

Stora Enso: negative impacts in Brazil and Uruguay

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Stora Enso is considered Europe's largest paper manufacturing company. It portrays itself as a company that takes corporate social responsibility seriously and claims to put sustainability at the heart of its business. Indeed, Stora Enso has been named as one of the World's Most Ethical Companies in 2010. But its operations in Latin America show a different reality.

In both Brazil and Uruguay, eucalyptus monoculture plantations for pulp mills have led to water shortages, soil erosion and displacement of local communities, with negative impacts on food security. In Brazil, Stora Enso is facing more than 1,000 lawsuits for labour law violations, tax evasion, money laundering, bribery and environmental crimes. In Uruguay, the government is highly concerned about the growing land foreignization, of which Stora Enso is a major driver.

The corporation has also faced problems in China, where its intermediary companies (subcontractors) are accused of forcefully evicting local producers off their land.

Meanwhile, Stora Enso's profits continue growing. AP reported that in October the company announced 270 million US dollars of net profits in the third quarter of 2010, a 17% growth of sales.

Bahia, Brazil: wave of lawsuits against Stora Enso

Stora Enso and the Brazilian company Fibria (a merger of Brazilian companies Aracruz and Votorantim Celulose e Papel) own the joint venture Veracel, which established a pulp mill in the municipality of Eunapolis. It owns 212,000 hectares of land, of which 91,000 are planted with eucalyptus. Veracel is already considered one of the world's largest pulp producers, but still plans to expand its operations.

Veracel is accused of environmental crimes in Bahia. In 2008 Veracel was convicted by the federal court for deforestation of the Atlantic Rainforest, and was fined eight million Euros. During the trial it was revealed that Veracel did not have a valid environmental impact assessment for its eucalyptus plantations and the licenses for the 96.000 hectares of plantations were ruled to be illegal, with no effect so far.¹ Veracel has also been fined for not restoring rainforest and for spraying pesticides on land intended for rainforest regeneration, resulting in the destruction of a large amount of indigenous trees. IBAMA, the federal environmental agency with offices in Eunapolis, say that they do not have enough staff to handle all the complaints against Veracel.²

1 Reuters <http://in.reuters.com/article/2008/07/11/us-storaenso-veracel-idINL1126401320080711>, IPS <http://ipsnews.net/news.asp?idnews=43875> and World Rain Forest Movement <http://www.wrm.org.uy/bulletin/139/Brazil.html>

2 Mondiaal Nieuws <http://www.mo.be/node/150516> and "Sustainable on Paper", a film by Leopold Broers and An-Katrien Lecluyse (available on request)

The company is also accused of depleting water sources with severe impacts for the water access of neighboring communities. Furthermore, Veracel has planted eucalyptus on state-owned land intended for land reform.³ Social organisations assert that Veracel has planted eucalyptus like this on roughly 30.000 hectares of government property, but a judge's verdict on these illegal plantations is still pending.

Public prosecutor João Alves da Silva Neto in Eunapolis is accusing Veracel of violating not only environmental legislation, but also the criminal code. He has evidence of money laundering, tax evasion and corruption. Town councillor Moacyr Almeida Silva testified that Veracel bribed him to persuade his colleagues to vote for favourable laws.⁴ The Committee on Agriculture of the Brazilian House of Representatives will be holding a public hearing on the accusations against Veracel.⁵

Additionally, Veracel is accused of workers' rights violations. During the past years, the employment tribunal in Eunópolis counted more than 850 lawsuits against Veracel and its subcontractors.⁶

The civil society organisation Cepedes reports that Veracel continues pressuring to increase its plantations in Bahia (it aims to plant an additional 100,000 hectares of eucalyptus) to produce 2.7 million tons of pulp a year. It currently produces over a million. Veracel has also requested new tax benefits from the Bahia government to finance the expansion of its activities. The Attorney General of the State has recommended to dismiss this request due to “legal incompatibility of credit concession (...) by the state of Bahia to companies with an environmental debt”.⁷

A recent assessment has also shown that Veracel should not have received the FSC label which was awarded despite clear breaches of the FSC guidelines.⁸

In February, 1500 women of the landless workers movement (MST) occupied a Veracel eucalyptus plantation in Eunapolis and started planting food crops instead in a direct action against the hunger and poverty they are facing with their families. They demand an agrarian reform to improve their situation.⁹

Rio Grande do Sul, Brazil: infringement of national laws

In the past two years Stora Enso illegally acquired 46,000 hectares of land in Rio Grande do Sul near the border to Uruguay. National law bans foreign actors from owning land within a distance of 150 km from the country's borders without the consent of the National Defense Council. To bypass this law, Stora Enso created the front company Azenglever Agropecuaria, which is wholly owned by Otavio Pontes and João Borges, Stora Enso's executive directors in Brazil. Through these land acquisitions, the two businessmen became the largest land owners of Rio Grande do Sul. There is an ongoing trial against Stora Enso over this matter.¹⁰

Brazilian and Latin American social movements also accuse Stora Enso of buying political favors.

3 Mondiaal Nieuws <http://www.mo.be/node/150516> and “Sustainable on Paper”, a film by Leopold Broers and An-Katrien Lecluyse (available on request)

4 Helsingin Sanomat <http://www.hs.fi/english/article/Stora+Enso%E2%80%99s+jackpot/1135248979552>, IPS <http://ipsnews.net/news.asp?idnews=43875>,

5 Journal Bahia <http://www.jornalbahiaonline.com.br/index.asp?noticia=11444>

6 Mondiaal Nieuws <http://www.mo.be/node/150516> and “Sustainable on Paper”, a film by Leopold Broers and An-Katrien Lecluyse (available on request)

7 <http://racismoambiental.net.br/2011/02/stora-enso-e-fibria-aracruz-celulose-tentam-obter-incentivos-fiscais-do-governo-da-bahia-mas-a-justica-impede-a-manobra/>

8 Report by ASI (Accreditation Services International) for FSC (Forest Stewardship Council) http://www.accreditation-services.com/summary_sgs.html

9 Política <http://www.estadao.com.br/noticias/nacional/grupo-de-mulheres-do-mst-invade-fazenda-na-bahia,685712,0.htm> and <http://www.radar64.com/ler.php?doc=9951>

10 Helsingin Sanomat <http://www.hs.fi/english/article/Stora+Enso%E2%80%99s+jackpot/1135248979552>

Many Brazilian leaders funded their electoral campaigns with money from Stora Enso. There is now a section in the national parliament pushing for foreigners to be able to buy land in border areas.¹¹

Stora Enso is also accused of repressing social movements in Rio Grande do Sul. With the backing of the state governor Yeda Crusius, the company was able to use state security forces to defend its interests. In March of 2008, a military police brigade forcefully evicted a group of 900 women and children of the Rural Landless Workers' Movement (MST) of Brazil and Via Campesina, who had occupied a Stora Enso plantation in protest against the company's illegal actions. The violent eviction, where 50 women were injured, was ordered by Yeda Crusius, who's electoral campaign was funded by the company.¹²

Furthermore, Stora Enso is accused of environmental crimes in Rio Grande do Sul for planting eucalyptus without an environmental license.

Uruguay: Exhaustion of water sources, land concentration and foreignization

In Uruguay, Montes del Plata – jointly owned by Arauco (Chile) and Stora Enso – is the country's largest land owner, with 238,000 hectares of land, and it has the largest forested area: 138,000 hectares. The joint venture has just signed an investment contract for the installation of a pulp mill, a port for the export of the pulp and a biomass power generation plant in the Department of Colonia. The total investment plan amounts to 1.9 billion US dollars, the largest private investment in Uruguayan history. The plant would produce 1.3 million tons of pulp a year starting in 2013.

The wood to be used as raw material for the new pulp mill in Uruguay will come from forestry plantations in nine departments of the country. Just over a million hectares in Uruguay are already forested with eucalyptus and pine trees, mainly destined for the global pulp industry. Montes del Plata is pressuring the national Ministry of Livestock, Agriculture and Fisheries to reclassify land in Colonia near its new pulp mill in order to find 100,000 hectares more for new forestry plantations.

Environmental groups have also highlighted how Montes del Plata avoids having to submit environmental impact studies by planting in patches of less than 100 hectares.

Meanwhile, in Soriano, Montes del Plata plantations (previously owned by Spanish ENCE) have cut off the water access of thousands of families. Local residents report that since 1999 forestry monoculture plantations have dried out their water wells and the municipal government has had to establish special water supplies in the area. Many local producers have decided to sell their lands and move to urban centers, contributing to the growing land concentration and foreignization in Uruguay.

According to official figures, over 6 million hectares of land were commercialized from 2000 to 2009 in Uruguay, over half of which are now owned by foreigners, in a country with 16 million hectares of total cultivable land. The growing demand for land, mainly for agribusiness, led to a dramatic increase in the price of land from 386 US dollars per hectare in 2002 to 2,650 US dollars per hectare in 2010.

The Uruguayan President, José Mujica, has expressed his concern over land concentration and foreignization in the country, and ordered the Members of Parliament of the ruling party to study possible alternatives.

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11 Helsingin Sanomat <http://www.hs.fi/english/article/Stora+Enso%E2%80%99s+jackpot/1135248979552>

12 Helsingin Sanomat <http://www.hs.fi/english/article/Stora+Enso%E2%80%99s+jackpot/1135248979552>,