

【Briefing】

Investigation on APP's Hainan Project



Background

1. Basic Profile

APP started its investment in Hainan Province in 1995. APP now has three subsidiaries in Hainan: the Jinhai Pulp&Paper Plant, the Jinhua Forestry Company and the Fu Meilin Company. In January 1997, APP started its joint venture Jinhua Forestry Company with the Hainan General Forestry Company. This company was created to meet the raw material demand of Hainan Jinhai Pulp&Paper Plant, whose annual capacity stood at 600,000 ton of pulp. For this purpose, the Jinhua Forestry company planned to cultivate 3.5 million mu of forests in Hainan. In this program, APP was responsible for the funding while Hainan General Forestry Company was supposed to purchase the land and plant the trees. In addition, Hainan Fu Meilin Company was established in May 2002 as an important arm for APP to enter into the Hainan land resources market. In May 2003, the Jinhai Pulp&Paper Plant project commenced its groundbreaking in Yanpu. In March 2005, the plant formally came into production.

2. The History of Forest Destruction by APP in Hainan

Forest destruction conducted by APP in Hainan has been occurring for some time. These types of events occurred as early as APP commenced its plantation enterprise in 1997 and has continued to occur for years.

▲ According to *Caijing's* report in 2003, many Buerger Maple trees in Hongshan County, Wu Zhishan City had been cut, and the illegal timber was transported outside by more than 50 trucks. Plantations had not been planted until 2002; and in the forest conservation area --Lychee Valley in Tian Du County San Ya City, many trees with the diameter of more than 40 cm were cut...¹

▲ In June 2003, the administration office of Song Tao Reservoir reported that “at present, the trend of illegal logging is escalating. Quite a few people (companies) unscrupulously destroyed forests in the conservation area of Song Tao Reservoir in the guise of returning land to forest, in order to establish pulp plantations. Such activities are becoming more and more frequent... From June 25th to 27th, a contractor with Hainan Jinhua Forestry Company, Guan Huibing hired some farmers to cut trees and to set fires in the hills. More than 30 mu of hill forests have been cut and more than 40 mu of land has been burnt.”²

¹ *Caijing Magazine* (October 23, 2003), Investigation on APP Hainan Operation;

² *Caijing Magazine* (October 23, 2003), Investigation on APP Hainan Operation;

▲ According to the *Hainan Daily*, to the right of the Song Tao Dam, more than 400 mu of mixed forests were destroyed at Nan Jialu Hill and Da Sha Hill, ...According to a farmer hired to log the trees, the purpose of the logging is to make way for pulp forests.”³

Many illegal logging activities are not directly identified as the behaviour of Jinhua Forestry Company, but all of the illegal activities have made way for pulp forests. As a matter of fact, in Hainan Province, “pulp forests” is synonymous for “APP’s forests”.⁴

Our Investigation

Greenpeace staff went to Hainan province for two field investigations in March and April, 2005. Our investigation covered the eastern, central, western and southern parts of Hainan. The following is the findings of our investigations:

● Suffering a severe shortage of raw materials, APP has started to log natural forests in Hainan

On March 28th 2005, the Jinhai Pulp&Paper Plant formally came into production. As soon as this large production line started working, it suffered a severe shortage of raw materials. According to the original plan, a production line with the annual capacity of 600,000 ton pulp (the capacity has now been expanded to 1 million tons) would require 2 million mu of forests as the material source because the annual consumption of timber will amount to 2.76 million m³.⁵ Jinhai had planned to cultivate 3.5 million mu forests as its material source. However from 1997 till now, the total area of cultivated pulp forests stands at 1.0 million mu.⁶ Among this only 960,000 mu has been acknowledged by APP. Due to improper management and the restriction of logging imposed by quotas, only 100,000 mu of forests are available for logging. Furthermore, the amount of timber yielded per mu is lower than expected. This looming “raw materials crisis” has clearly exerted pressure on Hainan’s forest resources.

According to staff with the Forestry Administration at Dan Zhou City, the production line at the Jinhai Pulp Plant currently needs 12,000 tons of timber each day. However, less than 1 million ton timber has been collected over the last 6 months, so it means that the present inventory could not sustain the production line for more than 3 months.⁷

³ Hainan Daily (September 30, 2003), SuXiaojie;

⁴ Hainan Forest Bureau website : <http://lyj.hainan.gov.cn/ldjh/read.php?ID=31>;

⁵ State Planning Commission (1997), “The Second Round Application for Approving Pulp and Paper Project Proposal on a scale of 0.6 million tons which was applied by Singapore Asia Pulp & Paper Co. Ltd. in Yangpu Developed Region, Hainan” [Jiwaizi, No.2504];

⁶ Xinhua News Agency Hainan Branch(2005), unpublished investigative report on APP Hainan operation

⁷ Same as the above

Our investigation also demonstrates that since the Jinhai Plant came into production, APP has been desperate to purchase timber across Hainan and that the logging of natural forest commenced in many regions. Across the island, there have emerged many timber procurement stations that collect all the available timber, strip the bark and send the processed materials to the Jinhai plant.

APP is now facing a tough situation in Hainan. Only 100,000 mu of plantations established by APP can produce timber and the rate of timber production is far below the expected figure. In December 2004, APP (China) declared that the Jinhai plant would avoid using any recognized rain forest timber included in the key protection list.⁸ In Guangdong, APP has to compete with Japanese companies for timber; in Yunnan, APP's pulp forests have not reached maturity and cannot yet produce any timber. Also, Hainan used to export around 200,000 tons of timber sheet each year. Even if this amount were entirely allocated for the Jinhai Plant, the large gap between the demand for raw materials and the supply would not be filled.

● Outsourcing forested land for pulp trees, whitewashing it as “planting trees on barren land”

APP's operations in Hainan and in Yunnan are similar. Among its 3.5 million mu lands for pulp forests, a significant amount of forested land has been intentionally classified as “barren land” for forestation.

“There are two problems with APP's project in Hainan. One of them is the logging of natural forests, and logging big trees but only planting small ones. Such events have even happened in forest conservation areas,” said an official with Hainan Forestry Bureau who wished to stay anonymous.⁹

A report published by the administration office of Hainan Song Tao Reservoir says “on June 25th 2003 a contractor with Hainan Jinhua Forestry Company, Guan Huibing hired 23 migrant workers from Guizhou to cut the trees and set fire at the valley of the first watershed in the Reservoir. By July 3rd 2003, they had cut more than 30 mu of trees and around 700 mu of land has been burned.”¹⁰

⁸ APP China website <http://www.app.com.cn>

⁹ Interview with Hainan Forest Bureau's official

¹⁰ Hainan Songtao Reservoir Management Bureau, *The situation of the deforestation and development in the circumjacent area of Songtao Reservoir*, http://songtao88.vicp.net/pages/slge/slge_5.htm

Table Classification of the land appropriated by APP for forestation (in 10 thousand mu)¹¹

By Land Type	Forested Land	Frutex Land	Logged Area	Other Land Fit for Forestation
Area	150	114.15	11.9	73.87
Proportion	42.9%	32.6%	3.4%	21.1%
By Ownership	Arable Land	State Run Forests Factory	Collectively Owned Land	
Area	30.84	50.37	268.79	/
Proportion	8.8%	14.4%	76.8%	/

● **Taking a ride on the policy of returning land to forest—destroying natural forests for pulp forest**

In 2002, the Chinese government promulgated the Regulation on Returning Land to Forest, which was designed to restore ecological balance and prevent soil erosion.

In August 2003, at the Lanyang Hot Spring National Forest Park, Dan Zhou, local patrolmen found nearly one hundred people had come to destroy the forests with bulldozers. A passage that was 2.5 kilometres long, and 7 m wide was opened up into the heart of the mountain. It was discovered later that the people who destroyed the forests there were hired by Hainan Hongqi Company, whose “forestation plan” was approved by relevant government departments in Dan Zhou in the disguise of “returning land to forest”. Its true purpose was to plant pulp trees.¹²

Documents publicized by the Hainan Forestry Bureau demonstrate that the 2003 quota of 1 million mu allocated for returning land to forest, 600,000 mu was prioritised for pulp forest.¹³ By September 2003, the total area for reforestation in Hainan had reached 1.0882 million mu with 615,000 mu of pulp forests. Pulp forest amounted to 60% of the total reforestation area. In 2003, the pulp forest in Haikou amounted to 24,000 mu, 80% of the local total reforestation area.¹⁴

¹¹ Xinhua News Agency Hainan Branch(2005), unpublished investigative report on APP Hainan operation

¹² Xinhua News Agency Hainan Branch, Banyuetan Issue 21, *Hainan, rainforest is tearing*, Reporters JinMin/DengQuanshi

¹³ http://www.app.com.cn/apptestweb/app/disp_news_single.php?num_id=14

¹⁴ Haikou Daily

However, Article 23 of the Regulation on Returning Land to Forest provides that the newly planted eco-forests should take up no less than 80% of the total reforestation area.

“APP unabashedly appropriated the quota so that some villages eligible for reforestation failed to get the quota, and Fan Sai Village was one of them,” said a staff with Hongshan Forestry Station to Greenpeace. “Especially in those forest conservation areas, common people will be fined when cutting trees whereas APP will not. Farmers got angry about this,” he added.¹⁵

● **Infringing upon public interests—destroying road forests**

China’s Forestry Law clearly stipulates that road-side forests are protected. The major role of road-side forests are to prevent wind or water erosion, and to protect the roadbed and road surface. But along the road from Cheng Mai to Dan Zhou in Hainan, several dozen miles of flourishing road forests were all cut to make way for APP’s eucalypti to produce materials for paper pulp.

Article 31 of the Forestry Law provides that when collecting timber, different logging methods, such as selective logging, clear-felling or step-by-step logging should only be used according to specific situations. Clear felling should be strictly constrained. For all protected forests and special purpose forests, such as forests for national defense, parent forests, environment protection forests, and scenery forests, only logging with cultivation and renovation purposes can get approval. But the activities in Dan Zhou do not comply with the requirement specified in the Forestry Law, and the road forests have been replaced by pulp forests which will be rotationally cut every 4-6 years. Such forests cannot provide any protective function.

● **Why are farmers reluctant to plant pulp trees?**

Although the Hainan Forestry Bureau has been very supportive and APP has proposed as many as five forestation models, up to 2005 the land appropriation for pulp forest still represented their biggest problem. The most fundamental reason is that farmers, as the suppliers of land, have not benefited from this because they are poorly compensated.¹⁶

An official with Hainan Forestry Bureau analyzed that farmers were unwilling to provide land because under APP’s forestation model, the amount of timber yielded per unit was very low, and consequently, so was the price for the timber and the rent for the land. These three problems reduced the farmers’ enthusiasm to cooperate with APP.¹⁷

¹⁵ Haikou Daily

¹⁶ Xinhua News Agency Hainan Branch(2005), unpublished investigative report on APP Hainan operation

¹⁷ Same as the above

According to statistics collected from forestry bureaus at various levels in Hainan, the fresh timber was generally purchased at 100-110 yuan/ ton. In this way, farmers could only get 30-33 yuan/ mu after an entire year's work on the land. A staff member with Wen Chang City's Forestry Bureau pointed out that APP's purchasing price in Wen Chang was 100 yuan/ m³ while the lowest market price in Wen Chang was around 150 yuan/ m³. In Guangdong Province, processed timber without bark was purchased at 350-370 yuan/ton by factories. In contrast, Jinhai would only purchase such timber for 280-290 yuan/ton. This was apparently unacceptable.¹⁸

In October 2004, 36 villagers from Chang Jiang Autonomous County jointly signed a letter to Mr. Wang Xiaofeng, the party secretary of Hainan Province, saying that "(the village committee and) Fu Meilin Company launched a program to plant fast-growing forests, but we local villagers haven't got a penny as compensation."

An official with Hainan Forestry Bureau acknowledged that "it is indeed very difficult to get 3.5 million mu of land in Hainan. The supply is declining and it is really difficult to get a piece of land for forestation."¹⁹

APP's own pulp forest cannot meet the need, and now it is also has the difficulty of land appropriation. What will be the companies' solution for the Jinhai Pulp&Paper Plant?

Greenpeace is concerned that if they do not secure an environmentally sustainable supply, the massive material gap generated by Jinhai Pulp&Paper Plant will finally pose a threat to the natural forests and the eco-system in Hainan.²⁰

¹⁸ Xinhua News Agency Hainan Branch(2005), unpublished investigative report on APP Hainan operation

¹⁹ Same as the above

²⁰ So far from 1997, APP has finished 1100,000mu(73,333hecs) plantation during 7 years. From APP official data, APP only admitted 960,000mu (6400hecs) can be logged for pulp need. However, there is only 100,000mu(666hecs) can be used for pulp because of lacking managements.

Conclusion and Suggestion

Conclusion

When implementing its forest-pulp-paper integration program in Hainan, China, APP destroyed natural forests to make way for its pulp forests. Utilising the policy of “returning land to forest”, APP destroyed many natural forests to cultivate pulp plantations. If we do not correct APP’s behavior and if it continues to ignore Chinese laws, the implementation of such a program will bring further disasters to Hainan’s eco-system. As a matter of fact, the local residents have not benefited from this program. The Jinhai Pulp&Paper Plant came into production without sustainable raw material supply, and this has created a potential threat to Hainan’s natural forests resources.

APP’s misconduct in Hainan and Yunnan are not unique events. In view of APP’s common practice, Greenpeace is concerned that APP will violate rules and destroy forests in other provinces in China. Because many people and many sectors are involved in the forest-pulp-paper integration program this program will create negative impacts upon the other provinces fit for forestation in China.

Recommendations

To Chinese Government:

- ◆ To set up a special joint taskforce to conduct a thorough investigation of APP’s behavior in the provinces fit for forestation;
- ◆ To hold APP accountable for its illegal logging according to the law.

To APP:

- ◆ To immediately stop all illegal logging in China;
- ◆ To stop destroying China’s natural forests;
- ◆ To publicly acknowledge its illegal logging in Yunnan;
- ◆ To suspend the Yunnan project until it gets an environment impact assessment;
- ◆ To take action to protect China’s natural forests and comply with relevant rules identified in China’s laws.
- ◆ To ensure that the Hainan Jinhai Pulp&Paper Plant will not use China’s natural forests as its raw materials;
- ◆ To compensate Chinese farmers’ for their losses;
- ◆ To respect the rights of local community and share profits with local people.
- ◆ To work out a timetable so that the above commitment will be promptly fulfilled.
- ◆ To carry out independent, transparent monitoring and inspection on its project in Yunnan. To publicize all the information timely and regularly. To encourage public participation so that the negative impact upon society and environment of this project could be minimized.

Greenpeace is an 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.