
[Old and new investors behind the expansion of industrial tree plantations](#)

The expansion of large-scale monoculture tree plantations in the global South dates back to the 20th century, becoming particularly marked in the 1960s, and is expected to continue at an ever increasing rate in the 21st century alongside the growing globalization of the economy and markets.

The capitalist logic of permanent economic growth as a necessary requirement for so-called development results in continuous efforts to boost production, increase consumption, and invent new products to foster continued market growth and the further expansion of trade. The huge sums of money generated through these transactions have also given rise to a rising spiral of exploitation of ecosystems and people, with the corollary of the concentration of control and ownership of resources on the part of wealthy elites, and the exclusion and plunder of the large majority of the population.

Setting the scene

To enable this process, the International Monetary Fund (IMF) and World Bank have imposed, particularly since the late 1980s, recipes for measures that serve in one way or another to privatize or open sectors of the economy to the international market and the expansion of financial transactions. The necessary framework for this has been provided by the WTO and free trade agreements, which have gradually deepened the liberalization and globalization of trade.

In the case of the forestry sector, the funds that have enabled the expansion of industrial monoculture tree plantations have come in different forms: 1) direct investments, which currently represent the largest share of private sector investment in this area, primarily from transnational companies with resources supplied by multilateral and national development banks as well as private banks; 2) indirect investments, for example, through investment funds, which are coming to play an ever greater role; 3) financing schemes like the CDM and REDD+; 4) direct fiscal incentives, such as tax exemptions or subsidized loans to promote investment, and indirect fiscal incentives, including support for research, training, extension and even commercial information; and 5) construction of the infrastructure needed for the complex logistics of production for export (roads, ports, waterways, etc.), in order to foster the development of the plantation industry. In all cases, the companies and investment funds involved have been provided with access – sometimes free of charge, sometimes by paying minimal amounts for the use of water or land – to valuable “natural resources” and cheap labour, which has allowed them to increase their reach, their capital, and thus their profits.

In addition to these mechanisms, the expansion of industrial tree plantations requires a launching pad that is created by governments, through the adoption of institutional, policy and macroeconomic reforms that establish the institutional and legal framework needed to promote the development of the sector. This has other offshoots, such as, for example, the influence over governments sought by companies through the financing of the electoral campaigns of candidates with good chances of winning elections, or through other illegal payments, as has been denounced on numerous occasions.

Then there are the public and private actors who supply the funds to buy the land, when necessary; to buy the machinery, imported from the global North; to plant the trees; to pay the workers, or the outsourcing companies; and to build the factories and plants. In Latin America especially, significant areas of land are owned by private pulp and paper companies. They plant eucalyptus and pine trees to obtain raw material that is then mainly exported to the global North, where most value-adding activities tend to be carried out, using high-tech machinery for the manufacture of high-quality paper. In the meantime, the growing use of wood for energy production (see WRM Bulletin 186) has increased demand and opened up new areas for investment, given the need for additional large areas of tree plantations and the development of the infrastructure required for the final product to reach the market. In addition, consulting firms like the Finnish company Pöyry, which has operations in 50 countries and is active in the pulp and paper sector, are also important agents for the promotion of industrial tree plantations, reinforcing the model of production based on large-scale monoculture plantations, identifying new markets, designing “forestry plans” and conducting environmental impact assessments.

Where does the money come from?

For the most part, the financing for investments in industrial tree plantations and pulp mills has come from commercial and development banks, through lines of credit and loans, or targeted subsidies in the case of public banks. According to a report by Chris Lang (<http://chrislang.org/2007/06/30/banks-pulp-people-part-1/>), between 2000 and 2006, pulp and paper companies raised USD 215.5 billion on the international capital markets, and while development banks had provided only USD 1.9 billion to the sector over the previous decade, they were beginning to play an increasingly greater role. A prime example is the Brazilian Development Bank (BNDES), which has adopted a proactive role in supporting the “forest plantation” sector, as well as financing the merger of companies to create Brazilian pulp and paper giants that are more competitive on the global market; in this case it has ended up becoming the biggest shareholder in these companies.

Other fundamental actors include multilateral agencies like the United Nations Food and Agriculture Organization (FAO), as well as multilateral development banks, particularly the World Bank and its private sector arm, the International Finance Corporation (IFC), the European Investment Bank (EIB) and Nordic Investment Bank (NIB), and regional banks like the Asian Development Bank (ADB). All of them finance tree plantation company consultancies and projects as “arbiters of quality, in which role they are implicitly recognized by the private sector,” according to a report from the Center for International Forestry Research (CIFOR).

Public funds from the global North are also being used to finance the expansion of industrial tree plantations through bilateral agencies, such as the Swedish International Development Cooperation Agency (SIDA). A number of Swedish investment funds own shares in the Swedish-Finnish pulp and paper giant Stora Enso and are involved, alongside SIDA, in industrial tree plantation projects in Mozambique (see the article on Mozambique in this edition). Another example is Green Resources, a company financed with Norwegian public funds, which has invested in thousands of hectares of industrial tree plantations in Uganda and Tanzania— replacing natural grasslands – in order to obtain carbon credits by way of the Clean Development Mechanism (CDM). If the CDM Executive Board approves the project, Green Resources will sell the credits to the Norwegian oil company Statoil (see <http://www.wrm.org.uy/publications/EJOLTplantations.pdf>).

Governments tend to have their own interests tied to the projects. In this case, as in others, the country’s interests work in favour of the project, thus favouring the transnationals: the Norwegian government is seeking to obtain 400,000 carbon credits from the Tanzanian project, of the six million

credits the country wishes to acquire as part of its carbon emission reduction commitment under the Kyoto Protocol.

New financial actors

These traditional investors have been joined by institutional investors who did not use to be involved in the forestry sector, but have now turned to this market following the successive economic-financial crises that have exposed the high degree of volatility of financial markets. Industrial monoculture tree plantations have been turned into “forestry assets”. One of the biggest attractions of this new class of assets is their resilience to financial crises, as well as the fact that they represent a relatively safe long-term investment offering attractive returns relative to their low degree of risk, and are thus a good means of risk diversification. According to figures from FAO, investment in “forestry assets” had reached 50 billion dollars in 2011.

There are two main groups of professional investors that deal with industrial tree plantations as forestry assets:

* Timber Investment Management Organizations (TIMOs) (see WRM Bulletins 170 and 182), which act as investment brokers for institutional clients like pension funds, insurance companies and private equity funds, acquiring timberland properties which then yield profits through real estate speculation and timber production.

* Real Estate Investment Trusts (REITs), which have a different structure from TIMOs and greater liquidity.

Both groups facilitate access to the forestry sector for investors, and operate in the countries with the most “productive” industrial tree plantation industries, including Brazil, Chile, Canada, Uruguay, Australia, New Zealand, and a number of Central American and Eastern European countries.

Other financial vehicles involved in forestry sector investments include exchange-traded funds (ETFs), a mechanism through which investors can purchase stocks with the advantage of greater liquidity, meaning they can easily buy and sell stocks and invest small amounts. Fixed capital funds are collective investment schemes in which investors purchase a limited number of stocks and get back the capital plus the profit earned after a preset period.

According to a United Nations report (http://www.un.org/esa/forests/pdf/AGF_Study_July_2012.pdf), TIMO investments in industrial tree plantations converted into forest assets figure among the largest private sector investments in this sector in Latin America and the Caribbean. During the period 2006-2011, these investment vehicles accounted for 12% of the total private investment in the forestry sector in the region, at an average of USD 323 million annually.

Pension funds, through TIMOs, have acquired a significant presence in forestry investment. The Ontario Teachers' Pension Plan, which administers the pensions of the province of Ontario's 250,000 active and retired teachers, making it Canada's largest pension fund manager, has 79 billion dollars invested in assets including 2.3 billion in global infrastructure and “timberland assets” or tree plantations.

Of the total “timberland fund” investments in Latin America and the Caribbean, around 68% have been invested in Brazil, through funds such as Cambium, Claritas, Florestal Brasil Investment, FC, Galtere, Global Forest Partners, GTF, Hancock Timber Resource Group, Phaunus, Quadris,

Resources Management Services, Timber Value, the Timber Group, Terra Capital and Brookfield Asset Management. A Brookfield private timberlands fund in Brazil, in which institutional investors include the Ohio Police and Fire Pension Fund (OP&F) and the New Mexico Educational Retirement Board (NMERB), administers more than 95,000 hectares of pine and eucalyptus plantations in the states of Santa Catarina, Paraná, Minas Gerais and Mato Grosso do Sul.

In the meantime, the California Public Employees' Retirement System – the largest public pension fund in the United States, with over USD 245 billion in assets – recently invested in Brazil through the U.S. investment group Global Forest Partnership (GFP), which administers pension funds around the world and owns 250,508 hectares of plantations in Brazil.

GFP also operates in Uruguay – the small South American country that has received 14% of all timberland fund investments in Latin America – where it controls 140,595 hectares of tree plantations through four companies (see the article on Uruguay in this edition). Argentina has received 12% of timberland fund investments, while Chile has received 6%, through GMO Renewable Resources, the forestry investment fund Lignum, and the European private equity fund Orion Capital.

In the region of Southeast Asia, there are very few investment funds involved in the forestry sector, largely due to perceived political risks and land control issues, according to Andrew Steel, the CEO of the specialist investment advisor Treedom Investments. Nevertheless, Steel added, there has been growing interest from “global players” as well as Asian institutional investors, such as the Agricultural Bank of China, in investing in tree plantations. He noted that his own organization is investing in the forestry sector in Thailand and also has its sights set on Indonesia, Vietnam, India, Laos, Malaysia and Sri Lanka. Steel also mentioned New Forests, a timberland investment fund based in Sydney, Australia, the U.S.-based Global Environment Fund, and GreenWood Resources, a U.S. company that manages investments in tree plantations, as other global firms that have raised significant capital for investment in the region

(http://www.facebook.com/permalink.php?id=160084030748846&story_fbid=326790394078208) .

New trends: The greenwashing of certification extended to financing

WRM has repeatedly denounced that the labelling of any product obtained from large-scale industrial plantations – whether of eucalyptus, pine, oil palm or rubber trees, or any other crop – as “sustainable”, as in the case of the FSC’s certification of millions of hectares of tree plantations around the world, is blatantly misleading. These certification schemes essentially ignore the complexity and impacts of all large-scale monoculture plantations established for industrial purposes. And now the new and old actors that finance these plantations are increasingly using this mechanism to “guarantee” to the people who put money in their banks or investment funds that they are contributing to “sustainable development” or the “green economy” – the same promises that the companies already make to the purchasers of their products. As a result, an ever growing number of corporate and financial actors continue to uphold the fraud that this certification represents.

In the past, banks worried about their reputation would sometimes withdraw certain investments in response to denunciations made by NGOs on the negative impacts caused by a particular company. Today, however, companies are joining forces with banks and other financial institutions in initiatives like the Roundtable on Sustainable Palm Oil (RSPO). The RSPO’s members include 11 major banks and investors, including the IFC (the private arm of the World Bank), private banks like HSBC and Rabobank, and the investment fund Generation Investment Management (<http://www.rspo.org/en/member/listing/category/Banks%20and%20Investors>). The latter, co-founded by Al Gore in 2004, claims that its investment approach is based on the idea that “sustainability

factors” will drive a company's returns over the long term, while global challenges, like climate change, pose “risks and opportunities” (see <http://www.generationim.com/about/>). While two of the financial institutions that are RSPO members are based in Southeast Asia, the majority are from industrialized countries of the global North.

Certification continues to advance because it seems like a good business that benefits both the plantation companies and the certification agencies that endorse their products and clear the way for business in the so-called “green” and “sustainable” economy. And now it is also increasingly serving to benefit financial institutions.

The Principles for Responsible Investment is another initiative spearheaded by institutional investors in partnership with the United Nations Environment Programme (UNEP) and the United Nations Global Compact. The initiative proposes six principles to be followed by investors so that “environmental, social, and corporate governance issues” do not affect the performance of their investment portfolios (<http://www.unpri.org/about-pri/the-six-principles/>). The signatories include 742 investment managers, such as banks, investment funds and pension funds (http://www.unpri.org/signatories/signatories/#investment_managers).

The World Bank: an old major driver of industrial plantations with a new face

The Forest Investment Program (FIP) is a financing mechanism of the Strategic Climate Fund (SCF) and more broadly the Climate Investment Funds (CIFs). It aims at assisting Southern countries to reach their REDD goals by providing funds. It is administered by the World Bank.

Critics warn that FIP will be used to expand Bank finance of tree plantation projects under the guise of ‘enhancement of carbon stocks’ and ‘reforestation’.

It is not at all clear what the FIP intends with its plans for ‘increased private sector support for alternative livelihoods’ nor how this might impact on indigenous peoples and traditional communities. Past ‘alternative livelihood’ efforts in forests supported by the World Bank and GEF have often not generated significant local benefits for communities, and in some cases have left local people worse off .

Although the FIP's operational guidelines were revised to reference the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), specific criteria to comply with UNDRIP and/or to include free, prior and informed consent of affected indigenous peoples have not been incorporated. Furthermore, recommendations by civil society observers that FIP guidelines should comply with relevant international environmental and human rights agreements were rejected.

Source: the Heinrich Böll Foundation and Overseas Development Initiative's website, climatefundsupdate.org; and “The World Bank's Forest Investment Programme

(FIP): core elements and critical issues”,

http://www.forestpeoples.org/sites/fpp/files/publication/2010/08/fipbriefingoct09eng_0.pdf

Good investment returns – for whom?

These massive movements of money are a manifestation of how the economy has been turned into

financial playing field, where increasingly powerful agents take the lead, with the ultimate goal of boosting their profits. The growing participation of investment funds in promoting the expansion of industrial tree plantations also implies the growing participation and influence of financial capital in this sector, seeking higher returns and creating new forms of speculation.

Given that social and environmental considerations are the lowest priorities, and are addressed through certification and other initiatives supposedly based on the principles of “sustainability”, the one issue that weighs on investors is the fact that the cost of pouring so much public money into these companies has become increasingly higher. One example is that in 2000, a pulp mill built by Aracruz in Brazil cost one billion US dollars, while today, the new pulp mill that Suzano plans to open later this year in Brazil, in the Maranhão region, has a price tag of three billion US dollars. There are various factors driving up the cost of these investments. One is the increase in land prices due to increased speculation as a result of land grabbing for different “mega” projects (agribusiness, mining, mega-dams, etc.). In the meantime, equipment and machinery, such as those used for pulp production, are becoming ever more sophisticated and productive, with the incorporation of more advanced technology, and are thus more expensive as well. In the example cited here, most of the start-up capital for these multi-million dollar investments is money collected from Brazilian taxpayers, poured into the company through the public development bank, BNDES. However, there are very few returns on these investments for the Brazilian people. Those who lose their territories are the Brazilian rural communities, and those who are the first to pay the cost of any economic-financial crisis are the companies’ workers, earning meagre wages and working ever longer hours, denied their labour rights through outsourcing. Those who benefit most are undoubtedly the investors, shareholders and intermediaries, seeking the profits generated by the production of timber and pulp for export.

In the meantime, the social character of workers’ pension funds is perverted as they are transformed into anonymous speculative funds, with no transparency, so that investors do not even know what is being done with their money and what they are financing. At the other end of the equation, that of the communities and plantation and pulp mill workers, the growing trend towards institutional investments in “forestry assets” will undoubtedly mean more repression and persecution, in order to protect, at any cost, the “safe” investments of anonymous, faraway investors.

A new field of struggle has been opened against financial institutions, not only those we were already familiar with, but also this new range of investment funds of various types. New strategies and new alliances will be needed to put life before profits, and not vice versa.

Sources: (1) Investments in timberland: investors’ strategies and economic perspective in Brazil; Bruno Kanieski da Silva, Piracicaba 2013; (2) “Agentes Empresariales del Agronegocio, Uruguay Informe 2012”, Redes Amigos de la Tierra y Uruguay Sustentable, <http://www.redes.org.uy/wp-content/uploads/2013/03/Agentes-Agronegocio-Baja.pdf>; (3) “La Inversión Extranjera Directa en América Latina y el Caribe”, CEPAL, <http://www.cepal.org/publicaciones/xml/5/49845/LaInversionExtranjeraDirectaDoclinf2012.pdf>; (4) “An overview of industrial tree plantations in the global South: Conflicts, trends and resistance struggles”, Winfridus Overbeek (WRM), Markus Kröger (Universidad de Helsinki) and Julien-François Gerber, June 2012, <http://www.wrm.org.uy/publications/EJOLTplantations.pdf>; (5) Financing forest plantations in Latin America: Government incentives, Kari Keipi, FAO, www.fao.org/docrep/w3247e/w3247e0b.htm; (6) 2012 Study on Forest Financing, Advisory Group on Finance Collaborative Partnership on Forests, June 2012, http://www.un.org/esa/forests/pdf/AGF_Study_July_2012.pdf; (7) “Financing sustainable forest

management”, Marco Boscolo, Adrian Whiteman of the Forest Policy Service of FAO, together with Herman Savenije and Kees van Dijk, <http://www.fao.org/forestry/16559-0325ac13168b9c3d84d0279e2f8adc798.pdf>; (8) “Five minutes with Andrew Steel”, PE Asia Perspective, http://www.facebook.com/permalink.php?id=160084030748846&story_fbid=326790394078208