



Centro de Derechos Humanos y Ambiente

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To Edouard Esparbès (CEO Calyon)

Copy: Calyon Board of Directors

Re: Oy Metsä-Botnia in Uruguay – Military Involvement and Increased Investment Risk

We are writing to update Calyon on the extremely worrying evolution of the ever-escalating conflict surrounding Botnia's investment in the controversial pulp mill project in Uruguay. We wish to strongly reiterate and request that Calyon should not invest in this project, as it continues to be the source of an ever-escalating social, economic diplomatic and regional dispute.

As you may be aware, immediately following the World Bank's approval of a US\$170 million IFC loan, and a guarantee loan by MIGA to Botnia on 21 November 2006, the conflict in the region, instead of easing, has further intensified, resulting in new international roadblocks and a new complaint filing by Uruguay before the International Court of Justice, against Argentina.

Further intensifying the dispute, on 30 November 2006, President Tabaré Vazquez, in a historically unprecedented move for the region, summoned Uruguayan troops to guard Botnia's site. In the last few days, the Uruguayan government has announced that additional troops will be sent to the site, following concerns with the escalating tensions of local stakeholders who oppose the mill and promise to remain on the international bridge, blocking traffic, through the long summer months. The militarisation of the dispute is perceived as the most jarring political conflict in the history of Uruguayan and Argentine relations yet Oy Metsä-Botnia, the controversial project sponsor which Calyon is considering supporting, continues construction at an accelerated pace, insensitive to the escalating conflict it is causing, refusing to accept that the conflict requires an urgent solution.

Local stakeholder opposition to the project is increasing. Yesterday, thousands marched to the Argentine capital, to request Presidential intervention, demanding an immediate diplomatic solution to the conflict. Roadblocks will continue on the bridge against the Botnia project. Last year, Uruguay lost over US\$400 million to international roadblocks due to protest by local stakeholders. Greater losses are expected this year. Company sponsors had to resort to expensive alternative routes to deliver supplies to the construction site, as they are having to do now.

Recently 23 World Bank Executive Directors who voted for IFC and MIGA support of the project have been added to a criminal complaint filed against Botnia's Executive Directors

earlier this year. This is the first time that World Bank Directors have been implicated in a criminal law suit for supporting a project. It is also noteworthy that ENCE, the Spanish company, recognised the jurisdiction of the Argentinean court and presented its attorneys before the tribunal to answer claims against their executives, and it is expected that Botnia executives, and possibly World Bank Directors will have to do the same. The same predicament may also occur for other private sector corporate sponsors, such as Calyon. As the conflict continues to intensify across all diplomatic levels, the King of Spain searches for a viable solution, whilst Uruguay now requests Brazil play a role to attempt to resolve the dispute.

In the context of the regional MERCOSUR trade bloc, the conflict has caused Uruguay to raise tariffs against Argentinean goods, a move which is destabilising local commerce and creating a related international dispute that may be taken to the World Trade Organization. As you can see, the conflict caused by the Botnia project, is far from over, and seems to be opening a new era of diplomatic tension and dispute, promising a future of uncertainty.

Calyon is based in France and therefore bound by the OECD Guidelines for Multinational Enterprises that aim to improve the foreign investment climate, by obliging all corporate actors to comply with the Guidelines and act responsibly. As you are aware, a complaint was filed to Finland's OECD National Contact Point against Botnia in April 2006 at a critical moment of the conflict, when the Argentine and Uruguayan presidents had reached an accord to resolve the dispute. Botnia refused to cease construction of their mill (unlike the other mill, by ENCE, which adhered to the agreement), as had been requested by the presidents, a central piece of the agreement. The conflict could have been resolved at the time, but due to Botnia's negligent and selfish attitude, the bilateral accord collapsed. The OECD complaint was accepted in Finland, likewise the Swedish National Contact Point has accepted the complaint against Nordea due to its role as co-lead arranger complicit in Botnia's violations. If Calyon continues with its intention to support Botnia, it will also be complicit in this negligent and selfish behavior.

CEDHA hopes that Calyon will immediately and publicly pull-out from involvement in Botnia's Uruguay project and show a clear sign of respect to the OECD Guidelines, the Equator Principles, to promote sustainable development, responsible corporate behaviour and avoid the reputational risk that will be assigned to partners involved in this project. Calyon should show a clear sign to the world that it will not become involved in a project that is causing one of the worst social, economic, and diplomatic investment conflicts recorded in global history.

Sincerely,

Jorge Daniel Taillant
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