El Observador	x		
12.2.2017	"Una tercera planta de celulosa ya definiría esta actividad como una de las principales del país"	El Observador	X		
13.2.2017	Vázquez llegó a Finlandia en busca de nuevas inversiones	El Observador	X	X	
13.2.2017	Vázquez en Finlandia: segunda fase de nueva planta de UPM comenzará en marzo	El Observador		x	
13.2.2017	Así es la sede central de UPM en Finlandia	El Observador		X	
14.2.2017	Negocian cuánto deberá que pagar UPM para instalar nueva planta en el Uruguay	El Observador	X	X	X
14.2.2017	Fanapel y UPM: dos caras de la industria papelera	El Observador			
15.2.2017	Gobierno dice que desafíos en infraestructura son enormes	El País	x		
16.2.2017	Hilado de un acuerdo complejo	El Observador	X		
16.2.2017	Intendentes consideran que una nueva planta de UPM afectará a la caminería	El Observador			X
17.2.2016	La UPMización del gobierno	El Observador	x	x	
18.2.2016	Fantasías a todo tren	El Observador	x	x	
20.2.2016	EDITORIAL Finlandia y el Frente Amplio	El Pais	X		X
Uruguayan Presidency Press Release					
13.2.2017	Niinistö felicitó a Vázquez por visita a Finlandia en recepción brindada a residentes uruguayos	Uruguayan President Press Release	x	x	
13.2.2017	Vázquez y Niinistö se reunieron con la comunidad uruguaya en Helsinki	Uruguayan President Press Release	x	x	
13.2.2017	Presidente finlandés destacó el éxito de la visita de la delegación uruguaya en su país	Uruguayan President Press Release	x	x	
4.1.2011	MVOTMA otorgó autorización ambiental a Montes del Plata para instalarse en Colonia	Uruguay Presidency Press Release			x
Forestry Industry Sources					
4.12.2012	25 AÑOS DE LA LEY FORESTAL	Revista Forestal	x		
Research Articles					
2012	Landgrabbing: concentration and 'foreignisation' of land in Uruguay (peer reviewed journal)	Piñeiro, Diego	x	x	x
2012	Inversión Extranjera en Agricultura en los Países Miembros del MERCOSUR	IISD/TKN	x		x

Table 2: Secondary Data Source, Finland

Date	Title	Source	M	H	C
FINNISH NEWS AGENCIES (the two most important national news outlets YLE, Helsingin Sanomat)					
16.9.2014	"Maailman köyhin presidentti" tuli kylään	YLE web news		x	
16.9.2014	Uruguayn presidentti ja metsäyhtiö UPM keskustelivat uudesta sellutehtaasta Uruguayhin	YLE web news		x	
24.11.2016	Tutkimus yllätti: Suomalaisyhtiöillä on EU-maista neljänneksi eniten maaomistuksia ulkomailla	YLE web news	x		
26.11.2016	Analyyysi: Yli miljoonan hehtaarin maaomistus ulkomailla – onko Suomi nykyajan siirtomaaisäntä?	YLE web news			
26.1.2017	UPM:n jätti-investointi ratkeamassa pian - suunnitteilla iso sellutehdas Rio Negron varteen keskelle Uruguayta	YLE web news	x		
26.1.2017	Uruguay janoaa suomalaista selluinvestointia – UPM kiistää edes neuvottelevansa vielä itse tehtaasta	YLE web news			
27.1.2017	Tuleeko tehdasta vai ei? UPM:n pörssitiedote sai koko Uruguayn hetkeksi sekaisin	YLE web news	x	x	
1.2.2017	Metsäjätti UPM:n kone jauhaa rahaa – vääntö Uruguayn hallituksen kanssa valtavasta tehdasinvestoinnista jatkuu	Helsingin Sanomat	x		
13.2.2017	Uruguayn presidentti tuli ison valtuuskunnan kera Suomeen – nytkähtääkö UPM:n sellutehdas eteenpäin?	YLE web news		x	
15.2.2015	Uruguayn presidentti Ylelle: Kiinalaiset sijoittajat kiinnostuneita rahoittamaan UPM:n selluhankkeen pohjatöitä	YLE web news	x		x
16.2.2017	Uruguayn presidentti Tabaré Vázquez tasaa tietä UPM:n jätti-investoinnille – ”Ei UPM meitä vaatimuksillaan mitenkään kiristä”	Helsingin sanomat			
COMPANY DOCUMENTS					
26.1.2017	UPM kommentoi markkinahuhuja koskien väitettyä sellutehdasinvestointia Uruguayssa	Company Release	Press	x	x
13.2.2017	Uruguayn presidentti Tabaré Vázquez vieraili UPM:n Biofore-talossa	Company Release	Press	x	x
1.6.2016	25 años de UPM en Uruguay	Company Webpage		x	
17.1.2017	Shareholder value always comes first	Stakeholder Magazine			x
13.7.2016	UPM considers alternatives for long term development in Uruguay	Company Release	Press	x	
n/d	UN NEGOCIO SOSTENIBLE PARA PRODUCTORES ASOCIADOS	www.upm.uy/programa-fomento		x	
1.3.2012	Stora Enso Responsibility Report 2011	Annual Report		x	
12.10.2012	Youtube video with Montes del Plata CEO Erwin Kauffman, 'Testimonial Montes del Plata'	Uruguay XXI videos			x
n/d	Montes del Plata - State of the art operations	Stora Enso Webpage			x
Finnish President Press Releases					
9.8.2014	President of Uruguay makes working visit to Finland	Finnish Press Release	President	x	x
29.8.2016	President Niinistö visits Uruguay	Finnish Press Release	President	x	x
14.2.2017	President Niinistö meets with President of Uruguay: Small countries must underline the importance of the international order	Finnish Press Release	President	x	x
Finnish Governmental Bodies Press Release					
13.2.2017	Finland and Uruguay to collaborate on the bioeconomy and circular economy	Press Ministry of Agriculture	Release of	x	

M: Midwifery, H: Husbandry, C: Custodian

Table 3 Interviews during fieldwork, Uruguay, November 2012

Position	Location	M	H	C
Environmental/Social Movement Activist 1	Frey Bentos*	x	x	X
Environmental/Social Movement Activist 2	Mercedes	x	x	x
Local Political leader	Mercedes	x	x	x
Farmer affected by tree plantations	Cerro Alegre	x	X	x
Former farmer (who has sold due to forestry)	Cerro Alegre		x	x
Territorial Social Movement leader	Tarariras**	x	X	x
State Prosecutor	Montevideo	X		x
NGO representative 1	Montevideo	X	x	x
NGO representative 2	Montevideo	X	x	x
Alternative radio journalist	Montevideo		X	

*UPM Pulp Mill located in Frey Bentos

**Montes del Plata Mill constructed in this region

3.2 Data Analysis

In order to understand how the role of the state was represented in the different sources of material (newspaper texts, interviews, press releases by state and corporations) and to analyse the collected material, we draw on an interpretive method elaborated by Ehrnström-Fuentes (2016a). The analysis centred on identifying the different roles of the state in relation to the ongoing negotiations over a third pulp mill (and previous negotiations of the two first mills).

The analysis was conducted in four different stages: first, we made a list of all the texts used in the analysis (see Tables 1-3), listing the sources of the texts and their geographical location (Finland/Uruguay), adding any reference made to the three roles of the state (coded as M for Midwifery, H for Husbandry, and C for Custodian, in the last columns of Tables 1-3), assigning a code to each text to simplify the subsequent processes of analysis. Second, fragments of the texts that dealt with different roles of the state (M, H, C) were identified and placed in separate worksheets (one for each role categorisation). Third, depending on the position of the texts, they were then organised in three different columns (state, corporate, civil society positions). This overview made it possible to distinguish the effects that each role of the state produced at the level of (national and global) governance, and the political effects it had on corporate and civil society actors. The categorisation and separation of the fragments also made it possible to distinguish subthemes under each state role. Based on the

findings we collected the most illustrative excerpts of each theme in separate tables. The quoted excerpts in the data tables were then translated into English by the authors from Spanish or Finnish. The tables consist of representative quotes from the database, to illustrate the different facets of the state's role, as represented in the data – the perceptions of state, corporate, and civil society actors are shown through quotations, to offer the viewpoints of differing actors on the state role. In the final stage of the analysis, we did a second focused search of primary material (official government documents, law texts, contracts and agreements mentioned in the interviews) to triangulate and validate the findings from multiple viewpoints and reliable sources.

4. Forestry Extractivism in Uruguay

The arrival of forestry as an industrial sector (plantations and pulp mills) has had a significant impact on society and the economy in Uruguay. The fairly recently implemented Forestry Law of 1987 (Law 15,939) initiated investments in forestry (Piñeiro, 2012), making raw material readily available within just a decade and attracting further foreign investments to the sector in the form of large-scale pulp production facilities. During the past ten years two mills have been constructed, one is located in the city of Fray Bentos and is owned by the Finnish forestry company UPM (previously Botnia) and the other is just outside the city of Colonia, in the municipality of Conchillas, owned by Montes del Plata (MDP), a joint venture between Swedish/Finnish Stora Enso and Chilean Arauco. An agreement between the government of Uruguay and UPM, signed on 7 November 2011, on the installation of a third pulp mill, by UPM, has once again made visible the active role of the government in promoting and supporting the growth of this industry (Presidencia de Uruguay, 2017a).

Prior studies have found the establishment of land control to be the most important condition for expanding exotic-species tree plantations: for this form of capital, it is essential to

‘minimise any constraints on forestry as a land use’, argue Le Heron & Roche (1985, p. 227). The expansion of forestry extractivism in Uruguay has been a process of de-nationalising land ownership, which makes the study of the state’s role in this process especially interesting and important. It was not the forestry laws alone that contributed to the increased concentration of landownership in foreign hands. Changes in the rural lease law (which impacted on land-use policies) and in the law on ownership of rural property (establishing that agricultural property could be owned by corporations and not only by individuals), and the creation of the Investment Law in 1999 (encouraging large-scale investment projects), facilitated and escalated changes in the economic base of land use (from food production to raw material for the forestry industry) and in the structures of rural relations (Piñeiro, 2012). The case of industrial forestry makes Uruguay highly relevant for understanding the multifaceted role of states in birthing extractivism and the implications this has for state-business-civil society relations.

A further impetus for this study is the fact that the roles of the state and government have not received concerted attention in the study of Uruguayan pulp investments, most of which has focused on the communicational and conflictive aspects of the Botnia/UPM investment (but see Groglopo, 2012; Piñeiro, 2012, for some notes). In previous research, most of the attention has been directed towards the Botnia pulp mill conflict between Argentina and Uruguay, producing literature that includes lessons for our study, and corroborates our claims. The Uruguayan state took a very strong stance against Argentinean criticism, defending the pulp investments as a national issue, and also taking it into international legal arenas (Kröger, 2007; 2008). The conflict was used in many case studies to analyse the role of media and governments in legitimising FDI in situations where corporations had failed to attain social licence to operate (e.g., Fougère & Solitander, 2009; Joutsenvirta and Vaara, 2015; Laasonen, 2010; Lehtinen, 2008; Pakkasvirta, 2010). Finnish media coverage was one

key source of data in these analyses (e.g., Pakkasvirta, 2008), which was justifiable because public discussion in Finland was a key explanatory factor in making these investments possible in the first place (supplying legitimacy to these huge FDIs by Finnish corporations, and supporting Uruguay and the investments against criticisms by Argentines and others). Research has also been conducted by Uruguayans on the developmental impacts of tree plantation expansion, Carámbula and Piñeiro (2006), for example, finding it had quite drastic and not necessarily positive impacts on rural demography and job creation, which is in line with studies on the ‘pulping of the South’ (e.g., Carrere & Lohmann, 1996; Kröger, 2013; 2014b). Piñeiro (2012) provides a broader analysis of land grabbing in Uruguay, while Rivarola (2014) explains the electoral politics dynamics in Uruguay that influenced the general turn towards supporting pulp investments among leading leftist politicians. Groglopo (2012) has written a doctoral dissertation on the Botnia/UPM FDI in the free trade zone, arguing that this is a sign of – and made possible via – ‘appropriation by coloniality’ whereby northern pulp MNCs come to dominate the targeted regions, causing major socio-environmental havoc. Yet this is legitimised by positive imagery spread by the corporation, alongside supportive state actions.¹ We explore the implications of this changing panorama of pulp investments in the discussion and conclusion sections.

5. Analysis

In this section we analyse the states’ midwifery, husbandry, and custodian roles, respectively, in birthing forestry extractivism based on eucalyptus pulp production in Uruguay.

¹ On the colonial legacy see also Kaakinen & Lehtinen (2016); the colonial-type relations of what are assumed to be benevolent Nordic agro-extractive capital have also been noted beyond Uruguay, e.g., in Africa (see Lyons & Westoby, 2014; Bergius, Benjaminsen & Widgren, 2017) and Brazil (Cardellac-Gulla et al., 2015),.

5.1 Midwifery

A variety of techniques and policies can be used when states play the role of midwives, the goal of which is to reduce the risks and uncertainties for a new sector or enterprise. Evans (1995) notes that providing subsidies and incentives is likely to be part of the midwifery role. In the case of Uruguay we identified three key areas in which the state acts as a ‘midwife’ for the forestry industry:

1. Through the fiscal incentives, favourable loans, and forestry priority zone assigned to incentivise the planting of eucalyptus and pine trees, established by the Forestry Law from 1987.
2. Through the free trade zone benefits given to the pulp mills.
3. Through heavy investment (state and FDI financed) in infrastructure to support the logistics of raw materials and processed material.

In our analysis of the midwife role, we separate two key state roles in establishing pulp investments: first, midwifery is employed to create a stock of readily available raw materials via the expansion of tree plantations (legal framework and monetary incentives); and, second, it is used to create free trade zones, attracting investments in supportive infrastructure through Public Private Partnerships (PPPs) for the pulp industry.

When the state does things like offering subsidies and tax exemptions, it creates increased profitability for the extractive industry. Subsidies to plant trees creates the availability of cheap raw materials, a common feature in tree plantation expansion in the global South (Bull et al., 2006). Free trade zones create benefits in terms of taxation. Infrastructure projects decrease transportation costs and risks for the corporations – this is especially important considering that a very large portion of the costs in pulp-making are incurred in local logistics; in Brazil wood procurement represents 40-70% of the cost structure in investments

similar to those in Uruguay (Kröger, 2010, p. 220). According to our data (below), the above incentives were important for the birth of the forestry sector (and later pulp mills) in Uruguay, and they are still vital to further growth of the sector as a whole; the state therefore offers forestry plantations numerous incentives through a mix of husbandry and midwifery. The Forestry Law '*declares of national interest* the protection, improvement, expansion, creation of forest resources, development of forest-based industries and, in general, of the forest economy' (Uruguay XXI, 2016 p. 21, italics ours). The declaration of this activity as in the national interest is a strong act of husbandry (see the next section for details on husbandry), although supported by midwifery in the form of incentives.

Most sources on the Uruguayan forestry industry agree that the impacts of the Forestry Law on the Uruguayan economy and landscape have been significant (Uruguay XXI, 2014; 2016; Paseyro, 2012; Piñeiro, 2012) The government has played a central role in the rapid appearance of tree plantations, now amounting to some 1 million hectares (the total area of Uruguay is 17 million hectares), with a total of about 4 million hectares designated as forestry priority.

The effects have been felt locally, as a farmer affected by the industry attests in the following excerpt:

'Besides, they made a law, the forestry law, for the needs of these companies, but they do not even fulfil it because one of the clauses of the forestry law, which I have here, says that land that isn't used for other things is to be declared forestry priority. But here clearly the land did serve other purposes; for all of us who lived here, before there was eucalyptus, there were other things here better than this. So, from the social and economic perspectives the land was better than this. ... in the name of progress they transformed a place of work – with a lot of people working here – into a desert.' (Affected farmer, Interview, November 2012)

Thus, this rapid expansion of a completely new mode of production has had dire consequences for those living near to the plantations.

Besides the direct incentives to corporations, the pulp investments have been supported indirectly by the state's moulding of rural production patterns and farmer land-use choices. The tree plantation incentives created for smallholders are a more recent evolution of the midwifery role of the state. The first incentives of this kind date back to 2005 when the Inter-American Development Bank supported a rural development programme called the 'Programa Ganadero' (Pastorini & Acosta, 2011). The idea of the incentives for livestock producers (with land holdings of less than 1,250 hectares) was to increase the income of family farmers by diversifying their production into tree plantations (Pastorini & Acosta, 2011). UPM also started its programme of assisting smallholders in planting trees in 2005 (UPM Uruguay, Programa de Fomento). Montes del Plata has a similar project called 'Programa Alianzas', comprising 300 producers and 35,000 hectares of land, which the producers can join by signing rental agreements, partial share-cropping, or forestry promotion (tools and expertise provided by the corporation) (Opypa, 2015, p. 282). In our interview in 2012, an NGO representative noted that the incorporation of family farms in the forestry model has deeper structural impacts on society, as conflicts no longer appear between foreign land holders and local community members but between members of the local communities in areas when tree plantations are entering the landscape:

'Little by little there is an effort to install, on behalf of the companies, forestry development (Fomento), contracts with local producers who rent and plant part of their farmlands with trees. There is a financial contract concerning how much land is left for the farmer, or if not they give all the tools to the farmer so that he can plant (trees) on his farm. On the one hand this leads to farmers being forced to produce commodities that are not traditional to Uruguay.

But they are also playing around with public acceptance, because then we will no longer be able to accuse these companies of foreignizing the land. What they do is to make sure that local producers are doing the job for them. So, this then becomes a conflict between society and the farmers that agree to plant (trees)’ (NGO representative, interview, November 2012)

The direct and indirect plantation incentives created by virtue of the forestry law since 1987 are widely celebrated in the public discourses of Uruguay and beyond, as the state’s Investment and Export Promotion Agency, Uruguay XXI, notes in its 2014 and 2016 publications (Uruguay XXI, 2014; 2016). According to critical civil society voices, however, what the success story fails to mention is both the cost that this law has had for the economy (in terms of paid subsidies, through loans from development agencies) and the burden carried by those who do not benefit, and who do not want to benefit, from the rise of extractivism in the form of tree plantations on their land. Neither does the story reveal the experiences of those who sold their lands and moved away to make space for the new inhabitants of their homes, the tree plantations (interview with former farmer, November 2012). Thus, in the eyes of an increasing number of people, the state acts as a midwife to one sector while neglecting the obligation to protect and look after those vulnerable to the consequences of the shifts in the rural landscape.

Besides incentivising and supporting tree plantations, the state has also been central in birthing pulp mills in Uruguay. In comparison to Brazil, which has the National Development Bank BNDES, with a budget twice the size of the World Bank, which has funded about half of the new pulp investments in Brazil (Kröger, 2014a), Uruguay has scarce state funds to rely on. But state funding has been found to be essential for the expensive pulp mills. As a Canadian pulp company director argued, ‘Adam Smith’s invisible hand will not build pulp mills’ (Carrere & Lohmann, 1996, p. 103). To compete with Brazil’s massive state funding,

the Uruguayan mills have been given Free Zone status (tax free and free trade zones), and the state has helped to attract foreign funding, as well as building infrastructure (El Observador, February 9, 2017).

We find two sets of midwife activities in the state's creation of incentives for pulp mills in Uruguay: first, establishing free trade zones; second, providing to the necessary logistics infrastructure investments. When free trade zones are used, this increases the profits and thus the competitiveness of the investment because of tax exemptions; however, it also decreases compensation to the country hosting the investments. Both Montes del Plata and UPM pulp investments have obtained Free Zones for their production facilities, defined by Uruguay XXI as a 'special regime [that] exempts from any current or future national tax, all activities that take place within the Free Zones' (p. 19). According to the data in Uruguay XXI (2014), the value of pulp flowing out of UPM's existing free trade zone in Fray Bentos has been around 600 million USD annually. Since 2016 much more public criticism, notable in our analysis of Uruguay's media outlets, has surfaced about this untaxed commodity flow (Abelando, 2016; Viñas, 2016).

This developmental dilemma became visible in the recent heated debate on the quality of Uruguayan infrastructure, and the (im)possibilities of maintaining its (currently good) condition due to low tax returns (interview with NGO representative, November 2012). There is an increased need to invest in logistical infrastructure and the maintenance of overburdened roads, but less funds available for such work, so a growing number of people and outlets are querying the economic benefits for the host country (Viñas, 2016; Abelando, 2016; Dufrechou and Jauge, 2016). The lack of attention given to the deplorable state of the roads transited by large logging trucks was already noted by locals in 2012 (Interview with Environmental Activist², November 2012), while the lack of compensation from the large

pulp mills to the state contributes to the lack of funds to maintain the roads (see also discussion on the attempts to collect a tax to be used for road maintenance under the custodian role of the state). Our findings reveal that regarding the pressure to improve infrastructure to meet the conditions of the pulp MNCs, the state is not only a midwife but also acts as an FDI magnet, by attracting foreign direct investments to the supportive industries which can deliver adequate infrastructure (the construction of railways, roads, harbours) (El País, 15 February 2017; El Observador, 26 January 2017; 9 February 2017).

A column in the newspaper El País published while the negotiations for the third mill were ongoing questioned this role of the state:

‘It was enough for UPM to demand major public investments in infrastructure and fundamental solutions before committing to the eventual production of its future mill, for the president, as if by magic, to order his ministers to start working tirelessly... UPM made it possible. UPM wanted solutions, which put our national and regional governors to work in order to fulfil the demands of a multinational corporation... But we, who maintain the system and use the roads that are in deplorable conditions pay higher tariffs for poor services each day that goes by. May God help us, or UPM – that seems to be almost the same (Pepe Preguntón, El País, February 1, 2017 – signed with an invented name).

Thus, this role of the state also creates implications in terms of national governance: the presence of other foreign MNCs tied to the interests of the forestry corporations concentrates power in the extractive sector. It also increases the geopolitical interests of other nation states on Uruguayan soil.

5.2 Husbandry

Evans (1995, p. 14) defines husbandry as ‘cajoling and assisting private entrepreneurial groups’ in order to help them become competitive in global markets. He argues that husbandry takes various forms, from simple signalling support to creating synergistic promotional relations with entrepreneurs. In the context of forestry extractivism we find that the husbandry role of the state takes three different forms: promotional discourses, state visits, and cooperation agreements.

First, through its political discourses the government acts as PR agent for the corporations, touting the benefits that further investments in this sector will bring to the country, while simultaneously ignoring the adverse effects felt by some parts of the local population (i.e. *El Observador*, 26 February 2017; 13 February 2017; *El País* 30 January 2017; 3 February 2017).

Second, official state visits by the presidents of the countries offering foreign investment have a key role to play in the field of husbandry. At a press conference during a state visit by the Uruguayan president in Finland, the presidents of both nations explicitly expressed support for the development of the industry, as follows:

‘In days like we are living now, worldwide, it is hugely important that small nations, which have experience of living in demanding circumstances with big neighbours, stick together and emphasise the importance of the international order, such as role of the UN and all the legal agreements we have made. With respect to the pulp industry, I understand that the investment will benefit both Uruguay and Finland. I am quite sure that the discussions will continue.’ (Finnish President Sauli Niinistö, Presidential Press Release, 13.02.2017).

‘We are truly grateful that the Finns have invested in our country and created valuable employment opportunities. It is also the best possible social politics our citizens can receive.’

(Uruguayan President Tabaré Vázquez, YLE webpage, 16.2.2017)

The supposedly strong support towards the industry raises questions about whose interests the state will defend when acting on behalf of the country in transnational negotiations on trade agreements and human rights – the multinational or its own local citizens? Furthermore, the government’s claimed interest in increasing employment opportunities to contribute to the social wellbeing of the country (see President Vázquez comment above) is not necessarily strategically aligned with the corporations’ primary aim to act responsibly towards ‘those who have invested the most resources’ in the company, in other words, ‘to satisfy the needs of the shareholders and the financiers’ (Björn Wahlroos, Chairman of the Board, UPM Biofore Magazine, 17.01.2017). The interviews with NGO representatives and farmers indicated that other productive alternatives can create livelihoods and jobs albeit not aligning with the needs of distant financial stakeholders of the corporations.

Finally, the state also acts as a facilitator of new business opportunities, as is evident, for example, the signing of the *Memorandum of Understanding on cooperation in the bioeconomy and circular economy* (Finnish Ministry of Agriculture, 2017). When the forestry industry expands into new fields, such as the ‘bioeconomy’ and ‘circular economy’, it may very well produce more business opportunities for new entrepreneurs beyond the large MNCs (Kröger, 2016). However, such cooperation efforts, conditioned by the forestry cluster and the opportunities that arise within that field, also run the risk of structuring the imagination of future production modes. Instead, such cooperation creates new forestry dependent modes of production while other non-forestry related visions of the future become

even more marginalised in the public debate (interviews with political leader, affected farmers, environmental movement activists, November 2012).

5.3 Custodian

Evans (1995) defines the state role as custodian in terms of its regulating role, where the main objective is to provide business protection and promotion, and/or policing, through laws and policy. The custodian role of the state in the Uruguayan forestry sector has focused strongly on promotion rather than policing (unlike in the tobacco industry, which is strongly policed), but not on safeguarding the local citizens' interests via regulation generating greater tax returns on industrialisation. The free trade zones protect the corporations from any fiduciary responsibility towards the state. The bilateral trade agreements between the home and host governments in combination with the specific state-corporate contracts signed prior to investment decisions protect the industry from the social risks of local protests and losses due to unfavourable changes in the laws in the future (interview and personal communication with State Prosecutor, 2012, 2017). Based on our findings we identify four key regulatory interventions that create legal protection for the industry in Uruguay:

1. The combination of laws that enabled the spread of large foreign-owned plantations in Uruguay (Forestry Law 1987, changes to the Rural Lease Law 1990; changes to the Law on Ownership of Rural Property 1999)
2. Free Trade Zone Law 1987;
3. Environmental Law 2000;
4. The bilateral investment agreements – one signed between the Finnish and Uruguayan states in 2005 and another between the Uruguayan state and the joint venture Montes del Plata in 2011.

The laws that protect foreign landholders and legitimise the planting of large-scale industrial tree plantations in certain remote rural areas create strong local legal protection of corporate interests vis-a-vis the interests of other land uses. The conflict that could arise regarding who has the ethical and moral right to determine the use of land is thus solved by legally favouring the interest of the forestry industry at the expense of others. This conflict, which arises due to the law (or is subsumed under the law), is illustrated in the following contrasting positions of a corporate representative, responding in the Finnish media to the alleged immorality of such large landholdings:

‘Land grabbing is an existing and condemnable phenomenon. But... I can promise you, not one of our land deals in Uruguay has been a land grab. There landownership is something completely different, transparent, just as in Finland.’ (Marko Janhunen, Stakeholder Manager UPM, cited in YLE, November 24, 2017)

This excerpt shows how the state legally protects the corporation from being accused of irresponsible business conduct, meaning they can always refer to the legality of their conduct when their morality is being questioned.

Also, the free trade zones protect the corporations from any fiduciary responsibility towards the state (interview with state Prosecutor, November 2017). The bilateral trade agreements between the home and host governments in combination with the specific state-corporate contracts signed prior to investment decisions protect the industry from the risks of losses if the laws were to change in the future (interview and personal communication with State Prosecutor, 2012, 2017). These state-corporate contracts are standard procedures used by MNCs when undertaking large-scale investments in places where there might be a risk of political changes (see ‘Mitigation of Political Risk’, Yescombe, 2002, p. 223). However, the effects are felt locally when civil society urges for changes, as happened in 2011 with the

attempt to increase taxes on landholders of above 2,000 hectares directly aimed at forestry companies to compensate for the road maintenance, as explained by an interviewee in the following excerpt:

‘People started to see that Uruguay was confronting very high costs in road maintenance and they started to demand change because the roads were not made for the weight of the forestry company’s trucks. There were demands that forestry companies should fund repairs to the highways. This was one of the main reasons for the new tax on property over 2,000 hectares; they had to pay a tax on their land. But the companies appealed after this change in the taxation policy, saying that they were protected by the treaties and the contracts signed with the government.’ (NGO representative, interview, November 2012)

As the analysis above illustrates, the state operates in three different dimensions to support, promote, and protect the birth of forestry extractivism in Uruguay, and the socio-economic consequences such investments have had for the rural areas have typically been dire.

6. DISCUSSION

Next, we discuss the consequences the changing role of the state has for power relations, focusing on the political impacts on possibilities for societal governance of business conduct. Despite the overlaps that might exist between the three roles of the state, here we discuss each one separately in relation to its effects on civil society’s capacity to influence business conduct.

Table 4 depicts the most important insights our analysis has produced regarding the state role in forestry extractivism in Uruguay. Our case shows how hopeless the situation is for those whose interests are not aligned with the corporations (and the state); that state midwifery enclaves locals into a particular production mode through policies and subsidies; because of

state husbandry promoting industry interests locals do not possess the capacity to have an impact on the public debate; and, as a result of the state’s custodian role, even if they possessed political power, the laws, contracts, and bilateral agreements restrict their sphere of influence over business conduct, now and in the future.

Table 4: Governance of extractivism when states act on behalf of corporations

Parameters	Midwifery	Husbandry	Custodian
State Role	To create the premises of profitability for corporations through supportive policy measures.	State representatives take the role of promoting investments in the industry.	To create laws and agreements that protect the corporations from external financial, social, and political risks in the future.
Effects on national governance	Host governments locked-in and end up paying more than they receive in return.	Biased public will-formation, when all the voices of the powerful promote extractivism.	National legislation locked-in to serve extractivism interests.
Effects on global governance	State and corporate interests both aim to create extractivist operations.	State representatives become key spokespersons of industry in the global arena.	Protecting companies from being accused of acting against the local laws or engaging in shady business.
Effects on corporate position	Creates profitable and investment-friendly markets.	Political discourses promoting the industry strengthen the legitimacy (and perceived goodwill) of the corporations.	No need to 'go beyond the law' in terms of CSR when the law protects the business now and in the future.
Effects on civil society position	Creates local industrial enclaves: locals forced or cajoled into accepting the terms of extraction	Silencing dissent. Marginalizing those who have alternative views on how to live well in the future.	Democracy deficit, the business terms cannot change even if political power changes.

The strong role of midwifery, enacted through subsidies and state development policies, creates enclaves, dependencies in terms of modes of subsistence. This hampers the possibility of locally grounded social mobilisations since host communities are divided into groups of ‘winners’ and ‘losers’, crowding out modes of production based on diversity while introducing monocultures, with all the implications they bring to the broader ecosystem of community life. The spread of these types of monocultures transforms these rural communities into a new type of company towns, where the wellbeing of the whole

community is dependent on the forestry sectors growing demand for raw materials, and thus tied to the growth of pulp production. This demand is further strengthened by continuous investments in pulp producing facilities and related fields in the forestry clusters labelled as ‘bioeconomy’. Thus, when considering all the midwife measures in place that favour the continuous growth of this sector, it is not clear whether the local population, or civil society at large, can truly have a say about the desirability of these types of investments. The following excerpt from an interview with a farmer who was forced to sell his farm after the arrival of plantations in his community illustrates the feeling of powerlessness:

‘We participated in several meetings but we were the rural and they the technical. We participated to make our point but they wanted to change our mentality. They made us graphs saying that the forestation was profitable, and that there was no problem with this, but we had already started to experience the problems. I mean, what they said there was a big lie.. They fooled the people with propaganda and money. [...] Before, the local press used to write about this, afterwards they forgot us, as did the national press. Here we had various journalists that followed our story until they realised that the forestation just continued.’ (Interview with a former farmer, 2012).

Intriguingly, this type of experience and/or reality of political powerlessness resembles the situation in the company towns of the past. The difference now is that the feeling of not being able to change this situation takes place not only in the localised context of the town, but also at the nation-state scale. As the power of extractive corporations has increased, they, instead of the state, have also come to be key actors in steering the governance of a host of regional social policy issues (Wilson et al., 2017): this type of ‘meta-governance’ by corporations is often created by a series of seemingly contradictory state actions and roles, as analysed above.

Furthermore, when local smallholders and rural workers are incentivised to plant trees it does not remove the territorial conflicts to which these plantations give rise. Instead, conflicts no longer concern the opposed interests of local farmers and foreign MNCs, but are internalised as conflict between the locals themselves: between those who see the rural future as based on tree plantations, and those who continue to defend their territory against (forestry) extractivism. Such divisions among locals in combination with the territorial consequences of the spread of monocultures (scarcity of water, changes in terms of how the community is sustained) creates the circumstances that ultimately force the locals to accept the terms of extractivism either by selling and moving, or by becoming forestry farmers themselves (see also Ehrnström-Fuentes, 2016b; Kröger, 2014b).

The marginalisation of voices that the state creates when it acts in the role of Husbandry makes it very difficult to raise awareness about the adverse impacts of forestry and to discuss alternatives to extractivism as the state's key 'developmental' strategy. Instead, citizens are stripped of their capacity to engage in a meaningful debate on the desirability of these types of investments for themselves and for their environment. Considered politically, when a president visits the head offices of the corporations during state visits (as happened in our case), this is likely to increase the legitimacy of the particular sector both at home and in the host country, at the expense of other sectors crowded out by the territorial expansion of tree plantations. Husbandry also silences dissent, a consequence which requires further study. The farmers, whose livelihoods have been seriously affected by the arrival of forestry plantations in their community, are left with the challenge of how to raise awareness of their situation when the political elites and the media choose to ignore their precarious situation (interview with farmer, 2012). To engage in deliberation from a marginalised or even excluded position is a difficult task (Ehrnström-Fuentes, 2016b). This is surely one important explanation for why serious debate on alternative modes of production, let alone regulation of the growth of

the forestry operations as a whole (plantations and pulp mills included), is currently very limited in Uruguay (Ehrnström-Fuentes 2016b; Ehrnström-Fuentes & Kröger, 2017).

Industrial forestry, and its advocates, have created for themselves and enjoy symbolic capital. Pierre Bourdieu (1991) claimed symbolic capital was a synonym of symbolic violence, conceptualising this as surging from a situation where the power of a social actor is mistaken for coming from accumulated economic, social, and/or cultural capital, and the actor is instead given authority due to a view that this actor is intrinsically good, honourable, and/or pursuing the common good. The creation of such symbolic capital is a powerful means to birth extractivism, and the state, in the form of presidents' (with their own symbolic capital) husbandry actions, plays a key role in this. Some legitimising discourses are particularly powerful in the modern world of development in creating more of this symbolic capital: job creation discourses being pivotal. These certainly deserve further investigation here, as the way to examine the structures of symbolic violence, and to make such a claim, is to show discrepancies between the discourses and realities of capital distribution.

Prior studies on the politics of employment related to South American pulp investments (e.g. Kröger, 2005; 2014; De'Nadai et al., 2005; Carámbula & Piñeiro, 2006; Cardeillac Gulla et al., 2015) illustrate a need to consider three inter-related issues when assessing job-creation:

- 1) It is important to take a critical look at the promises of employment, as typically the estimates vary wildly and do not correlate with the actual number of jobs created. In terms of exact employment figures of the pulp mills, different sources report different figures. In Uruguay, while it was initially estimated that the companies would provide between 3,400 and 6,000 indirect and direct jobs each (UPM 2014; Stora Enso 2011), official government sources indicate that the two pulp mills now employ a total of 2,491 persons (Uruguay XXI, 2016), while others indicate only half of that amount

(Viñas 2016), and some even less (Abelando 2016; Nuñez 2016). The total amount of indirect and direct jobs in the forestry sector according to official government statistics is 15,129 jobs, including forestation and harvesting and production of wood products (Uruguay XXI, 2016). The construction of a third pulp mill has by the government been predicted to create another 3.000-5.000 jobs during the construction phase and when entering production the economic activity is estimated to generate up to 4.000 direct and indirect jobs with another 4.000 jobs categorized as ‘induced’ (‘inducidos’ in Spanish) not specifying exactly how this term differs from the indirect jobs included in the first 4.000 jobs (Presidencia de Uruguay 2017b). However, several studies suggest that pulpwood plantation expansion would produce less jobs than other available land uses, and may even create a scarcity of jobs. Such scarcity of jobs created by pulp investments has been particularly visible in the municipalities outside of the actual mill operations (Carámbula & Piñeiro, 2006; De’Nadai et al., 2005; Kröger, 2005; 2010; 2014a); however, even the municipalities of the mills may suffer: the unemployment rate in Frey Bentos where the UPM pulp mill is located is still reported to be above the average of the whole country (INE, 2017).

- 2) What is or is not being displaced by the pulpwood plantations is a key issue. In areas where there is a high rural density and for example family farms, large coffee or fruit farms, or even large cattle-ranches, one hectare offers many more jobs than a hectare of a highly mechanised, seasonal, precarious pulpwood operation (Carámbula & Piñeiro, 2006; De’Nadai et al., 2005). The figures for hectares required to create one direct or indirect job, based on the employment figures given by two pulp companies in Brazil (for the pulpwood operations), show that while 28-37 hectares were needed

in 2005 for one indirect or direct job created by pulp companies,² one hectare created 1-3 jobs on the large coffee farms, and family farming created 1-5 jobs per hectare (see De’Nadai et al., 2005, p. 42). The rural trade union leaders in our interviews in Brazil estimated that in ranching, about 8 hectares of land are required to create one direct job; but typically in these situations, the whole family can live on the ranch, having subsistence cultivation as well. When silvicultural operations do create more jobs than they displace, this takes place in areas that have not had many inhabitants before, where the destruction of the existing farm work is not the condition for pulpwood plantation expansion. There are some such areas in Uruguay, as studied by Carámbula & Piñeiro (2006), but these are typically not pulpwood operations, which show far worse socio-economic impacts than other silvicultural operations, such as the production of wood for sawmills.

- 3) Quality of the jobs created: the jobs related to large-scale pulp investments in South America, including Uruguay, are of a temporary nature, and are typically outsourced, precarious, and ‘floating’, requiring the part-time worker to move. This outsourcing and the precarious nature of the work is not a recent trend in industrial forestry, but has been one of the bases through which monocultures, such as tree plantations, have been developed in South America since their inception (Gonçalves, 2001, p. 220). In the non-pulp based silvicultural operations, the workforce is not turned into the precarious situation of a floating labour mass in the same way as is typical in the pulpwood sector (Carámbula & Piñeiro, 2006). Pulpwood plantation workers in Uruguay typically live in urban peripheries. In Uruguay, studies comparing socio-economic and health indicators of rural and urban workers have demonstrated that the

² The number of hectares is now much higher, as the extension of plantations has hastened the increase in the number of jobs created due to mechanisation.

worst indicators, across all observed categories, were to be found among the workers employed in silvicultural operations: the occurrence of poverty among these workers was the highest of all the studied workers (urban and rural) in Uruguay, almost 135% higher in comparison to non-rural paid laborers (Cardeillac Gulla et al., 2015).³

There seems to be a gap between job promises and delivery, and thus symbolic capital in operation, which would need to be addressed and discussed to improve the situation. However, the future possibilities of an active state role for regulating the extractive sector at the national level is seriously delimited and restricted due to the custodian role that the state takes on. In fact, the custodian role of the state makes it impossible to enforce laws that regulate business conduct because corporations are protected by (confidential) investment agreements, now and in the future. On a global level, this means that corporations can claim to follow the laws of the countries in which they operate, thereby freeing themselves from accusations of corporate irresponsibility, while the local regulatory capacity has been seriously sidestepped by the bilateral and corporate-state investment agreements.⁴

The state's role as a custodian, involving the decisions about who, and who not, to regulate, also impacts whose interests are ultimately regarded as worthy of protection. Most importantly, by deploying the regulatory system and bilateral investment treaties (between the host and home country) as their intermediaries, corporations can distance themselves from having to deal with social unrest and local stakeholder uprisings. Setting investment-treaty protected tax free zones in state-corporate negotiations makes it increasingly difficult

³ Comparatively, the same figures for rural labour in small-animal rearing operations and citriculture showed 80% more of them being in poverty in comparison to urban paid labour, and 70% more in the cereal and leguminous cultivation sectors; while ranching showed less poverty (ibid).

⁴ Prior studies on the relationship between extractivism and laws in Latin America illustrate that 'in situations of reduced de jure rights and legal elasticity, the state and companies may still argue that they respect legal ethno-territorial rights' (Kröger & Lalander, 2016, p. 695; see also p. 694 figures 1-3 on how there is a moving boundary between de jure and de facto ethno-territorial rights, and how the movement of that boundary impacts extractivism).

for civil society and future governments to change taxation policies. Uruguay does not have the established, transnationalised rural social movements that have been key actors in many other parts of the global South in opposing neoliberal measures (Sevilla Guzman and Martinez-Alier, 2006). Conversely put, transnational political allies of a more radical type, such as the Reclaiming the Land Movement, would had been a way to level the playing field and curb the power of the corporate/state extractivist nexus (Moyo & Yeros, 2005). Now, the structural setting is much harder for the potential resistance, as laws have been set, and treaties signed. Yet, to make a change, prior rural studies across different sectors and parts of the globe have found that it is essential for the impacted populations to mobilise to demand their rights in the face of expanding extractive operations, or to influence the style and pace of extraction (O'Faircheallaigh, 2013; Kröger, 2014a).

Our findings parallel and add further detail to the study by Mäkinen and Kasanen (2016) who argue that the extended power of global corporations undermines people's political autonomy. This is particularly the case for those rural citizens who do not wish to act as host for these investments and who are most severely hit by states siding with corporate interests. Because of the place that a forestry-based bioeconomy future still holds in many political imaginaries (Kröger, 2016), and due to all the roles that the state takes on (midwifery, husbandry, custodian) to side with the corporations, the voices of opponents have become more marginalised with few opportunities to engage on equal terms in the political debate, or to make actual changes once investments have been granted their operative licence by the state.

7. CONCLUSIONS

We have illustrated how the state of a small, stable, democratic country is central in making extractivism possible. By supporting (through midwifery), promoting (through husbandry)

and protecting (through its custodian role), the state creates the foundations for extractivism, legitimises the presence of corporations and protects their interests now and in the future. The losers in this equation are those adversely affected by it and, more broadly, civil society at large. The state's active role thus also restricts the possibilities of civil society to put pressure on the government to regulate these types of business operations and their developmental and political outcomes.

We reviewed the existing studies and other available material on the socio-economic outcomes of pulp investments in Uruguay, and discussed how the state's role in promoting these mostly negative developmental outcomes has also curbed political possibilities by exacerbating unequal power relations, and making these invisible. We discussed how in pulpwood operations not as many jobs are created as are promised/expected; that these jobs are of poor quality; and that they often come at the expense of existing rural jobs by expanding eucalyptus plantations. However, the developmental dimensions and political-economic impacts go far beyond these kinds of job-related analyses. In terms of governance and impacts on rural citizens' life, the arrival of these types of investment is far more complex than the supposed creation of direct and indirect jobs. The whole rural community changes as property prices increase, and modes of production change from food production for local markets to commodity based production, which impacts fluctuations in the influx of capital and job creation (see Oyhantçabal & Sanguinetti, 2017).

Our findings indicate that the regulation of business conduct through the active engagement of civil society is seriously flawed when states become the extended arm of global extractive corporations. States play an active role particularly by making laws that favour multinational corporations. CSR in this sense should be understood not as something that corporations perform beyond or within the law (Carroll 1991; 2004; Matten and Crane, 2005; Matten and

Moon, 2008), but as something highly volatile and dependent on the role of states in corporate-society relations. A hierarchy of laws must also be considered when analysing how laws protecting international investment take precedence over human rights and environmental laws, marking the territory for how much CSR interventions are needed to legitimise the presence of the corporation in the local sphere and thus condition the platform of state-business relations. When a law that creates tax free and free trade zones is created, that law, paradoxically, no longer regulates business conduct. Instead, wielded by the corporation, such laws actually start to regulate the state.

What is the state today? On the one hand, the modern nation state still assumes the important function of safeguarding the security of its citizens (as both Weber [1904-1911] and Foucault [1974] argued), yet the state is also a provider of a regulatory environment that marks the boundaries of investment opportunities for global corporations within the national territory of its jurisdiction. It is too hasty to assert that the state has atrophied, as for example some CSR scholars have argued (see Scherer and Palazzo 2011; Scherer et al. 2016); instead, our attention must be turned to how the role of the state is changing. Our case study illustrates that the state's role is fundamental to the birthing of extractive investments, even when that extractivism is based largely on multinational capital. We have presented some of the key state-society relations that explain how extractivist MNC FDI is birthed.

Paradoxically, the global processes of MNC FDIs and market globalisation that are often seen as a hammer pounding states into inexistence or triviality, seem to have awakened the state into taking a pro-active role in attracting these investments. Jessop (2016, p. 230) argues that the 'superprotection for capital', created through neoliberal policies, and particularly secret international trade deals, limits the 'territorial and temporal sovereignty of national states.' What's more, Sevilla-Buitrago (2015, p. 1008), studying the capitalist formation of

enclosures, has argued that global South states ‘usually mobilize their sovereignty to create schemes that actually undermine it, by surrendering normative and economic prerogatives to land investors’. The case of pulp investments in Uruguay, a country once hailed as the Switzerland of Latin America, illustrates this general trend that rescales ‘quasi-constitutional protections for capitalist enterprises’ (Jessop, 2016, p. 230) to the international level, thus removing power from national politics. While the proximate causes for this would need to be further studied by considering, for example, ideology and the financial aspects of the puzzle, our findings suggest that the relation between international market forces and state forces is more complex than first assumed.

This paper has made a distinctive contribution to the rural social science literature by indicating that the power of extractivists is created to large extent by three supporting state roles: midwifery, custodian, and husbandry. This study of the role of states in extractivism is important in providing a more detailed (and called for) analysis of the varied ways in which global land grabbing (Borras et al., 2012) and enclosure regimes (Sevilla-Buitrago, 2015) are expanded in practice. Following this, of key importance for those seeking to level the playing field would be to target, criticise, redesign and govern these state-corporate relations and mechanisms of creating extractivists’ power. The distinction between key state roles in birthing neoliberal extractivism is a contribution to rural studies, and points towards a way of tackling state-transnational collusion.

The positive developmental impacts are very minimal in the case of Uruguayan pulp investments, with even President Vázquez emphasising (temporary) skilled job creation as the main beneficial outcome (see YLE, 13 February 2017). This suggests that having state actors pursuing the state roles of midwifery and husbandry and eschewing the traditional role of custodian (regulating corporations, rather than allowing corporations to regulate

government actions) can lead to hidden impacts if the investment model and sector being promoted is not carefully selected. Evans' (1995) whole idea in focusing on the IT sector was to make the argument that even less developed states can escape the Ricardian need to pursue merely their 'competitive advantage'. The choice of birthing an extractive industry that focuses on producing raw materials of low value – eucalyptus trees to be transported to the pulp mills (the pulp is not exported by Uruguay but is processed and shipped abroad via the transnational free trade zones) – suggests that both the sector and the investment model, whose boundaries the state sets, have been developmentally suboptimal. This illustrates that small countries, even democratic and stable ones, may be underpowered in the face of the global players' rush to control land and resources. A key reason for this has been that civil society has not been included in political-economic decision-making, in other words, this has not been a case of 'encompassing embeddedness' (see Evans 1995) but one of exclusive state-corporate embeddedness (with the companies embedding the state even more than vice versa; on autonomy, see Kröger, 2014a). Yet, as we studied the ongoing negotiations for the third large pulp investment in Uruguay, we found that the civil society debate on these issues is changing. Civil society has started to make stronger demands, with regard to how both the state and the corporations act towards the local population. It is possible that this budding activism will ultimately leave a notable mark on investment outcomes.

This article has focused on the question of how states birth extractivism; future studies should delve more deeply into *why* they do this. In doing so, the role of financial institutions will be important to take into consideration: what are their roles in supporting, promoting, and protecting these types of rural investments? We did not study the role of labour unions and other larger conglomerations in the birth of extractivism which is another avenue of future research. State regulation, such as bilateral investment protection deals, is increasingly protecting companies from state-mediated politics. Could finding a way out of this locked-in

and enclaved position ultimately be down to local social movements across the world forming ‘translocal governance networks’ (Banerjee, 2017), where communities connect with other rural communities and local actors and demand changes in how business is done (Moyo & Yeros, 2005); as well as seeking to control the corporations in areas outside state sovereignty and regulation (in free trade zones) via new globally binding rules?

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