



【Briefing】

APP's expansion in China

Illegal logging is rampant across the world and especially in Indonesia. Asia Pulp and Paper (APP), a subsidiary of the Indonesian Sinar Mas Group specializes in the pulp and paper industry, and is the biggest company of its kind in the world. APP is one of the most notorious forest destroyers. Its development has brought about disasters to the forests and its residents in Indonesia. APP has denied all charges of illegal logging against it, stating repeatedly that “all timbers used by APP have got legitimate certification”. However, according to evidence compiled by The World Wildlife Fund (WWF), APP is indeed linked to illegal logging¹; moreover, some of those illegal activities have taken place in natural reserves. At present, the Japanese company Ricoh, the German company Metro, and some furniture chain stores in the US have stopped purchasing APP products.

APP and its subsidiaries currently have 13 pulp mills and about 20 forestry companies in China. It seems clear this figure will grow. APP is acquiring land in some major forest provinces both in northern and southern China and it already possesses millions of hectares of land for growing fast-growing, high-yielding trees. Since the 1990s, with its expansion in China, APP has made the natural forest areas in the southern part of China its target.

Hainan

Hainan was one of the first provinces to introduce the pulp-forest-paper integration program. APP started to develop its Hainan operations in 1995. In 1997, Jinhai Forestry Co. Ltd was established and launched its fast-growing high-yielding eucalypti program. In March 2005, APP's subsidiary, the Jinhai Pulp & Paper Plant with an annual capacity of 1 million tons of pulp formally came into production. During its 10 years of development in Hainan, the troubles caused by APP have been even worse than those in Yunnan.

In Hainan, APP did not plant enough trees according to its commitment and the number of the trees planted was far below the figure in the original plan. Currently, the official figure publicized by APP is 0.97 million mu (64,666 hcts), a shortfall of over 70% from the original plan. Experts from Hainan pointed out that due to poor

¹. WWF(June 8,2004), “Legality of Timber Consumed by Asia Pulp and Paper’s mills in Indonesia: January-October 2003”

management and protection, the eucalypti plantation area which could yield timber for pulp only accounted for a quarter of the 0.97 million mu. As Jinhai PulpMill is designed to produce 1 million tons of pulp each year, this means that 320,000 mu (21,333 hcts) of pulp forests are supposed to be cut annually to meet the demand as calculated on the relevant figures².

Poor management and commencement of Jinhai's operation exerted more pressure on the deteriorating forests and biodiversity in Hainan. "Reforestation" is merely an excuse for cutting natural forests. In order to fill the huge gap in material supply, APP started to unscrupulously exploit the natural forest resources in Hainan. According to Greenpeace's two investigations in March and April 2004, APP was suspected of destroying road protection forests and natural forests in Hainan. Furthermore, *Caijing*'s investigation report³ even claimed that APP's first illegal logging in Hainan took place much earlier than this case.

Yunnan

The cooperation between APP and Yunnan province commenced in August, 2002. Yunnan is one of the biodiversity hotspots in China, because 70% of the wild animal species under special protection in China can be found in Yunnan while 20% of them can *only* be found in Yunnan.

In August 2002, the forest-pulp-paper integration program co-sponsored by APP and the Yunnan provincial government commenced. In just one year, APP acquired 27.5 million mu (1.83 million hectares) in Yunnan as the basis for this program. A report issued by the forestry authorities of Yunnan provincial government showed that APP had planned to plant forests on 12 million mu (800,000 hct) in Simao, 5.5 million mu (367, 000 hct) in Wenshan, and 10 million mu (667,000 hct) in Lincang. However, during 2003 and 2004, APP have only planted 0.7109 million mu (47,393 hct) in total in Simao and Wenshan.

Greenpeace carried out three field investigations in June, September and November 2004, and we have obtained irrefutable evidence to show that APP performed a lot of illegal logging while implementing this program in Yunnan. These facts have been verified by different official reports⁴, including two investigation reports released by the State Forestry Administration in April and December 2004. These reports proved that APP had acted improperly when implementing the integration program and demanded APP correct its mistakes.

² Xinhua News Agency Hainan Branch(2005), unpublished investigative report on APP Hainan operation

³ *Caijing* Magazine (October 23, 2003), Investigation of APP's investment in Hainan Province

⁴ Including SFA(January,2005), Notification Regarding the Problems in the Plantations of Sinar Mas(China) Investment Company in Yunnan Province ; Yunnan Forestry Bureau(July 20, 2004), Report on the Situation of Forest-Pulp-Paper Investigation Project in Simao City by Sinar Mas Group

On Nov. 16th 2004, after almost half a year's investigation and collection of evidence, Greenpeace published the *Investigative Report on APP's Forest Destruction in Yunnan* at its Beijing office and formally complained about APP's illegal logging to the State Forestry Administration. In this report, Greenpeace revealed that APP cut the natural forests in southern Yunnan province without permission and that the purpose was to get enough space for planting eucalypti to provide raw materials for paper pulp. APP's conduct is a clear violation of the *Forest Law of PRC* and the *Implementation Regulation of the Forest Law of PRC*.

Furthermore, Greenpeace refuted APP's false claim that "it would only plant on barren land". The area where this program was implemented could not provide any barren land to APP. In addition, according to the report by the forestry authorities of the Yunnan provincial government⁵, among the 27.5 million mu (1.83 million hcts) of land, there were 11.081 million mu (738,733 hcts) with trees on them, accounting for 40% of the total planned area. That report stated that there were only 2.8 million mu (186,666 hcts) of barren lands available. In this situation, if 12 million mu (80,000 hcts) pulp and paper forests are to be grown, the only way is to lumber the existing natural forests to allow more room for fast-growing eucalypti.

A month later, Greenpeace held a second press conference in Beijing, again providing more evidence of APP's illegal logging. This event was widely covered by the domestic and foreign media. Many international environmental protection organizations and domestic social organizations made open statements, strongly condemning APP's lying to the public about its illegal logging. The Zhejiang Hotel Association even called for its members to boycott APP's products.

APP did not only deny all charges against it, but also commenced legal proceedings against Zhejiang Hotel Association. Such appalling behavior aroused huge public indignation. 22 international environment protection NGOs, 12 domestic environment protection groups and 8 environment-conscious university groups sent letters of support to the Zhejiang Hotels' Association. The China Environment Protection League also expressed its absolute support for Zhejiang Hotel Association in this case. Under overwhelming public pressure, APP finally withdrew the case unconditionally one day before the scheduled trial.

Greenpeace's report also received huge attention from the State Forestry Bureau, which has sent two taskforces to investigate this matter. The two ensuing reports both pointed out that APP's Yunnan program included illegal activities. In the *Notification Regarding the Problems in the*

⁵ Yunnan Forestry Bureau(July 20, 2004), Report on the Situation of Forest-Pulp-Paper Investigation Project in Simao City by Sinar Mas Group

Plantations of Sinar Mas(China) Investment Company in Yunnan Province issued by SFA last January, the SFA clearly pointed out that among the lands on which APP planted trees for raw materials during 2003 and 2004, 9580.52 mu (638.7 hcts) had been covered with natural forests prior to APP's plantation. APP cut a total of 24,709 m³ of timber without getting permission from local authorities. Most of the illegal logging was organized by APP's contracting partners, therefore, APP should be held accountable for this instead of the farmers. Moreover, in 2003 and 2004, APP developed 2037.71 mu (135.84 hcts) of pulp forest in a natural conservation forest area in Lancang County.

Conclusion

In spite of being harshly criticized and interrogated, APP's business in China is continuously expanding. APP has acquired access to many pieces of land across China and established six factories. The usual method was to access large amounts of investment capital to attract local governments. APP's second pulp mill in Qinzhou, Guangxi Province has spearheaded this expansion with an annual capacity of 300,000 tons of pulp and 600,000 tons of paper products respectively. APP also planned to build another two pulp plants with an annual capacity of 1.2 million tons in Simao and Wenshan in Yunnan Province. It will also expand the production capacity of the Yun Jinglin production line in Jinggu Yunnan Province. It seems that APP does not care whether access to a sustainable supply of timber can be guaranteed because through unscrupulous land occupation and aggressive expansion, natural forests in China will serve as the source of its materials at a very low cost.

Recommendations

To the Chinese government:

1. Government to conduct nation wide investigation of APP's operations in China.
2. Stop and punish any illegal activities involving APP in China.

To APP:

1. Immediately stop all illegal logging in China
2. Stop logging in Chinese natural forests
3. Admit previous illegal logging in Yunnan province publicly
4. Put a moratorium on the Yunnan project.
5. Guarantee the protection of China's natural forests and APP's full compliance with the legal procedures and authorizations as are required by the Chinese government
6. Ensure that the Hainan mill does not source product from Chinese natural forests.
7. Make compensations to the affected farmers equalling their loss.
8. Respect the rights of local communities and ensure fair benefit-sharing with local people
9. Develop a time-bound action plan to implement these commitments
10. Implement the action plan and have regular independent and transparent monitoring and

verification of the progress. Release all information on a timely and regular basis and encourage public participation in ensuring the environmental and social impacts of the Yunnan project are minimised.

Greenpeace is a non-profit global organization campaigning to ensure a just, peaceful, sustainable environment for future generations. Greenpeace began in Canada in 1971 and today has a presence in more than 40 countries across Europe, America, Asia and the Pacific. Greenpeace China was founded in 1997, aiming to push the environmental protection, expose global environmental problems and force solutions, support the sustainable development in China. To maintain its independence, Greenpeace does not accept donations from governments or corporations but relies on contributions from individual supporters and foundation grants.