



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.

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; Scherer and Palazzo, 2011; Valdivia, 2015; Veltmeyer and Petras, 2014;

Wilson et al., 2017; Ehrnström-Fuentes, 2015, 2016a). 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

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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 in-depth 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 (Banerjee, 2017; Matten and Crane, 2005; Scherer and Palazzo, 2011; Aßländer and Curbach, 2014; Ehrnström-Fuentes, 2016; Matten and Moon, 2008), 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; Scherer et al., 2016). 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, 2012, 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 and Dougherty, 2017), hydrocarbons (e.g. Valdivia, 2015), or flex-crops such as soybean plantations (e.g. Oliveira and Hecht, 2016; McKay, 2017), and on the general state-society dynamics and impacts (e.g. Veltmeyer and 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

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