

# **Impact of the Botnia Pulp Mill Project on internal migration to Fray Bentos, Uruguay**

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Abstract

The Finnish Oy Metsä-Botnia Ab began in September 2005 the construction of a pulp mill in Fray Bentos, a town with 23 000 inhabitants in Western Uruguay. The Botnia pulp mill project, more known for the diplomatic crisis between Argentina and Uruguay over the environmental impact of the investment, is in this investigation analyzed for its repercussions on internal migration. Responding to a concern expressed by the local authorities of Fray Bentos and the International Organization for Migration (IOM), this investigation considers to what extent the Botnia pulp mill project has led to contracted and uncontracted internal migration.

The investigation is a background study for a planned pilot intervention by IOM, other agencies forming part of the United Nations Country Team for Uruguay, and the local counterpart in the Rio Negro-Fray Bentos region. Based on a multi-method assessment, the investigation suggests that the Botnia pulp mill project does not lead to permanent internal migration aside from those workers who continue working at the Botnia pulp mill after the construction phase. Uncontracted migration in the context of the Botnia pulp mill project has been minimal and temporary. The phenomena began during early 2006, increased slightly during the same year, and descended rapidly by the end of the year. Based on these findings, the investigation suggests that there is no need in Fray Bentos for the planned pilot intervention by the development agencies in the management of internal migration. The investigation calls for investigations on whether internal migration is a significant cause of irregular settlements in Uruguay.

I conducted fieldwork for the investigation during April-June 2007 while working as an intern for IOM Uruguay, and submitted an earlier report of the investigation to IOM Uruguay at the end of the internship, in June 2007.

**Keywords:** Migration theory, IOM, internal migration, Botnia pulp mill project, irregular settlements

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# Introduction<sup>1</sup>

From March to June 2007, I worked as an intern at the office of International Organization for Migration (IOM) in Montevideo, Uruguay. This investigation is a background study for a planned pilot intervention by IOM, other agencies forming part of the United Nations Country Team for Uruguay and the local counterpart in the Rio Negro-Fray Bentos region. This investigation aims to provide empirical evidence on the impact of the Botnia pulp mill project in Uruguay on contracted and uncontracted internal migration to Fray Bentos. The assumption behind the focus on uncontracted migration is that if expectations to find employment in the investment area would lead to an influx of workers that exceeds the demand for labour, the Botnia pulp mill project could even lead to a formation of irregular settlements in Fray Bentos.

The **first** chapter will include background information on the Botnia pulp mill project in Uruguay and its socio-political context, as well as on the situation of internal migration and irregular settlements in the country. The **second** chapter will contain the problem formulation of the investigation. The **third** chapter will situate the investigation in the wider context of development research, introduce the multimethod approach as a research strategy, and specify how I have used a combination of qualitative and quantitative methods to address the research questions. The **fourth** chapter will introduce the theoretical framework of the investigation, provide definitions of the most central concepts used, and clarify how I have operationalized the theories using the multimethod approach.

The chapters between five and eight will constitute the analysis section. The **fifth** chapter will present an overview of the institutional setting that motivated the investigation. Though descriptive, the chapter is an important starting point for the analysis, as IOM is a central element of the context in which the research took

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<sup>1</sup> I would like to thank Johannes Dragsbaek Schmidt, supervisor of this thesis, for critical comments on earlier versions of this report, and Susana Leonardi, Chief of Mission at IOM Uruguay, for the possibility of working as an intern at IOM Uruguay and dedicating a large proportion of the internship to this investigation. I would also like to thank Alba Goycochea from IOM Uruguay for her friendship, for conversations on migration, and for contacts without which this investigation would not have been possible.

place. The **sixth** chapter will provide evidence of the impact of the Botnia pulp mill project on contracted and uncontracted migration, and conclude with a brief reflection on the potential impact of the investment on emigration. The **seventh** chapter will take a closer look into the concern over a formation of irregular settlements in Uruguay in general and in Fray Bentos in particular. The chapter will end with considerations on what can be learned from this investigation and present recommendations regarding the planned project on internal migration, particularly in what comes to the role of IOM. Before conclusions, the **eight** chapter will reflect upon the future of Fray Bentos after the construction phase.

# 1. Background

## ***1.1. Botnia pulp mill project in Fray Bentos***

Fray Bentos, a town with 23 000 inhabitants located on the coast of the Uruguay river, some 200 miles North-West from Montevideo, is the capital of Rio Negro, one of the nineteen departments into which Uruguay is administratively divided. Founded in 1859, Fray Bentos is historically a single-industry town with a long export tradition. In 1866, a factory called Anglo del Uruguay opened in the town. The factory exported canned meat to all continents from a local port and became known in Europe for its Fray Bentos Corned beef, produced since 1873. For local and immigrant population, the meat processing plant presented a significant source of income, employing at its peak over 5000 people. The closure of Anglo in the year 1979 represented a loss of the principal employer of Fray Bentos. Out-migration of workers and a heavy reliance of many families on government pensions have been characteristic to the decades after Anglo in Fray Bentos. (IFC 2006:4.71-4.72)

In September 2005, the Finnish Oy Metsä-Botnia Ab began the construction of a pulp mill in Fray Bentos. The Botnia pulp mill started up in November 2007. The key investor in the Botnia pulp mill project in Fray Bentos, Oy Metsä-Botnia AB (Botnia), is a company jointly owned by three Finnish entities: M-Real Corporation (39%), UPM-Kymmene (47%) and Metsäliitto Cooperative (14%). With five pulp mills in Finland that have the capacity to produce nearly three tons of pulp per year, Botnia is currently Europe's second largest pulp producer. In Uruguay, Botnia owns a company called Compañía Forestal Oriental (FOSA), which is among the biggest forest owners in Uruguay, and a pioneer in the cultivation of eucalyptus in the country. (Botnia 2008)

The history of Finnish investment in the Uruguayan forestry sector draws back to the nineties, when the Government of Uruguay introduced structural reforms that

promoted a liberalization of the economy. In the same decade, Botnia began to invest in Uruguay, buying plantations of eucalyptus. Preparations for the Botnia pulp mill project in Uruguay began officially in 2003, a year in which the economy of the country was just beginning to recover from the deepest economic depression of the century. The investment, worth 1.2 billion US dollars, is the biggest single investment in the history of Uruguay, symbolizing a long-awaited economic renewal. (The Economist, December 6th 2006)

The aim of the Botnia pulp mill project is to produce a million tones of bleached short fibre eucalyptus pulp per year, primarily for exportation to Europe and China. The investment is significant for the development of pulp industry in Uruguay, as the production of eucalyptus pulp leads to value-added exports in the forestry sector that until the beginning of the project had focused on the exportation of raw material. Botnia chose Fray Bentos as the site for the pulp mill for several factors, including logistical advantages of Fray Bentos as a port town, and the availability of wood supply in the region. The location of Fray Bentos on the bank of the Uruguay River, and next to an international bridge that connects Uruguay to Argentina makes the town particularly attractive for export-oriented industries. The pulp mill requires 3, 5 million cubic meters of wood per year, and Uruguay is among the few locations in the world where pre-existing eucalyptus plantations can supply the raw material for such a large-scale pulp mill. (Botnia 2008)

Besides logistical factors and availability of raw material, reasons for choosing Uruguay as a destination country for such a large-scale investment also include the political stability in Uruguay in the recent decades and relatively low corruption. According to Transparency International, Uruguay, following Chile, is the second least corrupt country within Latin America. Uruguay's institutions are relatively stable, which adds to the attractiveness of the country to foreign investors. As the Economist points out, unlike Argentina, Uruguay did not default on its external debt or tear its contracts during the financial crisis of 2002. (The Economist, October 6th 2005)

## ***1.2. Socio-economic context and conflict with Argentina over the investment***

For a large part of the 20<sup>th</sup> century, Uruguay has been a relatively developed country within Latin America, and within the industrialized world as a whole. However, during the past decades, the economic development of the country has shown an alteration of periods of growth and profound recessions. The concentration of production in goods with little added value and a lack of investment are among the causes of this development. The economic and financial crisis that began in the region in the late 1990's had serious repercussions also in Uruguay. In the period between 1999 and 2002, Uruguay experienced lower demand for exports from Argentina and Brazil, which account for almost a half of Uruguay's exports. The GDP of Uruguay dropped by almost 20% during this period. The economic crisis in Uruguay had its peak in the year 2002. (UNCTC 2006:9) (CIA 2008)

While parts of the Uruguayan economy survived the crisis well, repercussions such as an unemployment level rising to nearly 20%, a fall in real wages, and the devaluation of the local currency affected the local population. The overall economic development reversed in the year 2003 due to improvement in the economy of the region, and cooperation with the IMF. (Informe país 2004:45) (CIA 2008) The liberalizing tradition of the Government of Uruguay, that began in the nineties, has continued despite the access to power of the leftist coalition Frente Amplio in 2005. On January 25th 2007 the Government of Uruguay signed a trade and investment agreement with the United States, a move interpreted by the Economist as a first step towards a free-trade agreement. (The Economist, February 1st 2007)

The Botnia pulp mill project has been a source of an intense dispute between Argentina and Uruguay since March 2005, when Botnia announced that it would construct a pulp mill in Fray Bentos. Environmental protesters, mainly Argentinean, have been blocking the international bridge connecting Fray Bentos



with the Argentinean town of Gualeguaychú since early 2006. The bridge is an important route of commerce within the Mercosur, a South American trade block of which Uruguay is a member. According to the Government of Uruguay, by December 2007 the protests had already cost the country over 500 million US dollars. (The Economist, December 6th 2007) Three years later and the pulp mill already producing, the protesters still claim they will not abandon the bridge until Botnia leaves Fray Bentos.

In the context of the conflict with Argentina, the construction of the Botnia Pulp mill has become framed as an issue of national sovereignty, especially after the Spanish Empresa Nacional de Celulosa España (ENCE), other company which was constructing a pulp mill in Uruguay, temporarily withdrew from its project. Spain has served as a mediator in negotiations that have taken place in New York. The government of Finland has taken the stance that the conflict is political and has not directly inter-fered in its resolution. The Economist refers to the pulp mill conflict as an expression of the state of South American integration. (The Economist: October 6th 2005) (The Economist, March 16th 2006)

Those opposing the Botnia pulp mill project claim that the factory will pollute the bordering river over which both Argentina and Uruguay have sovereignty. They argue that the factory will cause acid rain and hurt local tourism, farming and fishing. Supporters of the investment claim that the activists are more troubled with capitalism than with environmental damage. (The Economist: March 16th 2006) Some analysts have seen the failure of negotiations with the neighbouring Argentina on locating the pulp mill on the Argentinean side of the river as the primary cause of the dispute between Uruguay and Argentina over the investment. (Zibechi 2007) Goycochea for instance has suggested that the reasons behind the conflict lie in the failure of the Argentinean province of Entre Ríos to attract direct foreign investment rather than in the feared environmental impact. (Goycochea 2007)

An article in the liberal news paper El País defines “a perfect radical” in Uruguay as someone who is against the implementation of tax free zones, the presence of

multinational companies, single crop farming, and the installation of the pulp mills of ENCE and Botnia. (El País Uruguay, May 6th 2006) This illustrates that the model of development on which the investment is based raises passions also within Uruguay, particularly in what comes to the establishment of a tax free zone, the single crop farming of eucalyptus, and the use of foreign subcontracting enterprises in the recruitment of workers. Critics remind that after the construction phase the actual demand for workers will be small. (Sociedad, January 18th 2007) Supporters of the pulp mills refer to the impact in terms of indirect employment generation, while those who oppose to the investment remind that though the forestry and transport sectors in which the employment generation will primarily occur have relatively low labour standards.

The diplomatic crisis between Argentina and Uruguay can have two kinds of implications on the impact of the Botnia pulp mill project on migration. The first relates to the implications that the conflict may have on the very development of the Botnia pulp mill project. So far, the effects on the investment have been limited to a delay in the beginning of the operational phase. According to the Economist, the protesters are not likely to stop the plants, but they can continue to harm Uruguay's economy. (The Economist, March 16th 2006)

This interpretation has proved to be correct. The Botnia pulp mill in Fray Bentos started up in November 2007, and ENCE appears to be resuming its investment in Uruguay. Even the Argentinean president Nestor Kirchner has unofficially admitted that the claim presented by the protesters, that the factory should relocate, is highly hypothetical (HS, May 23rd 2007). The second potential implication relates to the impact that the conflict may have on migration of workers from the Argentinean side of the border. This impact will be briefly considered in the analysis.

### ***1.3. Tendencies of migration in Uruguay***

From a demographic perspective, Uruguay presents tendencies that are unusual in Latin America. Uruguay is simultaneously a country with falling birth rates, a demographic transition similar to that of most developed countries, and a considerable tendency of emigration. Uruguay has historically experienced a significant immigration from Southern Europe, but this tendency was reversed in the 1960s, when Uruguay became a net exporter of population, first to neighboring countries and more recently also to developed countries of the north, primarily to United States and Spain. The economic crisis of 2002 presented the latest peak in emigration. Like elsewhere in the developing world, also in Uruguay, the tendency of emigration raises the attention of the national government especially when those who emigrate have higher levels of qualification. (Calvo and Mieres 2007:9). (Calvo 2007:18) (Pellegrino 2002:14-15) (Taks 2006:143; 153)

International migration draws a lot of attention today, but most migrants in the world do not cross national borders. (Martin 1997:17) This investigation provides an insight to the potential implications of the investment on emigration of Uruguayans who gain practical experience and qualifications in the context of the construction of the plant, but the focus of the investigation will be on internal migration.

In the past decades, new forms of internal migration have emerged throughout Latin America. As intermediate cities have grown, there has been a shift from rural-urban migration to migration between urban areas. However, in rural areas out migration continues to have significant repercussions on development, as those who migrate are usually the relatively young and educated. Internal migrants in Latin America tend to be young and with more education than the national averages. (CEPAL 2006) (Pellegrino 2005(1998):168)

Internal migration is a common way in which people respond to changes in the labour market or change location to be closer to their relatives. For millions of

people in developing countries, migration to urban areas presents a way to improve their quality of living, as well as a means for getting access to better jobs and income. However, internal migration can also present a challenge in developing countries, particularly when the housing and labour markets of the receiving areas are not able to accommodate the newcomers. This is why policy makers, bureaucrats, academics and even international development agencies often view internal migration as an economically, socially and politically threatening process. (Deshingkar and Grimm 2004:4) (Seppänen 2007:207)

The most visible sign of internal migration has historically been urbanization, a demographic process which globally has had significant social and economic consequences. For the migrants themselves, internal migration has often meant breaking ties with earlier livelihoods and social networks, which has increased their vulnerability. (Elizaga 1979 in Macadar 1996:5) In Uruguay, the process of urbanization occurred relatively early. Like other countries of the Southern Cone of South America, Uruguay has today an urbanization rate of over 80%. (Busso 2006:2) This means that the proportion of internal migration occurring as rural-urban migration is relatively small.

In some countries, natural disasters or armed conflicts induce internal migration. In such contexts, migration is often referred to as forced migration or internal displacement. This does not apply in Uruguay, where internal migration is exclusively related to developments of the labour market. (Faroppa 2007:3) The capital Montevideo has historically been an important pole of attraction for internal migration, but since the early 1970's, Montevideo has also played the role of redistributing population. (Macadar 1996:58) In other words, Montevideo is no longer the ultimate receiving area of internal migration within Uruguay, but also a significant region of origin of people moving to other departments, both temporarily and permanently.

Governments of the departments in Uruguay that receive or are likely to receive significant numbers of internal migrants are searching for ways to anticipate these movements and to prepare for them. This investigation focuses on Fray Bentos,

capital of the department of Rio Negro. Like other Uruguayan departments in the region, the department of Rio Negro has had negative net migration rates for several decades. This began to change with the Botnia pulp mill project. The investment in Fray Bentos implies opportunities to find work especially in the sector of construction during the construction phase and in a minor scale during the following operational phase. Local workers from Fray Bentos fill a significant part of these, but the numbers also refer to an influx of thousands of people, primarily construction workers, from elsewhere in Uruguay and from abroad.

The construction of the Botnia Pulp Mill in Fray Bentos does not imply only internal migration, but translates also into an influx of international migrants, mostly skilled foreign professionals. The Botnia pulp mill project imported workers, particularly from Scandinavia, Eastern Europe and countries of the Southern Cone of South America, for tasks requiring higher qualifications as there were not enough qualified workers available in Uruguay. While the influx of foreigners with higher income was beneficial for a large part of the local population of Fray Bentos as it boosted consumption, the employment of foreigners also raised criticism on the extent to which Botnia was proving its ability to promote local employment.

However, internal migration is a significant component in the whole migration picture; most of the workers employed through the subcontracting enterprises during the construction phase are internal and not international migrants. International migration induced by the investment does not present a concern for the development agencies, while the scale and type of internal migration has left more room for uncertainty. Furthermore, the planned pilot intervention for which this investigation is a background study focuses solely on internal migration. This justifies the focus of this investigation on internal migration.

## ***1.4. Irregular settlements in Uruguay***

Slums, shantytowns, marginal settlements, and informal settlements are some of the widely used expressions that refer to units of informal, low-cost dwellings, often located in the periphery of cities. This investigation refers to them as irregular settlements. The principal program in Uruguay that addresses the living conditions of irregular settlements is the Integral Program to Eradicate Irregular Settlements (PIAI). Coordinated by the Office of Planning and Budget of the Government of Uruguay, and funded with a \$77 million loan from the Inter-American Development Bank and \$33 million of local funds, the program promotes the integration of irregular settlements into their urban surroundings by focusing on neighbourhood development as well as on preventive strategies. The program also aims to support a policy review to improve housing for low-income communities' through investments in infrastructure, community facilities and social services, as well as through providing assistance for regularizing the status of properties. (Informe país 2004:44)

The population in irregular settlements in Uruguay grew rapidly in the 1980s and 1990s as a response to worsening economic situation and increasing costs of housing in the centre of cities. (Portes and Roberts 2005:14) In the year 2000, the National Statistical Institute estimated that there were 464 irregular settlements in Uruguay, of which 364 were located in Montevideo, and 100 elsewhere in Uruguay. According to the most recent information, dating from the year 2006, approximately 196 000 Uruguayans live in irregular settlements. The total number of settlements was estimated at 676, of which 412 were located in the capital Montevideo. (INE-PIAI 2006)

The figures corresponding to the year 2006 are not entirely comparable with the figures of the earlier estimation, due to that the assessment of the year 2000 only took into account settlements with over 200 households. Nevertheless, the figures suggest that the proportion of Uruguayans living in irregular settlements has grown within the past years, particularly in the aftermath of the 2002-2003 economic

crisis. In 2006, approximately 6% of the Uruguayan population lived in irregular settlements. The proportion of people living in irregular settlements varies greatly between the capital and the rest of the country. While in Montevideo the percentage is 11%, the figure corresponding to the rest of the country is only 3%. (INE-PIAI 2006) (Informe país 2004:43)

Compared to figures in other developing countries this figure is low. According to a UN-HABITAT assessment, in several African countries 90-100% of the population lives in irregular settlements. The figure in Uruguay is also low on the regional scale, as the neighbouring Brazil and Argentina both have figures between 30 and 40 %. Nevertheless, as Alvarez Rivadulla points out, this can appear contradictory with the image of Uruguay as a country that generally ranks high in macro indicators such as the human development index. (Alvarez Rivadulla 2004:7) Irregular settlements are the most visible sign of social exclusion and residential segregation in Uruguay, and present a particular concern for the national and local governments. (Informe país 2004:43-44)

While in Montevideo there appears to be consensus on that people living in irregular settlements originate from within the capital itself, in other departments, including the departments of the region bordering with Brazil, the department of Maldonado and the department of Río Negro, the local governments view the development of irregular settlements in relation to internal migration. The development agencies operating in Uruguay are, together with the national and local governments, seeking for additional solutions prevent the formation and growth of irregular settlements. During the first half of 2007, IOM Uruguay, in cooperation with UN agencies, examined the possibility to address the problem of irregular settlements from a migration perspective. This investigation develops in that context.

## 2. Problem Formulation

The investigation analyzes the impact of the Botnia pulp mill project in Uruguay on internal migration to Fray Bentos. The objective of the investigation is to understand to what extent the Botnia pulp mill project has led to contracted and uncontracted internal migration, and to consider whether uncontracted migration induced by the Botnia pulp mill project could lead to a development of irregular settlements in Fray Bentos. As a background study for a project on internal migration in Uruguay, planned primarily by IOM, the ultimate aim is to tell whether there is a need for intervention in Fray Bentos because of the Botnia pulp mill project.

The aim of the first question is to define the scale of contracted internal migration induced by the Botnia pulp mill project, and consider to what extent it is temporary and to what extent permanent. The second question addresses the possible influx of whether the investment led to an influx of internal migrants without employment in Fray Bentos, and if so, whether these migrants have remained in Fray Bentos. The third question takes a closer look at the concern over irregular settlements.

The principal questions the investigation addresses are:

**-What is the impact of the Botnia pulp mill project on contracted internal migration to Fray Bentos?**

**-Has the Botnia pulp mill project led to permanent uncontracted internal migration?**

**-Does the investment lead to a formation of irregular settlements in Fray Bentos?**



## **3. Method**

### ***3.1. Scope of the investigation***

Juhani Koponen, professor of development studies at the University of Helsinki, distinguishes the types of research undertaken in development studies into two categories; applied research and critical research. He describes development studies as a problem oriented, interdisciplinary and normative branch of social sciences, which produces knowledge relevant to development. According to Koponen, the normative character of development studies stems from two questions central to the discipline: what is development, and why developing countries are developing countries. (Koponen 2007:19; 26)

Parting from the distinction offered by Koponen, this investigation falls within the category of applied research within the field of development studies. This investigation aims to produce knowledge that is useful for a particular development related purpose: the design and implementation of a project on internal migration in Uruguay. The investigation does not address the two big questions of development research, but it does nevertheless have a normative dimension relating to the presumed connection between internal migration and irregular settlements. Like the Integral Program to Eradicate Irregular Settlements referred to in the background section, the planned project would fall into the realm of the nineteenth target of the Millennium Declaration; achieving improvement in the lives of at least 100 million slum dwellers, by the year 2020, as suggested in the "Cities Without Slums" initiative (UN 2000).

This investigation is a case study on the impact of the Botnia pulp mill project in Uruguay on internal migration, and particularly, on uncontracted internal migration induced by the investment. A case study design should cover both a particular phenomenon and its context, which is central for understanding the phenomenon. (Yin in De Vaus 2001:231-235 in Pedersen & Jansa 2007:38) As the scope of this

investigation is to understand internal migration induced by the Botnia pulp mill project, a comprehensive view of the context should take into account several components. The main components of the context are the investment itself, the socio-economic context in which the investment and migration induced by the investment, as well as the institutional context in which the investigation takes place.

### **3.2. Combining methods**

In order to understand the rapidly changing social world, it is often useful to combine information that can be quantified and information that cannot. Therefore, as most studies in Social Sciences, this investigation combines elements of both, qualitative and quantitative research. Each research method has its limitations, but as King, Keohane and Verba remind, partial and imperfect knowability are an unavoidable condition of all research in social sciences. (King, Keohane and Verba 1996:5-7) At least partly, the imperfect knowability owes itself to that all research methods have weaknesses inherent to them. Serber has noted that one advantage of multimethod research is the possibility to aid relatively strong methods with relatively weak methods. (Serber 1979 in Brewer and Hunter 1989:53) Multimethod approach though assumes that combining different methods can increase the reliability of results.

I conducted fieldwork for this investigation while working as an intern at the office of IOM in Uruguay between March 1st and June 26th of 2007. As Brewer and Hunter have written: "*...fieldwork is inherently (if not quite fully) multimethod and derives its strength as much from its flexibility in data collecting as from its unique strategy of observing natural events firsthand* (Brewer and Hunter 1989:44-45)".

All methods employed in this research fall within the method category of fieldwork. This investigation relies upon multiple data collection techniques. The use of quantitative methods and sources has been complemented with the

qualitative methods of interviews and conversations in the course of the fieldwork. The relative strengths of each method have served to address the relative weaknesses of other methods.

A large part of the data collection took place during field trips to Fray Bentos. During May and June of 2007, I visited Fray Bentos three times, spending there in total approximately two weeks. The field trips from Montevideo to Fray Bentos were central to the investigation especially because the investigation addresses a phenomenon that formed part of a changing reality. The development agencies, and at least initially also the local counterpart, assumed that uncontracted internal migration was occurring or about to begin occurring because of the Botnia pulp mill project. Entering the field provided an opportunity to several data collecting techniques, which allowed multiple testing of the hypothesis. Despite that all methods fall into the category of fieldwork, in what follows I will introduce each method separately, as this will provide clarity to the analysis section.

### ***3.3. Role of existing investigations***

This investigation uses as sources existing investigations on migration, on irregular settlements and on the socio-economic impact of the Botnia pulp mill project. The principal problem the study faces is a lack of relatively new qualitative or quantitative investigations on internal migration in Uruguay. The demographers Pertucelli (1979), Macadar (1996) and Calvo (1995) have written on internal migration in Uruguay, but there is no recently published research on the topic. A recent publication of articles on demographic questions in Uruguay<sup>2</sup> contains four articles on demographic topics; fertility, ageing, emigration and immigration, but does not discuss internal migration.

There are two investigations on the socio-economic impact of the Botnia pulp mill project in Uruguay. Botnia conducted one preliminary investigation on the socio-

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<sup>2</sup> Importante pero urgente: Políticas de población en Uruguay, UNFPA and Rumbos, Montevideo, 2007.

economic impact of the investment in the year 2004. The International Financial Corporation conducted another investigation in the year 2006 as part of an assessment of the cumulative impact of the Botnia pulp mill project and the pulp mill project of the Spanish ENCE. The first investigation was made at a request by the investor, and the second conducted by one of the key financiers of the investment<sup>3</sup>. Opponents to the Botnia pulp mill project have claimed that the investigations are not neutral regarding their object of investigation, and have requested a further investigation on the environmental and social impact of the investment by local universities.

It is worth highlighting that the critics have questioned the relevance of the investigations in what comes to the source of dispute between Argentina and Uruguay, namely the environmental impact of the Botnia pulp mill project. In comparison to the question of the environmental impact of the investment, which has led to a diplomatic crisis between the neighbouring countries, the impact of the investment on migration has not been a particularly polemic issue. The main reason why these studies are of limited use as sources for this investigation is, that they have paid relatively little attention to migration. Furthermore, both were published before the construction phase ended, and though cannot offer empirical evidence of the actual impact of the investment on migration.

Irregular settlements are relatively well studied in Uruguay. However, the investigations tend to focus on the living conditions in the settlements and the health of the population living in them. None of the investigations examines the role of migration in the formation of irregular settlements in Uruguay. María José Alvarez Rivadulla (2004) from the Catholic University of Uruguay has researched irregular settlements in Montevideo, where the phenomenon is most relevant in quantitative terms. She refers to the origin of the people living in the irregular settlements of Montevideo, but the data she uses dates from the year 1998.

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<sup>3</sup> It is worth noting here that the investigation by Botnia appeared before the construction of the mills and the conflict over the investments began. It did not gain much publicity nor present very clear findings. Due to these factors, this seventeen-page report also received little attention in comparison to the two hundred page report of the cumulative impact assessment conducted by the IFC.

Alvarez Rivadulla has not attempted to overcome this shortage of relatively recent quantitative data, due to which her assessment is not comprehensive. Juan Miguel Petit conducted an investigation for IOM Uruguay, which examined vulnerability to human trafficking in the department of Maldonado. The investigation to some extent touches upon the role of migration in the formation of irregular settlements in Maldonado, but does not provide empirical evidence on the topic. In sum, existing investigations do not provide comprehensive answers to the questions of this investigation, but they provide useful sources to complement the analysis.

### ***3.4. Use of statistics***

For this investigation, I have used statistics produced by the National Statistical Institute of Uruguay (INE), and by Botnia. Statistics from the National Statistical Institute illustrate past tendencies of internal migration in Uruguay, as well as to acquire quantitative information on irregular settlements in Uruguay. Statistics produced by of Botnia permit following the evolution of the number of workers from Fray Bentos and from elsewhere in Uruguay at the construction of the Botnia pulp mill.

The investigation does not count with fresh statistical information on the flows of internal migration in Uruguay. The latest calculations on net migration rates into the different departments of Uruguay are from the year 1996. The most recent statistics on the number of residents in the departments come from the census of 2004. This census did not include a question on migration, due to which it is of relatively little use to the investigation. The availability of relatively recent quantitative information on irregular settlements in Uruguay is better, as the National Statistical Institute made a comprehensive assessment of these in the year 2006.

Botnia created statistics on their workforce in Fray Bentos from July 2005 till August 2008. Disaggregated according to regions of origin, the statistics are useful for the purposes of this investigation. They also permit looking at changes before

and during the construction phase. I got access to these statistics for the first time in June 2007 through Matilde Gonzalez, who works at the office of Botnia in Fray Bentos. In May 2008 I contacted Eduardo Elhordoy, director of human resources at the Botnia pulp mill project, over e-mail and got the remaining statistics. This statistical information obtained from Botnia permits following the evolution of the number of internal migrants contracted at the construction of the Botnia pulp mill.

The statistics produced by Botnia have three kinds of limitations. First, they do not include information on the managers, most of whom are foreign nationals. The figures that illustrate the *proportion* of internal migrants of the overall workforce are not completely accurate, as they underestimate the number of international migrants. Second, the statistics do not tell whether contracted internal migrants are likely to remain in Fray Bentos after the construction phase. Third, the statistics are silent about uncontracted migration. They do not tell whether the workers had contracts prior to arriving to Fray Bentos or if they were contracted after having arrived at the construction site to ask for it. The statistics also do not tell whether internal migrants have come to ask for work without success.

As Deshingkar and Grimm have noted, national censuses and other occupational surveys do not fully capture migratory patterns. (Deshingkar and Grimm 2004:5) Statistics from Botnia and from the National Statistical Institute alone do not provide grounds for a comprehensive account of internal migration in the context of the Botnia pulp mill project in Fray Bentos. In particular, even the statistics from Botnia are not a comprehensive source for addressing the second question, relating to the type of migration that presents a concern for the local government and to the development agencies operating in Uruguay. However, these statistics present a valuable source, as long as their use is combined with methods that address their limitations.

### **3.5. Assessment of forms filled at the Office of Social Policies**

Uncontracted internal migration, together with the question of whether some contracted internal migrants might remain in Fray Bentos after the end of their contracts, relates to the concern over the development of irregular settlements in Fray Bentos. In principle, an ideal way to gain an understanding of the relations between the Botnia pulp mill project and uncontracted internal migration would be to interview recent uncontracted internal migrants living in irregular settlements in Fray Bentos<sup>4</sup>. However, as there are no irregular settlements in Fray Bentos, the investigation has referred to other methods to estimate the scale of uncontracted migration, and the likelihood of a formation of irregular settlements.

The principal method to address the impact of the Botnia pulp mill project on uncontracted migration has been to analyze information extracted from forms filled at the Office of Social Policies of the Municipal Government of Rio Negro in Fray Bentos. These forms, called *Socio-economic forms of beneficiaries of municipal food assistance*<sup>5</sup>, are filed whenever a person who is not a resident of Fray Bentos arrives at the office and applies for temporary assistance such as access to public canteens, or small scale financial assistance to address other needs. The provision of the service began after the construction phase of the Botnia pulp mill started. The service was a response to the concern over a massive influx of uncontracted internal migrants unable to cover their basic needs.

The forms include information on the applicants such as age, gender, socio-economic situation, region of origin, motivation of having arrived to Fray Bentos and the planned length of staying in Fray Bentos. Going through the folders containing these forms was the most time consuming task during the fieldwork in

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<sup>4</sup> Stevens and Rule have made such assessment in the South African context. I have shortly referred to their investigation in the end of the seventh chapter.

<sup>5</sup> Fichas socio-económicas de beneficiarios de servicio de comedor gratuito. Convenio Instituto Nacional de Alimentación (INDA) y la intendencia Municipal de Río Negro.

Fray Bentos, and a useful method for estimating the scale of uncontracted migration induced by the Botnia pulp mill project.

However, uncontracted internal migrants might have arrived in Fray Bentos without ending up neither working at Botnia nor applying for temporary assistance at the Office of Social Policies. In such cases, the migrants would not appear neither in the statistics of Botnia, nor in the folders of the Office of Social Policies. The use of existing investigations, of statistical sources, and the analysis of information extracted from the forms filled at the Office of Social Policies provided useful information but the reliability of the results of this investigation can still be improved by other methods. Interviews and casual conversations served to complement the information acquired through the other methods.

### ***3.6. Interviews and conversations***

During my fieldwork in Uruguay, I conducted five semi-structured interviews to people who for their positions or experiences have specific knowledge on the social impact of the pulp mill project. First, I interviewed Enrique Gallichio; a sociologist who participated in the socio-economic investigation that Botnia published in the year 2004, and who today works for the UNDP. Second, I interviewed Mauro Delgrosso; an architect working at the Department of Urban Planning of the Municipal Government of Rio Negro in Fray Bentos, particularly on the situation of irregular settlements in Fray Bentos. Third, I interviewed Bettiana Marchan and Dani Marchando; lawyers from Estudios Rio Negro, a non governmental organization, assuming they might also hold valuable information on the impact of the investment.

Fourth, I interviewed Pedro Porley; director of the Uruguayan Labour Union of Construction Workers (SUNCA), to know what impacts he considered the Botnia pulp mill project might have on migration. Finally, during my last field trip to Fray Bentos, I visited the construction site of the Botnia pulp mill, and interviewed Eduardo Elhordoy; director of human resources of Botnia, on the repercussions



that the investment has had on contracted and uncontracted migration.

The interviews did not include a specific set of questions, though they all shared a common aim; to acquire first hand information related to contracted and uncontracted internal migration, and to the possible formation of irregular settlements in the context of the Botnia pulp mill project. I did not record the interviews, but took careful note of each of them.

The limitation of the method of semi structured non-recorded interviews in comparison to more sophisticated interviewing methods logically relates the depth of the acquired information and to the possibility by other researchers to verify what the informants have actually said. This type of interviews were however the most cost-efficient in the context of my fieldwork in Uruguay. It saved time for bibliography search, and allowed to finish a first report of the investigation in June 2007, before the end of my internship with IOM Uruguay. In this investigation, I have quoted exact phrases of what the interviewed have said whenever I have considered this to bring clarity to the analysis. The quotes are translations from Spanish, which was the language of all interviews.

During my three visits to Fray Bentos, I walked on the streets of the town, and talked with workers from other Uruguayan departments as well as with people from Fray Bentos. Talking with contracted internal migrants, I aimed to acquire knowledge on whether they or other contracted migrants they knew planned to remain in Fray Bentos after the construction phase. Talking with local people, I aimed to find out whether they had noticed any improvised homes in Fray Bentos after the beginning of the Botnia pulp mill project. As Fray Bentos is a small town, the inhabitants tend to know each other and any newcomers are easily noted. However, in comparison to all other methods discussed in this chapter, these conversations are a weak method. The primary aim of the conversations was to get familiar with the field and to acquire anecdotic evidence to support or question information acquired through other methods.

## 4. Theoretical approach

### ***4.1. Migration theories applied to the study of internal migration***

Migration has never been the exclusive field of one particular social science, but has been studied by several of them. The first scholarly perspective on migration appeared in two articles by the geographer Ravenstein (1885; 1889). In these, Ravenstein formulated what he called the "laws of migration". Ravenstein considered migration as an essential part of development, arguing that the main causes of migration were economic. He also suggested that migration tends towards a spatial-economic equilibrium, as people migrate from densely populated regions with low income to sparsely populated regions, which offer possibilities for higher income. (De Haas 2008:2-4) Economic explanations of migration, as well as the idea of migration tending towards equilibrium, have remained prominent in popular and scholarly thinking on migration from the first scholarly attempt by Ravenstein to explain migration.

Several migration theories have emerged after the pioneering articles by Ravenstein. Some migration theories focus on migrants as groups, while others treat them as individuals. Some explain the causes of migration; others concentrate on the consequences, or on the mechanisms through which migration perpetuates. Despite attempts, there is still no general theory of migration<sup>6</sup>. Hein de Haas from the International Migration Institute notes, that the inexistence of a general migration theory is a testimony to the difficulty of separating migration from broader social and political processes. (Massey, Arango, Hugo, Kouaouci,

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<sup>6</sup> The approach known as the push-pull theory, originally outlined by Lee (1966), has been the most popular attempt to create a general theory of migration. Lee suggested that migration occurred due to factors related to the area of origin, those associated with the area of destination, intervening obstacles, and personal factors. De Haas has argued that it is doubtful whether the push-pull approach should even be called a theory. As applied in practice, models building upon this approach lead to ad-hoc explanations so general that they tend to state the obvious. (De Haas 2008: 8-9)

Pellegrino and Taylor 2006:31) (De Haas 2008:3)

The fact that migration cuts across different disciplines, is both an asset and a challenge. It is an asset, because it means that migration is studied from a variety of perspectives, and a challenge, because communication across disciplines is often difficult. The process of migration is still poorly understood, and attempts to connect the causes, perpetuating mechanisms and impacts of migration remain underdeveloped. The division between theories that explain causes and others that explain consequences can be seen as an arbitrary one, as the presumed impact of migration depends on how the causes of migration are understood. It matters whether migration is viewed as a flight from misery or as a voluntary endeavour through which people position themselves better in the labour market. (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor 2006:31-33) (IMI 2006:7) (De Haas 2008:2-3)

Migration theories generally fall into three categories: economic, social and political approaches to migration. Economic paradigms perceive migration as a mechanism to redistribute labour on a territory. Sociological approaches focus on migration as a social process, and try to explain how migration is perpetuated through factors such as friendship, family ties and shared community origin. Political theories of migration generally focus on the role of the nation-state to explain why, despite income disparities and extensive networks, many people in the world do not migrate. Political theories have also tried to provide explanations on how migration affects the state, and how states influence international migration through the policies they adopt. (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor 2006:31-33)

The theoretical approach of this investigation is based upon an economic understanding of migration, which has mainly been applied to the analysis of international migration. Though often treated as distinct processes, internal and international migration have a lot in common in what comes to causes and origins, as well as their impacts and outcomes, and though present similar challenges to

policy making. Both relate to urban inequalities, especially in what comes to salaries access to the labour market. People in the receiving regions are often concerned with the arrival of migrants who compete with local population in the labour market or have insufficient economic resources for maintaining themselves. As its international counterpart, internal migration can present a concern for policy makers and local governments, if it places a strain on the infrastructure and public services of the receiving region. (DeWind and Holdaway 2005:3) (CEPAL 2006) In the remaining part of this chapter, I will introduce the two theories that I have applied in this investigation, and finally, illustrate how I have operationalized the theories.

### ***4.3. Migration from an economic perspective***

Economic theories of migration equate migrants with workers, perceiving migration as a mechanism to redistribute labour. Migration is caused by geographical differences in the supply and demand for labour. The neoclassical theory of migration, originally outlined to explain internal labour migration in the context of the economic development of Western societies, suggests that economic migration has all-round beneficial effects. (Ghosh 2005:163)

Todaro (1969) and Harris and Todaro (1970) elaborated a model to explain rural-urban migration in developing countries, which has been at the core of the neoclassical migration theory ever since. Harris and Todaro developed a model to explain why rural-urban migration continued in spite of rising unemployment in urban areas. The Harris-Todaro model suggests that researchers should pay attention not only to a real income difference, but also to the differences in expected income differential, understood as the probability of finding an urban job. Later on, it has been applied mainly to the study of international migration. The assumed advantage for the sending countries or regions is that they can avoid short-term unemployment by getting rid of surplus labour, and benefit from the return of trained labour force. The receiving country or region gains, as migration alleviates labour scarcity and leads to economic growth. (De Haas 2008:3-5)

(Massey 2005:18) (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor 2006:31)

While the neoclassical macro theory focuses on structural causes of migration, its microeconomic version addresses individual choice. Migrants are seen as rational actors that decide to migrate when a cost-benefit calculation allows them to anticipate a positive return. The differential in the earnings between the region of origin and that of destination is seen as the main cause of migration. These differences are assumed to lead to workers from the low-wage regions moving to high wage regions, which in the is assumed to harmonize wage differentials, and ultimately, stop the movement of people as a result of a process called the factor-prize equalization. (Ghosh 2005:3-5) (Teitelbaum 2001:23) (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor 2006:36-38) (De Haas 2008:4)

In the analysis of migration between developing and developed world, the ideas of the neoclassical theory have been widely contested. For instance, the assumptions of return have seldom materialized. In fact, for many developing countries, the permanent emigration of skilled professionals presents a major concern. In addition, there is a lack of empirical support for the argument that migration would equilibrate wages between different regions or countries. Dependency theorists have actually suggested the result of intercontinental labour migration to be just the opposite, and argued that instead of equalizing social and economic differences, migration further intensifies these. (Wood 1982; Gross and Linqvist 1995 in Aberggaard 1998:44)

Today, not only scholars on the left of the political divide recognize the potential of migration as a factor aggravating regional inequalities, but also some of the more liberal authors. Bimal Ghosh, former senior consultant for IOM, recognizes the potential of migration as a factor in the widening of wage and income differentials both between and within nations. Ghosh notes that neoclassical theories of migration are based upon fixed assumptions such as inexistence of public goods or government intervention and perfect competition. He reminds that

in reality, segmented labour markets hinder the process of equalization<sup>7</sup>, and that benefits of migration do not distribute equally between regions or groups of population. (Ghosh 2005:4-5)

These observations should be central for understanding international migration between developed and developing world. However, do they serve as a criticism to the neoclassical theory in the case of internal migration? The economic theory of migration has been criticized for not paying enough attention to the regulating institutions. This feature, that in the analysis of international migration may present a limitation, can be less so in the study of internal migration, where there rarely are formal barriers to migration. The economic theory of migration may not be a comprehensive framework for the analysis of international migration, but I would argue that it nevertheless is a tool for estimating the probability of migration per se. People do not migrate if they have nothing to gain from it.

The neoclassical theory of migration equates migrants with workers, which makes it a relevant tool to address the form of migration addressed in this investigation. More importantly, as I intend to demonstrate at the end of this chapter, the theory yields to a relatively concrete hypothesis that can be empirically tested.

#### ***4.4. Role of the network theory***

Economic factors alone do not explain why people decide to migrate. Sociological paradigms have suggested that the conditions that initiate migration may differ from those that perpetuate it. New conditions arise along the migration process that themselves come to function as causes of migration. This is the premise of network theory, which suggests that each act of migration alters the context in

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<sup>7</sup> A classical proponent of the segmented labour market theory is Piore (1979) who argued that international migration is caused by a demand for foreign workers in the modern industrial societies. Teenagers, women and rural-urban-migrants previously filled this demand, but the ongoing demographic change in the Western societies has increasingly generated a demand for low skilled labour. Immigrants come to satisfy this demand, at least in the beginning of their stays in the host society. (Massey 2005:28-29, 32-33) This refers to the segmentation of the labour market in the industrialized countries.

which future migration occurs. Migration develops into a self-sustaining process that creates the structure needed to sustain it, due to that each migrant is connected to a set of people in the area of origin. For these people, the theory assumes, migration becomes a more likely option, when the previously settled migrants come to function as bridgeheads, who reduce the (material and psychological) costs of migration. (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor, 2006:43-44; 57) (De Haas 2008:19)

The network theory focuses on the feedback mechanisms through which migration is perpetuated; it does not explain why migration begins or ends. For the analysis of internal migration induced by the Botnia pulp mill project the network theory is not a useful tool because the investigation addresses a migration that is either occurring or is feared to occur. While the network theory will not be an important part of the investigation in the analysis of internal migration, it will have a role in the brief section of the analysis, which considers the impact of the Botnia pulp mill project on emigration.

#### ***4.5. Definitions***

Demographers often distinguish between the terms migration and mobility, whereby mobility refers to a change of residence with a temporary character, and migration to a permanent change in the place of residence. (Macadar 1996) Instead, this investigation relies upon a broad understanding of the term migration. Migration will be understood as permanent or temporary change of residence within or between countries. I have taken the stance that any temporary or permanent change of residence can be termed as migration, as long as one counts with a definition precise enough. Understood in this way, also migration within a city can be termed as migration. This type of migration will be called intraurban migration.

There are broadly four types of internal migration: rural-urban rural-rural, urban-rural and urban-urban. (Deshingkar and Grimm 2004:10) This investigation understands internal migration as temporary or permanent change of residence within a single country. I have distinguished the concept of internal migration into two categories; contracted and uncontracted. I have defined contracted internal migration as migration of people with prior contract to work in the receiving area. Uncontracted migration will mean temporary or permanent migration for paid work that takes place without a prior contract. As the assumption behind the concern over uncontracted migration is that internal migration could lead to a formation of irregular settlements in Fray Bentos, the concept of uncontracted migration can be further defined as temporary or permanent migration of workers with low levels of qualification, low economic resources and precarious access to the labour market.

Other migration related concepts used in this investigation are networks and migration management. Networks are understood as interpersonal ties that connect people in the regions of origin and destination through factors such as friendship, family ties and shared community origin. (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor, 2006:43-44; 43) Migration management is understood as policies that address the tradeoffs of migration and aim at balancing the interests of the parties involved<sup>8</sup>. In policy discussion, the idea of managed migration is embodied in the principle that migration, when effectively managed, benefits migrants and societies. This principle forms the basis of the approach of IOM to international migration<sup>9</sup>.

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<sup>8</sup> Migration and migration management are not value free issues. Actors have differing interests in what comes to the migration of people. The concerns present in the debates on migration and migration policies include fear for competition in the labour market, and considerations related to the welfare costs of the influx of migrants. An approach that focuses on these issues is the political economy approach to migration.

<sup>9</sup> According to Spencer, a requirement for a successful migration management is a holistic approach that pays attention to the causes of migration. Central to this approach is the premise, that migration policies need to be embedded in wider development strategies. (Spencer 2003 in Lindsay, Findlay and Stewart, 2004:26, 34) In a similar fashion, IOM regards migration management in relation to issues of economic and social development, human rights, security, stability and regional cooperation. (IOM 2007)



This investigation also requires a definition of irregular settlements. As noted in the background section of this investigation, slums, shantytowns, marginal settlements, informal settlements and irregular settlements are some of the expressions used to refer to units of informal, low-cost dwellings, often located in the periphery of cities. Brazilians call them “favelas”, Argentines “villa miserias”, Paraguayans “chacaritas” and Chileans “callampas” or “campamentos”. In Uruguay this type of dwellings are often called “cantegriles”, in ironic allusion to the fashionable neighbourhood of Cantegril in Punta Del Este in the department of Maldonado. I have referred to them as irregular settlements, which is a translation of the politically more correct expression used in Uruguay; asentamientos irregulares.

The official definition used in Uruguay is *"A group of more than ten housing units situated on public or private land, constructed without an authority of the owner, in formally irregular conditions, without respecting urban regulations. Inadequacy of all or some basic urban infrastructure is compounded with a lack of or difficulties in access to social services (INE-PIAI 2006)"*.

#### **4.6. Operationalization of the theories**

I have used a multimethod approach to address the impact of the Botnia pulp mill project on internal migration. This approach has implications on the theoretical framework: it implies using multiple methods to testing theories, which should increase the feasibility of the findings. (Brewer and Hunter 1989:33; 38) The theories applied in this investigation need to be translated into terms concrete enough to be tested through the methods I have introduced in the previous chapter. I have left out several theories that otherwise would have been attractive, because of a difficulty to translate them into forms that allow empirical testing.<sup>10</sup> I

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<sup>10</sup> One approach that I could have considered for this investigation is the political economy of migration, which focuses on the costs and benefits of migration, and in relation to these, aims to identify the winners and losers. In a social sense, it refers to the perceived threats, and the possible social gains and losses due to migration. (Duvell 2006:30) A political economy approach to migration could have helped to reflect upon the particular policies adopted to manage internal migration, and upon possible interests behind the perception of internal migration as a problem.

have also had to use some creativity in order to translate the remaining theories into concrete hypothesis.

The economic theory of migration yields to an empirical prediction: the gap in real or expected wage differences determinate the probability of migration. (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor 2006:50) In principle, this leads to a need to acquire information on the differences in indicators such as the levels of unemployment and medium income within different departments in Uruguay. Those departments that attract internal migration should therefore be departments with more intense economic activities than those that loose population due to out migration of workers and their families. However. I do not have the possibility here to make estimations of the real or expected earnings in the context of an investment, which forms part of a rapidly changing reality. This makes it necessary to seek alternative ways of operationalizing the theory.

Central to this investigation is the concern that uncontracted migration in the context of the Botnia pulp mill project can lead to a formation of irregular settlements in Fray Bentos. The economic theory of migration does not distinguish between contracted and uncontracted migration. However, the theory leads to assuming that migration should not occur in the absence of demand for the type of labour that the migrants can offer.

The Botnia pulp mill project creates a largely temporary demand for a specific type of labour force. Understood in this way, the assumption of the investment leading to permanent uncontracted internal migration and a formation of irregular settlements contradicts with the premise of the economic theory. If the economic theory is right, migration does not occur at random but it should be primarily demand-based. This hypothesis is in line with the arguments presented in the two existing investigations on the impact of the Botnia pulp mill project. Using a multimethod approach, the investigation will seek to find evidence of the outcome opposite to the economic theory: permanent uncontracted migration.

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However, political economy of migration does not yield to predictions that could be empirically tested. Due to this, I have decided not to include it in the theoretical framework.

A systematic testing of the network theory poses demands that this investigation does not meet. The theory has inspired the brief section on the impact of the Botnia pulp mill project on emigration. The operationalization of the network theory will not be as systematic as that of the economic theory. Ideally, measuring the impact of networks on migration decisions would require the use of longitudinal data. The level of ambition of the assessment of emigration is lower; I merely wish to present some reflections on the issue, based on testing through qualitative methods available; interviews and conversations during the fieldwork in Fray Bentos. To a limited extent, the network theory also has an anecdotic role, as it serves to justify the concern over uncontracted migration.

## 5. Institutional context of the investigation

### 5.1. IOM and its relation to the UN system

International Organization for Migration (IOM) is an inter-governmental organization established in 1951. The overall objective of IOM is "*to assist migrants and Governments in ensuring humane and orderly migration* (IOM 2008)". This role, attributed by IOM Council in 1995 (Council Resolution No. 923), was further emphasized in IOM strategy approved by the Council in June 2007. With (to date) 122 member states, a further 18 states holding observer status and offices in over 100 countries, IOM promotes the principle that migration, when effectively managed, benefits migrants and societies alike. IOM works in four broad areas of migration management: migration and development, facilitating migration, regulating migration and combating forced migration. Crosscutting themes in IOM activities include the promotion of international migration law, policy debate and guidance, migration and health, the gender dimension of migration, and protection of the human rights of migrants<sup>11</sup>. (IOM 2008)

IOM cooperates closely with the UN system. Since the early 1990's, IOM's relationship with the UN has been based upon three formal elements. The first is the observer status granted by the General Assembly on October 16th of 1992. With the resolution A/RES/47/4 adopted on October 16th of 1992 the General Assembly invited IOM to participate in its work in the capacity of observer. The second element is the Cooperation Agreement between IOM and the UN signed on June 25th of 1996. The third element in the cooperation is the inclusion of IOM as a "standing invitee" in the Inter-Agency Standing Committee (IASC) mechanism. (IOM 2008)

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<sup>11</sup> While IOM has no legal mandate to protect human rights, protection of migrants is a crosscutting activity for all IOM activities. The actual assistance rendered to migrants in the framework of IOM activities is a form of protection, especially in situations where the life and physical well-being of persons are at risk. (IOM, 2007; 1)

At the field level, IOM maintains close working relationships with UN agencies. IOM also forms part of the UN country teams in all eight pilot countries of the One UN initiative. The One UN or "Delivering as One" pilot initiative is part of the agenda of the reform of the UN system. One UN aims to ensure faster and more effective development operations and accelerate progress to achieve the Millennium Development Goals through capitalizing on the strengths and comparative advantages of each agency. One UN is currently being tested in eight countries, including Uruguay.<sup>12</sup>

## **5.2. IOM in Uruguay**

I conducted fieldwork for this investigation during a four-month internship at the office of IOM in Uruguay from March 2nd to June 26th of 2007. Uruguay is member of IOM since the year 1951, when the organization began its operations in the country, facilitating the return of refugees to Europe after the Second World War. Today the activities of IOM in Uruguay focus mainly on counter trafficking and linking with the Uruguayan Diaspora. The office also facilitates the travel of students to European universities. As in the other eight pilot countries of the One UN initiative, IOM Uruguay is member of the UN Country Team for Uruguay. This forms a backdrop for initiatives that imply institutional cooperation on development related issues.

In the context of the One UN initiative, IOM Uruguay headed a campaign called The Space of Convergence in Migration Related Themes<sup>13</sup>. The campaign, launched as a response to a perceived lack of coordination on migration related issues among the relevant actors, inaugurated on March 16th of 2007 at the Legislative Palace. The Space of Convergence concluded at a seminar at the

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<sup>12</sup> The other seven pilot countries of the One-UN initiative are Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, and Viet Nam. (IOM 2008)

<sup>13</sup> Espacio de Convergencia en Temas Migratorios.

Ministry of Labour in June 2007. UN agencies that form part of the United Nations Country Team for Uruguay figured as its co-sponsors.

The Space of Convergence brought together different ministries, the Public Sector, local governments, International Organizations, Educational sector, representatives of the Civil Society and of relevant institutions to discuss migration related questions. Through inter institutional dialogue at the national level, the Space of Convergence aimed to achieve a consensus on a migration strategy that contributes to national development.

Between April and July 2007 IOM Uruguay held a series of meetings as part of the campaign. The meetings took place in three working groups of which each concentrated on a specific migration related theme. One working group focused on migration and development. Another group considered questions relating to migration and health. The third working group discussed Labour migration and internal mobility<sup>14</sup>. This investigation develops in connection to the agenda of the third working group.

### ***5.3. Working group Labour migration and internal mobility***

In April 2007, IOM Uruguay contracted Juan Faroppa, former Deputy Interior Minister of Uruguay, to coordinate the working group on Labour migration and internal mobility. At the first meeting of the working group, the national authorities, participating UN agencies and IOM agreed upon the need to acquire knowledge and capacities related to the management of internal migration. This reflected a concern that in some departments of Uruguay an unmanaged influx of internal migrants was likely to place a strain on the local governments, even lead to growth in irregular settlements. Representatives of the local governments of Maldonado and Rio Negro in particular expressed this concern in several

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<sup>14</sup> The working group used the terms migration and mobility to distinguish between international and internal migration.

occasions.<sup>15</sup>

The consensus among the participating ministries, local governments and international agencies on the need to acquire more knowledge and improve the interventions in the area of internal migration led to a proposal for a common project, articulated by Faroppa in a document issued in May 2007.<sup>16</sup> The project that Faroppa was suggesting counted with the participation of UNDP, ILO, UNFPA and UNICEF. A number of national counterparts, such as the Office of Planning and Budget, Foreign Ministry, Interior Ministry, Ministry of Work and Social Security, Institute of the Child, as well as the local governments of Rio Negro, Maldonado, Artigas, Rivera, Cerro Largo, Treinta y Tres and Rocha, expressed to Faroppa their interest in participating in the project.

The normative aim of the planned project was to contribute, together with the national authorities, to reaching the Millennium Development Goals as defined in the United Nations Millennium Declaration in September 2000. (Faroppa 2007:2) The proposal identified three aims for the project. First, the project should lead to updating the data relating to internal migration in Uruguay, a component that would involve the participation of the National Statistical Institute and other institutes with relevant qualifications. Second, the project should strengthen official institutions whose mandate relates to internal migration, and establish a Technical Secretary of Internal Migration. Third, the project should implement a pilot intervention at the local level in three regions of the country where specific problems were associated with internal migration: Maldonado-Punta del Este, the region bordering with Brazil, and Rio Negro-Fray Bentos. (Faroppa 2007:7-9)

Faroppa suggested that I would conduct a pilot study one of these regions. As I

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<sup>15</sup> I was present at most of these meetings, except when visiting Fray Bentos. The minutes of the meetings are internal documents which I cannot use as sources in this investigation. Therefore, references to the discussions will not include information such as names or dates.

<sup>16</sup> In this document, Faroppa used as a source a background study which I had conducted at his request in April 2007. My report provided an assessment of the information available on internal migration in Uruguay, and concluded with reflections on the possible repercussions of internal migration in the departments of Maldonado and Rio Negro.

had already become familiar with the setting in Fray Bentos, and as the impact of the Botnia pulp mill project on internal migration seemed to be a topic manageable in size, I decided to conduct the investigation on Fray Bentos. The aim was to provide an insight into the relations between the Botnia pulp mill project and internal migration, and to find empirical evidence on the scale in which the investment had led to uncontracted migration. The assumption behind the focus on these questions was that when occurring as unmanaged migration, internal migration induced by the Botnia pulp mill project could lead to a formation of irregular settlements in Fray Bentos.

I presented the principal findings of my investigation at a meeting of the working group on Labour migration and internal mobility in the beginning of June 2007, and handed in a forty-page report of my investigation to IOM Uruguay at the end of the same month. The main conclusion was that the Botnia pulp mill project had not led to an unmanaged influx of job seekers nor would it threaten to induce a formation of irregular settlements. This thesis is a more detailed version of that report.



## **6. Impact of the Botnia pulp mill project on migration**

### ***6.1. Migration in the investigations of Botnia and IFC***

The first investigation (Botnia 2004) that made some reference to the impact of the Botnia pulp mill project on migration was the preliminary socio-economic study conducted at a request of Botnia by Gallichio and Gonzalez, both of whom I talked with in the course of my fieldwork. The investigation recognizes that a large number of workers from outside Fray Bentos would live and work in Fray Bentos during the construction phase that would take approximately two years. The investigation suggests that the local infrastructure and housing market are in a position to accommodate the increased population. (Botnia 2004: 2-3)

The second investigation that referred to migration induced by the Botnia pulp mill project was the one conducted by the International Financial Corporation (IFC) in the year 2006. The investigation was an assessment of the cumulative impact of the Botnia pulp mill project and the project of the Spanish ENCE that had not yet halted the construction of its pulp mill in Uruguay. The investigation was conducted in order to calm the situation, after the construction of the pulp mills had led to a diplomatic crisis between Uruguay and Argentina. Primarily focusing on the environmental impact of the investment, the report concludes that the pulp mills would not risk the air and water quality in the region. Besides environmental dimensions such as water of the river, the ground water in the area, and air pollutants, the investigation also pays attention to the local and national economy, as well as the socio-economic impact in a wider sense.

As the socio-economic study made by Botnia, also the investigation by the International Financial Corporation recognizes that the investment attracts workers also from outside the local labour market, and that prospects of increased

employment opportunities will increase migration from other parts of Uruguay. Internal migration towards the department is viewed as a temporary phenomenon, accentuated in the construction phase. The estimations are based on the numbers that Botnia estimates to be the demand for workers from other departments. In what comes to the characteristics of the migrants, the investigation estimates an influx consisting predominantly of young men. (IFC 2006:4.75-78)

In principle, this seems logical. The investment creates demand mainly for construction workers, which is a male dominated professional category<sup>17</sup>. If the migration of the men is truly temporary, it is also reasonable to assume that they arrive without their families. However, also in the investigation made by the International Financial Corporation, reference to migration is limited and rather imprecise. The investigation refers to perceived negative externalities of migration and to measures taken to manage these impacts, but does not comprehensively address the possibility of uncontracted migration.

The investigation by the International Financial Corporation states that the real magnitude of the influx of job seekers to Fray Bentos and to the department of Rio Negro is difficult to estimate. This difficulty appears explained by four factors. First, the number of workers from neighbouring areas who will seek and obtain employment in Fray Bentos is unknown. Second, the extent to which workers from other departments will migrate into the area in the search of employment in the construction of the plant is unknown. Third, the ability of the subcontracting enterprises to manage the movement of their workers varies. As a fourth explaining factor, the study mentions that the extent to which same workers occupy posts in both, the pulp mills of Botnia and ENCE, is uncertain. (IFC 2006:4.77) These explanations appear rather circular; the investigation does not make estimations on internal migration because the real magnitude of migration induced by the investments is difficult to estimate.

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<sup>17</sup> Only 300 women worked in the plant during the construction phase, many of them in welding and administrative tasks. (Elhordoy: Fray Bentos, June 23rd 2007)

The social impact of the Botnia pulp mill project in Fray Bentos is connected to the scale and type of migration it induces. The reasons for the lack of attention to migration can be various. One explanation is that the principal concern of the investigation is other. The investigation by the International Financial Corporation develops in the context of an intense dispute between Argentina and Uruguay over the environmental impact of the pulp mill project. The environmental impact ends up getting the most detailed attention.

Though both investigations (Botnia 2004; IFC 2006) appear careful in their argumentation on impact of the Botnia pulp mill project on internal migration to Fray Bentos, they share a common assumption; internal migration in the context of the Botnia pulp mill project is essentially temporary. Internal migration occurs when there is demand for the type of labour that internal migrants can offer. This outcome would be in line with the economic theory of migration.

There is a lack of empirical evidence in what comes to the real magnitude of internal migration towards the investment area. Whatever might be the reasons behind that the existing investigations have not detained to analyze migration induced by the Botnia pulp mill project in a comprehensive manner, this vacuum presents an interesting case for investigating. The remaining part of this chapter will estimate the impact of the Botnia pulp mill project on contracted and uncontracted internal migration. The chapter will conclude with a brief reflection on the impact of the investment on emigration.

## ***6.2. Contracted migration in the context of the Botnia pulp mill project***

The assessment begins with what is relatively easy to estimate; contracted internal migration induced by the Botnia pulp mill in Fray Bentos. To estimate the number of contracted internal migrants, and how many of these are likely to remain in Fray Bentos, this investigation has relied mainly upon two methods: an assessment of statistical information obtained from Botnia and an interview with Eduardo

Elhordoy, director of human resources at the Botnia pulp mill project.

Statistics produced by Botnia allow making a relatively reliable estimation of contracted internal migrants employed at the construction of the pulp mill. These statistics refer to the evolution of the number of workers employed by the subcontracting enterprises. The information is disaggregated into five categories according to the origin of the workers: workers from Fray Bentos, workers from the rest of the department of Rio Negro, workers from elsewhere in the region (departments of Paysandú and Soriano), workers from other departments of Uruguay, and workers from abroad.<sup>18</sup>

A table that combines information from July 2005 to August 2007 represents the evolution of the number of workers employed at the construction of the Botnia pulp mill, disaggregated according to region of origin. The table shows that the number of internal migrants was at its peak in April 2007, when internal migrants accounted for 2368 workers. 1409 of these originated from other departments of Uruguay, 875 from the region, and 84 from elsewhere within the department of Rio Negro. Since April 2007, the number of internal migrants employed at the plant construction descended gradually, being at 1044 when Botnia issued the last statistics on the evolution of the number of workers. (Botnia, August 2007)

Another table shows that the amount of internal migrants as a percentage of the number of workers has been high since the planning phase of the project, especially in the category of "other departments". Prior to the construction phase, when the investment gave work to a few hundreds of people, from July 2005 to September 2005, contracted internal migrants from other departments of Uruguay accounted for over half of the subcontracted workers. This proportion then descended to close to 30 %, where it remained during the most part of the construction phase,

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<sup>18</sup> International migrants formed an average of 20% of the subcontracted workers during the construction phase. International migrants were employed through subcontracting enterprises since May 2006, when there were 65 international migrants working at the construction phase. The number of subcontracted international migrants rose to its peak, 925, in April 2007 and began to descend from then on together with the overall number of workers employed in the construction of the pulp mill. (Elhordoy: Fray Bentos, June 23rd 2007) (Botnia, August 2007)

then beginning to rise again. In the last statistics, issued in August 2007, the number of contracted internal migrants is 1044, which equals to 51, 7% of the total amount of subcontracted workers (2005). (Botnia, August 2007)

The actual number of migrants who worked at the construction of the pulp mill is even higher than the number presented in these statistics, because the statistics only refer to subcontracted workers and not to the up to 200 workers people directly employed by Botnia during the construction phase, most of whom are foreign workers.

Elhordoy told that based on agreements with the local government, local workers were given priority in the recruitment of labour force. However, due to economic stagnation in the recent past, and the resulting out-migration of qualified workers, it was difficult to find workers from Fray Bentos. *"Of every ten (local) people who came to ask for work, nine had no work experience, at least not in construction, some had delivered pizza, or worked in an internet café. The whole working habit was not strong... Before calling someone from Montevideo, we made sure there was no one available locally, we interviewed two hundred people for one job, then asked the subcontracting firms to bring someone* (Elhordoy: Fray Bentos, June 23rd 2007) ", he said.

While workers employed from Fray Bentos all represented the category of unskilled workers, internal migrants working at the construction of the Botnia pulp mill represented the category of qualified workers. The majority of skilled workers originated from Montevideo or from elsewhere in Uruguay<sup>19</sup>.

Of the internal migrants working at the construction of the Botnia pulp mill, around 300 will continue working for Botnia in Fray Bentos after the construction phase. Elhordoy did not consider it likely that contracted internal migrants would

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<sup>19</sup> The absence of skilled workers is familiar also to other departments in Uruguay that have experienced a decade-long economic stagnation. A representative of the government of Rivera said at a seminar on local development, organized by the Ministry of Social Development in May 2007, that people with higher qualifications had emigrated, and those remaining in Rivera had lacked incentives to acquire capacities. Currently, the absence of qualified workers generated

remain in Fray Bentos even in the case of not having employment secured. (Elhordoy: Fray Bentos, June 23rd 2007) What supports the argument that this migration has primarily a temporary character is that these internal migrants, all but the most qualified, arrived to Fray Bentos without their families.

During walks in Fray Bentos in the course of the three field trips, I talked with some twenty contracted migrants. None of the workers with whom I had the opportunity to talk knew whether their contracts would continue after the construction phase. I asked whether they or people they knew planned to remain in Fray Bentos. Most said that they hoped to find work either at the construction of the ENCE pulp mill, or at some other major project or return to their regions of origin. None of them considered remaining in Fray Bentos unless having employment there. (Conversations in Fray Bentos, May-June 2007) These conversations though appeared to confirm the implicit assumption of the existing investigations as well as the view expressed by Elhordoy; the construction workers originating from outside Fray Bentos are not likely to remain in Fray Bentos should their contracts end.

A factor further supporting this perspective refers to a characteristic inherent to work in the construction sector, to which most of the people I interviewed referred. Construction workers are people who are used to migrating after work without necessarily considering permanent migration as an option. (Elhordoy: Fray Bentos, June 23rd 2007) (Gallichio: Rivera, May 17th 2007) Porley referred to construction workers as the gypsies of Uruguay. (Porley: Montevideo, June 21st 2007)

This chapter has suggested that contracted internal migration induced by the Botnia pulp mill project in Fray Bentos will not lead to permanent internal migration aside from those who continue working at the Botnia pulp mill. Permanent internal migration resulting from the Botnia pulp mill project will be limited to the around 300 specialized workers from elsewhere in Uruguay. These

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demand for workers with specific skills.

internal migrants all form part of the category of qualified workers; the only category for which there is significant demand after the construction phase is over. This is in line with the experience of other industrial investments in Uruguay such as Salto Dam and the San Martin international bridge, which indicate that migrant workers disperse from the construction areas, either to other construction sites, or back to their communities of origin. (IFC 2006:178) The chapter can though conclude that contracted internal migrants should not present neither a burden for the local government, or a concern for the development agencies operating in Uruguay. The analysis can therefore move onto considering the impact of the Botnia pulp mill project on uncontracted migration.

#### **6.4. Concern over uncontracted internal migration**

Participants of the working group on Labour migration and internal mobility did not express concern over the increase in the population of Fray Bentos as such. However, some expressed uncertainty on the type of migration that the new economic dynamism might induce. As one participant expressed it during a meeting of the working group in May 2007, the Botnia pulp mill project in Fray Bentos might not only induce the migration of workers, but also of those who search for work. This type of migration, which I refer to as uncontracted migration, was even feared to lead to a formation of irregular settlements in Fray Bentos.

Economic theory of migration suggests that migration is a response to regional differences in real or expected income. (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor, 2006:36-38) The notion that also *expected* increase in income, may play a role in the migration process is significant for the purposes of this investigation. Migration is understood as essentially demand based, though migrants might not hold perfect information regarding the repercussions of migration. Taking into account that the Botnia pulp mill project creates a temporary demand for a specific type of labour force, construction workers, I have

not investigated the differences of income in different regions of Uruguay. Instead of differences in income, this investigation focuses primarily on employment opportunities, and aims to find evidence of uncontracted migration: migration that exceeds the demand for workers.

Elhordoy told during the interview, that the type of workers for whom there was demand varied according to different phases of the construction. At the beginning and end of the construction phase there was more demand for skilled labour, while the demand for low skilled workers accentuated in the middle of the process. He told that this development is typical to large-scale industrial investments in general. It characterized also the two other major industrial investments in Uruguay, Salto Dam and the San Martin international bridge, where he had worked as a director of human resources. (Elhordoy: Fray Bentos, June 23rd 2007)

The existing investigations on the impact of the Botnia pulp mill project are practically silent about the uncontracted migration, though assuming that uncontracted migration is not a likely repercussion of the Botnia pulp mill project. This is basically in line with the economic theory of migration, which however takes into account that also expected increase in income can motivate migration. The theory leaves room for suggesting, that increases in the demand for unskilled labour could also increase the probability of uncontracted internal migration. If the economic theory of migration is right, uncontracted migration in the context of the Botnia pulp mill project should accentuate in the phase of the construction when there is most demand for low skilled labour.

Statistics produced by Botnia are useful as a starting point for the analysis of uncontracted migration induced by the Botnia pulp mill project. They do not include information on whether internal migrants working at the construction of the plant have arrived as uncontracted or contracted migrants. Furthermore, they do not contain information migration of people who did not find work at Botnia. However, they are useful for estimating the period when there has been demand for low skilled labour.



Skilled workers employed at the construction of the Botnia pulp mill were either internal or international migrants, while the workers employed from Fray Bentos were all low skilled workers. Uncontracted migrants in this investigation are understood as people with low levels of qualification, low economic resources and precarious access to the labour market. Being that priority was in all cases given to workers from Fray Bentos, the evolution of the number of workers from Fray Bentos as presented in the statistics produced by Botnia is significant, as its evolution reflects the actual demand for low skilled labour during the construction of the Botnia pulp mill.

According to the statistics produced by Botnia, the total number of subcontracted workers originating from Fray Bentos began to rise sharply in January 2006, hitting its peak in April 2007, when the plant construction employed 4685 people. The number of local workers hit its peak during the same month, being at 1392. From April 2007 on, the number of workers from Fray Bentos began to descend rapidly as the construction phase began to draw towards its conclusion and the demand for low skilled labour descended. In August 2007, when Botnia produced its last statistics, the Botnia pulp mill project employed 2005 subcontracted workers, of whom 503 originated from Fray Bentos<sup>20</sup>. (Botnia, August 2007)

The statistics produced by Botnia though tell that the peak in the demand for the type of labour force that uncontracted migrants were assumed to represent, was in April 2007. I finished my fieldwork in Fray Bentos in June 2007, when the demand for low skilled labour had already started to descend<sup>21</sup>. An estimation of uncontracted migration before June 2007 will therefore allow considering to what extent the evolution of the demand for low skilled labour corresponded with uncontracted migration.

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<sup>20</sup> Other statistics tell that the share of workers from Fray Bentos as a percentage of subcontracted workers was 28% in July 2005, when the Botnia pulp mill project employed 132 workers. Since then, it rose slowly, hitting its peak, 56%, in December 2006 and January 2006. From then on, the share of local workers descended gradually, being at 25, 1% in August 2007. (Botnia, August 2007) This however does not serve to estimate the actual demand for low skilled labour, being that the number of local workers in this period varied greatly: between 32 and 1392.

<sup>21</sup> The last statistics that I had access to by the time I finished my fieldwork were those from May 2007, when the plant employed 1167 workers from Fray Bentos. (Botnia, August 2007)

### **6.5. Estimation of uncontracted migration**

The municipal Government of Rio Negro had prepared for the possibility of uncontracted migration by establishing in February 2006 a service to provide temporary assistance to uncontracted internal migrants who were not able to sustain themselves. The Socioeconomic forms of the beneficiaries of municipal food assistance, filed at the Office of Social Policies of the Municipal Government of Rio Negro in Fray Bentos contain information on the uncontracted internal migrants who in the context of the construction of the Botnia pulp mill applied for temporary assistance. The existence of these forms itself is an expression of how seriously the local government took the possibility that the Botnia pulp mill project could induce uncontracted migration. As explained in the method section, the forms include information on the age, gender, socio-economic situation, region of origin, motivation of having arrived to Fray Bentos and the time the applicants planned to remain in Fray Bentos.

In the period between February 2006 and June 2007, the Office of Social Policies filed 74 requests for this benefit. Ten of the cases are not relevant for the questions addressed in this investigation. Though the aim of the service was to address the needs of uncontracted migrants, four of the people who received assistance were people from Fray Bentos. These were an elderly man who was sleeping at the bus station of Fray Bentos in November 2006, two physically challenged local men who applied for assistance in November 2006, as well as a local student who applied for temporary assistance in March 2007. Furthermore, two psychologically challenged middle-aged men from the departments of Soriano and Paysandú applied for assistance in October 2006. They did not come to Fray Bentos because of the Botnia pulp mill project.

Four applicants originated from outside Uruguay. Three Chilean artisans visited the office in March 2007 after not being able to sell their products in Fray Bentos. The form states that the artisans had requested bus tickets to Montevideo after their

tent got wet in the rain. The fourth non-Uruguayan applicant was an Argentinean man who applied for assistance in March 2007. He had arrived in Fray Bentos in the hope of getting employment at the construction of the Botnia pulp mill. After noting that this would not be possible, the man requested for assistance in order to return to Buenos Aires.

These four were the only international applicants for the benefit in the period between July 2006 and June 2007. Though the focus of this investigation is on internal migration, it is worth noting here, that there was only one uncontracted migrant originating from Argentina among the applicants for municipal food assistance. Even more noteworthy is the fact that none of the applicants originated from the town of Gualeguaychú, located on the Argentinean side of the river Uruguay. The conflict with Argentina over the investment can be assumed to have lessened both contracted and uncontracted migration from Argentina.

This impact of the diplomatic crisis was correctly predicted in the investigation of the International Financial Corporation. The investigation states: *"given the negative climate toward the mills in Gualeguaychú, it is not anticipated that workers will originate from there. In addition to the strong peer and social pressure not to seek employment at the mills, daily crossing of the international border and transportation may also prohibit workers from Gualeguaychú in seeking employment. (IFC 2006:4.78)"*

This leaves the number of uncontracted internal migrants who applied for municipal food assistance between February 2006 and June 2007 at sixty-four. The Office of Social Policies attended the first two uncontracted internal migrants in February 2006. The highest numbers of applicants: a total of nine, twenty-two and seven, correspond to the months of May, June and July of 2006. After July 2006, the number of applicants per month falls sharply. In December 2006, January 2007 and in February 2007 the office did not file any applications for the benefit. In March 2007, the office filed two applications from uncontracted internal migrants, in April three applications, and in May only one.

Virtually all applicants were men: only two were women joined their partners in the search for employment. In terms of regions of origin, the sixty-four applications refer to uncontracted internal migrants from eleven departments of Uruguay. The highest number of applicants, a total of eighteen, originates from Montevideo, the second most common department of origin being Salto, with thirteen applications. The remaining thirty-three applications refer to people from nine other departments of Uruguay, with one, two or three from each. Sixty-four applicants have mentioned expectations to find work at Botnia as a factor that motivated their arrival in Fray Bentos.

The predominance of applications from Montevideo is not surprising. As mentioned in the introduction, the capital Montevideo, home to over half of the population of Uruguay, is no longer the ultimate receiving area of internal migrants within Uruguay, but also acts as a significant region of origin of people moving to other departments. (Macadar 1996:58) Furthermore, urban poverty is a problem primarily in the capital, which is illustrated by the statistics on irregular settlements and their growth in Montevideo. The latest calculations suggest that the number of people living in irregular settlements in Uruguay, particularly in Montevideo, has grown within the past years, particularly in the aftermath of the economic crisis that had its peak in the year 2002. (INE-PIAI 2006) Against this background, it would not be surprising if an even larger proportion of the uncontracted internal migrants would originate from Montevideo.

The assessment of the requests for municipal food assistance filed at the Office of Social Policies has allowed to present evidence of uncontracted migration induced by the Botnia pulp mill project. The fact that none of the internal migrants have returned to the Office of Social Policies after June 2007 appears to indicate that their situation had either improved or that they had left Fray Bentos. However, only in the case of three of these applications it is possible to confirm that the applicants actually left Fray Bentos. For a great majority of the applicants the forms do not provide evidence of whether the applicants remained in Fray Bentos or returned to their departments of origin. Therefore, the certainty of an assessment of these forms is limited for telling whether their migration was

temporary or permanent. Furthermore, some uncontracted migrants may not have applied for the benefit, in which case they would not be included in the sixty-four uncontracted internal migrants.

I have used the method of semi-structured interviews to complement the information on uncontracted migration acquired through the previous method. As Elhordoy is the director of human resources at the Botnia pulp mill project in Uruguay, I assumed that he would be the person contacted by uncontracted migrants hoping to acquire work at the construction of the Botnia pulp mill in Fray Bentos. Elhordoy should also have an idea of whether these people had remained in Fray Bentos.

I asked Elhordoy whether there had been people without prior contract asking for work. Elhordoy told that at the beginning of the construction phase there had been low skilled job seekers from elsewhere in Uruguay asking for work on a daily basis. He told that some men had opted for staying, setting camps in the hope of getting employed. Elhordoy told that he personally went to where he knew people were camping to tell them that they would not get work at the construction of Botnia pulp mill.

Few uncontracted internal migrants had insisted after Elhordoy had told them that there was no work. "*For example, when there were people in Playa Visión, I went there and told them that there was no work for them, that they would get cold. There was only one a man who said I am not leaving, I rather die of cold. One definitely cannot say no to that sort of determination, can one?* (Elhordoy: Fray Bentos, June 23rd 2007)", Elhordoy said. This uncontracted internal migrant, whom Elhordoy knew by name, was still working at the plant in June 2007. With the exception of this worker, Elhordoy did not know of any of the uncontracted migrants having remained in Fray Bentos.

## **6.6. Concluding remarks on the impact on internal migration**

The economic theory of migration does not distinguish between uncontracted and contracted migration. Nevertheless, the theory leads to assuming that migration should occur only when there is demand in the destination for the type of labour that the migrants can offer. This chapter has attempted to prove this assumption wrong by searching for evidence of permanent uncontracted migration.

The investigation found evidence of sixty-four uncontracted internal migrants. The phenomena began slowly during early 2006, increased slightly during the same year, and descended rapidly by the end of the year, months before the peak in the demand for low skilled labour. Uncontracted migration was a rather short-lived phenomena and very small in its scale. In the course of my visits to Fray Bentos, I met only one uncontracted migrant. Originating from Montevideo, the man had arrived in Fray Bentos in the summer 2006 hoping to find work at Botnia. He had since then been living at the local office of the Labour union of construction workers (SUNCA) in Fray Bentos. He did not know of other people who would have opted for staying.

Why have the fears of a large influx of uncontracted migrants not materialized in the context of the Botnia pulp mill project? Elhordoy told he had not believed in a massive influx of uncontracted migrants even when he began his work as Director of human resources of the Botnia pulp mill project in Uruguay. *"My theory was from the start that it would not happen. The thing is that half of the useful population<sup>22</sup> is in Montevideo. It would be odd that someone from Montevideo would migrate to the interior<sup>23</sup> just in case"*, he said. However, he also saw the process of recruitment as a factor that discouraged uncontracted migration: *"...this then took away the need to come here and ask for work, when we said from the beginning that local were given priority, then regional, and then the rest"*, he said.

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<sup>22</sup> Population in working age.

<sup>23</sup> Elsewhere in Uruguay.

(Elhordoy: Fray Bentos, June 23rd 2007) This appears to be consistent with the previous findings.

Elhordoy suggested that the transparency in the recruitment of personnel and the explicit stance against irregularities in the operations of the subcontracting enterprises also served as factors that discouraged uncontracted migration. Despite that the investor referred to subcontractors, the recruitment process was centralized to the office of Botnia in Fray Bentos. He told that workers who lived further away sent their curriculum instead of arriving to Fray Bentos personally. (Elhordoy: Fray Bentos, June 23rd 2007) The role of the local police was also important, as it served to manage uncontracted migration. Both Botnia and the Spanish ENCE had made plans for coordination with the police to manage the migration of people looking for work during the construction of the mills (IFC 2006:4.80) Elhordoy referred to this cooperation, when he told of uncontracted migrants who had come to Fray Bentos from the department of Young in the hope of finding employment. *"Some fifteen came from Young, the Mayor offered them housing, then the local police has done an excellent work, they did not provoke people, they talked to them, and helped them, let them sleep at the police station* (Elhordoy: Fray Bentos, June 23rd 2007)", he said.

Also the general socio-economic situation of the country may serve to understand why the investment did not result in permanent uncontracted migration. Gallichio pointed out in an interview, that *"the construction period started in a good moment for the economy of Uruguay and that softened this kind of impacts* (Gallichio: Rivera, May 17th 2007)". Measures taken by the investor, such as the agreement to explicitly give priority to local labour force, as well as the cooperation with the local police, have definitely also played a central role in the management of the impact of the investment on migration.

The neoclassical theory of migration is rooted in the modernization theory and the development optimism that this implies. It assumes that migration occurs as a response to developments in the labour market, and that migration benefits regions of origin and destination alike, an assumption that has been widely contested in the

analysis of international migration between the developed and developing world. This is partly because the theory leaves no room for state intervention. In practice, receiving countries often attempt to reduce immigration through restrictive migration policies.

In the case of internal migration, formal barriers to entry or exit do not apply in the same scale as in the case of international migration. Though governments may seek to manage migration within their borders, this rarely means establishing formal mechanisms to control migration. For this reason, I would argue that the theory holds more relevance in the analysis of internal migration; the type of migration for which it was originally created, than as a tool for understanding international migration.

The assumption of the economic theory of migration though appears to be relatively correct for the case of the impact of the Botnia pulp mill project on internal migration. Migration to Fray Bentos in the context of the Botnia pulp mill project is primarily a temporary phenomenon that occurs in the form of contracted internal migration. Uncontracted migration was minimal and temporary, anticipating the moment when there was most demand for low skilled labour at the construction of the Botnia pulp mill.

However, this investigation has also left some room for doubts regarding the relevance of the assumptions of the theory. Even in the case of internal migration induced by the Botnia pulp mill project, the impact of the investment on migration may have been influenced by the particular policies adopted by the investor and the local government. Therefore, probably a realistic stance would be to accept that demand for labour, played a central impact on the type of internal migration induced by the Botnia pulp mill project, but that the actual impact was not an automatic outcome. The extent to which the Botnia pulp mill project leads to contracted and uncontracted migration depends on various factors, including but not limited to the policies adopted.



## **6.7. Impact of the Botnia Pulp mill project on emigration**

Universally, emigration tends to correlate with factors such as low human development and demographic pressures. As expressed in the introduction section, Uruguay has experienced a significant emigration abroad despite relatively high human development ranking and slow demographic growth. According to Pellegrino, the limitations of the development model adopted serve to understand the emigration trends: the high educational level of the population does not correspond with possibilities of upward mobility. (Pellegrino, 2002:15-16)

This investigation has focused on the impact of the Botnia pulp mill project on internal migration to Fray Bentos. I have not included a question on emigration in the problem formulation of this investigation, as this was not relevant in relation to the planned project on internal migration. Based on this investigation, what, if any repercussion is the Botnia pulp mill project likely to have over emigration? Can the Botnia Pulp Mill Project in Uruguay lessen emigration or somehow even encourage it? The network theory focuses on social mechanisms that perpetuate migration once migration has begun. A systematic testing of the network theory poses demands that this investigation does not meet. The aim here is only to present some reflections.

Through job creation, direct foreign investment can reduce incentives and for emigration. The investigation conducted by the International Financial Corporation suggests that the investment reduces incentives to emigrate. This has also been one of the arguments used by Botnia and the Uruguayan government to defend the Botnia pulp mill project and other major foreign investments in the Uruguayan pulp industry. On the other hand, internal and international migration can form a mutually reinforcing cycle (DeWind and Holdaway, 2005:2). This refers to the commonly agreed principle that people who migrate within the borders of their own country are more likely to end up abroad.

The network theory understands networks; interpersonal ties that connect migrants

and non-migrants, as feedback mechanisms through migration perpetuates. An investment such as the Botnia pulp mill project in Fray Bentos implies interaction between workers in the construction site. This became evident in the conversations with the workers in the course of my fieldwork. Workers talk to each other about the opportunities to work abroad. Contacts are formed which, if the network theory is correct, can make the decision to emigrate more likely. Furthermore, interacting with workers with higher income might promote a sense of relative deprivation among the Uruguayan workers and though make the possibility of emigration more attractive alternative.

Aside from the social contacts formed, the Botnia pulp mill project might have made emigration more likely in other ways. Uruguayan workers have received teaching and gained qualifications for the purposes of the plant construction in Mercedes, a town close to Fray Bentos, in Finland and in Chile. Approximately 1000 Uruguayans from other departments received training in the context of the construction of the Botnia pulp mill, in areas such as welding, montage of structures and electricity (Elhordoy: Fray Bentos, June 23rd 2007). There is also a newly created degree in pulp processing at the University of Montevideo, which will start during the year 2008 with professors from Finland. (Porley: Montevideo, June 21st 2007) (Elhordoy: Fray Bentos, June 23rd 2007) Workers also gain practical skills by participating in the plant construction.

I asked the contracted workers with whom I had the opportunity to talk while in Fray Bentos, whether the option of emigrating was a common topic of conversation among the construction workers. Some told they had thought of emigrating, but that it was not something they aspired to do in the short term. As one worker expressed it: *"Every day we speak, but it is always the last option, to emigrate, to break ties and go far"* (Worker, Fray Bentos, June 23rd 2007). The potential impact of the Botnia pulp mill project on emigration was a topic also in the interviews with Elhordoy and Porley. Both considered that the most decisive factor would be the availability of work in Uruguay. Elhordoy took a historical perspective. *"In the nineties those who were qualified, they had to emigrate, for*

*example, when there was the ANCAP project<sup>24</sup> in 1992-1993, the next was in 2002-2003. Now there is this project<sup>25</sup> and the gap is not like that, and emigration tends to lower. Some have left, I know of six who went to Spain, but I think what will increase is migration to the interior" (Elhordoy: Fray Bentos, June 23rd 2007).*

Porley also considered that while there was work in construction in Uruguay, workers would prefer not to emigrate. *"Not immediately, because when this construction ends, there will be others, the pulp mills in Tacuarembó and Durazno, also in Conchillas, the harbours in Colonia and Montevideo. Those who have specialized, they want to work at some other construction and that is possible, because there is demand, well, I hope (Porley: Montevideo, June 21st 2007), he said.*

Probably more than networks, a comprehensive analysis of the impact on tendencies of emigration of Uruguayan workers specialized in this particular sector should pay attention to the developments in the local labour market.<sup>26</sup> At the moment, it appears that there is demand for skilled construction workers in Uruguay. This might, at least in the short term, be the most decisive factor in the impact of the Pulp mill project on emigration. It is reasonable to assume that while the labour market in Uruguay can absorb the labour force that participated in the construction of the Botnia pulp mill and gained capacities in the context of the project, there will be no significant impact on emigration.

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<sup>24</sup> Construction of a gas pipeline from Argentina to Uruguay.

<sup>25</sup> The Botnia pulp mill project.

<sup>26</sup> Other factors that should be taken into account to estimate the actual impact of the investment on emigration are not only the developments in the local labour market and demand for qualified construction workers, but also abroad.

## **7. Botnia pulp mill project and the development of irregular settlements**

### ***7.1. Maldonado as an example of concerns relating to internal migration***

Maldonado and Rio Negro are departments within Uruguay that present two types of economic activity, which increase the potential of these departments to attract migration. Maldonado is also a department where internal migration is perceived to have contributed to a significant increase in poverty and related social problems. A closer look at the case of Maldonado should serve to illustrate why local governments in Uruguay are concerned over the formation of irregular settlements.

As a major destination for international tourism, Maldonado is a department with a decade long history of internal migration of workers and their families, induced by employment opportunities that the dynamism of the department implies. In the period between 1996 and 2004 the population of Maldonado increased by 10%, while the population of the country grew by 2, 4%. The population living in neighbourhoods of Maldonado consisting of irregular settlements, such as Cerro Pelado and Maldonado Nuevo increased even more, ranging from 16, 8% up to 134, 4%. The growth in irregular settlements took the local government largely by surprise. (INE-PIAI 2006) (Veiga and Rivoir 2003 in Petit 2007:10) (El País, October 1st 2007)

In the recent years, the Government of the department of Maldonado has made attempts to manage uncontracted internal migration. In 2006, members of the local government of the department of Maldonado travelled to the department of Treinta y Tres to explain the potential internal migrants, that migrating to the department without prior contract would imply a risk of failure<sup>27</sup>. (Petit 2007:9) The aim was

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<sup>27</sup> The example of an informal occupation of land in Punta Del Este, capital of Maldonado,

to lessen the migration of families, as the local government saw this as a serious burden to the ability of the local government to provide services. The visits to the communities of origin aimed at discouraging uncontracted migration<sup>28</sup>.

Internal migration into the department of Maldonado may have contributed to the development of irregular settlements, and as such presents a concern to the local government. However, the fact that the government of the department of Maldonado has recently begun to view internal migration as a cause of social problems in the department, including the formation and growth of irregular settlements, cannot be taken as a proof of such connection.

In an interview to the newspaper *El País*, Federico Bervejillo, Uruguayan architect specialized in urban housing, characterizes irregular settlements in the department of Maldonado as a response to the difficulties of people with low income to gain access to housing through legal means. He sees it as a way for poor families to obtain land for constructing a home, hoping that the local government will regularize the occupation in the future. (*El País*, October 1st 2007) The formation of irregular settlements in today's Maldonado though is not spontaneous, but represents an organized phenomenon.

Being that the census made by the National Statistical Institute in 2004 did not include a question on migration, there are no recent figures of the migration rate of Maldonado available. Statistics only reveal that between 1996 and 2004 the population of the department increased from 127 to 140 192. (INE 2004) What

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illustrates the way in which the occupiers reacted to the attempt of the local government to combat irregular settlements. The occupiers ironically named the settlement as "Settlement Gustavo Salaberry", after the director of social integration of the Government of Maldonado, who was also the architect of the information campaign that aimed at discouraging uncontracted migration. (*El Observador*, June 6th 2007)

<sup>28</sup> Attempts to manage migration through information campaigns are familiar from the context of international migration. The government of Spain for example launched an advertising campaign in Senegal to discourage potential migrants to risk their lives on a 1,000-kilometre trip to Spain's Canary Islands. (AFP in *Expatica*, 18th September 2007) As in the case of international migration, also here it is worth noting, that the only motivation that drives attempts to manage migration might not be a genuine concern over the faith of the migrants. As a popular destination for international tourism, an increase in social problems does not bring prestige to Maldonado and its capital Punta Del Este.

can be concluded from the statistical information available is that during the period between 1996 and 2004 the population of the department of Maldonado grew in a significant manner, and that this period also corresponds with an increase in people living in irregular settlements. However, Maldonado is a department with positive net migration rates since several decades ago, and this is due to an inflow of people of all sectors, not only the poorest. There are no investigations to confirm or mitigate the assumption that irregular settlements in the department of Maldonado would owe their formation to internal migration from elsewhere in Uruguay.

## ***7.2. Concern over the formation of irregular settlements in Fray Bentos***

A central assumption that gave rise to this investigation is that the Botnia pulp mill project in Uruguay should lead to uncontracted migration and that this might have negative externalities, even a formation of irregular settlements in Fray Bentos. The representative of the government of the department of Rio Negro who took part in the meetings of the working group on Labour migration and internal mobility referred to an influx of uncontracted migrants in the context of the Botnia pulp mill project, which could lead to irregular occupations of land.

At the time I began this research, I shared this hypothesis. In a report I prepared for IOM Uruguay in April 2007, before beginning my fieldwork in Fray Bentos, I wrote: *"It is possible that the migration patterns in the context of the Botnia pulp mill project have little in common with those of the department of Maldonado. However, despite that these departments differ in various aspects, primarily in what comes to motives of being attractive as areas of destination. However, also in Maldonado, internal migration began as temporary migration, and the relationship between internal migration and the formation of irregular settlements has begun to raise attention only recently<sup>29</sup>. In Fray Bentos, the moment of*

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<sup>29</sup> In the early nineties, it did not seem rational to believe that certain parts of the city of Maldonado would grow in the way they did. (El País, October 1st 2007)

*transition between the construction phase and the operation is worth investigating. Responding to a need to acquire more information, I would suggest that the first phase of the project should be to design an investigation whose objective would be to identify the actual tendencies of migration in each department. (Jansa 2007: 4-5)"*

I recognized that the case of Rio Negro differs significantly from that of Maldonado. However, I did not count with empirical evidence to estimate the reliability of the assumption made in the investigations conducted by the Botnia and the International Financial Corporation, and though left open the possibility that the Botnia pulp mill project could lead to uncontracted internal migration, or even a formation of irregular settlements in Fray Bentos. This had repercussions on the project proposal issued by Faroppa in May 2007. The proposal quoted extensively my report, highlighting that only recently had internal migration began to raise concerns over a development of irregular settlements. This was supposed to present a warning sign for Fray Bentos in the context of the Botnia pulp mill project.

In order to get a clearer perspective on the concern over their formation in Fray Bentos, I interviewed Mauro Delgrosso, an architect working in the Department of Urban Planning of the Municipal Government of Rio Negro in Fray Bentos. I asked Delgrosso to tell about the situation of irregular settlements in Fray Bentos. Delgrosso told that in Fray Bentos there are no irregular settlements. *"There are poor homes yes, settlements no, all have access to services, electricity and water through legal means. It is a city that does not have the characteristics of other Uruguayan cities, inequality and so on, maybe because Fray Bentos emerged as a city of workers (Delgrosso: Fray Bentos, 22nd June 2007)"*, he said.

To a question on why the local government was concerned that this would occur in the context of the Botnia pulp mill project, Delgrosso responded by telling that the question of irregular settlements was a delicate issue for the local government. *"We were concerned, and still consider it as a threat. We were concerned with what*

*happens after<sup>30</sup>, what those people<sup>31</sup> will do. But in our meetings we have concluded that Botnia overestimated the problem and arranged more housing than was needed, they were always there with solutions, asking that subcontracting enterprises should have the housing of the workers solved (Delgrosso: Fray Bentos, 22nd June 2007)", he explained.*

Delgrosso told that the Department of Urban Planning had been in close contact with Botnia since the beginning of the Botnia pulp mill project. Like Elhordoy, also Delgrosso considered that it had been good to react rapidly to any signs of uncontracted migration. Delgrosso explained that as in Fray Bentos there were no irregular settlements, the local government is keen to maintain the status quo. *"If you walk in Fray Bentos, you notice that it is a peaceful, clean and safe little town. We here prefer to keep it that way, and this is why we react immediately when we find out that someone is camping here. Any news of a beginning of a settlement, even one tent, we react immediately (Delgrosso: Fray Bentos, 22nd June 2007)", he told.* Delgrosso had touched upon a general characteristic of irregular settlements. Their formation relates to informal deals regarding land. When settlements become an organized phenomenon, eradicating them becomes difficult. This is among the main reasons, aside from social considerations, why local governments prefer to avoid them altogether.

In the interview with Bettiana Marchán and Tani Marchando from the NGO Estudios Rio Negro, I also asked whether they feared that there would be irregular settlements. Marchán and Marchando shared the view expressed by Delgrosso and Elhordoy, that the possibility of a formation of irregular settlements had been a matter of concern, but no longer was one. *"At first we were concerned, thought we should pay attention, but then the subcontracting enterprises brought the problem resolved. There were no settlements, there is work, there is not going to be settlements. And now, those that are leaving, they are signing up for their*

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<sup>30</sup> The construction phase.

<sup>31</sup> Contracted internal migrants who do not continue working at Botnia after the construction phase.



*unemployment benefits and going* (Marchando: Fray Bentos, 22nd June 2007)" Marchando said<sup>32</sup>.

This suggests that the concern over a formation of irregular settlements though appeared to be primarily a matter of precaution. The analysis has suggested that the fears of a permanent uncontracted migration to Fray Bentos have not materialized, and that internal migration in the context of the Botnia pulp mill project will not lead to a formation of irregular settlements in Fray Bentos. Yet, there might be other ways, in which the investment could lead to irregular settlements. These relate to an increase in the costs of housing in the context of the Botnia pulp mill project.

### ***7.3. Housing situation in Fray Bentos during the construction phase***

In Latin America, irregular occupations of land have characterized cities from the beginning of the 1950's (Alvarez Rivadulla 2004:16). Internal migration can become a problem, when the local housing market is not able to absorb the newcomers and when there are not enough opportunities for formal employment. These problems, inherent to urban poverty, are issues that local governments in developing countries struggle to deal with. The previous chapters have suggested that the Botnia pulp mill project did not lead to a significant flow of uncontracted internal migration, the type of migration that was assumed to present a challenge to the local government, even lead to a formation of irregular settlements.

Irregular settlements are by definition related to difficulty in obtaining housing through legal means, which leads to informal deals regarding land. Irregular settlements may develop or grow because of internal migration, but intraurban

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<sup>32</sup> The only person who in the course of my visits to Fray Bentos mentioned irregular settlements as a potential repercussion of migration induced by the investment was a taxi driver, who said: "*There is a floating city here, five or six thousand people, I don't even know where they come from, they are afraid that there will be settlements, and many come to steal* (Taxi driver, June 1st 2007)."

migration; migration that occurs within one urban area, can also act as a cause of the formation of irregular settlements. Therefore, this investigation also needs to consider whether the investment has led to informal occupations of land by people of Fray Bentos.

Due to an increased demand for housing rents in Fray Bentos rose sharply in the context of the construction of the Botnia pulp mill. This gave rise to a chain reaction in the local housing market, when owners of houses or apartments with higher values rent their homes to foreign workers or to subcontracting enterprises. The case of Sara Michelena, who hosted me during my fieldwork in Fray Bentos, illustrates the phenomena. Michelena had rent her house located in the centre of Fray Bentos to a Brazilian subcontracting enterprise for 6000 US\$ per month. While her house was temporarily home to fourteen Brazilian workers, she herself lived in an apartment located few kilometres from the centre, in a lower middle class neighbourhood. Her neighbours in this temporary residence were mainly relatively wealthy people who, like her, had rent their homes to foreign workers.

This chain reaction induced by the construction phase of the Botnia pulp mill in the local housing market could have led to at least temporary occupations of land in Fray Bentos, when the poorest of the chain were obliged to move out from their homes, because the owners of apartments had decided to rent them to others. Delgrosso recognized that this could have been a possible repercussion, but confirmed that it did not occur. *"There was speculation with the rents, they doubled, even tripled, many had to leave their homes, and that could have been a problem, but it did not lead to irregular settlements (Delgrosso: Fray Bentos, 22nd June 2007)"*, he said.

Again, the fact that this chain reaction did not lead to irregular settlements, or to informal occupations of land, which form their starting point, relates to various factors. These include the availability of abandoned houses in Fray Bentos, a town that had experienced a significant out-migration of workers and youth in the course

of the past decades. What occurred in the case of lowest income groups was a tendency of occupying previously abandoned or empty houses, and living in less space. It was common for several families to temporarily share a single apartment during the construction phase of the Botnia pulp mill in Fray Bentos.

Botnia contributed to alleviating the pressure on the local housing market by providing temporary low cost housing to the workers, and by arranging daily transportation to workers originating from nearby communities. Around 700 or 800 workers from the nearby Mercedes and Dolores arrived at the construction site in daily buses provided by Botnia. (IFC 2006:4.78) (Elhordoy, June 23rd:2007) This encouraged workers from the nearby Mercedes and Dolores not to move to Fray Bentos but to remain in their communities of origin while working at the construction of the Botnia pulp mill. Strategies undertaken by the investor and the local population though contributed to that the demand for housing remained within the absorption capacity of the local housing market, which prevented the rearrangements in the local housing market from leading to informal occupations of land.

This investigation has suggested that the fear for an unmanaged influx of uncontracted migrants did not materialize in the context of the Botnia pulp mill project. When I visited Fray Bentos for the first time, in May 2007, people I met were no longer concerned over the impact of the Botnia pulp mill project on uncontracted internal migration and the formation of irregular settlements. In fact, when I presented the conclusions of my fieldwork at a meeting of the working group on Labour migration and internal mobility at the end of June 2007, even the representative of the government of Fray Bentos did not express any counterarguments.

#### ***7.4. Migration and irregular settlements: a need for further research***

This investigation counts with enough evidence to argue, that the Botnia pulp mill project is not likely to lead to a formation of irregular settlements in Fray Bentos, and that the situation in Fray Bentos does not require a concerted attention of development agencies operating in Uruguay. This investigation has not provided evidence for arguing, that this would be the case in the other two regions on which the planned project on internal migration would focus; Maldonado-Punta del Este and the region bordering with Brazil. The findings nevertheless raise a question relevant for the other regions. Is it justified to assume that internal migration in Uruguay is a significant cause of the formation of irregular settlements?

Around 6% of the Uruguayan population today live in irregular settlements. In quantitative terms, the problem of irregular settlements in Uruguay is most significant in the capital Montevideo, where 412 out of the 676 settlements in Uruguay are located. According to an estimation from the year 2006, there were 195 772 people living in irregular settlements in Montevideo, which represented 11% of the total population living in the capital. (INE-PIAI 2006) There appears to be a search for strategies from part of the national and local governments to manage the formation and growth of irregular settlements.

According to the available information on the number of people living in irregular settlements and the amount of housing units, irregular settlements in Montevideo have grown by approximately 10% per year. Alvarez Rivadulla writes that while the first settlements emerged in a spontaneous and individual manner, in recent decades the formation of irregular settlements in Montevideo has become a more organized. (Alvarez Rivadulla 2004:16) Bervejillo confirms this assumption, suggesting that decades ago irregular settlements in Montevideo ceased being a spontaneous phenomenon. (El País, October 1st 2007)

The development of irregular settlements has historically been associated with

rapid urbanization, which presents a challenge in many developing countries. A massive influx of population can place a strain on the receiving region's infrastructure and public services; housing facilities, transport systems, schools and medical services. A fear for competition in the labour market, and considerations related to the welfare costs of the influx of migrants play a crucial role in the ways the people and governments in the receiving areas perceive immigration. (Ghosh 2005:164) However, as in the case of international migration, also in the debates on internal migration, the focus on negative externalities of migration tends to intensify in the context of economic downturns. In Uruguay, many local governments, including the government of the department of Maldonado, began to perceive internal migration as a problem in the aftermath of the economic crisis that had its peak in the year 2002.

It is important to note that in Uruguay, the process of urbanization occurred relatively early. Statistics produced by the National Statistical Institute allow concluding that the urbanization rate in Uruguay has been above 80% since the year 1963. Internal migration in Uruguay is no longer predominated by rural-urban migration, the type of migration that is associated to processes of rapid urbanization. For several decades, internal migration in Uruguay has occurred from one urban area to another. (Macadar 1996:3) In other words, the formation of irregular settlements in the context of rapid urbanization refers to a type of migration that hardly occurs in a country where over 80% of the population already lives in cities.

Though there is no recent information available, there are some anecdotic signs of changes occurring in the type of migration leading to irregular settlements in Uruguay. In Montevideo, the population of the occupied areas initially originated from other parts of the country, but a change has emerged in the recent decades. Figures from the year 1995 suggest that 71, 3 % of the population living in irregular settlements of Montevideo were intraurban migrants, while 27, 6 % were internal migrants. (Alvarez Rivadulla 2004:16) Ten years later, UN analysts suggested, that only 5% of the population living in irregular settlements in Montevideo were internal migrants. According to this understanding, the growth in

the irregular settlements of Montevideo occurs mainly because of intraurban migration from the central and intermediary areas to the periphery of the cities. (UNCT 2006:18)

Bervejillo sees irregular settlements primarily as a form of irregular expansion of popular neighbourhoods of Montevideo. (El País, October 1st 2007) The architects Di Paula and Huerto Delgado have also suggested that unlike elsewhere in Latin America, the problems regarding urban housing in Uruguay do not originate from rural-urban migration but from intraurban migration. Furthermore, they argue that urban poverty should not be seen as a result of rural-urban migration, but rather seen as a structural problem caused by a lack of income, high rents, as well as a micro problem for poor families living in precarious neighbourhoods. (Di Paula & Del Huerto Delgado 2006:6)

Stevens and Rule analyzed the relations between uncontracted internal migration and the formation of irregular settlements in the South African context by interviewing people living in irregular settlements. Their case study on the Gauteng settlement found that needing a home, gaining independence, overcrowding, and disputes with property owners in previous settlements were among the main factors leading to the decision to migrate to the settlement. All these factors relate to intraurban rather than interurban or rural-urban migration. Stevens and Rule conclude that instead of being concerned about internal migration, policy makers in Gauteng should pay attention to intraurban mobility, particularly of the poorest urban residents. (Stevens and Rule 1999) (Stevens 2003)

These examples suggest that the links between internal migration and formation of irregular settlements should not be taken for granted. I do not mean to argue that migration is not related to the formation or growth of irregular settlements in urban areas. In order to end up living in irregular settlements, people need to be born in a settlement, or migrate from somewhere else. However, migrants do not necessarily originate from distant locations. The examples from Uruguay and South Africa illustrate that the formation and growth in irregular settlements is in some contexts driven more by intraurban than by rural-urban or urban-urban migration.

Irregular settlements are a clear expression of urban poverty in Uruguay, and as such, they demand attention from part of the Uruguay's government and international development agencies operating in Uruguay. The Uruguayan government, the local governments and NGOs operating in Uruguay implement programs to improve the living conditions in irregular settlements. PIAI, the principal government-led program in Uruguay that addresses the living conditions of irregular settlements has implemented programs to address the problem of irregular settlements since the year 1995, but these programs do not reach all people living in irregular settlements in Uruguay.

There are currently no investigations to convincingly confirm or mitigate the assumption, that irregular settlements in Uruguay would be a problem related to internal migration. The latest estimations regarding the origin of the inhabitants of irregular settlements in Uruguay are from the year 1995. Even in the case of Maldonado, only anecdotic evidence suggests that internal migration would be a significant cause of the growth of irregular settlements. All this indicates that there is a clear need to investigate the role of migration in the formation of irregular settlements in Uruguay. Furthermore, it should be noted that though the focus of this investigation has been on migration, people do not live in irregular settlements because they are migrants, but because they are poor.

### ***7.5. Role of IOM***

In December 2007, IOM Uruguay signed a Memorandum of Understanding with the United Nations Office in Uruguay and the United Nations Development Programme (UNDP) to participate as a partner agency in the One UN Initiative. IOM became the lead agency in one of the nine priority areas identified in coordination with the UN agencies and the Uruguayan Government: support to the National Migration Directorate to strengthen national institutions dealing with international and internal migration, as well as strengthening the links between the Government and Uruguayans in Diaspora. The projects will benefit from the

Coherence Funds assigned to Uruguay as a Pilot Country of the One UN initiative, and will be developed in coordination with the Government of Uruguay and the UN Country Team for Uruguay. Internal migration is one component of this priority area. (IOM Press briefing notes, January 1st 2008)

The project proposal issued by Faroppa in May 2007 outlined the objectives for the planned project on internal migration to be implemented by IOM Uruguay, other partner agencies in the One UN initiative and other relevant counterparts. According to this proposal, the project should update the information available on internal migration in Uruguay, strengthen official institutions whose mandate related to internal migration in Uruguay, and implement a pilot intervention in three regions that present specific problems relating to internal migration; Maldonado-Punta del Este, the region bordering with Brazil, and Rio Negro-Fray Bentos. (Faroppa 2007:7-9)

The aim of updating information on internal migration in Uruguay appears to be relevant. However, the need for pilot interventions in the three regions identified in the proposal cannot be taken for granted. This investigation has relied upon a broad definition of the concept of migration, referring also to change of residence occurring within one urban area as "migration". This is not necessarily the type of migration which falls under the mandate of IOM, which is primarily to assist in the management of international migration. Internationally, IOM has worked with internal migration in several countries, but these are generally countries such as Iraq, where the causes of internal migration differ radically from those of internal migration in a small, stable and relatively developed country such as Uruguay.

I would suggest that before implementing an expensive project on internal migration in Uruguay, IOM and the United Nations Country Team for Uruguay should investigate whether, where and under what conditions internal migration in Uruguay really leads to a formation of irregular settlements. The aim the investigation should be two-fold. First, the investigation should produce knowledge on the role of migration in the formation of irregular settlements. Second, the investigation should consider whether viewing irregular settlements in



Uruguay from the perspective of migration adds something to the knowledge of irregular settlements that is useful in addressing the problem. Should this not be the case, this should lead to asking whether irregular settlements even fall under the mandate of IOM, which is *"to assist migrants and Governments in ensuring humane and orderly migration (IOM 2008)"*.

## 8. Fray Bentos after the construction of the Botnia pulp Mill

The Botnia Pulp mill project brought a significant change in the dynamism of Fray Bentos. At the peak in demand for labour, in April 2007, the construction of the pulp mill brought to Fray Bentos 3293 workers from abroad and from elsewhere in Uruguay. (Botnia, May 2007) This is a significant change in a town of less than 23 000 inhabitants. The creation of a new large employer in the area increased the demand for products and services by the workers and their families, which were mainly supplied by local businesses. The construction of the Botnia pulp mill gave directly employment to over a thousand of local people, and indirectly created many more jobs, when local businesses expanded their activities.

Gallichio, who participated in the first investigation on the socio-economic impact of Botnia told during the interview, that when he had first visited Fray Bentos in 2002, it was a quiet little town. There was not even a bank in Fray Bentos; an elderly man sitting on a plastic chair took care of the exchange of foreign currency. (Gallichio: Rivera, May 17th 2007) When I visited Fray Bentos for the first time in May 2007, there were three banks in the town. New motorcycles circulated on the streets, and Fray Bentos was a noisy town when internal and international migrants were drinking beer in the centre on the afternoons.

While doing fieldwork in Fray Bentos I observed a significant pro-Botnia mood among the people. Fray Bentos resembled a town where lights had suddenly been turned on. Marchán reflected during the interview upon the impact of Botnia in Fray Bentos: *"The services got better in every sense, there are fruits that were never seen in Fray Bentos before, teaching is also better now. There is also a cultural impact, it is more difficult to hire irregularly, and nobody wants to work in the black market.* (Marchán, Fray Bentos, 22nd June 2007)". The background for the warm welcome that Botnia got in Fray Bentos relates to the industrial history of Fray Bentos and the lack of employment opportunities since the closure

of the meat-processing factory ANGLO in the year 1979. The diplomatic crisis with Argentina over the investment may also have affected the attitudes of the local people towards the investment. Botnia is something on which everyone had to have something to say, and this something tended to be positive.

The ending of the construction phase of the Botnia pulp mill project has repercussions on the daily life in Fray Bentos. The population will decrease steadily during the year 2008, after which most internal migrants as well as foreign workers will have left the town. Only about three hundred internal migrants and one hundred international migrants will remain working at the Botnia pulp mill. For the local people of Fray Bentos, employment will fall close to the levels prior to the construction phase. Some are concerned over the sustainability of the newly created economic dynamism. The departure of a majority of the specialized international migrants with higher income translates into a significant drop in the demand for services supplied by local businesses.

It is not a minor detail that after the construction phase, the Botnia pulp mill does not employ a single worker from Fray Bentos. Elhordoy told during the interview that Botnia did not fully foresee the absence of skilled workers at the local level when it began the construction of the pulp mill in September 2005. Elhordoy predicted that once the construction phase would be over, this would present a challenge for the investor, whose arrival lifted high expectations among the local population of Fray Bentos. As Elhordoy expressed it, referring to the massive Botnia pulp mill that was built five kilometres from the centre of Fray Bentos: "*The monster will stay there and the people will ask what they gain of it* (Elhordoy: Fray Bentos, June 23rd 2007)".

## Conclusions

Relying on a multimethod approach, this investigation has considered the impact of the Botnia pulp mill project in Uruguay on internal migration to Fray Bentos. The investigation has showed that the construction phase of the Botnia pulp mill project translated into a significant migration of workers into Fray Bentos; impact that Botnia, in coordination with the local government, managed by giving privilege to local labour force and by providing daily transport for those originating from nearby communities. Measures taken by the investor deliberately aimed to manage the migration of workers, both contracted and uncontracted, during the construction phase of the Botnia pulp mill project.

As the investigation by Botnia and by the International Financial Corporation had predicted, migration of labour force in the context of the construction of the Botnia pulp mill is mainly temporary. After the construction phase, the Botnia pulp mill project will contribute to migration of some three hundred Uruguayan and one hundred international workers, and possible members of families.

Through an assessment of requests for municipal food assistance during the construction phase, this investigation found evidence of a small-scale uncontracted migration, which showed its peak in June 2006, and had already diminished when the demand for low skilled labour at the construction of the Botnia pulp mill reached its peak in April 2007. This investigation found evidence of sixty-four uncontracted internal migrants. This may not account for the total number, but the investigation has not found reasons to suggest that the actual number would have been much higher. This investigation also shows that though the increase in demand for housing during the construction phase led to a chain reaction in the local housing market, this did not lead to informal occupations of land. The investigation though concluded that the Botnia pulp mill project is not likely to lead to a formation of irregular settlements in Fray Bentos.

The development of irregular settlements has historically been associated with rapid rural-urban migration. The investigation has called for further research on the role of internal migration in the formation and growth of irregular settlements in Uruguay, where internal migration occurs primarily from one urban area to another. This investigation has suggested that the planned project on internal migration should begin with investigations on whether, where and under what conditions internal migration in Uruguay really leads to a formation of irregular settlements. That investigation should produce knowledge on the role of migration in the formation of irregular settlements, but also consider whether viewing irregular settlements in Uruguay from the perspective of migration adds something to the knowledge of irregular settlements that is useful in addressing the problem in Uruguay. Should this not be the case, this should lead to reconsidering whether internal migration in Uruguay falls under the mandate of IOM.

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The picture in the cover was taken by the author at the ruins of the meat processing factory Anglo in Fray Bentos, May 2007

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