Economic Impact of the Forest Policy in Uruguay

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Abstract: Forestry policies have been widely used in South America in the last two decades to promote forest sectors, and Uruguay was not the exception. The objective has been in many cases to reforest. However, the objective of Uruguayan Forestry Policy was not to reforest the country but to increase the area of planted forest. The first attempt to develop the Forest Sector in Uruguay was in 1968 with the establishment of Forestry Law 13723, but the Law did not achieve the objective of increasing the forest area. In 1987, Forestry Law 15939 was approved, establishing subsidies and tax exoneration for plantations and industries. Forest Policy in Uruguay has had particular characteristics for a policy in the country: economic incentives, a general agreement on the vote for the regulation, and regionalization of the country. Even though this general agreement, when the Forestry Law was approved in 1987, controversies arose in the following years. The first impact of the law was an increment in plantations after 1988 and an increasing presence of new industries in the sector. Most of the forest area was planted by international companies (45%), and national investors came from the agricultural sector. The forest exports growth had its counterpart in an increasing volume of wood extraction. The volume of forest production increased 27% between 2000 and 2003, going from 2.9 million to 3.7 million cubic meters. Most of the forest production, excluding fuelwood, is designated for export. The rationale for Law 15939, as discussed by members of Parliament, is that the project will contribute to environmental, economic and social benefits for the country. The objective of the paper is to evaluate the impact of the new forest sector on the Uruguayan Economy by considering the costs and benefits associated with the policy that started with the Forestry Law established in 1987.

Keywords: Uruguay, forestry policy, subsidies, economic impact

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