
Brazil: The marriage of Stora Enso and Aracruz

News about the association of Stora Enso with Aracruz Celulose is certainly bad news for local people in the Brazilian states of Bahia and Espirito Santo, dominated by three major pulp corporations: Veracel, Aracruz and Bahia Sul. Veracel will now be jointly owned by Stora Enso and Aracruz (with 10% of the remaining shares in the hands of Brazilian group Odebretch). These three companies own more than 300,000 hectares of fast-growing eucalyptus monocultures, which are having strong negative impacts on water, soils and biodiversity which also impact negatively on local peoples' livelihoods. At the same time, plantation development has not only not provided the badly needed jobs but, on the contrary, has resulted in net employment losses in the region.

The increasing impacts of plantations have led to the creation of a broad coalition of NGOs, indigenous peoples, peasants, fisherfolk, academics and many others, and the name they chose for the coalition clearly shows the problem they are facing: the "Movement against the Green Desert in Espirito Santo and Bahia".

During the past year, the coalition successfully halted a move by Aracruz to have its plantations in the state of Bahia certified by the Forest Stewardship Council. However, the company is so powerful in the state of Espirito Santo, that it is apparently being successful in getting approval for another expansion (700,000 tonnes) of its already enormous pulp production capacity and the consequent environmental impacts it will entail.

However, both Aracruz and Veracel were facing problem. To provide raw material to its new pulp mill, Aracruz needs some 70,000 hectares of additional plantations. At present the company is making a tremendous lobbying effort to have those lands bought in the extreme south of Bahia. However, the Bahia Environmental State Agency decided that an Environmental Impact Report would be required before further eucalyptus plantations are approved. This study can take a long time and can cause difficulties to Aracruz's operations.

Veracel has a different problem: what to do with its eucalyptus plantations. The company has been struggling to have its own pulp mill built, but it still lacks interested investors in the US\$ 1.6 billion dollar investment. According to Stora Enso, "implementation of the Veracel pulp mill will be postponed ... and the decision to build the Veracel pulp mill will be taken in the end of 2002, subject to international pulp market conditions." The delay in construction has diminished local support for the company, since the argument used of 'generating employment' has not become a reality.

The marriage of these two companies seems to solve the most pressing problems: Aracruz won't have to bother about raw material for its new pulp mill -which will be provided by Veracel's plantations- and Stora Enso will be able to sell its wood to Aracruz without having to bother about if and when it will build its own pulp plant in Bahia.

For people and the environment, this marriage is very bad news, because it means that the political clout of both Aracruz and Veracel will increase even further, thereby making opposition to large-scale tree plantations and pulp operations even more difficult. Unless such "development" is halted, it will

increase the already serious social and environmental impacts related to large-scale fast-growing tree monocrops and to pollution problems resulting from increased bleached eucalyptus pulp production.

Article based on information from: Movimento contra o Deserto Verde no Espírito Santo e na Bahia, 11/7/00; "Stora picks up speed in Brazil" by Lennart Palmeus, Dagens Industri July 7, 2000;