
Vietnam: Massive plantations ahead

Last year the Vietnam Paper Corporation (Vinapimex) announced an ambitious plan to expand the pulp and paper industry in Vietnam. With a total cost of more than US\$1 billion, the plan involves 15 new pulp and paper production projects. If they were all built, the projects would raise Vinapimex's annual paper production capacity from the current 171,000 tons to 419,000 tons.

The pulp and paper industry in Vietnam presently produces a total of approximately 360,000 tons of paper a year. Vinapimex hopes to increase this figure to more than one million tons by 2010.

One of Vinapimex's proposed projects is a new 130,000 tons a year bleached kraft pulp mill in Kontum province, in the central highlands of Vietnam. In October 2001, the government approved Vinapimex's feasibility study.

Most of the funding for the US\$240 million project has yet to be found, but Vinapimex hopes foreign governments will come to its help with "aid" loans at interest rates below those of commercial banks. The Vietnamese government has agreed to cover seven per cent of the costs by funding roads, research facilities, health clinics and schools. The government will also buy land use rights for the project and will waive land tax during the first tree cycle.

To supply raw material to the mill, Vinapimex has already started planting trees and aims to establish an area of 125,000 hectares of fast-growing tree plantations. In addition, according to the feasibility study, Vinapimex plans to use 38,000 hectares of natural forest to supply the mill.

Meanwhile, work on expanding Vietnam's largest pulp and paper mill, Bai Bang, is due to start in the next few weeks. The plant is to be expanded from a capacity of 55,000 tons of paper a year to 100,000 tons. At the same time, annual pulp capacity will be increased from 48,000 tons to 61,000 tons. This represents the first stage of a plan to increase the mill's annual paper capacity to 200,000 tons and pulp capacity to 150,000 tons.

On 30 November 2001, the Swedish Government agreed to provide a preferential credit of US\$12.5 million to fund the first phase of the expansion. In 2000, Vinapimex obtained US\$42 million in loans from three Nordic banks to fund the rebuilding of the mill. Vinapimex has signed contracts with Voith Paper and China's Sinochem to rebuild the plant. Elof Hansson and Marubeni won contracts to supply equipment. Hansson leads a group of supplier companies which includes Kvaerner Chemetics, Kvaerner Pulping, Purac, Metso Paper and AF-IPK.

In addition to Vinapimex's expansion plans, the Japanese company Nissho Iwai is planning to increase its wood chip production in Vietnam. The company is building a new, US\$1.5 million plant as a joint venture with a state-owned forest product exporting agency. The wood chips will be exported and sold to the Japanese Oji Paper Company. Nissho Iwai also plans to increase the capacity of an existing wood chip producer by 15 per cent to 150,000 tons a year. The company's target for the year 2002 is 400,000 tons, all of which is for export to Japan.

In an attempt meet the increasing demand for raw material to supply the expanding pulp and paper industry, the government has ambitious plans to plant one million hectares of industrial plantations specifically to feed the industry as part of its "5 million hectare" programme (see WRM Bulletin 38).

In a report dated February 2001, the Ministry of Agriculture and Rural Development argues that the 5 million hectare programme should lead to "sustainable land use" and be "financially, environmentally and socially viable". Yet, the industrial tree plantation programme currently underway in Vietnam meets none of these objectives. It is only financially viable with government subsidies and low-interest loans in the form of overseas "aid". Monocultures of fast-growing trees which replace forests, fields and grasslands cannot be described as either environmentally viable or sustainable. And, for rural Vietnamese people, who are dependent on the land and forests which would be lost to the plantations, the social implications are potentially devastating.