

WORLD RAINFOREST MOVEMENT

The Pulp Invasion: The international pulp and paper industry in the Mekong Region

VIETNAM

Deforestation, reforestation and industrial plantations by Chris Lang

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4. VIETNAM'S PULP AND PAPER INDUSTRY (II)

- VIET TRI PAPER MILL

Viet Tri is a 25,000 tons a year paper mill producing kraftliner and coated wrapping paper in Phu Tho province, in the north of Vietnam. The mill imports its raw material (Tran Doan An 2001). In September 2000, several Korean banks granted loans to help finance a US\$26 million industrial paper expansion at Viet Tri. Daewoo, which provided the paper machine, helped Vinapimex to negotiate and guarantee the loans (pponline.com 29 September 2000).

In December 2001, Vinapimex had almost completed the installation of a new 25,000 tons a year packaging paper machine at its Viet Tri mill (paperloop.com 17 December 2001).

- TAN MAI PAPER COMPANY

Tan Mai Paper Company in Dong Nai province, is a state-owned business belonging to Vinapimex. The mill's paper capacity has expanded from 10,000 tons a year in 1990, to 48,000 tons a year in 2000. Newsprint production accounts for 50 to 60 per cent of the company's capacity. Equipment suppliers to the mill include ABB, Thermo Black Clawson, Allimand, Valmet, Ahlstrom and Sund Defibrator (Tan Mai www 1). In 1995, Trang Hoai Nghia, vice manager of production at Tan Mai, said that there was a problem getting spare parts for machinery as much of it was installed as part of aid projects from overseas (US, Sweden, France). He said it took up to three months to obtain spare parts (Trang Hoai Nghia 1995).

In 1991, a Swedish-funded environmental survey of the mill was carried out (Trang Hoai Nghia 1995).

The mill originally used pine from Lam Dong province as raw material. Because there was not enough pine to supply the mill, machinery in the mill was adjusted to utilise eucalyptus as raw material. Trang Hoai Nghia added that problems securing raw material for the mill were made worse by the foreign-funded wood chip mills in Vietnam, which export chips to Japan, Taiwan and Korea (Trang Hoai Nghia 1995).

In its review of the year 2000, Pulp and Paper International reported that Tan Mai recently started a new 20,000 tons a year paper line, which relies on imported raw material (Tran Doan An 2001).

In June 2001, Tan Mai Paper Company posted a US\$1.1 million loss in the first four months of the year, as a result of its dependence on imported raw materials. The company bought up pulp at the end of 2000, when the price was high. In early 2001, the price fell, causing the company to lose about US\$70 for each ton of paper produced. In 1999, Tan Mai Paper made a loss of US\$960,000, which the company also blamed on the cost of importing raw materials (Saigon Today 19 June 2001).

- DONG NAI PAPER MATERIAL COMPANY

Dong Nai Paper Material Company is a subsidiary of Vinapimex. The Director of the company is Ninh Due Yen (Saigon Times 29 August 2001).

The company has plantations in Dong Nai, Binh Phuoc, Dac Lac, Kontum and Binh Thuan provinces, supplying raw material to its 14,000 tons a year pulp and paper mill in Dong Nai province (VNA 2001c). In August 2001, Saigon Times reported that the Company had made an agreement with plantation owners in Lam Dong province to grow 3,000 hectares of pine (Saigon Times 29 August 2001).

Swedish experts provided advice on the rehabilitation of Dong Nai pulp and paper mill (Blower 1999: 80).

In December 2001, Vinapimex abandoned plans to rebuild its paper machines at its Dong Nai mill and decided instead to install another machine (paperloop.com 6 December 2001).

- KONTUM PULP AND PAPER MILL

In August 2001, the government approved a Vinapimex feasibility study on a project to establish plantations to supply a new paper mill in Kontum province in the Central Highlands. The government agreed to fund seven per cent of the US\$240 million project. The remainder is to come from international official development assistance. The government will purchase land-use rights and finance construction of roads, research facilities, health clinics and schools. The project is to be exempt from land tax for the first tree cycle. The plantations are to be managed by the Dong Nai Paper Material Co (see above) (Vietnam Economy 2001).

To supply raw material to the mill, Vinapimex has already started planting trees and aims to establish an area of 125,000 hectares of fast-growing tree plantations. In addition, according to the feasibility study, Vinapimex plans to use 38,000 hectares of natural forest to supply the mill

The new pulp and paper mill is to be built at Dakto, in Kontum province. According to sources in Vietnam, there has been some Finnish involvement in the project. At a seminar organised by Kvaerner and Vinapimex in Ho Chi Minh City in December 2001, a Kvaerner representative presented "specific calculations" for building the mill in Kontum (Saigon Times 2001).

- MANG YANG PULP AND PAPER COMPANY

The Mang Yang Pulp and Paper Company is managed by the Gia Lai Province People's Committee. The company was established in 1991. In 1992, the company received funding from SIDA to establish a 500 hectare eucalyptus "model pulpwood plantation". Consultants from the Vietnam-Sweden Forestry Cooperation Programme provided advice on forestry economic analysis, climate and soil analysis and marketing (Truong Ngoc Thanh 1996: 71).

In November and December 1993, two New Zealand consulting firms, Forenco and ANZDEC, produced a report on site identification and feasibility of joint venture industrial plantations in Vietnam (Bannan 1996: 78). The consultants looked at three potential sites in Thanh Hoa, Binh Dinh and Gia Lai provinces and concluded that Gia Lai province and particularly the Mang Yang area, was the most suitable. Forenco produced a feasibility report for a 20,000 hectare industrial plantation project in Gia Lai province (Bannan 1996: 78-79). Since the report was completed in February 1994, Forenco has arranged meetings with investors from Japan, Indonesia, New Zealand, Malaysia, Singapore and Thailand. However, although representatives from the Thai company visited the site in December 1995, they did not invest in the project (Bannan 1996: 79).

Forenco also produced a feasibility study of the Asia Tech plantation project in Laos. (See report on Laos.)

Between 1992 and 1996, the Mang Yang company established 3,000 hectares of plantations (Gia Lai Planning and Investment Department 1996: 101). The Mang Yang company plans to sell its wood to the Quy Nhon woodchip mill, which is about 150 kilometres away (Truong Ngoc Thanh 1996: 74-75). The proposed pulp mill in Kontum (see above) would provide another market for Mang Yang's wood.

- MUC SON PAPER ENTERPRISE

The Muc Son Paper Enterprise, in Thanh Hoa province, produces plain or dyed packaging paper. Vinapimex plans to build a 50,000 tons a year packaging paper mill at Thanh Hoa. In 2001, the project was reported to be delayed (Tran Doan An 2001).

- BINH DUONG

In 1998, New Toyo of Singapore started up a 20,000 tons a year tissue paper mill in Binh Duong province in the south of Vietnam (Tran Doan An 1999).

In May 2000, the Vietnam News Agency announced the opening of a 720 tons a year paper mill in Binh Duong province. The Taiwanese Daily Full Company funded the US\$25 million mill. The mill supplies high-quality paper for domestic use and for export. The project is one of 130 Taiwanese projects, with an investment capital of US\$430 million, operating in Binh Duong province in 2000 (VNA 2000a).

- HAIPHONG PAPER COMPANY (HAPACO)

Hapaco was one of the first five companies listed on Vietnam's stock market. Based in the northern port city of Haiphong, the company produces tissue paper for the domestic market and exports fake bank notes, which are used in religious ceremonies, to Taiwan. In 2000, the company made a net profit of US\$600,000, with a total revenue of US\$5.2 million (Reuters 12 January 2001).

The tissue paper project was planned in 1996 as joint venture between Vinapimex and the Korean company Ssangyong Paper Co. Later the project was to be a joint venture with Korea's Daewoo, Hansol and Vinapimex, but the joint venture fell through when Daewoo failed to contribute funds, because of the Korean parent company's financial problems. In October 2000, Hapaco dropped the joint venture plan and instead invested US\$4.7 million in a new packaging mill and a new tissue machine. Hapaco raised the money instead through a convertible bond issue. The tissue machine was supplied by a Chinese company. The chairman of Hapaco is Dong Hien Vu (pponline.com 11 October 2000).

- CAU DUONG

At the end of 2001, Vinapimex was reported to be gearing up to start tests on a new 10,000 tons a year tissue mill at its Cau Duong mill, nine kilometres from Hanoi. The unit was supplied by Daewoo of Korea. Cau Duong is primarily a plywood mill producing 5,000 square metres a year (paperloop.com 7 December 2001).

- LE HOA PAPER COMPANY

Established in 1995, the Le Hao Paper Company produces paper for students, note books, photocopy paper and a range of large sized paper formats. The company uses reels of plain paper bought from local suppliers as raw material. Le Hao Paper Company employs about 100 people. In 2001, the company received funding through the IFC's Mekong Project Development Facility (MPDF) to move to the Tan Tao Industrial Zone and to upgrade its equipment (MPDF 2001a).

IFC rated the project under Environment Category B, which would normally mean that IFC would make information about the project publicly available. However, because the project is funded through MPDF the Environmental Review Summary will only be locally available (although IFC manages the MPDF) (MPDF 2001a).

- NDK PAPER PULP MANUFACTURING

NDK was established in May 2001, to produce pulp, paper and act as a consultant to the paper industry. The company's head office is in Ho Chi Minh City (MPDF 2001b).

NDK received a loan from the IFC-managed Mekong Project Development Facility (MPDF) to build a pulp mill in Nhon Trach Industrial Park in Dong Nai province. The 15,000 tons a year mill is to use recycled paper as raw material (MPDF 2001b).

The director of the company, Dr. Nguyen Dang Khanh, spent three years studying paper processing technology in Sweden (MPDF 2001b).

As with the Le Hoa Paper Company (see above) IFC side-steps the need to make reports on the project public, because the funding is through the MPDF.

- SAIGON PAPER COMPANY

The Saigon Paper Company has a capacity of 10,000 tons a year. In June 2001 a new 3,600 tons a year carton paper assembly line came into operation. The company was established in 1997 and specialises in carton and sanitary paper. Saigon Paper plans to expand into pulp production in the future. The director is Cao Tien Vi (Saigon Times 14 June 2001).

- QUY NHON PLANTATION FOREST COMPANY

The Quy Nhon Plantation Forest Company, in Binh Dinh province, is a US\$14 million, Japanese-owned project aimed at planting 13,000 hectares of acacia and eucalyptus trees (see also Nissho Iwai below). The plantation is to supply a 50,000 tons a year wood chip mill for export to Japan. The project was licensed in 1994, but by 2001 had only received 62 per cent of the land for the plantations. The general director of the operation, Kironobu Ohara, told the Vietnam Investment Review that "The land problem is increasing the risks for projects in plantations and wood processing projects which normally require huge, long-term capital investment but produce slow returns" (VIR 2001).

The Quy Nhon Plantation Forest Company is owned by three Japanese investors: Oji Paper (51 per cent); Nissho Iwai (39 per cent); and Dai Nippon (10 per cent) (Akira Hatakeyama 1996: 67).

The company describes the land it is planting as "short fine-leaved grasses, shrubs and scattered coppice of big trees within the family Dipterocarpaceae. The natural forest has been converted into shrub and grassland as a result of previous deforestation" (Akira Hatakeyama 1996: 68). The company admitted in 1996 that "the proposed sites include plots of cultivated land already owned by local people" and that "damage caused by cattle is very serious and unavoidable" (Akira Hatakeyama 1996: 69).

- NISSHO IWAI

In 2001, in conjunction with the Vietnam Forestry Corporation, Nissho Iwai completed a 140,000 tons a year particle board factory at Vung Ang Port in Ha Tinh province. To supply the factory, 40,000 hectares of plantations have been established in Nghe An, Ha Tinh and Quang Binh provinces. Another 10,000 hectares has been planted at the Bac To plantation in Quang Ngai province. The Vietnam Forestry Corporation plans to establish a further 30,000 hectares of plantations in Quang Ninh and Lang Son provinces to feed to factory (Vietnam News 28 February 2001).

In June 2001, the Saigon Times reported that Nissho Iwai planned to set up a new US\$1.5 million wood chip plant. Nissho Iwai will take a 60 per cent stake in the operation and a state-owned forest product exporting agency would own the remaining 40 per cent. The wood chip plant is due to start operations in 2002. All its products will be exported to Oji Paper, a Japanese company (see below) (Saigon Times 12 June 2001).

Nissho Iwai also plans to increase capacity in an existing wood chip mill by 15 per cent to 150,000 tons a year. Nissho Iwai's wood chip production target for the year 2002 is 400,000 tons – up from 130,000 tons in 2000 (Saigon Times 12 June 2001).

- OJI PAPER

Oji Paper, Japan's second largest paper manufacturer, started to establish trial plantations at two forest enterprises in Song Be province in the south of Vietnam in 1991. The aim was to establish species and provenance trials leading to a US\$5.7 million industrial plantation covering 13,000 hectares to supply wood chips for export (VN 1994a: 1). The trial plantation project was run in conjunction with the Forest Science Institute of

Vietnam, and is the initial stages of a joint venture between Oji Paper Company Limited and the Ho Chi Minh City office of the Japanese trading house Nissho Iwai Corporation (VN 1994a: 1). The joint venture company was named the Dong Phu Plantation Forest Company of Vietnam.

The land allocated for the trial plantations was previously forested, and a significant proportion of site preparation costs went on clearing the existing vegetation. Once the trial was planted, termites proved to be a problem and destroyed 14 per cent of trees in the first year. Termites were eradicated through spraying DDT, a practice in accordance with the joint venture company's guidelines, drawn up especially for the establishment of Acacia and Eucalyptus plantations in Vietnam (Dong Phu 1994: 8).

However, the cost of land in Song Be province increased dramatically during the species and provenance trials, and the site of the commercial plantation has been relocated. In May 1995, the Vietnamese government gave approval for the plantation to be established in Binh Dinh province (Saigon Times 18-24 May 1995). (See section on Quy Nhon Plantation Company, above.) Soils and climate are quite different in Song Be province and Binh Dinh province, therefore making the Song Be trials irrelevant. Oji Paper plan to retain the trials in Song Be to provide a seed nursery for future plantations in Vietnam.

- ITOCHU CORPORATION

Itochu Corporation (formerly C. Itoh & Co.) is one of Japan's largest general trading companies. According to reports in 1993, the company acquired 5,000 hectares of state owned land in Vung Tau province in southeast Vietnam, with the aim of establishing a wood chip supply to Japan. Itochu set up a joint venture with Southern Forest Resource, a Hong Kong speciality trader, which was to carry out the planting and wood chipping operations. Acacia was planned to be planted at a rate of 1,000 hectares per year, and the first harvest was to be in 1997. Chips are to be processed in Vietnam and sold by Itochu Corporation to Chuetsu Pulp Industry Co. Ltd. a medium sized Japanese paper manufacturer which is part of the Oji Paper group.

In 1992, Itochu traded the first exports of wood chips from Vietnam to Japan, with shipments of over 25,000 tons of wood chips. By 1998 Itochu aimed to import around 80,000 tons from Vietnam (Nihon Keizai Shimbun 1993).

- VIJACHIP

Vijachip is a woodchip mill in Danang. The mill is a joint venture between a Japanese company and a Vietnamese state company. The wood chips are exported to Japan. At a presentation in 1996, Toyotaro Fujiwara of Vijachip stated that "We have invested 1.2 million dollars to create 4,600 ha of plantation" (Toyotaro Fujiwara 1996: 58). He complained that his company could not afford to pay the 15 per cent tariff on exports of wood chips, imposed by the Vietnamese government in July 1995 (Toyotaro Fujiwara 1996: 58).

- BA RIA-VUNG TAU PROVINCE

Two wood chip mills operate in Ba Ria-Vung Tau province: the Vinh Hung company (a company with Taiwanese involvement) and the VICO company (Vietnam-South Korean Paper Joint Venture). Both wood chip mills produce for export, mainly to Japan (Ngo Duc Hiep 2000: 7).

The problems associated with wood chip mills for local communities is illustrated by the Xuyen Moc State Forest Enterprise. Although the Xuyen Moc SFE has made a profit for a number of years (Vu Hoai Minh et al 2000: annex 2: 15), because wood from the SFE is exported it does not help village-level shortages of wood (Ngo Duc Hiep 2000: 4). As a result, a report produced by consultants for PROFOR explains, "the local people, especially the poor, exploit wood in the remaining natural forests" (Ngo Duc Hiep 2000: 9). Instead of serving local communities' needs, the SFE is serving the needs of woodchip mill operators and feeding the demand for timber in South Korea and Taiwan.

- KIEN TAI

The Kien Tai project is a joint venture between the Taiwanese consortium Central Trading and Development

(CT&D) and the Vietnamese provincial authority of Kien Giang province, to establish 60,000 hectares of fast growing Eucalyptus trees for export as wood chips to Taiwan (Holmes 1994: 12). The joint venture was established in June 1991, and was one of the first joint ventures to start establishing plantations in Vietnam (Dinh Trung Chanh 1996: 60).

The site consists of acid sulphate soils in the Mekong delta, and serious problems were created when the company started planting. Because the area floods, the company dug mounds for the trees and thus exposed the yellow sulphite layer in the soil. During the wet season, flooding and run off from the site led to the acidification of local canals, killing fish and making the water unfit for drinking.

Floods in the region are up to two metres deep each year, and after three years many of the trees had either stopped growing, died, or fallen over. Far from the land being put into productive use, the soil structure has been damaged, and local water courses poisoned.

- FOREST PLANTATIONS AND MDF PRODUCTION

The Vietnam State General Company for Forestry (Vinafor) plans to build a factory to produce 54,000 cubic metres a year of medium density fibreboard (MDF). By 2005, Vinafor plans to establish plantations covering approximately 26,000 hectares to supply raw material to the factory (Salmi et al 1999: 116). In January 2001, the Vietnam News Agency announced that the factory would be "officially put into operation by the end of the year" (VNA 2001a).

Two factories producing MDF have been opened in recent years in Gia Lai. The Vietnam Forestry Corporation plans others in Hoa Binh, Dong Nai and Quang Ngai provinces. The deputy general director of Vinafor, Pham Trong Minh told Ha Noi Moi newspaper in early 2001, that "raw materials for these factories is in desperately short supply" (Vietnam News 28 February 2001).

Pham Trong Minh added "The biggest challenge is the lack of land for forestation. . . . Of bare land areas, about 10 per cent is especially suitable for forestry and accessible to transport routes. However, some of this has been occupied by immigrants who have built farms and planted tea, coffee and other cash crops" (Vietnam News 28 February 2001).

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