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SOCIAL RESPONSIBILITY AT VERACEL CELULOSE

Executive Summary

Veracel CSR is a partnership project between the Trade Union Solidarity Centre of Finland and the Instituto Observatório Social of Brasil.

SÃO PAULO

JULY 2005

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1. INTRODUCTION

This paper examines the social and environmental conduct of Veracel, one of Brazil's largest forestry and industrial enterprises today. Controlled by Brazilian Aracruz and Swedish-Finnish Stora Enso, Veracel has undertaken to observe sustainable social, economic and environmental responsibility principles. The study seeks to assess the company's application of such principles and its relations with stakeholders concerning controversial issues.

The study is the result of a cooperation project signed by pulp and paper industry workers' unions in Brazil, Sweden, and Finland: Brazil's SINAP – National Pulp and Paper Workers' Union, Finland's Paperilitto and Sweden's Svenska Pappersindustriarbetareförbundet. Its purpose is to benchmark the company's conduct over time.

The study was accompanied by these labour organisations and by the National Federation of Chemists (CNQ-CUT), by the International Federation of Chemistry and Energy (ICEM) and by the Pulp and Paper Workers' Union of Bahia (SINDICELPA).

In addition to consulting documents and literature and resorting to field observations, 32 interviews were carried out, from October 2004 to March 2005, with representatives from Veracel and its controlled companies, unionists, NGOs, local organizations, public bodies and indigenous groups' leaders.

2. THE PULP AND PAPER SECTOR IN BRAZIL

Brazil is one of the world's largest producers of pulp and leads manufacture and exports of short-fibre pulp, a position achieved very rapidly after the sector started in the 1970s.

The origins of Brazil's pulp and paper industry can be traced to the late

19th century¹, with reforestation activities beginning in 1903. Yet a national pulp and paper industry only started to grow in the 1930s, partly owing to a policy adopted by the Getúlio Vargas Administration designed to protect the domestic market.

In the 1950s, the major national groups – Klabin, Suzano and Simão – consolidated and multinationals such as Champion and Rigesa set up plants in Brazil².

In the 1960s the first timber forests are introduced in order to meet the demand of the growing pulp and paper industry. Governmental policies³ stimulate reforestation through fiscal incentives and low-cost funding. Technological innovation in the use of eucalyptus short fibres for the production of paper occurs at that point in time, pioneered by Aracruz in 1967.

In the 1970s, with the support of the National Bank for Economic and Social Development–BNDES, the sector doubles domestic production and the use of short-fibre pulp becomes widespread. Governmental support to groups headquartered in the country, in line with import-substitution policies, and rising foreign investments contributed to broaden forestland intended for the pulp and paper industry.

With the foreign debt crisis of the 1980s, domestic recession and export-oriented policies point to foreign markets as the only alternative for the sector's production.

In the 1990s, government policies seek to place the country in the international market and to minimise the role of the State, privileging its regulatory function. The adoption of trade liberalisation policies expose national companies to foreign competition and force them to modernise. Thus, in addition to restructuring, the Brazilian pulp and paper industry had to define new development strategies to compete within the domestic market.

Today, Brazil's pulp and paper industry comprises 220 companies earning a total of R\$ 23 billion per year, employs 100 thousand workers and

produces 8.4 million tonnes of paper and 9.6 million tonnes of pulp per year⁴.

The top ten largest companies concentrate 80% of the pulp production and 60% of the paper production. The largest groups in 2003, according to their net worth or net earnings, were Aracruz, Klabin and Votorantim (VCP)⁵. None of these companies, however, is among the world's largest in the sector, with International Paper and Stora-Enso competing for the leadership.

Pulp production is concentrated in the Southern and Southeastern states and in Bahia. The states of Espírito Santo and Bahia, where Aracruz and Veracel operate, account for 34% of the short-fibre pulp output in the country⁶.

Pulp and paper industry forests spread over 1.5 million hectares on which eucalyptus (75% of the total area) and pines predominate. The state of Bahia, with 20% of forestlands, is striving to take over the lead, right behind the state of São Paulo⁷. Forestry employs approximately 30 thousand people throughout the country, and in Bahia, about 5,100, with a prevalence of outsourced workers who, in 2001, totalled 3,716⁸.

Although still representing a small share of the world's market⁹, Brazilian exports of pulp and paper in 2003 amounted to US\$ 2.8 billion, 3.9% of the country's trade balance, a 38% growth in relation to 2002¹⁰. Main destinations are Europe (45%), Asia (32%) and North America (19%). Acceptance of eucalyptus short-fibre pulp was crucial to the success of exports. Meanwhile, Brazil's domestic market for paper has been growing at higher-than-world average rates.

The outlook is one of expansion of the country's productive capacity for several companies have started new pulp production lines over the last years or are planning to do so in the near future. Such expansion seems to follow a global trend, as attested by the cases of other developing countries such as Chile, Indonesia and China, among others. This is the scenario in which Veracel will help to consolidate the Brazilian position in the global trade of pulp.

3. CHARACTERISTICS OF THE COMPANY AND THE REGION

Veracel's industrial facility and eucalyptus plantation are located in Bahia's southernmost region where 372 thousand people—23% in rural areas—live in the nine municipalities affected by the enterprise¹¹.

3.1 SOUTHERN BAHIA AND ITS DEVELOPMENT

It is rather symbolic that the first commercial activity undertaken in the region has been the predatory logging of Brazilwood (*pau-brasil*), used in Europe to dye textiles, soon after the arrival of the first Portuguese to the country in 1500.

Thereafter, modern economic development only stepped up in the 1950s with the construction of roads connecting the region to urban centres. Cacao crops sprang, benefiting from the interaction with the Atlantic forest¹², only to be decimated by a plague in the late 1980s¹³.

At the same time wood-based activities surged. Without public planning or regulations, the extraction of hardwood and fuelwood for the production of charcoal to supply Minas Gerais's steel industry, nearly extinguished the Atlantic Forest in the region. Both activities, however, started to decline in the 1980s.

The region's economy thereafter is marked by beef ranching, predominant until today, and though this activity is said to have used deforested areas remaining from wood extraction, it also contributed with its share of environmental degradation.

Thus without any effective control by the government, deforestation reduced the Atlantic Forest's coverage from 85% in 1965 to 15% in 1974, 6% in 1990, and 4% nowadays¹⁴.

Attempts to develop the region's agribusiness, as with the sugar and

alcohol industry in the 1980s and early 1990s, failed. Over the same period, however, tourism, especially in Porto Seguro, offers an alternative to income generation and attracts people to the coastal areas.

The 1970s also marked the beginning of pine and, chiefly, eucalyptus tree farms in Southern Bahia. This activity gained impetus with the setting up of the first pulp mill –Bahia Sul Celulose– in 1992, and with the tree farm projects carried out by Aracruz Celulose from the late 1980s on.

A rush to invest in the eucalyptus monocrop plantations was followed by more felling of the native forest. In May of 1993, some NGOs¹⁵ denounced deforestation operations by Veracruz, at the time an Odebrecht Group subsidiary, which culminated in two embargoes on the company's activities in May and October of 1993¹⁶.

3.2 VERACEL

The business's history begins in 1991, when the Odebrecht Group acquired 42,000 hectares (ha)¹⁷ of land, with 1,500 ha of experimental eucalyptus farms, from a subsidiary of then state-owned Companhia Vale do Rio Doce (CVRD). Veracruz Florestal was then formed and one year later starts its own experimental tree farms. In 1993, a study determined the feasibility of the forestry and mill project, anticipating the construction of the pulp mill.

In 1997, Swedish Stora associated with Odebrecht in the project, which had its name changed to Veracel Florestal. In 1999, Stora merged with Finnish Enso; in 2000, Aracruz joins the partnership, with the same capital share as Stora Enso. Odebrecht, which had kept a 10% stake in the business, decided to leave the partnership in 2003¹⁸.

Aracruz is the world leader in the production of bleached eucalyptus pulp (2.4 million tonnes a year) and Stora Enso is the world's second producer of pulp (30 mills and 16.4 million tonnes of paper per year)¹⁹.

Veracel holds property to 164,575 ha of land, using 70 thousand

hectares to plant eucalyptus and the remainder for the conservation and regeneration of the Atlantic Forest²⁰. Between 1991 and 1998, the company acquired 96,000 ha and planted 41,500 ha. And between 1998 and 2004, another 26,000 ha were bought and 28,500 ha were planted²¹. Moreover, an incentives programme adds another 10,000 ha of tree farms on 60 rural properties, with a forecast target of 28,000 ha by 2008²².

The mill, located between Eunápolis and Belmonte, was started in May 2004 and was finished in June of 2005. The plant has the largest non-stop line of production of eucalyptus bleached pulp in the world. Total investment in the business—US\$ 1.25 billion—was funded by the BNDES (R\$ 1.5 billion or 40% of total investment), the Nordic Investment Bank (US\$ 70 million) and the European Investment Bank (US\$ 80 million)²³. A maritime terminal was also built in the municipality of Belmonte (TMB) to market the production, and other investments were made in the Aracruz Celulose private terminal, from where pulp will be exported²⁴.

The forecast is that the company will export US\$330 million a year. The success of Veracel's plant in Bahia should consolidate Aracruz and Stora Enso's position as the world's largest pulp producers, and is expected to generate 3,000 direct jobs and 7,000 indirect ones²⁵, plus a peak of 9,000 direct and indirect jobs during the construction of the plant²⁶.

Favorable edaphic-climatic²⁷ conditions, coupled with cheap labour, affordable land prices and cutting edge foresting technology among other variables, slash wood production costs by 25% relatively to the main countries of the Northern Hemisphere²⁸.

Veracel is the largest employer in the region, with 568 employees (not computing direct jobs to run the mill) and 3,262 workers in contracted companies (data for December 2004), not including jobs generated by the forestry incentives programme, construction work, and infrastructure.

From the company's standpoint, Veracel brought about “a new cycle of

economic and social development”²⁹, with the leasing of non-planted areas to livestock ranchers, forest garden extractivism, and the use of forest waste to produce charcoal and supply wood to the furniture industry.

4. MAIN TOPICS

In this chapter we address those issues related with the social, economic and environmental impacts that pulp-milling activities brought about in the region, based on interviews with social actors and on the bibliography available.

4.1 SUSTAINABLE DEVELOPMENT

Due to the devastation of the Atlantic Forest, the cacao crisis and tourism’s ups and downs, the sustainable development of the region is a matter of grave concern to all involved.

In this context questions arise as to the impacts of large-scale forestry projects on the physico-biotic environment, particularly on biodiversity, water resources and the soil. At issue too is the social return on the mainly state-funded investments made in the forestry industry in comparison to other activities.

Veracel claims that the investment will produce long-term profitability and sustainability since, as a forest-based business, it relies on the preservation of natural resources such as the soil and water.

In 2004, shareholders set a target for the company: attain the industry’s highest global sustainability levels (the “Veracel Sustainability” project). A Sustainability Agenda was drawn up and, as of August of 2004, measures had been taken to disseminate concepts among managers, identify issues and actors, set up an internal committee, and elaborate a plan of action to tackle already identified problems. Even though the Agenda was unavailable to the public at the time of the research, some topics were included in the Forest Management Plan³⁰.

In it, Veracel states that the company is conducting “research into the impact of the eucalyptus culture on soil properties” and monitoring the water of two micro-basins of the Santa Cruz River, in partnership with renowned Brazilian universities.

4.1.1 Public support to major industrial undertakings

Local social actors dispute the socio-economic development model centred on the pulp and paper industry and large-scale eucalyptus plantations fostered by governmental policies.

Key to this issue is how effective investment is in terms of job generation. Considering BNDES funds, every job the sector creates corresponds to R\$366.00 in investments. The allocation of such resources to several small-sized projects and activities, according to some of the interviewees³¹, would bring greater returns in terms of long-term job and income generation. Consideration must be given to the fact that the pulp industry is capital intensive, generally yielding a lower job per capital coefficient than other activities.

Concentration of public resources in a one-off project or activity is seen by many local organizations³² as a repetition of the mistakes of the past (wood, cacao), when there was no economic diversification. A crisis in the pulp and paper sector could compromise local economic and social sustainability. The company dismisses the argument as an extremely remote possibility given the efficiency and competitiveness of the business.

4.1.2 Social participation in economic and social planning

Development planning is central to the debate on sustainability. Local organizations interviewed consider that the prior existence of a zoning law could have prevented problems associated with the implementation of forestry projects, by previously defining areas compatible with social and environmental

sustainability.

Notwithstanding its legal status, the EEZ–Ecologic Economic Zoning– has never effectively been enforced³³. In Bahia, zoning is an attribution of local state agencies³⁴ and so far only a few meetings and seminars were held to discuss the Zoning bill. Complaining about the bill’s pace, some of the respondents understand that the companies, Veracel among them, have no interest in the zoning because it would restrict their operations. Veracel, in turn, considers the measure necessary, but points to the government’s responsibility.

4.1.3 Environmental licensing: public control and social control

Veracel’s forestry and industrial activities were licensed in 1995 by the Environmental Resources Centre (CRA), which authorized the planting of 96,000 hectares of eucalyptus in an area of 2 million hectares. To that end, then Veracruz Florestal contracted Finnish company Jaako Poyri to produce the Environmental Impact Assessment Study/Environmental Impact Statement (EIA/EIS).

According to some of the interviewees, the EIA/EIS execution only occurred after reports of irregular deforestation in 1993 and the ensuing civil action brought against the company by the Public Prosecution. This version is rebutted by Veracel, which claims that the study is only called for in cases of simultaneous licensing of forestry and industrial plant activities. The lawsuit is still pending judicial decision, at the time within the jurisdiction of the State’s Judiciary and, more than ten years later, the case is still mentioned by many of the respondents as indicative of the company’s behaviour.

Bahia’s State’s Attorney raised several issues concerning the original EIA/EIS, pointing out errors, superficiality, heterogeneous criteria, inconsistencies in terms of the technology to be adopted and in terms of the precise locale of the facility, no participation of the community, and a conflict of interest on the part of the company conducting the study, among other points³⁵. Moreover, it considered, with regard to the pulp and paper mill projects for the region, that

“stimulating the implementation of a series of projects with similar characteristics would be harmful to socio-economic development”. Veracel should not be assessed individually but in the context of these several businesses. On the other hand, the Judiciary envisages tourism as the region’s natural vocation towards harmonious and sustainable development.

Veracel, in turn, advocates that the State of Bahia Development Committee (CEPRAM), composed on an equal basis of government officials, civil society groups, and NGO activists, approved the EIA/EIS in 1995.

To the company, the EIA/EIS included operational, industrial, and forestry inventories and studies on the region’s physico-biotic and socio-economic environment, as well as studies on aerial and hydrologic dispersion. Based on those studies the project’s impacts were assessed and mitigation measures proposed.

Besides studies for the barge pier, in 1998, and for river dredging operations, in 2005, from 1993 to 2003 several other studies were conducted to better reflect changes in the plant’s conception. Such studies included, for instance, a follow-up study on the evolution of ECF and TCF technologies, land and aquatic macro-fauna inventories, socio-economic studies, inventories on Indian reservations in the environs of licensed areas, and detailed environmental studies on the impacts of effluent discharge on the area.

Respondents, particularly the IBAMA and NGOs (APPA, CDDH-Teixeira de Freitas, CEPEDES), criticized the feeble involvement of local communities, the lack of information on forestry and pulp projects in general, and the difficulty encountered by the local population to intervene in the environmental licensing processes owing to their lack of knowledge of the technical terms used in the impact studies. Another criticism is the insufficient publicizing of public hearings, which some see as a deliberate action to restrict participation to those supporting the enterprise.

The company disagrees, arguing that public hearings are regulated and

announced by the local press. The impact statement was disclosed in two public hearings, in 1995, attended by more than 1,000 participants from different social segments.

Ten years after the environmental licensing, very little information could be gathered with the local organizations interviewed, including the mitigation and compensatory measures recommended. The impact statement and the environmental licenses are of a public nature and must be disclosed to all interested parties³⁶.

Apparently some of the points criticised by the Public Attorney's Office were later clarified and complementary studies were carried out after the licensing process. The company obtained six main environmental licenses³⁷, whose recommendations address relevant aspects of the monitoring and assessment of the enterprise³⁸:

- to develop projects on the alternative application of eucalyptus wood for other economic purposes, favouring local economic integration;
- to support programmes stimulating economic activities already pre-existing in the area;
- to apply for forestry licenses with cartographic documentation;
- to limit tree plantations to a maximum of 20% of each municipality's area and of 15% in the case of coastal municipalities;
- to create social programmes for the municipalities affected;
- to keep statistical records of workers leaving farms acquired;
- to contract companies and workers from the region in order to contribute with job and income generation.

Among the conditionalities imposed on the industrial project, figure such themes as environmental education, control of the Jequitinhonha River conditions, air quality, effluent control, solid waste, and tens of other items mentioned.

4.1.4 Codes of conduct and environmental certification

Pulp and paper companies in the region are certified or in the process of being certified both by international standards, as the Forest Stewardship Council (FSC), and national standards as the Cerflor.

Cerflor is a norm defined by the Brazilian Association for Technical Norms (ABNT), which is the National Standards Forum, termed NBR 14.789 – Forest Management – Principles, criteria and indicators for forest plantations³⁹. It lies on a set of principles subcategorised into criteria and indicators⁴⁰. Among the five principles of the norm, the commitment to pursue sustainability in the social, environmental and economic dimensions stands paramount.

Public disclosure and communication with stakeholders is one of the conformity criteria. In the certification process, apart from being audited, applicants must hold public meetings with stakeholders and the community at large to address questions, criticisms and suggestions, as well as to provide information on impacts and compliance with the norm's principles.

Veracel first implemented the Cerflor norm in 2004 and was certified in the first semester of 2005. The company produced a prospectus about the norm for its internal public.

During their interviews, CEPEDES, CDDH, APPA and Terra Viva, all NGOs, stated they had no knowledge of Veracel's certification process. Besides, they consider the eucalyptus monocrop not to be environmentally sustainable and, therefore, not deserving being awarded a sustainability certification.

The respondents criticised the format and the results of the public hearings held by the certification organizations in previous cases. Because organizations opposing the enterprises were not invited and because there was not enough time for the preparations, the hearings were biased in favour of the entrepreneurs. Besides the small numeric participation of the community, there was no access to adequate information on the impacts of the enterprise, rendering them superficial.

Some of the criticisms (insufficient divulgation, selected invitations) later became evident in the public hearing conducted by BVQI to award the certificate to Veracel, in Porto Seguro⁴¹. However, the event provided an opportunity for the people and organizations present to manifest their disagreement and concern about the project's impacts.

Veracel emphasizes that the certifier is responsible for defining the rules by which hearings will be announced and that there is no interference from the part of the company. According to Veracel, the certifier achieved record participation during the hearings and that all criticisms and denunciations were audited by the certifier and were included in the final report.

4.2 IMPACTS ON THE PHYSICO-BIOTIC ENVIRONMENT

4.2.1 Water resources

There is generalized consensus among the region's social actors that the eucalyptus "dries up" water sources, which would be absorbed by young forests at levels superior to those of the hydric equilibrium. Forest renewal in six-to-nine-year cycles would account for such absorption (superior to that of native forests and planted forests not intended for cutting purposes).

It is worth mentioning, though, that such statements were based on accounts of ponds or water courses that had disappeared or had had their volume reduced.

The issue is pollemic and sectoral companies and their representative entities are trying to prove, through studies, that the eucalyptus' water consumption is highly efficient in comparison to other species⁴². Veracel, too, defends this argument claiming that the eucalyptus forest absorbs less water per unit of biomass than other types of forests and only up to available levels, and that the species has adapted to the region because of the excellent year-round

rainfall distribution .

Furthermore, Veracel's plantations are said to observe required maximum distances from rivers and valleys, preserving and recovering water sources.

Local NGOs also accuse pulp and paper companies present in the region of excessive use of pesticides, causing workers' intoxication and soil contamination⁴³. Such excessive use would occur mainly in the control of ants, natural foes of young eucalyptus trees, and in the elimination of intermediary vegetation growing in the plantation's early stages.

Veracel is being accused by farmers and indigenous groups (see item 6.5) of contaminating rivers and soil with chemical products, but no evidence has been produced by studies, public authorities' opinions, or independent sources.

The company claims that it assures the rational and sustainable use of the soil, resorting to biologic control, more plague and sickness resistant clones, timely interventions, and using toxic substances only as a last resort. In such cases, the glyphosate products used present low toxicity (toxicological level IV of the Ministry of Agriculture) and are used both very seldom and in very limited quantities. Glyphosate pesticides are rapidly and totally decomposed in the soil, pose little environmental risk and are of low toxicity levels for humans and warm-blooded animals. The other toxic substance used –sulphonamide– is also a category IV substance which is only used selectively to combat ant infestations, in compatible dosages.

The antagonistic positions observed in relation to both water and pesticides prompt a conclusion: the bibliography consulted and the data collected during the interviews showed a lack of studies by neutral agencies with respect to the interests at stake and of studies providing an opinion about the sustainability of these projects, which would, thereby, reassure communities within the company's area of influence.

4.2.2 Soil

Overall, the region's soils are considered little fertile. Even so, some respondents fear that the eucalyptus forests may weaken the soil in the long term, with successive cycles of reforestation and harvesting.

With regard to this issue companies too present scientific data to support the sustainability of the eucalyptus crop, demonstrating that it consumes a smaller quantity of macronutrients than other crops as sugar cane, corn, coffee and potato⁴⁴.

In the opinion of the IBAMA Southern Regional Office manager, eucalyptus farming, owing to the size of the tracts, should have negative impacts on the biodiversity of the microorganisms present in the soil⁴⁵.

That argument too is rebutted by Veracel, which claims there are studies demonstrating the opposite, that is, that the eucalyptus benefits soil properties. The company argues that its plantations are located in areas previously degraded by other activities with no or inadequate land stewardship, and that it utilizes techniques that promote the improvement and conservation of soil quality. Thus, barks, leaves and branches are left on the tract to incorporate organic matter, contribute to control erosion, and maintain soil humidity⁴⁶. The company states that it keeps nutrient levels at 20% above required levels as a means to ensure and increase soil fertility. Veracel also adopts the minimum cultivation technique whereby soil interference would be the lowest possible.

4.2.3 Biodiversity (fauna and flora)

One of the issues raised in the debate surrounding the region's pulpwood industry is its potential negative impact on the regeneration of the original green cover or the causing of new damages to the environment. It is imperative that the conditionalities set forth in the companies' environmental licenses, including Veracel's, be observed with respect to the conservation of the

Atlantic Forest and, in particular, of those areas in an intermediary regenerative stage.

Veracel states that it meets the conditions set by the environmental license restricting forestry to areas anthropised in 1995/96 and thus allowing the recovery of the remainder of the forest. To that end, it keeps permanent conservation areas and legal reserves above the limit established by the Forest Code. More than 50% of its area is destined for the preservation and regeneration of the Atlantic Forest, with 40,000 ha of forest well conserved (11% of the remaining forest area in Southern Bahia) and 30,000 ha in regenerative stage⁴⁷. The company is implementing the Atlantic Forest Programme, which observes among other points, the production and distribution of native species. Lastly, it sponsors the Veracruz Station, Northeast's largest RPPN area (Natural Protection Private Reserve) with 6,069 ha, and in which there are more than 400 arboreal species and 506 animal species.

Another important aspect is the use of the mosaic-landscape concept, with planting occurring on plateaus and leaving the valleys for the recovery of the original forest, with the subsequent formation of "ecological corridors" wherein ensuring animal biodiversity. Despite the respondents' positive assessment of this practice, there are doubts in relation to the size of the eucalyptus blocks and the distances between them.

The local NGOs' main concern is that the incentives programme would be causing the suppression of native or recovering vegetation. The IBAMA reported two infractions, in 2004, in areas under Veracel incentives programme⁴⁸ and, in February of 2005, once again, the company was charged with the deforestation of a 19.5-hectare area of timber in an advanced stage of regeneration carried out by Trevo, one of the incentives programme accredited outsourced companies. The property had had its Forest Steward Programme license suspended; yet, according to IBAMA, the Municipal Department of the Environment had authorized the eucalyptus plantation based on their opinion that

the area was pasture land⁴⁹.

The fact is that the licensing of forestry incentives programme areas, whatever their size, is an attribution of municipalities, which are allegedly more vulnerable to pressure and influence, and unprepared for the function.

Veracel, on the other hand, argues that the environmental conditionalities are also applied to the incentives programme and that it adopts a control system in which resource allocation is contingent upon fulfilment of requisites, non-compliance of the conditionalities entailing automatic exclusion of the incentives programme.

As to the aforementioned 2003 and 2005 infractions, the company states that the tree farm owners had removed the vegetation in areas that had not been previously authorized by Veracel in accordance with its incentives programme. All in all, to prevent such events from future occurrences, Veracel informed that only definitive maps of plantation areas would be filed when applying for a license, avoiding the preliminary land resources inventories.

4.3 ENVIRONMENTAL IMPACTS

4.3.1 Population dynamics

In the early 1980s, the expansion of tourism, cattle ranching and forestry, plus land concentration and a weakening of traditional farming, prompted the migrant population of Southern Bahia's rural area to concentrate in, among others, the cities of Eunápolis, Porto Seguro and Teixeira de Freitas. In addition, demographic growth rate escalated in the 1990s (4.2% a year), a trend that, according to the IBGE, continued after the year 2000.

Local NGOs believe pulp industry projects have contributed to the rural exodus and have, therefore, generated social problems. The construction of industrial plants raised the population's expectation regarding employment thus

attracting hosts of unemployed workers to the region. And workers hired in other regions for the construction of the plants stayed there. That would have aggravated pressure on the local labour market as well as generated negative effects on the social tissue (poverty and prostitution, for example), on security (violence) and on public health (contagious and/or sexually-transmissible diseases).

Yet, to be sure, the crisis affecting some of the region's traditional activities and the strengthening of tourism contributed decisively to a change in the demographic structure and to the concentration in coastal municipalities.

The workers that built the Veracel plant (9,000 at its peak) came, mostly, from other regions of Bahia and from other states. To accommodate this contingent, Veracel built quarters and rented rooms in the municipalities closest to the plant. Veracel vowed to demand from contractors that they provide for the return of workers to their hometowns and select the highest number of workers possible from within the region, thus reducing population attraction.

4.3.2 Income (public and private sectors)

The income generated by the region's economic activities is concentrated in Eunápolis and Porto Seguro (55.8% of the total) and is basically dependent upon the services sector (50% of total income)⁵⁰. In the latter, tourism prevails in coastal municipalities and commerce and services in general in the rest. In municipalities located in the interior of the state, farming is more significant and is characterized by cattle ranching, sugar cane, Bahia coconut, papaya, cassava, and silviculture⁵¹.

Nonetheless, income generated by the public sector, in the form of welfare benefits and public employment, appears to be highly relevant to the population. Yet the insufficiency of such income is revealed in the municipalities' income per head, ranging from R\$ 2,000 to R\$ 6,000 a year—approximately US\$ 800 to US\$ 2,400—, which may be considered a situation of

poverty since such figures are lower than the country's average income (R\$ 7,600) and, in many cases, lower than the state of Bahia's average income (R\$ 4,500), which is, in turn, low by Brazilian standards. Even those municipalities boasting the highest GDPs, such as Eunápolis and Porto Seguro, have low per head income—ranging from R\$ 3,800 to R\$ 2,500⁵².

Data on the region's average household income support this extreme poverty scenario⁵³. In the state's 20 Southern municipalities⁵⁴, 37% of household heads earned up to one minimum wage (R\$ 300) and 60% earned less than two monthly minimum wages (R\$ 600).

Yet it is worth mentioning that in the 1990s the region's average household income evolved positively in comparison with average levels for the state of Bahia.

The region's Human Development Index (HDI), which ranges from 0.618 to 0.704, confirms the socio-economic shortfalls⁵⁵. Only three municipalities within the area of influence of Veracel boasted HDIs higher than the state's average (0.688), yet none came near the national average (0.766). On the other hand, the same indicator shows that the region's average evolved more rapidly than the state's and even the country's average, between 1991 and 2000.

This picture is associated with the incapacity of the region's economic cycles (see item 4.1) to lay the foundations for a diversified and integrated economy. Mass tourism is characterized by low income generation⁵⁶. Cattleranching is not typically a big employer, and pulp mills do not show, for now, the level of integration with other sectors (wood, furniture, etc) required to boost several correlated activities.

Veracel's potential to generate employment and wealth is viewed with skepticism and criticism by NGOs and municipal authorities interviewed. Job-generation estimates are questioned, and the low socio-economic return on public spending (in comparison with family agriculture through agrarian reform) is criticized.

Veracel is betting on the positive impacts of the enterprise on commerce, services and on its own suppliers and firms in the pulp and paper sector. In a study commissioned by Veracel, Sebrae⁵⁷ demonstrates that procurement from local suppliers in 2002 amounted to R\$ 9 million approximately and corresponded to 63% of the year's total purchases.

Tax collection soared in the region as the Veracel plant was set up (294% between 1999 and 2004)⁵⁸, the greater benefit impacting Eunápolis, where Veracel's influence is stronger (annual incremental rate of 82.8%).

Nonetheless such effect, not all parties are convinced. Municipal officials interviewed in Belmonte and Itagimirim do not believe this positive impact has offset the negative effects (demographic growth). And the City of Eunápolis representative questioned the sustainability of these tax revenues arguing that the pulp produced is for export and thereby exempt from municipal taxes. Veracel, however, argues that the legislation provides for compensations for the tax that is not collected by the city, so there would be no loss. What becomes patent is the limited information on the enterprise's impacts.

The company has been developing some programmes and actions geared to the generation of income in the region: the qualification of local businesses, forestry incentives, the selling of wood and waste, and priority to local employment among other measures⁵⁹.

4.3.3 Employment (quantity and quality)

As of December 2004, Veracel employed 568 direct workers and, through its 50 contracted companies, occupied another 3,262 workers, mainly in forestry. At that moment, 7,257 people were working in the construction and assembly of the mill, hired by some 96 contractors and suppliers.

Local actors consider job generation produced by eucalyptus planting and management programmes to be relatively lower than in family farming and even lower than in beef ranching.

Veracel counterargues (based on own studies) that eucalyptus farming generates three times more jobs than agriculture in general, and five times more than the pre-existing rural activities. According to the company, only 370 people were employed on the farms it acquired, and today the company's activity in the same areas occupies 1,288 rural workers.

Most importantly, the quality of the employment would have improved in relation to the former situation, with the regularisation of labour contracts, increased wages, and additional benefits (basic food basket, hot lunch, uniforms, first-aid station, health plan, bus transportation, etc)⁶⁰. Finally, the selling of waste and forest byproducts would be generating job opportunities for unskilled, low-income workers.

There is no independent information to help assess the impact of eucalyptus farming on the region's employment comparatively to other rural activities. Yet data on workforce demand by crops in another state (São Paulo) show that eucalyptus farming employs fewer people than fruit and grain monocrops such as soya and corn⁶¹. Yet, the introduction of silviculture diminishes job seasonality and generates more jobs than cattle ranching (in the same area)⁶².

As for the jobs generated to operate the mill, respondents consider that the local population is not being absorbed in the proportion announced, preference being given to candidates with previous working experience, who come from other regions.

The company claims that it carried out studies to assess the region's educational and technical levels and concluded there was a shortage of professionals with the schooling and qualifications required by operational positions. To occupy vacancies to operate harvesting machines, Veracel recruited 102 candidates with secondary instruction in the region, gave them specific training and, eventually, hired 74 workers. The company built a vocational training centre in Eunápolis, and designed a Qualification Programme to train

5,900 workers, with funding from the FAT (Workers' Support Fund) and in partnership with state governments and entrepreneurial entities⁶³.

Veracel states that it stimulates contractors to hire local workforce, preference to be given to those individuals who attended capacity-building programmes. According to Veracel, 1,625 workers were hired for the forestry and milling areas.

Indeed, Bahia does not have capacity-building and qualification infrastructure in the pulp and paper area, which prompts the hiring of professionals coming from other states. The first Forest Engineering course in Bahia was only established in the beginning of 2005, by the the Agronomy School of the Federal University of Bahia.

The limited data available on the local labour market⁶⁴ are restricted to formal employment (with a labour contract) and refer to the year 2002 (latest available), so that they do not comprise most of the agricultural employment and do not reflect the possible impacts of the mill's construction and operation.

Data show that for the approximately 200 thousand economically active inhabitants there were only 26,000 formal jobs, an obvious shortfall. Data also show that, from 1994 to 2002, formal employment quadrupled and that almost every main industry had increased the number of jobs⁶⁵. Employment in agriculture and beef farming grew by 637% and in silviculture by 724%. Yet, if formal employment grew, this growth was far from meeting the demand for jobs.

A study on the development and the reshaping of Southern Bahia's rural area, using Suzano/Bahia Sul as proxy, measured a 65% drop in rural-related activities when the forestry complex intensified its operations⁶⁶.

4.3.4 Public infrastructure

According to respondents, Veracel had both positive and negative impacts on the region's public infrastructure. As positive impacts, respondents pointed out the restoration of federal road BR-101, the opening of access roads to

the facility and some other roads. Resources were earmarked to restore and modernize police facilities, health centres and hospitals, to launch child literacy programmes, and to expand the sewage network in partnership with some municipalities.

On the negative side, municipal officials, NGOs and other respondents are concerned with the health system's capacity to meet the ever increasing demand posed by the migratory inflow, and with law enforcement issues.

4.3.5 Land use and tenure

Land ownership in the region, in the mid 1990s, was concentrated in huge landholds: 5.7% of the proprietors owned 53% of the land⁶⁷. At the other end, 6,800 smallholders (properties with up to 50 ha) owned only 7% of the land. In this context, the acquisition of some 122,575 ha of land since 1992 by Veracel intensified agrarian concentration. Since the company states it acquired 300 to 500 ha properties (and, exceptionally, smaller 100 ha properties), such concentration would not be inciding on smallholds, typical of family farming.

However, according to the MST–Landless Workers Movement– and other advocacy groups in favour of the agrarian reform, the acquisition of land by pulp and paper companies⁶⁸ would be elevating its price and thereby making expropriations for the purpose of the reform more difficult. Owners of areas likely to be affected by the agrarian reform would tend to sell them to companies like Veracel.

Today a population of approximately 12,000 landless families in the region⁶⁹ co-exists with an alleged shortage of available land for agrarian reform settlements, a fact that is a cause of tension, as evidenced by the occupation of 25ha of Veracel tree farms by the MST in April of 2004. The occupation was classified as symbolic by the movement, whose purpose was to grab the attention of the society to what they decry as unfair investing. The MST claims that society was not adequately informed and consulted with regard to the project,

which has applied to obtain a forestry license for 96,000 ha of land in the region, and accuses Veracel of dislodging more than 400 small and medium producers with the expansion of the harvesting project⁷⁰.

Veracel replied by stating that it complies with the legislation in force and with the conditionalities set forth in the environmental licensing process, that the properties acquired were mostly large or medium sized cattle ranches, and that there was net employment growth. As for the agrarian reform, the company reaffirmed its compliance with legal rulings.

Indeed, land concentration in the region, between 1970 and 1995, was followed by an expansion of pastureland (from 41% to 72% over the period) to the detriment of natural forests (from 30% to 10%), whereas areas destined for new woodlands and forests grew sharply, despite their being still proportionately small in the mid 1990s (4%)⁷¹. Notwithstanding the fact that there are no updated official statistics to support the analysis of the impacts caused by the expansion of Veracel's harvesting area, surely this represented significant growth of the area occupied with planted forests in the region.

4.3.6 Food supply

To several respondents the expulsion of small and medium farmers and a reduction in farmable land would be affecting the offer of food, to the extent that fresh foods had to be imported from other states and regions. The 20% cap on municipal land allowed for eucalyptus plantations would not be taking into account farmable land but, rather, the total area, including permanent protection areas, urban areas and others.

Yet it must be observed that the region has never been self-sufficient in the production of food, and that the crops that developed best, such as papaya, coconut, sugar cane and cocoa, entail large-scale commercialization.

Official data on the production and cultivated areas signal, on the whole, to a stagnation of permanent crops and a reduction of temporary crops

between 1990 and 2003. In this case, the reduction stemmed from a decrease in areas growing sugar cane and cassava⁷².

5. SOCIAL RESPONSIBILITY POLICIES: ARACRUZ, STORA ENSO AND VERACEL

The study compared the companies'—Aracruz, Stora Enso and Veracel—*Social Responsibility Policies*, underlining their position towards trade unions and international labour norms (essentially ILO's fundamental conventions and the OECD Guidelines for Multinational Enterprises).

This analysis helps to perceive company *sensitiveness* in relation to corporate social responsibility, its *public commitments in the field*, and the *contents* and *universality* of their policies. By doing so, we aim to determine the companies' priorities and commitments when referring to social responsibility. Key components of the companies' public statements are shown in the table below.

TABLE 1- COMPONENTS OF SOCIAL RESPONSIBILITY DISCOURSES

	ARACRUZ	STORA ENSO	VERAGEL
Sensitivity to the theme			
Company presents itself as socially responsible	✓	✓	✓
Announces public adherence to SER-related entities	✓	✓	✓
Is included in socially-responsible investment indexes	-	✓	-
Develops social programmes	✓	✓	✓
Voluntary commitments			
Unilateral code of conduct	✓	✓	✓
Multi-stakeholders code of conduct	-	✓	-
Global company/union agreement	-	-	-
Contents			
Relations with unions	✓	-	-
ILO/OECD norms	-	✓	-
Discrimination/diversity	-	✓	✓
Child and forced labour	-	✓	✓
Work and Environmental Health and Safety	✓	✓	✓
Union freedom and collective bargaining	✓	✓	-
Decent wages	-	✓	-
Assured access to information	✓	✓	-
Commitments reach productive chain	✓	✓	✓
Commitment to follow up and monitor measures announced	-	-	-
UNIVERSALITY			
Code of conduct available in Portuguese	✓	-	✓
Code or agreement available in Portuguese on company web site	✓	-	✓ *

* Available on the intranet

Social and, most importantly, environmental responsibility arise as relevant issues in the three companies' policies.

In common between Aracruz and Stora Enso is the understanding that corporate responsibility must combine “economic, environmental and social sustainability”. However, the companies differ on themes relevant for workers and their representatives (fundamental labour rights, access to information, decent wages, and industrial relations, among others). Both companies produced unilateral codes of conduct, but Stora Enso is a signatory to the United Nations Global Compact.

Aracruz states that its social responsibility is made clear, basically, by a “comprehensive benefit program for workers and their dependents and by the significant social work carried out with the communities located in the areas

where the company acts”. As a national company, with mills in rural areas of Brazil wherein social inequality and poverty are most dramatic, one can perceive the status of responsibility embedded in the benefits offered to workers and the investments made in social work.

Likewise, the fact that Stora Enso is a European multinational corporation present in more than 40 countries, suffices to understand that its own and all the other subsidiaries’ social responsibility formulation emphasizes “respect for the cultures, customs and values of individuals and groups in the countries where they operate” and that “the company must be a model corporation in the local, national and global society”.

Aracruz’s public discourse, including its code of conduct, addresses issues such as health, safety and environment, union freedom and collective bargaining, assured access to information and the extending of the commitments to the productive chain. Yet the company makes no reference to international norms.

Stora Enso, however, clearly states that its “Principles of Corporate Social Responsibility” draw on such international norms as the UN Universal Declaration of Human Rights and the ILO’s Fundamental Conventions. Thus its code of conduct makes reference to the International Labour Organization norms, providing information on the prohibition of child and forced labour, union freedom and collective bargaining, assured access to information and the extension of the commitments undertaken to the whole of the productive chain, and work and environmental health and safety. Even though Stora Enso is the only company to mention wage-related issues, it merely addresses the concept of the legally-established minimum wage. No information was found on the relations between the company and workers’ representatives.

Despite the freedom that pervades the definition of social responsibility policies, the size and sector of a corporation predetermine those issues deemed as sensitive, those causing greater impact on both society and environment. In the

pulp and paper industry, issues such as environment and health and safety at work constitute sensitive issues. Hence the three companies are very much focussed on the environment, rely heavily on their Environmental Stewardship Systems and on health and safety programmes, and seek to obtain forest management certifications, such as FSC and Cerflor, and environmental certificates such as the ISO 14000.

This also justifies the companies' efforts to make public the work done along the productive chain.

Veracel, as a joint venture between Aracruz and Stora Enso, while producing its own environmental and social responsibility policies (ESR), combines the two companies' culture. Although claiming to fulfil all the commitments of a socially and environmentally sustainable company, Veracel's pronouncements make no reference to labour relations, compliance with international labour norms, and stakeholders' monitoring of ESR policies.

Veracel demonstrates awareness of its social responsibility and is receptive to the issue. In this sense, it draws on Aracruz's experience in Brazil and on Stora Enso's global experience. Notwithstanding these positive signs, the company's public speech is still restricted to appraisals of its own practice or to commitments to be required from employees and business partners, without clearly stating the company's commitments before the society and the role of stakeholders in ESR management.

A window of opportunity is open for trade unions to demand that Veracel clarify its intentions and incorporate workers' interests. Veracel's speech suggests some areas which we consider appropriate for Brazilian trade unions to exploit:

- its stakeholder dialog policy should define participatory mechanisms and forums, one possibility being the adoption of an existing standard as, for example, the AA 1000;
- the productive chain's working conditions (silviculture,

outsourcing, suppliers and even clientelle) and certification processes (Cerflor, FSC and SA 8000);

- joint elaboration of an entrepreneurial/multistakeholder code of conduct (national/global agreement) with specific reference to international norms;
- capacity-building of stakeholders aiming at the monitoring of entrepreneurial practices, and;
- industrial relations and organising in the workplace, including the productive chain.

6. VERACEL STAKEHOLDERS' RELATIONS

6.1 EMPLOYEES

Although Veracel pledges not to tolerate any kind of discrimination, the company is not committed to any explicit policy to stimulate diversity and, today, of the 568 workers formally employed, 77% are males and 72% are white.

6.1.1 Wages and Benefits

Veracel's remuneration policy adopts consulting firm Hay of Brazil's system, tracking the labour market through surveys every six months towards defining the different wages and salaries for the different positions and functions. These points are not subject to collective bargaining with the unions, being unilaterally defined by the company. Negotiations with the unions are just restricted to the definition of the workers' wage floor.

The lowest wage paid by the company is R\$ 349.44 for unskilled work in the environmental area and in the seedling nurseries. Yet average wages,

ranging from R\$ 1,100.00 to R\$ 6,100.00 depending on management, show there is enormous wage dispersion.

Wages paid by the company in forestry-related activities, according to the Rural Workers' Union (STR), are average wages for the region⁷³.

However, in the collective bargaining that took place in February 2005 involving the company and SINDICELPA—the Paper Workers' Union—to establish working conditions in the mill, Veracel's proposed pay rise was considered lower than other companies', an assessment that was rebutted by the company. Later on, the parties struck a deal on wage issues, among others.

Veracel employees are entitled to crèche services, transportation, food stamps, housing, health insurance and a private pension scheme, among other benefits, some of which were not negotiated with the union. While some of the benefits were positively evaluated by respondents, there are complaints with regard to the crèche allowance, whose value, ranging from R\$120.00 to R\$150.00, is considered insufficient.

The company has a Profit/Result Sharing scheme which, according to the company, is in compliance with the law⁷⁴. Profit sharing rules are still tentative and are to be redefined after the mill starts its operations through a negotiation of indicators and targets with shop stewards. At the time of the research, an annual payment of 1.2 monthly wages to each worker was agreed on, excluding managers, whose remuneration is based on performance assessment.

6.1.2 Workweek

Veracel's regular workweek is 40 hours. Forest harvesting work is carried out in two alternating shifts of four working days and two days off. Workers are given breaks to use toilets, drink water and have meals.

According to the company, an "hour-bank" scheme was agreed upon in the bargaining process, but only for the processing facility area. Within the same civil year a worker may accumulate 44 overtime hours to be compensated for on

a 1.5 off hour basis for every hour worked. The remaining overtime hours shall be paid with the additions due. In the forestry area, the collective agreement establishes basic rate plus 50% for overtime work done on working days and basic rate plus 100% for work on Sundays and holidays, pursuant with the legislation.

6.1.3 Health and safety at work

The company has all the programmes required by the Brazilian legislation on accident prevention and health at work, as well as good-quality medical and dental services, according to the respondents.

There are two Occupational Health and Safety Committees, one for the mill and another one for the forestry area, both with 50% of their members elected by their peers. The rural workers' union criticizes members' poor performance and raises the suspicion that management has interfered in the election of workers' representatives, an allegation the company contests.

A health problem affecting company workers mentioned during the interviews is the incidence of RSI, especially in the seedling nurseries and in the forestry area (harvesting and log handling). In the nursery, Veracel is said to have adopted a task rotation system, the reduction of production targets and work gymnastics, which significantly reduced RSI incidence over the last years. In field-related activities actions taken to reduce the number of cases include work gymnastics, awareness-raising talks and task rotation.

6.2 TRADE UNIONS

While SINDICELPA represents workers employed in Veracel's milling and administrative activities, forestry workers, including the outsourced ones, are represented by rural workers' unions. These are affiliated to a state federation and, regionally, organize informally under the leadership of the Eunápolis rural

workers' union. This way, the collective agreement signed by the company and the Eunápolis rural workers' union sets working conditions for Veracel's forestry-related activities.

Outsourcing may eventually lead to a situation in which other unions will have the legal right to represent certain workers. For instance, SINTEPAV, a union representing workers employed in the construction of the factory, claims the right to represent workers in the maintenance area.

Union leaders say that relationship with the company is mutually respectful, that collective agreements are complied with and that there is access to the workplace to conduct union work, provided there is a prior notice.

SINDICELPA—the pulp and paper workers' union— admits that the company acknowledges the union's legitimacy and respects union work at the workplace and the right to unionising. The company has held constant meetings with the union to address collective bargaining agreement issues and the relationship between workers and union. SINDICELPA, however, criticised Veracel proposals for the collective negotiations taking place at the time of the research on the grounds that they were unsatisfactory and generated negative expectations regarding future negotiations.

The Eunápolis rural workers' union, on the other hand, claims that unionising in the forestry area is made difficult by Veracel, based on the fact that some workers had affiliated to the union without the company's knowledge, supposedly for fear of reprisal. The company dismisses the charge by claiming it is unaware of such difficulty since as of June 2005 it had 119 employees affiliated to the rural workers' union.

In 2004, when the rural workers' union and Veracel were negotiating, another union, SINTREXBEM—the Wood Extraction and Milling Workers' Union— claimed their right to represent the workers. A demarcation dispute arose which hampered negotiations and prompted the rural workers' union to resort to the mediation of the Ministry of Labour's regional office. This type of conflict is

typical of the Brazilian union model and poses to companies and workers an additional strain on capital-labour relations.

The rural union claims there are cases of Veracel subcontracted forestry firms that fail to observe collective agreements and that in those companies working conditions (i.e. benefits) are worse than those in effect at Veracel.

6.3 SUPPLIERS AND CONTRACTORS (OUTSOURCING – FORESTRY, INCENTIVES PROGRAMME, CONSTRUCTION SITE)

In December 2004, Veracel had contracted 50 firms, which employed about 3,300 workers mostly occupied in the forestry business (1,900) and in general services (1,200)

This characteristic of a highly-outsourcing company is for Veracel a business strategy, and the company admits it intends to outsource its activities as much as possible, including a future milling facility. In Brazil, outsourcing has been associated with labour precarization. The company assures it requires from outsourced firms the same working conditions Veracel itself offers its employees, and that it keeps active and attentive oversight. Even so, there has been some criticism based on incidents pointing to possible failures in the system's management.

SINDICELPA believes that outsourcing in the mill might be questioned in the future for its being proposed for the company's end activities, a practice that the Brazilian legislation forbids. Veracel challenges these concerns and informs that it only outsources technical support work not related to its core business—the production of pulp.

The company also held in effect incentives programmes contracts such as the “Programa Produtor Florestal” (Forest Producer Programme) with landowners interested in planting eucalyptus. Among other things, such contracts mandate that implementation and maintenance services be executed by accredited firms. Four companies render services under the incentives

programme: Trevo, Ouro Verde, Plantar and Agrominas, with the latter employing Veracel-only incentives programme farms⁷⁵.

The rural union stated that companies contracted by Veracel in the forestry business failed to meet clauses of the labour agreement claiming financial difficulties stemming from contractual conditions. And in the collective bargaining the concession of proposed wage rises is denied based on the argument that rises would be contingent upon an equivalent increase in Veracel contracts. Health care services are being overlooked and profit sharing is limited to administrative personnel, which is illustrative of the fact that working conditions are not the same as in Veracel. Veracel claims its outsourced partners follow their market/segment practices.

In February 2005, workers threatened to strike against Ouro Verde⁷⁶ protesting a 40-day delay in payments, the interruption of the distribution of food baskets and uniforms, and the poor quality of the health plan (incompatible with the price charged). According to the press, Veracel stated it “had nothing to do with the incentives programme”, although it was the sole contracting party of Ouro Verde’s services. This highlights how complex it is to manage working conditions in the productive chain and the need for constant monitoring.

The rural union reports frequent cases of workers intoxicated by pesticides in companies contracted by Veracel, with some reported deaths of workers resulting from the handling of protection equipment, inadequate facilities and deficient medical services, compounded by haphazard inspections by an understaffed Ministry of Labour. The rural union has attempted to bring some cases to court but the workers’ families had given up their claims in the middle of the lawsuits. Veracel claims it is not aware of these facts, stressing that the toxic substances utilised are of low toxicity and that the doctor stands by where he/she is most required which, according to the company, is at the seedling nursery. As to the handling of protective equipment, Veracel stated they had identified the problem and taken, together with the contracted party, corrective

measures.

The rural union admits that Veracel is generally available to help in the resolution of problems involving its services providers, but in cases of conflicts such as the aforementioned strike only intervenes as a last resort. Staff members of one of the enterprises in the forestry sector interviewed by the IOS⁷⁷ regard Veracel as a responsible and strict company when it comes to complying with the legislation and meeting safety conditions in the workplace.

During the mill's construction phase, contractors were also commissioned, with a number of firms responsible for certain packages subcontracting third parties to carry out the job. In December 2004, 104 companies were on the site, employing nearly 3,700 workers.

Veracel contracted firms to provide transportation and meals for the workers on the construction site and workers quarters. During a visit to one of the workers quarters, the IOS noticed that the accommodations and basic services offered were good. Even so, one of the unions contacted by the IOS complained about the medical service and the quality of the food.

Yet the construction workers' strike in November 2004 revealed breaches in Veracel's oversight systems with respect to working conditions. Strikers demanded a wage rise, the elimination of wage differences and improvements to the accommodations, quality and quantity of food served, medical services, available PPE, and the way workers were treated. There were claims that some of the companies had not paid wages and were overdue in their social security deposits. Workers also demanded the payment of bus tickets in order to visit their families.

At first, Veracel required that contractors solve the problems, only intervening later when the situation became unbearable⁷⁸. Veracel claims it was not a legitimate party to take part in the negotiations. Despite the tense atmosphere, the strike went on without any incidents; negotiations were started, and a deal was struck⁷⁹.

The SINDICELPA criticised Veracel for having resorted to local police as security at the mill's entrance during the strike and denounced that workers were receiving death threats from people linked to the companies contracted, and that, once the movement was over, there were massive layoffs⁸⁰.

To Veracel, police force was necessary to ensure the integrity of employees and property and that the layoffs were due to the end of the work in accordance with the schedule⁸¹. Veracel argues that the strike had political and union motivations (demarcation disputes) since the wages and benefits offered at the construction site were compatible with the market, and the accommodations, the food, and the transportation were of good quality.

Another remarkable fact was the violent demonstration that destroyed three workers quarters in Itagimirim, home to 1,800 workers at the time, motivated by the insufficient quantity of food which, according to the SINTEPAV, had been an old and unresolved claim⁸².

The IOS interviewed two third party contractors⁸³ who stated that Veracel was very careful with contracted companies' working conditions, demanding strict observation of the issue and inspecting companies constantly.

Veracel monitors contracted companies through a "Services Provider Assessment" questionnaire. Each company must attain a minimum required score and non-compliance must be rectified within pre-established deadlines. Items assessed cover formal aspects of the workers' contracts, working conditions, and health and safety, but do not include an advisory on the handling of toxic substances.

6.4 GOVERNMENTS (CITY HALLS, IBAMA, DRT AND CEREST)

We interviewed officials of three cities in the region, who seem to have different positions regarding their relation with the company and the project's impacts.

In Belmonte no positive impacts were perceived as a result of Veracel's

project on local employment and wealth, which are hoped to occur during the operational phase of the Maritime Terminal, with the hiring of 160 workers⁸⁴. Yet respondents perceived negative impacts on the social environment (rural exodus, population growth, crime) and on the fishing business, affected by the construction of the Maritime Terminal. Some fear that industrial effluents thrown in the Jequitinhonha River will also affect Belmonte's fishing industry, since Belmonte lies at the mouth of the river.

Veracel disputes such perception claiming there is no evidence of any social impacts or risks for fishing.

Despite these perceived negative impacts, city hall officials consider Veracel's presence an irreversible fact and intend to establish partnerships in an attempt to find joint solutions to the problems.

The Eunápolis city representative shares this same view. He claims to have an excellent rapport with the company and that all his requests were met by the company. Despite his signalling to the positive impacts brought about by Veracel in the region, such as job creation and the generation of revenues, he expressed his concern with the phasing out of the construction work (increased unemployment and a drop in tax collection). Such factors could slow down the local economy, a problem that could alternatively be addressed by setting up partnerships with Veracel and the state's government to stimulate housing, fruit growing and craftwork projects⁸⁵. Some projects in partnership with Veracel had already been implemented in the areas of apiculture and horticulture. He expects Veracel's presence to contribute more in the social area as a means to minimise the municipality's problems.

To the official representing the city of Itagimirim, several social problems may be aggravated by Veracel's enterprise. Job shortage in the rural area is not likely to be solved in the future if eucalyptus farming, which has spread quickly, obstructs the development of today's feeble local agriculture in the future. According to him, positive impacts brought by Veracel to the city

were minimal, with no tax generation and absorption of labour force, despite the development of social projects (Sementinha and Ser Criança), donations, and partnerships designed to improve the region's sewage infrastructure. The city is also concerned with the phasing out of the construction work in case no alternatives to reabsorb labour are devised. The possibility of setting up partnerships with Veracel is seen with great interest, especially in the development of small-scale agricultural projects.

Points in common shared by the three cities are the concern with the impacts caused by the phasing out of the construction work on the social environment and local economy and anticipated partnerships with the company that might minimise such impacts and contribute to the solution of other problems.

The Ministry of Labour's local office manager in Teixeira de Freitas, in the Veracel region, considers that large pulp and paper companies represent no major labour problems, which more often occur with the outsourced companies and, mainly, with the region's charcoal factories, with very precarious labour conditions. To her, Veracel has been willing to solve problems involving its contracted companies, which it has, on the whole, managed to do (e.g. irregularities in the dismissals of construction site workers)⁸⁶.

On the other hand, the coordinator for the CEREST, the state's agency in charge of workers' health in the region, states that large forestry companies fail to comply with requests for information, undernotify the number of sickness cases and accidents and only allow access to workplaces in cases of death. The coordinator has already requested information from Veracel about the company's workers but has not received any answer yet. Veracel claims that it is not aware of such request and that it has never been contacted by CEREST officers.

Cases arriving at CEREST generally occur in contractor companies: injuries, intoxications by pesticides, RSI cases, and road accidents in the transportation of workers and cargo. She criticises the precarisation brought

about by intensive outsourcing in the region's pulp sector and considers that the inspections of health and safety conditions carried out by companies outsourcing their services are far from being acceptable⁸⁷.

That is, there is a relative distance between these agencies and Veracel, which, apparently, has a positive attitude towards the Ministry of Labour's regional office. CEREST could best serve its purpose if it implemented, together with the unions, an effective policy for the control of health and safety at work.

As for IBAMA, its relation with Veracel is characterised by distance. IBAMA has acted more effectively in the registration of legal preserves and the monitoring of harvested areas whenever suspicion arises that Atlantic Forest areas are being used for such purposes.

The IBAMA manager states that he knows the business through the environmental impact study, which he finds lacking updates, and also through what the media publishes.

6.5 LOCAL COMMUNITIES: (INDIGENOUS GROUPS, LANDLESS, NEIGHBOURING COMMUNITIES, CDL, APLB, OTHERS)

Interviews with representatives of two Pataxó villages –Barra Velha⁸⁸ and Guaxuma⁸⁹– reveal somewhat different positions and situations. The first village is legally acknowledged (title sanctioned and registered) while the second still claims for the demarcation and legalization of the area.

One of the Barra Velha indigenous community problems is that the land actually available for productive activities is small for the population (350 ha for 390 families) since the greater part of the reservation is either inside the preserve or was degraded by the action of fire in the 1970s. Currently engaged in subsistence agriculture, fishing and craftwork, the community is debating alternatives such as permanent crops and tourism. To organise itself and carry out the projects, the community depends on the support of FUNAI and NGO Flora Brasil. Veracel has a good relationship with the community and received the

representatives of the reservation. The preservation of the environment, the prevention and control of fires, preservation and recuperation of rivers, and some donations to the community were some of the positive initiatives mentioned. Among the negative aspects identified were included a reduction in the number of jobs and the toxic contamination cases (two reported cases that Veracel argues it has looked into and declined any responsibility).

Worthy of mention is the controversy involving IBAMA and Veracel, regarding the distance between the eucalyptus plantation and the preserve⁹⁰, with the IBAMA former manager confirming there was a non-authorized plantation at a distance shorter than the pre-established limits.

Veracel claims there are no distance limits for planting eucalyptus near Indian reservations but just an authorisation requirement on the part of IBAMA for plantations near national parks (part of the Indian reservation is inside a national park). Thus it requested such authorisation and is awaiting IBAMA's decision.

The Guaxuma indigenous community claims the right to demarcate the land. The area in which they have lived for five years now is insufficient for the 28 families and was degraded by the former occupant. The community's livelihood is quite precarious, coming from subsistence farming and craftwork. In October 2004, in an attempt to grab the attention of the authorities regarding its claim, the community staged a demonstration that caused the interruption of federal highway BR-101. The indigenous groups set fire to a lorry loaded with Veracel eucalyptus and kept captive some public officials.

According to the indigenous group, Veracel was the demonstration's target because it had bought and planted eucalyptus on a property it was aware was within the boundaries of the area being claimed. The Indians state they have no interest in a dialog with the company, and that all they want is the recognition, legalization and respect for their land boundaries. Veracel argues it only bought the properties after verifying there was no conflict or litigation between

proprietors and Indians, and that until that moment the authorities had not concluded studies to define if such tract is by tradition Indian land.

In relation to the region's landless rural workers (see item 5.3.5), advocacy groups dealing with the issue assert that the acquisition of land by Veracel made agrarian reform more difficult in the region especially because it prompted the elevation of prices. The existence of 12,000 families camped alongside the region's roads is a critical and explosive situation. Veracel argues it abides by the law and that the responsibility lies with the Federal Government. No structured relation has been established by the two parties to tackle the problem, given the criticism against the development model personified by Veracel⁹¹.

The president of the association that coordinates an agrarian reform settlement in the region⁹², with 197 families, sees a few negative points in the company's activities associated with environmental impact (a reduction in water availability and dust caused by the truck traffic). However, a positive contribution has been Veracel's improvement of the road network. It was claimed that Veracel had not contacted the community to discuss the problems over and had not answered requests for social aid to the settlement. Once again the company dismisses the charges and lists donations made to the community.

We find it important to highlight that during interviews with representatives of other community and social organizations (CDL⁹³, APLB⁹⁴ and the Liderança Comunitária de Barrolândia⁹⁵), participants expressed common concerns about the impacts of the construction site's phasing out both on employment and on services and commercial activities. In addition, there are preoccupations regarding the environmental impact caused by the eucalyptus farms.

Even though these organizations are in contact with Veracel and acknowledge some positive impacts (investments in infrastructure and a booming local economy), they signalled to a lack of information about the enterprise being

passed on to the population and an absence of dialog with community leaders. One of the criticisms made was in relation to the constant changes in company management, which would make it difficult to deepen the dialog.

6.6 ENVIRONMENT: ENVIRONMENTAL NGOS

NGOs interviewed by the IOS⁹⁶ have a long track record in the region, most of them with more than fifteen years of existence, and with very homogeneous positions contrary to the extensive planting of eucalyptus as it is being done in Southern Bahia. Networked with Rede Alerta Contra o Deserto Verde (Warning against the green desert network), they all share the belief that this form of cultivation tends to deplete natural resources (fauna, flora and water) and is unsustainable in the long term.

They all stated that they had not been invited by Veracel to discuss environmental planning or any other topic, except for one that was called to participate in a study for the UNDP. Some complained of having requested information to the company to no avail. As mentioned earlier, NGOs are critical of the public hearings conducted to obtain the environmental license and the Cerflor certificate. NGOs also oppose the setting up of the mill.

All critical points mentioned earlier are stressed by the NGOs: the development model leads to concentration, there is no ecological-economic zoning, the expansion of the eucalyptus forests (including those under the incentives programme) stimulate the degradation of the remainder of the Atlantic Forest, the use of toxic substances is excessive, water sources are depleted, there is land concentration and rural exodus, social problems in the city are aggravated and the jobs generated are insufficient. Even the social projects carried out by Veracel, with BNDES funding, are criticised on the grounds that they do not take into account the real needs of the communities, which were not even heard.

In summary, there is a breakdown in the communication between the company and the NGOs given the fact that there is no point of contact regarding

social, economic, and environmental issues.

7. FINAL CONSIDERATIONS

To conclude this report, we would like to highlight the study's most salient points by making suggestions to the entities participating in the project about criteria and follow-up and monitoring alternatives.

Veracel's enterprise should obviously be assessed on a continuous basis with regard to its contribution towards the economic-social-environmental development of the region. In the socio-economic dimension, it is possible to compare the evolution of general indicators periodically (employment, taxes, municipal income, municipal HDI) with the company's performance (jobs created, taxes collected, local procurement, etc).

The actual generation of a "Veracel effect", in terms of spurring other opportunities for employment and income, can be monitored provided the company informs its relations with local businesses. To be sure, this effect depends to a great extent on whether the eucalyptus forests will lend themselves to multiple uses, integrating them to a more diversified local economy (timber wood, furniture, and packaging among other possibilities). Also the location of other services companies can be tracked and their impacts on public sector revenues and on employment monitored.

With respect to employment in particular, the company has information on the occupation of the lands acquired that can be used comparatively to determine eventual job gains (or losses) after the project comes into operation.

Veracel produces environmental reports and discloses its forest management practices. Besides, it is subject to inspection by public authorities. Still, for a number of reasons, stakeholders question the project's compliance with several environmental sustainability requirements: preservation of hydric

resources, of soil, regeneration of the original woodlands, among others. Therefore, to assure the local society that the environmental conditionalities are being met and that forest stewardship is sustainable, we suggest instituting regular accountability meetings to disclose data on harvested areas, comparing data with the benchmark (orthophoto charts), as well as on hydric resources. With regard to the latter, the company should conduct studies on water sources and disclose them to stakeholders.

Most importantly, it is imperative that, in relation to those issues involving the monitoring of the use of the region's natural resources, scientific experiments be conducted by disinterested neutral third parties so that the antagonistic opinions stalling the dialog be clarified.

It is also necessary to conduct an assessment of the real impacts produced by the demobilization of a large contingent of construction site workers and of the effectiveness of the mitigation procedures adopted by Veracel, within a timeframe of six months to one year after the conclusion of the construction. This can be achieved by engaging representatives of the community and the local governments, plus the company.

The information available reinforces the notion that critical areas as regards working conditions and relations in the ambit of Veracel's activities are the responsibility of the contracted companies. Veracel demonstrates concern and is dedicated to ensure that such companies provide good working conditions and keep a communication channel with workers and their leadership, complying with the legislation and adopting best practices. Even so, as in every system requiring controls, there are flaws, as attested by the cases reported earlier. Given the intensive nature of subcontracted work at Veracel, this will require the implementation of very rigorous controls over those companies.

In our opinion, this control would be stronger if unions and other organisations involved, such as the OHS committees, the CEREST, and the DRT, acted in a structured way. The control system currently implemented by Veracel

could, thereby, receive suggestions for enhancement and, above all, these organisations could give their support by raising awareness among workers and by conducting independent monitoring, measures that would underline the importance of a compromise between the parties.

There is a series of critical issues and potential conflicts that fundamentally calls for the action of different governmental levels, such as meeting the demands for an agrarian reform, the demarcation of indigenous peoples' lands, and the implementation of the EEZ. Dialog mechanisms between company and stakeholders may lead to the implementation of such measures.

Veracel demonstrates that it is open to dialog and is striving to communicate with stakeholders. The report shows, however, that this dialog and communication can be improved. We have noticed changes in management have affected the continuity of the relationship between the parties. We have also noticed that there is no permanent and systematic dialog forum between the company and stakeholders, especially to deal with the social and environmental effects of the company's activities, in the form, for instance, of a consultative community council. We believe that such an initiative could improve communication between the company and the community, contributing to find ways to minimise negative impacts and alternatives to improve the region's socio-economic standards.

Finally, in assessing the Codes of Conduct/Ethics of Veracel and its controllers, it becomes clear that there is room for unions to pressure the company to publicly disclose its intentions with regards to the interests of workers, its relation with unions and the monitoring by stakeholders of its CSR policies, based on the fact that Veracel's public commitment instrument makes no reference to these issues.

NOTES

¹ Binotto, 2000.

² Binotto, 2000.

³ The main governmental policies implemented in the 1960s and 1970s to benefit the pulp and paper industry were: 1) the definition of a minimum production scale; 2) fiscal incentives for foresting and reforestation; 3) credits at negative real interest rates; and 4) state-owned capital share and private shareholder financing.

⁴ Bracelpa, 2004

⁵ Source: ABTCP and Companies, data available at <WWW.ABTCP.ORG.BR/>. Data collected on March 21, 2005.

⁶ BRACELPA, available at <www.abtcp.org.br/m3.asp?cod_pagina=633> Data collected on April 8, 2005.

⁷ BRACELPA. Available at < WWW.BRACELPA.ORG.BR/BRACELPA-BR/ESTATISTICAS/REFLORESTAMENTO/03-ESTADO.PDF >. Data collected on April 1, 2005

⁸ Source: BRACELPA, 2002. Available at < WWW.SBS.ORG.BR/ESTATISTICAS.HTM>, accessed on March 31, 2005.

⁹ Valença, A.C. and Mattos, R. L. G. BNDES – O setor de celulose de papel no Brasil. In <www.abcp.org.br> accessed on March 21, 2005.

¹⁰ VALENÇA, A.C. e MATTOS, R. L. G. BNDES – O setor de celulose de papel no Brasil. In <www.abcp.org.br> accessed on March 21, 2005.

¹¹ Canavieiras, Belmonte, Eunápolis, Guaratinga, Itabela, Itagimirim, Itapebi, Porto Seguro and Santa Cruz Cabrália.

¹² SEI, 1998 (Série Estudos e Pesquisas, 40), pp. 39-46.

¹³ Contamination by fungus *crinipellis pernicioso*

¹⁴ Veracel. Veracel Celulose: informações ambientais. Eunápolis, Aug/2004. Printed material, p. 2.

¹⁵ NGOs Greenpeace, SOS Mata Atlântica and CDDH-Teixeira de Freitas, with the participation of regional NGO CEPEDS.

¹⁶ DOSSIÊ VERACRUZ. Rio de Janeiro: FASE, IBASE, GREENPEACE, December 1993.

¹⁷ One hectare corresponds to 10,000 square meters, or 0.01 square kilometer.

¹⁸ VERACEL. Available at: <http://www.veracel.com.br>. Access on March 2, 2004.

¹⁹ VERACEL. Plano de Manejo Florestal, January/2005. In: <http://www.veracel.com.br/pt/operacoes_manejo_plano.pdf>. Accessed on March 18, 2005.

²⁰ VERACEL. Available at <<http://www.veracel.com.br>>. Consulted on March 2, 2004.

²¹ Interview with company officials.

²² VERACEL. Plano de Manejo Florestal, January/2005. In: <http://www.veracel.com.br/pt/operacoes_manejo_plano.pdf>. Consulted on March 18, 2005.

²³ Valor Econômico. *VERACEL signs loan agreements with BNDES and Europe*. December 17, 2003.

²⁴ VERACEL. Available at <<http://www.veracel.com.br/empreendimento/transporte.htm>>. Consulted on March 4, 2004.

²⁵ Data provided by Veracel. The BNDES disclosed different figures: 2,000 direct jobs and 8,000 indirect. *BNDES funds R\$ 1.4 billion to set up pulp mill in Bahia* <<http://www.bndes.gov.br/noticias/not724.asp>> Data collected on February 2, 2005.

²⁶ BNDES. *BNDES funds R\$ 1.4 billion to set up pulp mill in Bahia*. <<http://www.bndes.gov.br/noticias/not724.asp>> Data collected on February 2, 2005. *Billion dollar project requires sanitation infrastructure*. Jornal da Mídia. Bahia, March 8, 2003.

²⁷ *edaphic* of, produced or influenced by the soil. The New Oxford Dictionary of English. Considered the most productive soil in the world. In Brazil, a eucalyptus forest requires 7 years before harvesting whereas in other countries that could take up to 50 years.

²⁸ JORNAL A TARDE, March 27, 2005, p. 21. *Factory to generate 10,000 jobs*. Suchek, 1996, by ANDRADE, José C. S.; DIAS, Camila C., 2003.

²⁹ VERACEL. Annual Report 2002, p.14.

³⁰ VERACEL. Forest Management Plan, January/2005. In: <http://www.veracel.com.br/pt/operacoes_manejo_plano.pdf>. Consulted on March 18, 2005.

³¹ APPA, CDDH, CEPEDES, STR, TERRA VIVA, among other actors interviewed by the IOS.

³² APPA, CDDH, CEPEDES, IBAMA, among other actors interviewed by the IOS.

³³ The decree establishes strict EEZ compliance with regard to plan implementation, public and private works and activities, sets policy and standards for environmental safety designed to ensure environmental, water and soil quality and the conservation of biodiversity, as a means to assure sustainable development and improved living conditions for the population. In: http://www.seia.ba.gov.br/gerconovo/arquivos/DECRETO_ZEE.doc. Consulted on December 23, 2004.

³⁴ Bahia's Environmental Resources Centre (CRA) and the Superintendency for Social and Economic Studies (SEI-SEPLANTEC).

³⁵ Report by the Environmental and Cultural Heritage Chamber of the Attorney-General's Office in the state of Bahia on Public Class Action no. 93.101.10000399-5. Subject: Implementation of the forestry/industrial project by Veracruz Florestal Ltda.

³⁶ IOS had no access to the documentation regarding the environmental impact statement for, at the time of the research, the CRA library was under renovation, not allowing thus access to the documents.

³⁷ Forest enlargement license, Forestry Operation License, Industrial Plant Implementation License, Industrial Alteration License, Water License and Port Operation License.

³⁸ Based on documentation supplied by Veracel summarising current situation on the conditions for the enlargement license filed as process CEPARAM 950001610/9, with its updates, plus the Industrial Alteration License.

³⁹ ABNT. NBR 14.789 – Manejo Florestal – Princípios, critérios e indicadores para plantações florestais. Rio de Janeiro, ABNT. December 2001.

⁴⁰ Such structure seeks to allow the assessment of the quality of forest management: gauging the indicators enables the verification of whether the criteria were met; if that occurs, it is indicative that principles were complied with; forest management is within standard specifications when there is compliance with the principles. ABNT. NBR 14.789 – Manejo Florestal – Princípios, critérios e indicadores para plantações florestais. Rio de Janeiro, ABNT; December 2001.

⁴¹ *Community contests Veracel's certification process*. In: http://www.muralnet.jor.br/05/03/15/econ_c.asp

⁴² ANDRADE, José C. S.; DIAS, Camila C., 2003.

⁴³ [Http://www.seculodiario.com.br/arquivo/2003/mes_02/24/noticiario/meio_ambiente/24_02_07b.htm](http://www.seculodiario.com.br/arquivo/2003/mes_02/24/noticiario/meio_ambiente/24_02_07b.htm) Consulted on August 23, 2004.

⁴⁴ ANDRADE, José C. S.; DIAS, Camila

⁴⁵ Manager of the IBAMA–Regional Extremo Sul Office interviewed by the IOS on November 11, 2004.

⁴⁶ Veracel. Eucalyptus: articles. Printed material, p.15.

⁴⁷ The Forest Code sets forth that for every two hectares of eucalyptus forest one hectare of native forest is to be preserved.

⁴⁸ Interview.

⁴⁹ A TARDE on line, February 19, 2005. *Atlantic Forest has new deforested area*.

⁵⁰ IN: http://www.sei.ba.gov.br/pib/municipal/xls/estrutura_setorial_2002.xls
Consulted on April 19, 2005.

⁵¹ IN: <http://www.ibge.gov.br/cidadesat/default.php> Consulted on April 25, 2005.

⁵² Source: SEI / IBGE

⁵³ For lack of more accurate data, we utilized the income of household heads as produced by the 2000 Census.

⁵⁴ IN: http://www.sei.ba.gov.br/pib/municipal/xls/pib_mun_regiao_1999_2002.xls
Consulted on April 25, 2005.

⁵⁵ Source: 2000 Human Development Atlas.

⁵⁶ GOTTCALL, Carlota. Tourism transforms space in Porto Seguro. In: BAHIA ANÁLISE E DADOS. Salvador: SEI, nº 1, July/1993.

⁵⁷ SEBRAE, 2003.

⁵⁸ In: www.sefaz.ba.gov.br Consulted on April 25, 2005.

⁵⁹ Interview with Veracel official of the Institutional Relations' area on December 2, 2004.

⁶⁰ VERACEL. Relatório Veracel 10 anos. Available at <
http://www.veracel.com.br/relatorio_10anos/pdfs/Livro_Veracel_port.pdf>.
Consulted on February 4, 2004.

⁶¹ Eucalyptus farming generates 45 jobs per 1,000 hectares compared to 229 in pineapple crops, 283 in coffee growing, 23 in corn, 16 in soya beans and 34 for grains in general (in hour per year equivalences). Source: Fundação Seade – Sensor Rural.

⁶² <http://www.seade.gov.br/cgi-bin/dirasv98/srural.ksh?abr98/nova.html>. Consulted on July 7, 2005.

⁶³ Relatório Veracel 10 anos.

⁶⁴ Relação Anual de Informações Sociais (Social Information Annual Statement) – RAIS/MTE. This is an administrative statement that all companies are obliged to file with the Ministry of Labour and Employment, providing information on working contract conditions, and employee and company individual characteristics.

⁶⁵ Sectors were selected on the basis of the number of jobs generated and the capacity of absorbing the impacts produced by the pulp chain.

⁶⁶ PEDREIRA, Márcia de S. Complexo florestal, desenvolvimento e reconfiguração do espaço rural: o caso da região extremo sul baiano. In: BAHIA ANÁLISE E DADOS. Agro Baiano. Salvador, SEI, v. 13, no. 4, March 2004, p. 1005-1118.

⁶⁷ Source: IBGE – Agricultural census 1995/96 – Data processed by Instituto Observatório Social

⁶⁸ From 2001 to early 2005, CRA granted Aracruz, Suzano Bahia Sul and Veracel licenses to start eucalyptus farms on some 33,865 ha of areas not included in the forestry incentives programme in Southern Bahia. IN:http://www.seia.ba.gov.br/resolucoesportarias/template_resolucao.cfm Consulted on April 28, 2005.

⁶⁹ According to interviews.

⁷⁰ <http://geocities.yahoo.com.br/agbcg/respmst.htm> . Consulted on December 20, 2004.

⁷¹ Source: IBGE, Censo Agropecuário, 1970, 1975,1980,1985,1995/96. PEDREIRA, Márcia da S. Complexo Florestal, desenvolvimento e reconfiguração do espaço rural: o caso da região extremo sul baiano. In: BAHIA Análise e Dados. Agro Baiano. Salvador: SEI, v.13, no. 14, March 2004, pp. 1005–1018.

⁷² IBGE - Produção Agrícola Municipal - 1990 to 2003.

⁷³ Interviews.

⁷⁴ Act 10,101 of December 19, 2000.

⁷⁵ Interview with the Eunápolis rural workers' union representative to IOS on November 11, 2004.

⁷⁶ JORNAL Correio do Sul. “*Ouro Verde workers threaten to strike*”. Eunápolis, February 19, 2005.

⁷⁷ Interviews with Agrominas staff conducted by IOS on December 2, 2004.

⁷⁸ Interviews with labour unions SINDICELPA and SINDITICCC.

⁷⁹ IOS could not obtain from the unions a copy of the agreement that led to the end of the strike.

⁸⁰ Interviews with SINDICELPA and SINDITICCC representatives to the IOS on March 2 and 9, 2005.

⁸¹ Interview with Veracel Human Relations official to the IOS on December 1, 2004.

⁸² Interview with SINTEPAV representative to the IOS on March 4, 2005.

⁸³ We interviewed employees from two companies: Moura Schwark and Kvaerner of Brasil.

⁸⁴ Interview with the Secretary of Administration (and also President of the Colômbia Fishermen's Association) and the Chief of Staff of the city of Belmonte to the IOS on March 1, 2005.

⁸⁵ Interview with the Secretary for the Environment, Agriculture and Planning of the city of Eunápolis to the IOS on February 28, 2005.

⁸⁶ Interview with the Ministry of Labor's regional office manager in Teixeira de Freitas to the IOS on Mar 2, 2005.

⁸⁷ Interview with the coordinator of the Workers' Health Reference Centre—CEREST—Teixeira de Freitas, to the IOS on March 2, 2005.

⁸⁸ Interview with representatives of the Barra Velha community (the president of the Associação Comunidade e Liderança and another Indian reservation leadership) with the participation of a FUNAI employee, who also resides in the reservation for the IOS on March 3, 2005.

⁸⁹ Interview with two representatives of the Guaxuma Reservation to the IOS on March 2, 2005.

⁹⁰ FASE/ES. Veracel Celulose: Stora-Enso promoting sustainability in Brazil? Report on the visit of 11 Finnish journalists to Bahia and Espírito Santo in April 2004.

⁹¹ Interview with board member of the NGO Terra Viva to the IOS on March 3, 2004.

⁹² Interview with the president of the Maravilha project association to the IOS on November 10, 2004.

⁹³ Interviews with the president, vice-president and manager of the Eunápolis shopowners' association (CDL—Clube dos Diretores Lojistas) to the IOS on March 3, 2005.

⁹⁴ Interview with former presidente and substitute of the Education Workers' Union of the state of Bahia (Eunápolis chapter) to the IOS on February 28, 2005.

⁹⁵ Interview with representative of the Community Council of the Barrolândia Parish to the IOS on March 1, 2005.

⁹⁶ Terra Viva, interview to the IOS on December 3, 2004; APPA—Associação Pradense de Proteção Ambiental (the Pradense Association for Environmental Protection), interview to the IOS on December 3, 2004; CEPEDS—Centro de Pesquisa para o Desenvolvimento do Extremo Sul da Bahia (Research Centre for the development of Southern bahia), interview to the IOS on November 10, 2004; Teixeira de Freitas CDDH—Centro de Defesa dos Direitos Humanos (Centre for the Defense of Human Rights), interview to the IOS on December 30, 2004.