
Thailand: Eucalyptus, encroachment, deforestation and pollution linked to pulp and paper company

Advance Agro, one of Thailand's largest pulp and paper companies, markets its "Double A" brand paper as environmentally friendly. The company's advertising explains that the raw material comes from plantations and thus relieves pressure on remaining forest areas.

The reality is that Advance Agro's plantations have displaced communities and are the final stage of deforestation in east Thailand. Kasem Petchanee, the Chairperson of the NGO Coordinating Committee, Lower Northern and Upper-Central Thailand, explained how deforestation started when companies like the state-owned Forest Industry Organisation started logging operations. "Fifty years ago this area was covered in fertile forest," he said.

During its war in Indochina, the number of US troops stationed in Thailand reached a peak of almost 50,000 in 1969. To link their bases in north-east Thailand with the port of Chon Buri the US built a network of major roads. Deforestation followed the road-building. In the 1970s and 1980s, the Thai government built more roads to access the forests of Cambodia.

The World Bank has played a key role in promoting cash crops in Thailand. Among the organisations set up at the Bank's recommendation is Thailand's National Economic and Social Development Board (NESDB), which oversees all public investment planning. Since its establishment in 1959, NESDB has been a major promoter of cash crops grown for export.

Encouraged by NESDB's policies, companies started planting cash crops such as cassava and sugar cane in east Thailand. Conflicts developed over land as companies encroached on people's land and forests. Villagers were forced to grow cash crops and forced to sell their crops to a particular company.

Networks of influence, involving members of parliament, companies, army officers, and a local mafia were established and expanded. Mafia-style murders, land speculation and landlessness became common in east Thailand.

In 1982, the Soon Hua Seng Group (SHS), one of Thailand's leading rice and cassava exporters, started planting eucalyptus in east Thailand as an alternative to cassava. By 1987 SHS was planting eucalyptus on a commercial scale and set up the company Advance Agro to produce pulp and paper.

Today the SGS Group has 32,000 hectares of its own plantations as well as around 50,000 hectares of eucalyptus planted by farmers under contract. In 1996, Advance Agro opened its first pulp and paper mill in Prachinburi province and now has a total capacity of 500,000 tonnes of paper a year. Seventy per cent of Advance Agro's paper is exported, important markets being China, USA, Hong Kong and Japan.

Laemkowchan village is about 100 years old and is close to one of Advance Agro's mills. In the past, villagers grew rice, cassava and pumpkin. When SHS started to look for land to plant eucalyptus

many villagers sold the land they had used for cassava planting to the company.

But villagers found that the eucalyptus plantations started to affect their rice fields as well. Suwan Kaewchan, a member of the Administration Council in Laemkowchan village, explained to researcher Noel Rajesh: "When the company came and started planting eucalyptus near the rice fields, the water began to dry up and people found they couldn't grow rice. One by one they began to sell their land and leave. They went to work as hired labour in other areas or with the company."

Villagers who kept their land but planted eucalyptus under contract faced another problem, as Kasem Petchanee pointed out: "After the first harvest, the soil is so degraded that villagers have to spend money to improve the soil. Removing the trees is difficult. Villagers have to hire expensive machinery to remove the stumps and roots of the trees. Agricultural communities are falling into debt to banks and money lenders. When villagers cannot pay, the banks take their land."

Waste water from Advance Agro's mill is poured onto the eucalyptus plantations. The filthy water lies in channels between the rows of the eucalyptus trees. Villagers point out that although the water is treated at the pulp mill this does not mean that the water is clean. Recently water released from the mill killed villagers' rice crops.

Villagers report that ash from factory chimneys is deposited on their houses and gardens. People have experienced skin problems such as itchy skin. The air sometimes smells and villagers are worried that the factory might be emitting sulphur as well.

The company has set up an environmental unit, and company officials tell villagers that they know about the problems. However, villagers have never received any compensation for any of the problems that the company has caused them.

Several international companies have benefited from contracts on Advance Agro's mills. Jaakko Poyry, the world's largest forestry and engineering consulting company, won contracts from Advance Agro for engineering design, project management and construction management of the Prachinburi mill. Japan's Mitsubishi Heavy Industries provided machinery for Advance Agro's paper mill.

Finance for Advance Agro's mills was organised by Barclays de Zoete Wedd. The main backers were Bangkok Bank, Thai Farmers' Bank, Krung Thai Bank and the UK's Commonwealth Development Corporation. The International Finance Corporation, the World Bank's private lending arm, lent US\$10 million and further financing came from export credits.

When Stora Enso bought a 19.9 per cent share in Advance Agro in 1998, it gained exclusive international marketing rights for Advance Agro's products and a secure market for 12,000 tonnes a year of long-fibre pulp from its European mills. Two members of Stora Enso are on the board of Advance Agro.

Advance Agro is a good illustration of how Northern and Thai companies benefit from the pulp and paper industry, while rural communities are left with the costs.

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