

## **Pulp Mill Conflict**

### **Finnish Parliamentary Ombudsman Receives Complaint in Botnia Investment Conflict**

#### *Finnish Media Looks Closer at High Level Government Staff Personal Stakes in Controversial Investment*

Helsinki – 31 January 2007 – The Finnish Parliament Ombudsman received a complaint this week from local stakeholders in Argentina on the Finnish State's mishandling of the growing conflict over the controversial installation by Botnia of one of the world's largest pulp mills on the Argentine-Uruguayan border.

The complaint, the first such complaint received by the Finnish government from a non-governmental organization outside of Finland, stresses procedural errors in Finnish handling of a complaint filed to the OECD office in Finland, against the Finnish Botnia, as well as the inexplicable Finnish government refusal to recognize that it is a key stakeholder in the controversial pulp mill investment, including support promised to Bo

tnia by the Finnish state bank Finnvera and its 49% ownership of the key chemical supply company, Kemira, in construction on the Botnia site in Uruguay. Finland claims that Kemira is "formally" not a part of the investment project and therefore that the State is not "formally" party to the dispute. Argentina and Uruguay have repeatedly requested Finland to help mediate a solution to the conflict but Finland has systematically refused.

Meanwhile, Finnish news agencies, surprised by the relentless opposition by local stakeholders in Argentina who have camped out on the international bridge since November 20, 2006, in protest against the Finnish Botnia investment, are incrementing coverage of the local conflict, despite unfounded claims by the company that the opposition is losing force. The int'l court ruling (the ICJ) two weeks ago, refused Uruguay's request to force Argentina to remove stakeholders. Stakeholders have interpreted the verdict to mean that they can remain on the roadblock indefinitely.

News reporters are also exploring why the Finnish government has been so *hands off* in the conflict. Sources indicate that an investigation is underway on the personal relationship of some *very high level* Finnish government staff to the investment, which is Finland's largest foreign direct investment ever. If allegations turn out to be true, the Finnish position, and particularly the Finnish NCP, which oversees Finnish company compliance with the OECD Guidelines for Multinational Corporations, and which is under the responsibility of the

Ministry of Trade and Industry headed by Paula Letomaki, might compromise government staff which already find themselves with their hands soiled in an uncomfortable investment scandal. CEDHA filed another complaint recently against the NCP decision to the higher offices of the OECD for failure to correctly interpret and implement the Guidelines. Another NCP (Sweden) is now reviewing a complaint filed against one of the financial institutions (NORDEA) which has pledged support to Botnia.

In the complaint filed to the Finnish Ombudsman, CEDHA accuses the Ministry of Trade and Industry, under Letomaki's governance, that the Finnish NCP office disregarded international law, prejudged an international tribunal decision (pending decision at the ICJ expected in 2008) and failed to facilitate dialogue between the parties (which was its main task) and to which all parties were committed. CEDHA also cited concerns over the partiality of Finland as a key stakeholder in the investment, including ownership in chemical supply company Kemira, the Metso Corporation, export credit agency Finnvera and the Nordic Investment Bank. All are enterprises with Finnish State ownership and each are key stakeholders in the Botnia project. Finland has systematically declined to assume responsibility in the investment, however, and has closed the door to Argentine stakeholders, and even to the Argentine government.

CEDHA's Executive Director commented to Finnish press that "the Finnish government is hiding responsibility, and mis-representing key information to the Finnish public, which is why we are informing the Ombudsman, an agency of the Parliament, about their executives' actions".

Finland's National Contact Point, at the center of the complaint, comes under the auspices of the Ministry for Trade and Industry, headed by Paula Letomaki, who received CEDHA and stakeholder representatives last year promising that Finland would offer its good offices to help advance a resolution. Nothing came of the promise. Instead, the NCP under Letomaki's command, chose to close the stakeholder complaint, shielding itself behind a controversial World Bank decision to approve of a loan to Botnia, and arguing that that all is well with the investment.

The notice letter to CEDHA, key evidence in the case to the Ombudsman, announces the closing of the complaint and suggests that the NCP's responsibility is to look primarily at stakeholders in Uruguay (implicitly disregarding Argentine stakeholders immediately within the sphere of influence of the company), that "public hearings were held" by Botnia in Fray bentos (in Uruguay!) at which Argentines were invited (implying that stakeholders should travel internationally to company meetings), and finally, that "Botnia has also stated that it adheres to the principles of the Global Compact ... [and that] This ... ensures that Botnia will use acceptable methods and adhere to internationally accepted practices."

Local stakeholders point to Letomaki's inexperience and failed vision to anticipate the escalation of the dispute, as well as the NCP's limited understanding of the implications of the case to its international obligations. However one looks at it, the Finnish State is treading in hot water, as the conflict is turning out to be the largest international scandal ever in Finnish corporate history, soiling the Finnish international corporate image and its solid record as an environmentally strong country. Already Finnish companies abroad, such as Nokia, are having to answer to public protests against their compatriots, Botnia.

The Parliamentary Ombudsman role is to ensure that public authorities and officials observe the law and fulfill their duties in the discharge of their functions, and has been asked to investigate the matter and provide recommendations on how to strengthen legislation to ensure appropriate behaviour of Finnish companies abroad, which in this case is especially important considering the worsening bilateral conflict and undetermined questions at international law.

For more information:

Jorge Daniel Taillant

[jdtailant@cedha.org.ar](mailto:jdtailant@cedha.org.ar)