

PERMANENT PEOPLES TRIBUNAL
Hearing on
Neo-liberal Politics and European Transnational Corporations
In Latin America and the Caribbean
Vienna, Austria
10-12 May 2006

Case Report
Agrifood
Andritz AG – Pulping South America with Austrian Technology
Submitted by
GLOBAL 2000/Friends of the Earth Austria

Andritz AG – Pulping South America with Austrian Technology

Presented by: Global 2000/Friends of the Earth Austria

Andritz AG of Graz/Austria is a technology supplier and world leader in the market for pulp machinery and wood processing machinery. In recent years Andritz played a leading role in the construction of new, or in the expansion of, existing pulp mills in South America and Asia. All current pulp mill projects in countries like Brazil, Chile or Uruguay, where Andritz is the main machinery supplier, are highly contested by the local civil society, including environmental and social NGOs as well as farmer's organizations. Not only the pollution caused by the pulp mills (mainly chlorine compounds) is in the center of criticism, but also the vast areas used up for monoculture pulpwood plantations like eucalyptus, acacia or pine. Existing pulp mills like Aracruz in Brazil have contributed to the destruction of precious ecosystems like the coastal Atlantic Rainforest. The proposed pulp mill of Metsa Botnia in Uruguay is expected to destroy previously intact riversystems.

But the booming pulp industry in South America not only draws ecological problems of enormous dimensions but also contributes to social disruptions, conflicts over landrights and the further suppression of indigenous communities (like the Guaraní and Tupinikim peoples around Aracruz) and their traditional livelihoods. The monoculture tree plantations are widely seen as „Green Deserts“ by the people affected and are proven to make no contribution to the employment situation in the affected areas. Pulpwood plantations are vast and empty and do not allow for different land uses. People living in plantation areas are fully dependent on the few jobs created by the plantation industry or are coerced to migrate to the cities. Pulpwood plantations require the massive use of pesticides and fertilizers. They have a catastrophic effect on the groundwater levels as they suck up all water and dry out the soils.

GLOBAL 2000 does not accuse Andritz of selling bad technology to South American countries or to break national or international environmental or labour laws. What we accuse, however, is the gross negligence with which Andritz happily serves all customers in South America (and Asia) without investigating the impacts of the project on the human rights situation, on social development issues as well as on the environment. *Andritz, in our view, is guilty of complicity with those pulp and paper companies that are notorious for breaking the human rights and destroying the environment in many countries of South America.*

Since the year 2000, Andritz has supplied pulp machinery to Aracruz (Brazil), CMPC (Chile), Suzano (Brazil) and Veracel (Brazil) and has won a contract to supply the projected pulp mill of Metsa Botnia in Uruguay. All of these projects are known to be detrimental to a sustainable development of their respective countries and contribute only to the concentration of power and capital in the hands of a few industrialist cliques.

II) About Andritz AG

Company Profile: Andritz develops and produces machinery and production systems for the pulp and paper, steel, feed, hydropower and other industries. Andritz AG is a world market leader in some of its fields of operations, especially in the pulp and paper division.

Headquarter: Graz, Austria

Ownership Structure: Andritz is listed at the Austrian Stock Exchange (ATX) in Vienna. 26% of the shares belong to CEO Wolfgang LEITNER (through his CERTUS fund). Management and employees own approx. 2%. The remaining 72% are free float. 90% of the free float are held by institutional investors, mainly from Anglo-Saxon countries including UK and USA, but also from Austria and Germany.

Key Figures: Net Operating Revenues (MEUR): 1,744 (2005)

Net Profit (MEUR): 80 (2005)
Market Capitalisation (MEUR): 1,753 (28.04.06)

Employees: 9,000 (approx.), including newly purchased VA Tech Hydro (3,000)

Business Areas:

- Pulp and Paper Machinery (60% of sales)
- Rolling Mills and Strip Processing Lines (15%)
- Environment and Processes (waste water, sewage and industrial sludge treatment) (15%)
- Feed and Biofuel Production Systems (5%)
- Hydraulic Machines and Other Operations (3%)

Global Presence: Andritz AG has production sites and/or subsidiaries in the following 30 countries: Austria, Denmark, Czech Republic, Germany, England, Finland, France, Netherlands, Poland, Romania, Russia, Slovakia, Sweden, Switzerland, Spain, South Africa, Brazil, Canada, Chile, USA, Venezuela, China, India, Indonesia, Japan, Malaysia, Singapore, Taiwan, Thailand, Australia.

III) The Pulp Industry in South America

1) Pulping the South

There is an increasing tendency in the global pulp industry to expand pulp production activities in the Global South. New pulp and paper mills are being added to the already existing ones in countries like Brazil, Chile, Uruguay and Argentina. The same can be observed in South East Asian countries like Indonesia and Vietnam.

The increasing activities of the pulp industry in the southern hemisphere can be explained by at least three factors:

- cheap and fast growing pulpwood
- cheap labour
- low social and environmental standards

As another factor the low political resistance from governments to giant industrial projects and accompanying tree plantations can be added. Countries in the Global South are normally dependent from export earnings and are susceptible to large industrial investments in order to conform with World Bank and IMF obligations and to boost industrial development.

The pulp mills that were built in the last ten to fifteen years and that are still being built in the South are of such an enormous scale that they could have never been created in Europe. Whereas the largest pulp mill in Austria (Zellstoff Poels) produces 300.000t of pulp annually, the largest pulp mills in Brazil reach annual outputs of more than two million tonnes of pulp.

These huge amounts of pulp can only be produced if there is plenty of land allocated to the production of pulp wood in tree plantations. In Brazil alone, there are about six million hectares of eucalyptus plantations with plans to increase this to a total area of 11 million hectares. The total area of Austria, by comparison, is eight million hectares.

Up to 90 % of the pulp produced in South America is exported to the North. Main importers are Europe and the United States, but also China and Japan become increasingly important markets. The shift of pulp production towards the Global South also means a dislocation of the large-scale environmental impacts of pulp production to those countries. Within the papermaking process, the production of pulp from wood and the subsequent bleaching of the pulp are the two stages of paper production that have the most adverse environmental effects. Most of the pulp is exported to the North, where it is further processed to paper and tissues. Many well known European brands of paper tissues and toilet paper are made from Brazilian eucalyptus pulp without many consumers knowing that thousands of Brazilians have to suffer for our soft toilet paper. This is just another sort of imperialistic division of labor.

The images that big pulp companies want to create when lobbying the public for their projects in Brazil and elsewhere are pictures of endless, well-maintained healthy forests that reduce the CO2 levels in the atmosphere while adding economic value to the uninhabited lands of South America. The pulp mills, that are normally erected on the banks of big rivers, are built with the most modern and environmentally friendly technology which uses closed water cycles and reduces chemical emissions close to zero. The reality, however, speaks a different language.

2) No land, no rights, no jobs: „Nobody eats eucalyptus!“

If there is one premise that can be taken for granted when talking about land right issues, then it is the simple proposition that there is no uninhabited land that can be seized for large scale without severe social consequences. All land belongs to someone or has a traditional function to someone, even if it seems to be empty. The six or so million hectares of eucalyptus plantations in Brazil, the 600.000 hectares of tree plantations in Uruguay and the two million hectares of pinetree and eucalyptus plantations in Chile were all established at the cost of thousands of people having been deprived of their traditional livelihoods and their land. In many cases the victims of corporate land seizure are indigenous people like Tupinikim, Guarani and the traditional African-Brazilian Quilombola communities, as in the case of Aracruz Cellulose in Brazil.

In many cases customary rights of local communities are not recognized and people lose their land and have to migrate to the cities or become unemployed and impoverished. One of the main problems with plantations is that they do not allow for any alternative way of land use like smallholder farming. Unlike production forests in Europe, tree plantations for pulp mills are monocultures that do not allow for social interaction or the development of a co-existence between people and plantations. Pulpwood plantations are also called „Green Deserts“ by many people who have to live around them. They are endless monocultures of exotic and invasive species with enormous amounts of pesticides and fertilizers being used on them, destroying the water balance of the soil and providing for little jobs.

Research from the Agricultural and Livestock Census in Uruguay shows that monoculture tree plantations create fewer jobs per hectare than the same land being traditionally used as pasture for cattle.ⁱ Similar research has been done on the effects on employment of Aracruz Celulose in Espitito Santo, Brazil.ⁱⁱ Protests by indigenous communities and by landless smallholder farmers against the pulpwood plantations and their further expansion are frequent in Brazil. Often, companies react by calling in the police or the army to chase the people away. In all of the cases with an industrial involvement by Andritz AG that are discussed below, landrights conflicts are prevailing, social tensions are high and protests against the companies are common. For smallholder farmers who need but a couple of hectares for their living it is heartbreaking to see their land planted with sterile trees bound for export, with the profits and the land accumulating in the hands of a small clique of industrialists. In a demonstration against the Veracel pulp mill in Bahia, Brazil, the slogan shouted by the landless people was „Ninguém come eucaliptico!“ - Nobody eats eucalyptus. That tells about everything.

Main social problems created by pulp mills and tree plantations:

- land seizure by companies
- no customary rights of local communities recognized
- human rights violation by coloboration of the police and army with the companies
- no alternative land use possible
- more jobs destroyed than created

3) The Green Desert: Many Trees Don't Make A Forest

Monoculture tree plantations are no forests. Although even European production forests often are monocultures, they allow for some biodiversity and develop forest-like features due to a long cutting cycle of mostly well over 60 years.

Pulpwood species are so effective for the industry because of their extremely rapid growth. Eucalyptus or acacia trees can be logged after six to eight years already. During that time, they are treated with agrochemicals like fertilizers and pesticides in order to cope with the pest and soil degradation problems monocultures normally encompass. Tree plantations can be better compared with a field of corn or wheat than with a forest. But their sheer dimension make them a desert rather than an agricultural zone. Just imagine an area of 100.000 hectares (which is hard to imagine) covered with „armies of trees that are all the same, planted like soldiers in line and aimed at industrial service“, as famous Uruguayan poet Eduardo Galeano puts it. As a matter of fact, in such a plantation you cannot hear a single bird sing.

Of course, one of the greatest problems attached to the establishment of tree plantations is the conversion of mostly natural forests or grass lands with a high ecological value. In the case of Aracruz, for example, large parts of the unique Mata Atlantica forests on the Atlantic coast were destroyed for plantation development. The main environmental problems created by monoculture tree plantations are:

- land conversion: what is now a plantation used to be natural forest or grass land
- plantations dry up the land due to excessive water consumption
- soil degradation due to fast growth
- the large scale use of pesticides destroys remaining biodiversity and poisons soils, rivers and the sea.
- pollution of the rivers by chlorine compounds which are used in the ECF-bleaching (elemental chlorine-free bleaching uses no elemental chlorine, but chlorine compounds)
- pollution of the air by the pulp mill

IV) Pulp Mill Projects With Andritz Involvement

1) Aracruz Celulose (Espirito Santo, Brazil)ⁱⁱⁱ

Aracruz Celulose is the world's largest producer of bleached eucalyptus pulp. In 2004, it produced 2.5 million tons of pulp. The company is now looking at different sites to build another, new, one million tons a year pulp mill to expand production once again. 97 per cent of the production is exported. Aracruz's largest costumers are Procter&Gamble and Kimberly Clarke, accounting for 45% of the company's sales. The pulp is mainly used to produce soft tissues and toilet paper.

Aracruz owns 252,000 hectares eucalyptus plantations and in addition runs a „Forestry Partners Programme“ covering 71,000 hectares of eucalyptus trees, managed and planted by farmers. In total the company has more than 320,000 hectares of eucalyptus plantations available and plans to expand theses considerably. Most of Aracruz's eucalyptus plantations were and still are planted on land that belongs to Guarani and Tupinikim indigenous peoples or to African-Brazilian Quilombola communities. Tupinikim and Guarani people have been attempting to recover their lands from Aracruz since 1979. When Aracruz built its first pulp mill in 1967 on the site of a Tupinikim village called the Village of the Monkeys, the company forced approximately 7,000 families to move from the land it occupied. Many of the Tupinikim and Guarani villages are totally surrounded by plantations, and small holder farming is barely possible.

Protest marches, demonstrations and land occupations by Guarani, Tupinikim and Quilombola people as well as by the Movement of Landless Peasants (MST) and by other peasant movements like La Via Campesina are very frequent. The most recent of such actions took place in April and in September 2004, in March, June, October and November 2005 and in March and April 2006. In March, 2005, indigenous Tupinikim and Guarani people reclaimed just over 11,000 hectares of their land from Aracruz. They chopped down thousands of eucalyptus trees to demarcated their territory and re-built two indigenous villages on the land.

Furthermore, to make way for its plantations, Aracruz destroyed more than 50,000 hectares of Mata Atlântica forest. Aracruz has also been fined by IBAMA, Brazil's environmental protection agency, for planting in protected areas. Aracruz's plantations have dried up several rivers and streams. The company has dammed rivers and diverted water from the Doce river to its mills, further impacting water flows in the region. Fishing has largely disappeared from many of the reivers in the regions.

The role of Andritz AG:

In 2002, Aracruz opened a new pulp line which increased the company's pulp production from 1.2 million tons to 2 million tons a year. For this purpose, a US\$ 600 million investment, machinery worth a total of US\$ 250 million were supplied by Andritz AG and its subsidiaries Andritz-Ahlstrom and Andritz OY. This was one of the biggest orders for Andritz AG in the year 2000, when the investment was placed.

Aracruz Celulose still is one of the most important customers of Andritz AG, as the company still provides services, spare parts and special machinery to Aracruz and hopes to win the bid for the additional pulp mill projected by Aracruz.

2) Veracel (Bahia/Brazil)^{iv}

Veracel is a joint venture between Swedish-Finnish Stora Enso and Brazilian-Norwegian Aracruz. The pulp mill started operations in 2005 and as the largest single line pulp mill in the world it produces 900,000 tons of pulp per year. When Veracel arrived in southern Bahia to set up eucalyptus plantations and a pulp mill in 1992, it started to devastate the „Mata Atlantica“ forest, one of the most biodiverse ecosystems in the world.

Land conflicts similar to those of Aracruz are associated with Veracel's operation of 70,000 hectares of eucalyptus plantations. Veracel also has contracts with farmers to grow eucalyptus on an area covering a total of 23,000 hectares. For the plantation establishment, more than 800 people had to leave their homes to

make way for Veracel's operations. Like in the case of Aracruz, also around the Veracel pulp mill and plantations, the water level in creeks, ponds and lakes dropped significantly after Veracel started operations. Some watercourses have completely disappeared. Fishing and irrigation of agricultural farmland have become impossible in the area.

In April 2004, about 2,000 families from Brazil's Landless Workers Movement (MST – Movimento dos Trabalhadores Rurais Sem Terra) occupied 25 hectares of land and cut down four hectares of Veracel's eucalyptus trees. After 5 days the MST left the land in a move to avoid potentially violent clashes with the police. In October 2004, another protest against Veracel took place. This time, 300 indigenous Pataxó blocked the BR-101 highway for 9 hours to protest against the fact that Veracel had planted eucalyptus on their traditional lands. In December 2005, the federal environmental agency of Brazil, IBAMA, fined Veracel US\$ 136,000 for preventing „regeneration of the Atlantic Rainforest on 1,200 hectares“.

Veracel was constructed with financial support by the European Investment Bank (EIB). The EIB has issued two loans of a total USD 110 million to Veracel. Also the Nordic Investment Bank (USD 70 million) and the Brazilian Development Bank (USD 500 million) were involved.

The role of Andritz AG:

The construction of the Veracel pulp mill and the establishment of its plantations cost a total USD 1.25 billion. Andritz AG was one of the main beneficiaries of the project with a contract to supply the whole fiber line worth USD 300 million. Andritz still defends this project as beneficial for Brazil's people and environment.

3) Suzano Papel e Celulose/Bahia Sul Celulose (Bahia/Brazil):

Bahia Sul Celulose-Suzano is planning to expand its existing pulp mill in Mucuri/Bahia by adding another pulp line with a capacity of one million tons of pulp per year. This would make the Mucuri plant one of the biggest pulp mills in Brazil.

The Suzano pulp mill is subject to similar criticism as Veracel and Aracruz. The main issues of concern are the enormous land concentration, the expansion of „green deserts“ in the region, the high unemployment rate that is even increased by the pulp and plantation business.

As recent as on April 17th, 2006, approximately 1,000 members of the Landless Peasants Movement (Movimento dos Sem Terras, MST) invaded Suzano's eucalyptus plantations in Teixeira de Freitas, Bahia. The protestors uprooted two hectares of trees in the 599 hectares tree farm^v.

The role of Andritz AG:

In 2005, Andritz AG was awarded a contract to supply a pulp line and associated machinery to Suzano for estimated 250 million US\$.

4) Metsä Botnia (Uruguay)

This projected pulp mill by the Finnish pulp giant Metsä Botnia is under construction near Fray Bentos, at the banks of the Uruguay river in the west of the country. Another pulp mill is being built not far away from the first one by the Spanish ENCE corporation. The Metsä Botnia mill will have an annual production capacity of well over one million tons of pulp. The ENCE mill will produce just over half that amount. The Metsä Botnia mill alone will consume an area of approximately 170,000 hectares of land for the establishment of eucalyptus plantations. In total, some 600,000 hectares of pulpwood plantations were established in Uruguay in recent years. This was the result of international organizations like the FAO, the World Bank and the Japanese International Cooperation Agency, amongst others, convincing the Uruguayan government that it should promote large-scale tree plantations.

The mill is highly contested and an impressive movement of more than 40,000 activists from both Uruguay and Argentina is actively protesting the projects by blocking bridges and streets and by organizing demonstrations. The issue has become a first class political dispute between Argentina and Uruguay as Argentina is strictly opposed to the mills that will also pollute the Uruguay river, which constitutes the border between the two countries. Meanwhile, even the International Court in Den Haag (NL) and the Council of Mercosur are involved in the conflict.

On April 12th, 2006, the main financial advisor and funder to the Metsä Botnia pulp mill project, Dutch ING bank, informed Friends of the Earth International of its official withdrawal from the project. This came after long and powerful protesting against ING's role by civil society organisations.

The role of Andritz AG:

In 2005, Andritz AG won the contract to supply the Metsä Botnia mill with a turnkey pulp line worth over 250 million US\$.

5) CMPC Celulosa S.A. (Chile):

CMPC owns a pulp mill near Nacimiento (500 km south of Santiago) that produces some 370,000 tons of bleached eucalyptus market pulp. CMPC decided to add another pulp line that will produce 780,000 tons/year of pulp, tripling the overall output of the mill to over 1.1 million tons. This new pulp line is now under construction and will be supplied by Andritz AG.

The eucalyptus and pine plantations in Chile create similar social and environmental problems as the monoculture plantations in Brazil and Uruguay. In addition to its eucalyptus plantations, CMPC also operates some 415,000 hectares of pine plantations. Pinewood plantations are associated with similar environmental and social problems as eucalyptus or acacia plantations.

The role of Andritz AG:

In 2004, Andritz AG was awarded a contract to supply CMPC with a pulp line and associated machinery for about 380 million US\$. The construction is scheduled to be completed in late 2006.

V) The proposed accusation against Andritz AG

„We accuse Andritz AG of neglecting social, human rights and environmental issues when making bids for the supply of machinery to pulp mills in South America. Andritz AG supplies its customers regardless of what social and environmental conflicts they are involved in. Andritz AG has never opted not to supply a customer for reasons of environmental or social sustainability or to pose social or environmental conditions to customers. Andritz AG does not illustrate a good example of a company that is concerned about the fate of the world's natural resources or the fate of indigenous populations.

We therefore accuse Andritz AG of being a reckless and greedy example of neoliberal corporate power.

Our demand: Andritz has to step into talks with its global competitors (like Voith and Metso) to agree on terms and conditions for the supply of machinery and production systems to pulp mills world wide. These terms and conditions must include strong environmental, social and human rights safeguards.“

(This could be one possible route to follow in the Andritz case).

i cf. WRM bulletin 83, www.wrm.org.uy

ii A. De'Nadai, W. Overbeek, L.A. Soares (2005), Promises of Jobs and Destruction of Work. The Case of Aracruz Celulose in Brazil. www.wrm.org.uy

iii the information on Aracruz is mainly sourced from various articles on Aracruz by Chris Lang (www.chrislang.blogspot.com)

iv sources of information are articles by Chris Lang (www.chrislang.blogspot.com) and the Study „Swedish Pulp in Brazil_ The case of Veracel“ by M. Andersson and O. Bartholdson on behalf of SSNC and SwedWatch

v cf. www.paperloop.com