



Oji Paper, one of the world's largest pulp and paper companies, is moving into the Mekong Region. Oji Paper has established large-scale industrial tree plantation projects in Laos, Thailand and Vietnam. Here and elsewhere in the world the results are deforestation and destroyed livelihoods as the company replaces villagers' forest and common land with its monocultures. Chris Lang describes the company backing these projects.

Founded in 1873, Oji Paper has grown to be the sixth largest paper company in the world. In 2005, the company produced more than eight million tonnes of paper and board. In the financial year that ended in March 2006, Oji Paper had sales of more than US\$10 billion and made a profit of about US\$180 million. The company has about 20,000 employees. Oji Paper operates 19 paper mills in Japan and has over 120 subsidiaries around the world. The company is Japan's largest landowner.

Oji Paper was the first company in Japan to use western paper-making technology in its mill at Oji, which started production in 1875. Since that time the company has grown to become a major force in the pulp and paper industry, first in Japan and then worldwide.

After buying a series of companies including Fuji Paper, Oji Paper produced 80 per cent of Japan's paper before World War Two. After the war, during the Allied occupation of Japan, Oji was split into three companies: Jujo Paper, Honshu Paper

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and Tomakomai Paper (Tomakomai was renamed Oji Paper Industries soon after the split).

During the 1960s these three companies planned to merge, but the move was opposed by Japan's Fair Trade Commission. The 1960s saw a series of strikes and lockouts in protest against cutbacks in Oji's workforce, which were part of the company's modernisation programme.

During the 1970s, Oji bought Kita Nippon Paper and Nippon Pulp Industry. In the early 1980s the pulp and paper industry in Japan was in bad shape. "The industry has built too much capacity and we are telling them to stop," Nobuaki Terasaka, an official in the Ministry of International Trade and Industry, told *Business Week* in 1981. But as Japan's economy boomed in the 1980s, Japan's paper-making capacity continued to increase – by 76 per cent between 1982 and 1991.

The industry started up production at much of this new capacity just as the Japanese economy slowed and demand for paper collapsed in the early 1990s. In 1992, the *Economist* magazine pronounced the Japanese paper industry dead. Paper makers were operating at 65 per cent of capacity. Even so, stocks of paper were rising fast. Profits of most paper companies fell.

Oji Paper tried to buy its way out of the crisis. In 1993, it bought Kanzaki Paper and became Japan's biggest paper manufacturer. The company was renamed New Oji Paper.

Japan's pulp and paper industry started to recover in the mid-1990s. In 1995, New Oji Paper bought Honshu Paper, which had been split off from the Oji Paper Group after the Second World War. The company assumed its old name of Oji Paper. At the end of 1995, Oji Paper announced plans to spend US\$1.4 billion on yet more capacity expansion.

The recovery in paper demand didn't last long. A slow economy meant weak demand as the industry's new capacity came on stream. As a result paper prices slumped once again. "Japan's paper companies are going through the shredder and they have only themselves to blame," commented the *Financial Times* in 1997. After starting up a new 240,000 tonnes a year coated paper machine in 1997, Oji Paper announced that it planned to cut its workforce by 20 per cent by March 2000. In 2001, Oji Paper announced another round of layoffs. The following year Oji Paper announced

that it would invest US\$2.8 billion over the next four years. At the same time, the company aims to reduce its workforce by 3,600 people.

After three years of patchy economic recovery Japanese companies are “again on the prowl” as the *Financial Times* put it in 2005.

Oji Paper claims that it is providing a service. “Today papers are essential vehicles for our culture, lifestyles, and industries. Therefore, we believe that it is our mission to satisfy the growing paper demand in many possible ways,” Shoichiro Suzuki, the company’s president, writes on Oji’s website.

In an interview with *Asahi News Service* in 1996, then-president Masahiko Okuni explained where the increased demand for paper in the mid-1990s came from: "For one thing, there are all those manuals shipped with new

personal computers. Currently, each machine comes with about six to seven kilograms of manuals. This demand probably won't last for a long time, however. There also seems to have been a lot of growth in the volume of newspaper inserts such as real estate or supermarket ads. Mail-order catalogues also account for substantial demand, and as the economy starts to recover this will surely pick up. Publishing demand is currently a little sluggish, but as soon as a popular book or magazine hits the shelves it will trigger a rapid increase in demand."

It's probably true that computer manuals, advertising, mail order catalogues and pulp fiction are indeed "essential vehicles for culture, lifestyles and industry" in the industrialised North. But in many countries of the South, rural communities have seen their culture, lifestyles and forests destroyed to make way for industrial tree plantations to serve the pulp and paper industry.

EXPANSION OVERSEAS

Oji Paper has long relied on imports of raw material to keep its Japanese mills going. In 1971, the company started construction of the Pan Pac pulp mill in New Zealand. Oji Paper's largest overseas operation is Celulose Nipo-Brasileira SA (CENIBRA) in Brazil. Established by Japan Brazil Paper and

Oji Paper's overseas operations

Name of Company	Established	Country	Shares held by Oji Paper (%)	Business Type
Albany Plantation Forest Company of Australia Pty. Ltd. (APFL)	1993	Australia	51	Plantation: 26,000 ha (target area)
Green Triangle Plantation Forest Company of Australia Pty. Ltd. (GPFL)	1997	Australia	51	Plantation: 10,000 ha (target area)
Brisbane Plantation Forest Company of Australia Pty. Ltd. (BPFL)	1998	Australia	41	Plantation: 10,000 ha (target area)
East Victoria Plantation Forest Company of Australia Pty. Ltd (EPFL)	1999	Australia	41	Plantation: 10,000 ha (target area)
Albany Plantation Export Company Pty. Ltd. (APEC)	2000	Australia	51	Manufacture/sale of wood chips
Celulose Nipo-Brsileira (CENIBRA)	1973	Brazil	39.5	Manufacture/sale of pulp; Plantations: 121,938 ha
Bowater Maritimes Inc. (BMI)	1980	Canada	25	Manufacture/sale of publishing paper
Howe Sound Pulp and Paper Limited Partnership (HSLP)	1988	Canada	50	Manufacture/sale of pulp and publishing paper
Alpac Forest Products Inc (AFPI)	1998	Canada	35	Manufacture/sale of pulp
Shanghai Eastern Oji Packaging Co., Ltd.	1995	China		
Qingdao Oji Packaging Co. Ltd	1997	China	78.57	Manufacture/sale of corrugated containers
Oji Paper Nepia (Suzhou) Co., Ltd.	2000	China	100	Household paper products
Oji Specialty Paper (Shanghai) Co., Ltd.	2001	China	100	Conversion/sale of thermal paper
Guangxi Oji Plantation Forest Co., Ltd. (CPFL)	2001	China	90	Plantation: 7,500ha (target area)
Suzhou Oji Packaging Co., Ltd.	2002	China		
Kanzan Spezialpapiere GmbH (KANZAN)	1990	Germany	95	Manufacture/sale of communications papers
Oji Lao Plantation Forest Co., Ltd. (LPFL)	1999	Lao PDR	85	Plantation: 50,000 ha (target area)
Pan Pac Forest Products Limited (PAN PAC)	1971	New Zealand	86.7	Manufacture/sale of pulp and lumber products; forest operations: 32,500 ha
Southland Plantation Forest Company of New Zealand Ltd. (SPFL)	1992	New Zealand	51	Plantation: 10,000 ha (target area)
Ilford Imaging Switzerland GmbH (ILFORD)	2005	Switzerland	100	production/sale of communications papers
Oji Paper (Thailand) Limited (OPT)	1996	Thailand	100	Manufacture/sale of carbonless paper
Kanzaki Specialty Papers Inc. (KSP)	1986	USA	100.	Manufacture/sale of communications papers
Quy Nhon Plantation Forest Company of Vietnam Ltd. (QPFL)	1995	Vietnam	51	Plantation: 9,100 ha (target area)
Ojitetex (Vietnam) Co., Ltd. (OJITEX)	1999	Vietnam	70	Manufacture/sale of corrugated containers
Ojitetex Haiphong Co., Ltd.	2004	Vietnam	70	Manufacture/sale of corrugated containers

Source: <http://www.ojipaper.co.jp/english/group/overseas/index.html>



Oji Paper and GE Trees

Oji Paper is carrying out research into genetically engineered (GE) trees. Concrete information is difficult to get hold of, not least because the company declines to answer questions about its GE tree research. The following is a collection of newspaper reports on Oji Paper's research on GE trees:

- In 1999, *Australian Associated Press* reported that Oji and two other Japanese companies, Mitsubishi Paper and Nippon Paper, "hope they can use transgenic eucalypts" in their plantations in Australia in the future. Oji Paper has isolated a gene called CAD, which is involved in lignin production. Oji's researchers then introduced a gene into eucalyptus trees which represses CAD's function. Asked if it hoped to use transgenic eucalypts in Australia, Oji Paper spokesman Akira Tanooka told AAP, "we would like to do that of course if the technology looked profitable ... But I think there are a lot of hurdles to clear and I suspect quarantine conditions could be very strict."
- In 2000, the *Nikkei Weekly* reported that Oji Paper's Forestry Research Institute is researching the technology to produce pharmaceutical materials from eucalyptus trees using genetic engineering. The researchers aim to create eucalyptus trees that will produce a range of chemicals that can be used to make perfumes and pharmaceuticals. "In the future, trees will serve not only as a source of pulp but also as chemical factories," a researcher at the institute told the *Nikkei Weekly*.
- In 2001, *Asian Economic News* reported that Oji Paper was set to start planting 500 hectares in Sichuan province with poplar trees genetically engineered to be resistant to mice.
- In 2003, the *Asahi News Service* reported that researchers at Oji Paper's Forestry Research Institute, in cooperation with Gifu University, have inserted genes from carrots into eucalyptus trees, to allow the trees to grow in acidic soils. Oji is conducting further trials of the trees in a massive domed facility in the US.
- Oji has grafted natural eucalyptus onto GE eucalyptus, creating trees which will grow in acidic soils and "cause no concern that GM [genetically modified] seeds will spread in the environment" according to the *Nikkei Weekly*. "The successful graft promises to enable Oji Paper to harness the power of genetic engineering to grow eucalyptus trees in locations such as Vietnam without the stigma associated with the cultivation of GM plants in nature."
- Oji has genetically engineered eucalyptus trees so that lignin is easier to remove. In 2001, the *Nikkei Weekly* reported that "Oji Paper began outdoor tests with GM eucalyptus in Vietnam in 1998, and now has 1 hectare (2.47 acres) planted. The company plans to fell the forest at the end of the year and conduct a comprehensive evaluation of the trees, including their environmental impact".

Pulp Resources, a joint venture involving 18 Japanese companies, and Companhia Vale do Rio Doce, CENIBRA began producing pulp in 1973. In 2001, the Japanese companies took over full ownership of the company and today Oji Paper owns 39.5 per cent of Japan Brazil Paper and Pulp Resources.

Today, Oji Paper has the largest area of overseas plantations of any Japanese company. The company has over 140,000 hectares of overseas plantations (see table: Oji Paper's overseas operations) and aims to have 300,000 hectares by 2010.

Oji Paper's wood purchasing policy states that "In procuring wood raw material, Oji Paper pursues green procurement to acquire resources grown through sustainable forest management." The company aims to "Preserve biodiversity, ecological processes, and ecosystems", and to

"Sustain the viability of companies and communities that rely on forests."

But the wood purchasing policy makes no mention of the company's research into genetically engineered trees (see box).

In 2004, Oji Paper imported 73 per cent of its raw material. Of this, 72 per cent came from plantations of which eight per cent were owned by Oji Paper. A total of 15 per cent of Oji Paper's imports came from certified forestry operations. The company's wood purchasing policy states that Oji will "work to acquire certification for all forests [sic] in our overseas plantation operations".

While all this may sound reassuring, a closer look at some of Oji Paper's overseas operations reveals a somewhat different reality.

Oji Paper is one of three Japanese companies that buys wood chips from Tasmania, Australia, the other two being Nippon Paper and Mitsubishi. Tasmania's wood chip trade is dominated by Gunns, a company which continues to log Tasmania's old-growth forest.

In May 2004, Mitsubishi agreed to "switch to secondary and plantation forests for woodchip sources as soon as possible". Oji Paper refuses to even discuss such a move. In February 2005, Oji Paper, Mitsubishi and Nippon Paper refused to meet with Tasmanian Green Senator Bob Brown, arguing that he is a defendant in legal action taken by Gunns. In a move widely seen as an infringement of freedom of speech, Gunns is suing Brown and 19 others for protesting about Gunns logging activities in Tasmania.

But the Oji Paper Group's most egregious involvement in environmental destruction is in Papua New Guinea. In the late 1960s, Honshu was the first company to successfully produce corrugated packing materials from hardwood chips. This opened up the possibility of pulping the rainforests. In 1974, a subsidiary of Honshu, Japan and New Guinea Timber Company (JANT), started exporting chips from forest in Papua New Guinea to Honshu's pulp mills. By the end of 1983, JANT had cleared about 37,000 hectares of forests in Madang province.

The impact on people living in the area was devastating. Malong Kuerinad lived in Gogor Valley before the loggers arrived. "Huge monsters came", was how he described the arrival of the logging crews. "A Japanese paper company cut down all the trees in our forest", he told the *Mainichi Daily News*. "My father said to the company, 'At least don't cut down this part of the forest, for my sons' sake.'" The company ignored him.

Oji Paper maintains that it establishes its plantations "in areas previously devoid of trees, such as pasture or wasteland". In Papua New Guinea this is clearly not the case. Since April 2004 JANT is no longer owned by Oji Paper. But JANT continues to supply Oji Paper with woodchips from its plantations established on clearcut forest.

Mitsubishi and Oji Paper are joint owners of Alberta-Pacific Forest Industries (Al-Pac), a 640,000 tonnes a year pulp mill in Western Canada. The mill is Canada's newest single line bleached kraft mill. In September 2005, 5.5 million hectares of Al-Pac's total of 5.8 million hectares of forestland were certified under the Forestry Stewardship Council (FSC) system as well-managed. This is the largest FSC-certified operation in the world. Yet SmartWood's assessors spent

only 12 days in the field auditing Al-Pac's operations in November 2004. That's pretty good going – around half a million hectares a day.

FSC certification of Al-Pac's operations excludes almost 300,000 hectares of oil sands mining. This activity involved removal of forest and soils to extract the oil sands. Al-Pac requested that SmartWood should not audit this part of their operations for compliance with FSC's principles and criteria. SmartWood agreed.

In February 2004, another Oji Paper operation received FSC certification after an assessment by SmartWood. New Oji Paper and Itochu Corp established the Southland Plantation Forest Company in 1992 in New Zealand. Fuji Xerox bought a 19 per cent share in the company in 1996. By the end of 2004, almost 10,000 hectares had been planted. In March 2005, Oji Paper's President and Chief Executive Officer, Shoichiro Suzuki, travelled to New Zealand to take part in a ceremony marking the first shipment of 11,000 tonnes of wood chips from Southland Plantations.

Southland has bought up farms and converted the land to monoculture eucalyptus plantations. In 2000, a local organisation called Sustainability of Rural New Zealand, commissioned researchers at Lincoln University Agribusiness and Economics Research Unit to produce a report comparing the effects of eucalyptus plantations with pastoral farming. The report found that plantation companies employ fewer people than farmers (37 jobs per 1,000 hectares for plantations, compared with 50 jobs per 1,000 hectares for farming). They also found that with the advent of industrial tree plantations, community facilities and schools were endangered.

"We hate seeing it destroyed by a multinational company whose people don't live here and contribute nothing. We're trying to arrest this before the district is buggered," local farmer Ken Buckingham told *The Listener* newspaper in 2001.

Sustainability of Rural New Zealand demanded to know how this investment could be in the "national interest". Shortly after the report was produced, the government changed the rules on foreign buying of land and required "national interest" benefits to be both substantial and identifiable, *The Listener* reported in 2004.

But Oji doesn't get everything its own way. In 1997, the company tried to set up operations in Hawaii when around 10,000 hectares of government-owned land became available on the Hamakua coast of Hawaii.

A lively local campaign against Oji's proposed plantations was successful. In November 1997, after a series of public meetings and protests against the plans, the State Board of Land and Natural Resources rejected the plan to lease the land to Oji Paper.

An article in the local newspaper by Ira Rohter captures the spirit of the campaign:

“Pulptree plantations have nothing to do with sustainable forestry, despite a recent propaganda smokescreen by State officials. The leasing of thousands of acres to Oji Paper Ltd. will NOT improve the environment or create many jobs, NOT result in the building of lumber mills, or processing plants and retail outlets and craft markets and family farms and economically independent and empowered citizens. Contrariwise, wherever these industrial plantations have been established — in Asia, the United States, Canada, Europe, South America, Australia, and Africa — they have created major environmental, health, economic, and social problems.”

OJI PAPER IN THE MEKONG REGION

Oji Paper's first attempts to expand in the Mekong Region were equally unsuccessful. During the 1980s and 1990s, major rural protests against eucalyptus plantations in Thailand meant that Oji found the country a difficult place to establish plantations. In an interview with the *Financial Times* in 1989, Toru Yoshino, Managing Director of the Corporate Planning and Administration Department at Oji Paper put this down to "cultural differences". The newspaper reported that "Japanese companies are paying to plant eucalyptus trees in Thailand, but the local farmers do not have the organisation nor the business perspective needed to make the project viable." In fact, local farmers were very well organised – protesting the impacts of monoculture eucalyptus plantations on their land.

Oji Paper (Thailand) has a factory in Si Maha Pho in Prachinburi province. The factory employs 215 people and produces paper and packaging cardboard. In September 1998, Oji Paper bought 5.5 per cent of shares in Advance Agro, one of Thailand's largest producers of printing and writing paper, with a capacity of 500,000 tonnes of paper a year. In 2004, the *Financial Times* reported that Oji Paper was considering building a plant in Thailand, but this has so far come to nothing.

Perhaps as a result of its failure to plant in Thailand, Oji Paper turned to some of Thailand's less democratic neighbours.



Land recently cleared for Oji's eucalyptus plantations in Bholikhamsay province, central Lao PDR.

Oji Paper started operations in Vietnam in 1995, when it set up a joint venture with Nissho Iwai and Dai Nippon Printing to establish a plantations project in Binh Dinh province. The new company, Quy Nhon Plantation Forest is 51 per cent owned by Oji Paper. So far the company has planted about 10,000 hectares. Wood chips from the mainly acacia plantations are exported to Oji Paper's pulp mills.

By 2001, the company had only received 62 per cent of the land it wanted for its plantations. The general director of the operation, Kironobu Ohara, told the *Vietnam Investment Review* that “The land problem is increasing the risks for projects in plantations and wood processing projects which normally require huge, long-term capital investment but produce slow returns.” In 1996, shortly after the project started, Oji Paper admitted that “the proposed sites include plots of cultivated land already owned by local people” and that “damage caused by cattle is very serious and unavoidable.”

In 2005, *Vietnam Economy* reported Kuniaki Baba, Director of Quy Nhon Plantation Forest, as saying that the company's plantation project had come to a standstill because the company could not lease any additional land.

In 1991, before Oji Paper started the Quy Nhon Plantation Forest, it established two trial plantations in Song Be province in the south of Vietnam. A large part of the site preparation costs went on clearing the existing trees and shrubs from the site. Once the trial was established termites proved to be a problem, destroying 14 per cent of the trees in the first year.

The solution was to spray DDT, a highly toxic pesticide. In fact, spraying DDT was approved in the company's guidelines for killing termites in tree plantations in Vietnam, despite the fact that DDT is banned in many countries.

Oji Paper's most recent expansion in the Mekong Region is in Laos. In February 2005, Oji bought up BGA Holdings Asia, a holding company which held 85 per cent shares in BGA Lao Plantation Forestry Ltd. The Lao Government owns the remaining 15 per cent of the company. The total concession area is 150,000 hectares, of which 50,000 hectares is to be planted with industrial tree plantations, primarily eucalyptus. To date about 2,000 hectares has been planted. The target for 2006 is 4,000 hectares with a further 7,000 hectares to be planted in 2007.

Already, serious impacts from Oji Paper's plantations can be seen. Villagers in Hinboun district who have already seen their fisheries destroyed by the Theun Hinboun dam, an Asian Development Bank-funded hydropower dam, are now seeing Oji Paper convert their swidden fields to eucalyptus plantations.

Oji Paper is reported to be investigating the possibilities of gaining financing for its plantations operations in Laos through the Kyoto Protocol's Clean Development Mechanism. In 2000, officials from Oji Paper were part of a delegation of Japanese paper manufacturers that took part in the UN Framework Convention on Climate Change climate negotiations in The Hague (COP-6). They took part in order to push for the inclusion of tree plantations in the Clean Development Mechanism. The *Japanese Economic Newswire* reported an Oji Paper official saying that "forestation and reforestation are effective ways of cutting CO₂ and other greenhouse gases".

This claim is nonsense. No CO₂ will be "cut" as a result of Oji's plantations. If Oji Paper sells 'carbon credits' equivalent to the carbon calculated to be stored in its plantations, then whoever buys the credits will emit that same amount of CO₂. The only way to cut CO₂ emissions is to reduce the amount of fossil fuel burnt. In any case, Oji's plantations might be destroyed. Insects might destroy the trees. They might burn down. Even if they do survive, the plantations are to be chipped, exported and pulped to produce paper. Paper products have a short life and any carbon absorbed will be quickly released to the atmosphere.

The plantations in Laos will probably supply raw material to Oji Paper's massive proposed project in China. The company is planning to invest US\$1.9 billion in a pulp and paper complex near Shanghai, in Jiangsu province. The project would be the largest investment ever by a Japanese company in China. Phase one of the project includes a 400,000 tonnes a year coated paper machine, a coal boiler and a port. Phase two involves a 700,000 tonnes a year bleached kraft pulp mill and another 400,000 tonnes a year fine paper machine. In the third phase yet another 400,000 tonnes a year paper machine would be built. Oji plans to complete the three phases in 2007, 2009 and 2011.

The scale of this project clearly illustrates why Oji Paper is interested in large-scale industrial tree plantations and it has nothing to do with absorbing, or storing, carbon. The company needs large amounts of cheap raw material in order to continue to compete in the global market for pulp and paper products. It is not clean. It is not development. It is a mechanism for making money.

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