**Denunciation of the Activities of Stora Enso in Rio Grande do Sul, Brazil**
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## 1. Introduction

The Swedish-Finnish corporation Stora Enso is the largest producer of paper and cardboard in the world. Some years ago, seeking better natural conditions for the production of cellulose, it began to transfer its investments to Brazil in search of higher profits. To reach its goals it joined other monopoly groups that already produced cellulose in Brazil such as Aracruz ( a Norwegian company that now partakes of international, national and state financial capital, ) and also Votorantin (Brazilian cellulose corporation) . From this alliance was born the biggest cellulose factory in the world, Veracel built in the South of the state of Bahia.

Currently, Veracel (ownership of which is 50% Aracruz and 50% Stora-Enso) has 205,364 hectares of land in the south of Bahia, of which 95,574 hectares are already planted with eucalyptus. Besides this, the corporation has around 23,000 hectares of forest promotion, which is eucalyptus planted in partnership on the property of others. And it says it has another 100,535 in reserve. Currently the corporation is considering doubling its cellulose production of around 900 thousand tons per year. This doubling would also mean a doubling of the quantity of eucalyptus that is planted, concentrating land even more and expanding monoculture in the region.

In 2005, this corporation began to build in the state of Rio Grande do Sul in the south of Brazil on the border with Argentina and Uruguay. In just three years, the corporation has already concentrated thousands of hectares in the state. According to the corporation's own press releases, in five years Stora Enso accumulated territory equal to 100 thousand hectares in the state.

The amount of land concentrated by the corporation is even greater if we consider that along with Stora Enso, two other corporations control the planting and production of cellulose in Rio Grande do Sul: Votorantin Cellulose and Paper (VCP) e Aracruz Cellulose. At the same time, VCP is a shareholder of Aracruz and is for its part a partner of Stora Enso in a joint venture, which is Aracel. So all are part of the same conglomerate and already control half a million hectares of territory in the south of Brazil for the production of pine and eucalyptus. According to statements by its directors in the press, the planting of eucalyptus in Rio Grande do Sul should reach a million hectares by 2014.

## 2. Concentration of ownership of land in defiance of Brazilian Law

The acquisition of these lands implies serious social consequences. In practice, the action of the corporations has excluded hundreds of families of farmers and medium-sized land owners from their lands, offering above-market prices to convince them to sell. And whoever resists the pressure at first and becomes a neighbor of the corporation's eucalyptus, continues to feel the pressure and with time, isolation makes this farmer sell his property to the cellulose corporations. Besides this, they have

obstructed the process of land reform in the state, overvaluing the price of lands and acquiring latifundios that would be destined for agrarian reform.

Brazilian law forbids a foreign company from buying lands in a zone of 150 km next to Brazil's border. Stora Enso was interested in the Brazilian lands on the border with Uruguay and Argentina because there was greater availability of lands dedicated to cattle ranching so they could buy land with better conditions for growing eucalyptus. Since the law forbids this, the corporation put together a fake company as if it were Brazilian and casually registered it with the name Azenglever in the name of two of its directors. They bought more than 80 thousand hectares of land in the border zone this way, scoffing at the law. INCRA discovered the maneuver and vetoed the transfer of property from the latifundios who were selling to the front company of Stora Enso. The fake owners on the other hand did not succeed in proving in the Federal Revenue the source of the $R200 million used to buy this land. It's obvious that the money was a foreign investment of Stora Enso.

The case is being investigated by the Federal Police and there is a process in INCRA that denied the registration of ownership of lands. But this did not prevent Stora Enso from having ownership of the lands and they have already planted eucalyptus in this areas that were fraudulently purchased.

On the other hand, the corporation is betting on its "power" to convince the authorities and has undertaken two procedures. First it entered a special request in the National Security Council in Brasilia, trying to free up these areas, arguing that the export of cellulose is also important. But the law is clear, this request would have to be made BEFORE the purchase and not after as is being done now and therefore should not be granted. And on the other hand it "motivated" Senator Sergio Zambiasi (PTB_RS) so that he could introduce a bill that is already circulating in the Senate, reducing the prohibition of the purchase of foreign lands by foreigners from 150 to only 20 km zone on the border and thus freeing up all the corporation's lands. The parliamentary maneuver is so big and so favorable to Stora Enso that fearing reactions from the military, the senator's bill would reduce the border zone only on the Southern border, keeping the same prohibition on the Western border and in the North of the country and in the Amazon region.

Proof of the corporation's illegal actions can be seen in various documents that are archived in INCRA and recognized even in an email message between the corporate attorney Valdo Costar de Rizzo, forest director João Borges and the Stora Enso vice president for Latin America, Otávio Pontes, where they reveal that the lands are being bought not in the name of Derflin (the subsidiary of Stora Enso) but in the name of Azenglever Agropecuária Ltda, whose capital would supposedly be owed by people who are legally Brazilians but in practiced acquired lands for the Swedish-Finnish corporation without needing authorization from Brazilian law and the Council for National Defense.

The effect of the concentration of land in the state is also accelerated. The process of agrarian reform and distribution of lands in the state carried out by the Federal and State governments, distributed only 130

thousand hectares of land to 15 thousand landless families in Rio Grande do Sul in the period from 1982 to 2007. In the meantime in only three years it bought 100 thousand hectares from 1200 small, medium and large landowners, concentrated in just one corporation.

**3. Consequences for the Environment**

Rio Grande do Sul just like Uruguay and Argentina make up part of an ecological system known as the Pampas biomass, which has a unique biodiversity with native grasses, 450 species of typical subtropical vegetation composed of 3000 vascular plants, 450 species of grass and 150 of legumes, besides 385 types of birds and 90 mammals. Some of these species are called endemic because they only occur in this ecosystem. In the subsoil of this region is the largest reserve of sweet water in the Americas, the so-called Guarani Aquifer that comprises a territory extending from the state of São Paulo to the River Prata in Argentina and Uruguay.

And it was precisely for these characteristics that this territory was chosen by Stora Enso for its project of cellulose production. Eucalyptus, the basis for cellulose, planted in Brazil can be harvested in just seven years. In the northern regions of the planet, it would need at least 50 years to develop and be used for cellulose. So this territory has all the conditions to guarantee high rates of profit. Cheap land, available biomass for planting, a lot of sun and a lot of water.

Ironically, Stora Enso and its partners call their activity “reforestation” when a forest never existed that could be restored in the pampas biomass. On the other hand, the scientists warn that the monoculture of eucalyptus trees cannot be called a forest and reforestation since a forest necessarily includes all the varieties of plants that form the biodiversity. In the case of the industrial planting of eucalyptus, all the other forms of plant and animal life that existed before in that biomass are destroyed.

Furthermore, eucalyptus consumes a lot of water. In its growth phase each plant consumes 30 liters of water daily. And it has a large capacity for evaporation, able to dry out the soil, dry up springs, lower the water table, dry up the grassy marshes, lower the water level in the small creeks and streams, etc. leaving the local population without water.

In Uruguay, where the Finnish corporation Botnia and the Spanish corporation Ence are planting 700 thousand hectares, a lack of water has already been noted. Many farm communities who were isolated by the planting of eucalyptus are already finding themselves without water and are supplied by water trucks from the local towns. According to the World Rainforest Movement (WRM), the planting of eucalyptus in Uruguay even dried up artesian wells 30 meters deep. Studies by the WRM in various countries of the world in the last 10 years, researching in farm communities about the availability of water after the arrival of eucalyptus corporations in their regions, arrives at the following conclusion: the planting of eucalyptus has a negative impact on water sources for these communities.

And according to Science magazine (12/23/2005) , the planting of eucalyptus in the Argentine pampas reduced the flow of water by 52% and dried up 13% of the rivers. In Rio Grande do Sul, according to studies by the Federal University of Rio Grande do Sul (UFRGS), eucalyptus is going to consume 20% more water than the state gets in rainfall. Since the tree causes desertification and soil acidity, there will be unknown consequences for the three thousand species of plants in the pampas.

**4. Factory pollution**

The cellulose factories are also big users of water with the use of many chemical products for whitening cellulose, with the risk of environmental accidents always present. For example, the Botnia corporation's factory on the border between Uruguay and Argentina uses 13 chemical elements considered dangerous in the production of cellulose paste, creating 150 tons of toxic residue yearly. Argentine society reacted with protests that went on for many months.

In the case of Rio Grande do Sul the three new factories will be installed on the banks of important rivers in the state, because they need more water to be able to function.

**5. The promiscuous relation between the corporations and Public Power in the State**

All the planting of eucalyptus in Rio Grande do Sul is being carried out without environmental impact studies and its impact on the environment and on people, in complete violation of Brazilian law. The failure to comply with this legal prerogative constitutes a crime. Brazilian legislation is one of the most advanced in the world in considering that actions that attack the environment are also crimes. These crimes can also result in prison sentences.

But so that Stora Ensol and its shareholders would not suffer economic damages, the Governor of Rio Grande Yeda Crusium (elected in October 2006) allowed the planting of trees without an environmental authorization, unlike former governors who tried to respect environmental law.

Since there was opposition to the expansion of eucalyptus on the part of the State Secretary of the Environment who already had studies about the serious consequences, the governor got rid of Secretary Vera Callegaro. And following that, the President of the Foundation to Help the Environment (FEPAM), who was responsible for the studies, was fired. And so the way was free for the corporations to decide how and where they would plant eucalyptus, determined only by the needs of the market and of profit.

Through their union, the employees of FEPAM put together a document denouncing and protesting the clear manipulation of reports and the violation of environmental law to favor the cellulose corporations in the state.

The earlier agreement carried out by FEPAM and the corporations in the so-called Terms of Adjustment of Conduct (TAC), signed on December 31, 2006, determined that all the areas larger than one thousand hectares should be studied for an environmental authorization. FEPAM carried out a study of environmental zoning in the state in which there were highly restricted regions in which the corporations could only plant 2% of the area in eucalyptus. Other zones with average preservation could plant 30 to 40% in eucalyptus and in the other regions 50% of each property in the area could be planted with eucalyptus. These three classified regions are concentrated precisely in the region where the ranches are being purchased by the three paper companies. And now, all this regulation was overthrown and the corporations do not have to respect any of the determining conditions in the technical study. In other words, they are cultivating 100% of the ranches that they are acquiring. According to the earlier regulations, each area or ranch that is acquired for the planting of eucalyptus needed to have a specific environmental impact study. Now the government says that an authorization allows the planting of eucalyptus in any ranch of the entire region.

The promiscuity of the corporations with the conservative politicians in the state became public and notorious in the financing of electoral campaigns in 2006. The three cellulose corporations spent no less than $R2 million in the sponsorship of campaigns for candidates for the governors of the state and the 75 candidates for federal and state office of almost all the political parties. Besides the financial resources, the corporations contributed with an unlimited quantity of paper that was used in the electoral propaganda. The current governor Yeda Crusius alone received R$500 thousand from the paper companies, according to data registered in the Electoral Superior Court. (<http://www.tse. gov.br/>WWW.TSE.GOV. BR). (Source: A peleja do Eucalipto, by journalist João Grande, published by UFSC – Federal University of Santa Catarina)

In 2006, the Stora Enso corporation invited and paid for all the trip expenses for various state legislators to visit Finland to get to know close at hand the “development” promoted by the cellulose sector in that country. And so afterwards they offered no obstacles to the monoculture of eucalyptus in the state.

More recently, the government of Rio Grande do Sul has been printing the brochures for their government programs with paper and the financing of the Aracruz corporation.

**6. Financing production activities with public funds**

The Brazilian public contributed with funds and various forms of savings to make possible “investments” of these cellulose corporations. We can see evidence in various examples and concrete cases.

There’s a Brazilian law approved by the Cardoso government back in 1995 that gives a tax exemption to all exports of mineral and agricultural raw materials – it’s known as the Kandir Law in homage to its author, then Minister of Planning in the Cardoso government. So all the exports of

cellulose in the form of paste and raw material for paper and cardboard pay absolutley no tax in Brazil. This by itself represents at the minimum a subsidy of 17% of the worth in relation to the other Brazilian exports, which are taxed.

And considering that the cellulose corporations export 97% of all that they produce in Brazil, the volume of the subsidy received by the corporations can be estimated over the value of cellulose exports, which reach more than $3 billion dollars yearly.

The taxes on import of machines and equipment needed for cutting down the eucalyptus and the industry for producing cellulose also has a total tax exemption. The corporations pay nothing to the Brazilian state.

There is an actual cartel of the cellulose industry for export and for internal production of paper and packaging by four corporations: Aracruz, Stora Enso, Votorantin, and Klabin. All of them are associated with finance capital and own factories together as partners.

To install these new modern factories that require large investments, the Bank of Economic and Social Development of Brazil (BNDES) has financed these investments, using the national treasury, generally derived from funds of the working class, and loaned funds to these corporations with subsidized interest rates well below market rate. The biggest celloulose factory in the world, Veracel, inaugurated in 2005, which belongs to the Stora Enso-Aracruz cartel was entirely financed by the BNDES in an amount corresponding to $1 billion.

On the other hand, the activities of planting eucalyptus also receive financing from the public Brazilian banks, especially BNDES and the Bank of Brazil, which offer funds with 10 year repayment schedule, 7 years of no payments and 3 years to pay. It has the longest repayment period of any credit in Brazil, clearly favoring these corporations. These amounts are, for example, much higher than the funds that are available for INCRA to expropriate lands in the states to carry out agrarian reform and also higher than the amount of credit available for the 4.5 million farm families in all of Brazil.

More recently in July 2006, the Federal government through the Central Bank lowered the schedule that allows the exporting corporations, such as the cellulose corporations, to compensate for the unfavorable rate of return, so that they can deposit in foreign banks up to 50% of the total amount of their exports in dollars or in Euros. This directive is in truth the legalization of the indirect transfer of profits and revenue for the exterior without any control.

**7. Unemployment in the countryside**

The introduction of eucalyptus monoculture in vast regions has brought with it unemployment and the depopulation of rural areas. These areas are purchased and immediately their former owners and workers are forced to leave the locale. Even in regions of unproductive latifundios

with a low rate of manual labor, employment completely disappears from broad regions of the state.

Companies only use employment for the intense period of planting that lasts no more than three months, and then for seven years the area provides no employment to the local population.

It is clear in the municipalities already taken over by eucalyptus that favelas (or shantytowns) arise and poverty increases in the city's periphery after the start of cellulose.

There are emblematic cases such as the various plantations in the muncipality of Herval Grande, in the extreme south of the state, where there were dozens of families living as peons. Today, a monoculture of eucalptus covers the six thousand hectares, providing employment to only one person, the forest guard. The forest guard lives in the city and comes by car everyday to monitor the area for fire.

In the cellulose factories, the industrial processes introduced are the most modern in the world. Their demand for high technology and labor productivity means jobs are offered to only a few, highly qualified people.

In 2006, with the cellulose factory completely functioning, the company Veracel Cellulose employed only 741 people in its factory and plantations. These jobs do not benefit people from the region who generally have fewer qualifications. The workers at Veracel are highly qualified. No less than 42% of Veracel's employees have university degrees and the other 40% have completed secondary school.[1]

With a total investment of $1.5 billion U.S. $ in the Cellulose factory, it means a cost of $2.2 million per job created, or in terms of amount of land that Veracel has planted with eucalyptus, one job for 103 hectares of eucalyptus.

Every other agricultural activity, even livestock production, generates more jobs, and permits people to live on the property. People are not welcome to live on the land in the eucalyptus business, and if need be intruders are forced to leave by private, armed militias that do the security for all of the eucalyptus firms in Brazil, including Stora-Enso.

At the same time, factory workers of Stora-Enso in Sweden and Finland are losing their jobs because of the high profits offered to the corporation in Brazil.

The Votorantim corporation, for example, has done a lot of propaganda in the southern region of the state. They claim that with the expansion of eucalyptus, thirty thousand new jobs will open up. However, specific company projects say that the new factory will only give jobs to 2,500 industrial workers, and another 2,000 workers will have jobs in the maintenance and cutting of eucalyptus on the plantations.

**8. The use of Violence to protect their illegal farms.**

The close relationship between politicians and political authority has led to the systematic use of repressive organizations, juridical power, military police and state intelligence service by the authorities in order to persecute, repress, and judge the workers and population that dare to protest this devastating process of cellulose.

The most emblematic case happened on March 4, 2008 when 900 women peasants and their children occupied the Fazenda Tarumã, acquired illegally by Stora Enso in the municipality of Rosário do Sul. The peasants' occupation was intended to denounce the illegal sale of their lands that border Uruguay. They also wanted to denounce the monoculture of eucalyptus, especially its affect on food production.

Within a few hours the military police of Rio Grande do Sul, known as the Military Brigade, was transferred to protect the area of Stora Enso. All of the journalists were removed from the locale and prohibited from reporting the police action. With tear and pepper gas, dogs, horses and batons, the Police attacked the women. Hundreds were injured, including two pregnant women whose injuries could result in miscarriage.

For more than six hours, the women could not be attended to by doctors, lawyers or the press. They stayed as prey in the bus, watched by the Police. Weapons were held to their heads. The 250 children were separated from their mothers, and were only allowed food after 6 hours. Then, the women and children were detained in a gymnasium for another 12 hours. The state government ordered that the media not divulge information about the police action. Nearly 51 women of La Via Campesina stayed to exam the bodies of the injured who were seriously hurt, and lawyers contributed to the court case against the government's attacks. Now, as the legal process is underway, the victims have become the defendants. A delegate of the police has accused the women of forming a gang, invading someone else's property, and attempting to assassinate the commander of the operation, the one really responsible for the aggression.

In the face of all of this, including the harmfulness of the project to the environment and the interests of the Brazilian people, we demand the withdrawal of the Stora Enso from the state of Rio Grande do Sul and Brazil.

Porto Alegre, July 2008