

## The conflict over Veracel pulpwood plantations in Brazil — Application of Ethical Analysis

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### Abstract

The large-scale pulp investment model, with its pressure on land, has created conflict and caused major disagreements and open hostility amongst the social movement and NGO networks, state actors, and the pulp and paper companies in Brazil. In this article, Ethical Analysis was applied in the assessment of the dynamics and possibilities of conflict resolution related to the expansion of pulpwood plantations in Brazil's Bahia State, particularly near Veracel Celulose. Ethical Analysis as a tool identifies the complex dynamics of contention through identifying bridges and rifts in the social, ecological and economic viewpoints of the main actors. The analysis was based on field research, interviews, and a review of existing literature. The results indicated that the conflict is marked by politics of power, and as long as this stage continues, the politics of cooperation and conflict resolution would be hard to achieve. The key actors have diverging interests, values and principles, and different ways of presenting their viewpoints. The current investment context is economically and institutionally peripheral and socially weak. Without a radical rethinking and emphasis on ethical and structural reworking of the investment model, the conflict will likely continue to deepen, aggravating investment risk for large-scale business and industrial forestry.

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### Highlights

► An outline of Brazil's paper and pulp industry and pulpwood plantation expansion. ► Analysis of state-business-civil society relations in Brazilian pulp conflicts. ► Illustration of rural change paradigms and the rise of new social movements. ► Application of Ethical Analysis for identifying interests, values and principles. ► Identification of obstacles and bridges to conflict resolution.

## Keywords

- Ethical Analysis;
  - Pulp and paper industry;
  - Conflict resolution;
  - Brazil;
  - Environmental governance;
  - Veracel Celulose
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## 1. Introduction

Conflicts over industrial forestry are on an increase worldwide ([Gerber, 2010](#)). Analysing a complex Northern scenario, conflicts in Finnish Lapland, where several conflicting stakeholder interests were intertwined, [Gritten et al. \(2009\)](#) employed a methodology, Ethical Analysis (EA), previously better known from business and health conflict management. This approach supports the idea conflicts have an ethical, or at least value-based, dimension, rather than being just a conflict over material interests. EA does not attempt to solve the grievances or ideological cleavages, but to lay ground for a shared understanding of moral realities (interests, values and principles — all assessed in particular in moral terms) of the parties, seen vital for conflict resolution. Attempting to understand the driving forces behind different stakeholders' actions in the conflict situation, [Gritten et al. \(2009\)](#), referring to [Krott \(2005\)](#) amongst others, distinguish between interests, values and principles, and strive to identify these factors separately.

We have applied the EA protocol of [Gritten et al. \(2009\)](#) to a many-dimensional conflict situation around Veracel Celulose S.A., a million tonne pulp mill in southernmost Bahia State of Brazil owned by Brazilian Fibria and Finnish–Swedish Stora Enso in a joint venture.

Social conflicts over the pulp and paper industry's (PPI) large-scale eucalypt plantations in Brazil have escalated, and have been described by [Kröger, 2010](#) and [Kröger, 2011](#), from the viewpoint of contending local interests. In that work, two loosely defined stakeholder groups were identified: one comprising the Brazilian political establishment and the industry, and the other comprising the local population and environmentalist non-government organisations (NGOs). Both groups included national and non-national actors; however, some stakeholders were not easily defined under this scheme. Besides the analysis of the conflict, this situation can be used as an illustration of the process of amalgamating ecological and socio-cultural perspectives into 'socio-environmentalism': a process with strong roots in Brazil ([Hochstetler and Keck, 2007](#)) and already perceptible in Nordic countries. Previously, most conflicts of interest have been between eco-centric environmentalism and anthropocentric economic and social concern; however, with this new pattern, socio-environmental actors question neoliberal economic paradigms and perceptions of "development" ([Böhm and Brei, 2008](#)). Brazilian source material was used, which was based on fieldwork in the country.

Veracel is the third one of million tonne pulp mill establishments of coastal strip in Espírito Santo and Bahia states, this development is further described in next section. The conflicts around the first mill, Aracruz Celulose (established in the 1970s) are used as a classroom simulation for business school graduate students at San José State University ([Reade et al., 2008](#)). These conflicts are not just efforts by competing actors to gain control over a specific resource, but have ethical and/or ideological components (besides material livelihoods at stake): these are different concepts of sustainability and social justice and present conflicting models for desirable economic structure ([Böhm and Brei, 2008](#)).

The South American pulp companies' and local stakeholders' have a deep cleavage in their understanding of sustainability and development, reflected in companies' Annual Reports and NGO research pamphlets ([Nylund and Kröger, forthcoming](#)). This type of conflict cannot be resolved unless basic stakeholder requirements are met, but through fulfilling 'fairness criteria' as perceived by the stakeholders themselves ([Gritten et al., 2009](#)). Similarly, these efforts fail if there is no compromise, in which case, political solutions may enforce one party's views, resulting in continued resistance or total withdrawal by the other party.

However, in the present paper, the objective was to use EA to provide a structured account of the current situation, and propose areas where conflicting interests and values might or might not be reconciled. Thus, an account of Brazil's long-term policy for stimulating the pulp and paper industry and recent settlement history of the Extremo Sul region is presented along with the analysis according to the EA scheme of [Gritten et al. \(2009\)](#). Conflicts provide a fruitful yet challenging arena for applying EA, as is further elaborated in particular in Chapter 2, which demonstrates from different angles the historical roots and present issues of the escalating social and economic – and also partly environmental – conflict. This part already includes many observations relevant for EA, and therefore provides besides other literature the source for EA in Chapter 3. In the discussion, [Böhm and Brei \(2008\)](#) provide a key for expanding the concept of sustainability, and a review of how participatory democracy, or lack, has influenced pulp conflicts, and how the political system is used by the actors and how political transformations have shaped conflict dynamics and outcomes, including sustainability and long-term conflict management possibilities, are presented.

## 2. Pulp and paper industry, plantations and social conflict

### 2.1. Pulp and paper industry — a core sector in Brazil's development policy

The Brazilian pulp and paper projects have roots in the European colonisation of the tropics from the 16th century onwards and in the modernisation of Europe's own forested north, and represent a transition to an industrial–financial capitalism harnessing nature's bounty and reorganising the traditional rural space. Since the 1930s, development of the pulp and paper industry has been included in the Brazilian industrial policy regardless of the politics of the government ([Gonçalves, 2006](#), [Joly, 2007](#) and [Oliveira, 2008](#)). High import tariffs and other protectionist measures of President Vargas' governments (1930–1945; 1951–1954) assured the domestic market for national paper producers ([IOS, 2005:8](#)). The military government, established in 1964, used the Vargas-founded BNDE, the National Bank of Economic Development (later BNDES), to channel credits to the industry; thus, the Bank influenced the creation of the paper and pulp industry through financing foreign and national investors. This expansion implied a move from the original industry base around São Paulo, with intensive land use, to previously forested land in northern Espírito Santo and southernmost Bahia states. The

establishment of Aracruz' first mill in Espírito Santo in 1974 was seen as a success story and noted in the world forestry sector, despite initially being considered a high-risk project ([Oliveira, 2008](#)).

State support for the industrial tree plantation sector was not limited to BNDES finance. In 1966, the government passed Law 5.106, which allowed deduction of reforestation projects from tax liabilities. Tree plantations obtained strong fiscal incentives and negative interest rate loans until 1987. The establishment of plantations was unregulated and generated good profits: due to the fiscal incentives, the rate of return for landowners planting eucalyptus was over 600% ([Bull et al., 2006](#)).

The present government has designated pulp and paper as a key growth sector. The government-industry alliance, represented by BNDES funding for the paper and pulp industry, more than doubled from 6092.8 million BRL (about 3822 million USD in June 2011) in 1999–2003 to 14,218.9 million BRL (about 6234 million USD in June 2011) 2004–2008 ([Kröger, 2010](#) and [BNDES, 2009](#)). The increase in financing corresponded to the rising pace of plantation expansion ([Kröger, 2010](#) and [Bracelipa, 2009](#)) and new projects in many states, including the interior state of Mato Grosso do Sul.

Veracel Celulose, the focus of the present study, was initiated in 1991 as a plantation project by Odebrecht, a Brazilian business conglomerate active in construction, engineering, chemicals, finance, and public works. Vale do Rio Doce, a Brazilian state-owned mining company, was also involved in the early 1990s, as in most pulp projects in Brazil, by offering its forestlands to the company. A new company, Veracruz, was established together with Swedish Stora in 1997, and aimed at the establishment of a pulp mill. Stora merged with the 60% state-owned Finnish company Enso in 1998, and in 2000 Odebrecht sold much of its share to Aracruz. In 2003, in a 50–50 joint venture, Veracel, Stora Enso and Aracruz started work on the mill, which started production in 2005, with a nominal capacity of 1 M tonnes/yr. The companies have been attempting to double the venture size since then.

## 2.2. Pulpwood plantations and rural change

The availability of land ideally suited for growing eucalypt was one reason the Brazilian East became the new centre for the pulp industry. Through a combination of efficient management and genetic improvement, Aracruz proved eucalypt could be grown for several rotations at high production; with 1 ha providing raw material for 10 tonnes of market pulp (interviews at Veracel, April 2011), and even higher returns within reach. Until the 1950s, large tracts of the Atlantic Rainforest remained intact in the Northern Espírito Santo and Extremo Sul da Bahia, even if much of coastal Bahia had been a central area in Portugal's colonisation of Brazil. At the beginning of the 1970s, most of the forest of the Extremo Sul had been logged, the majority converted to extensively managed cattle ranches, with coffee and cacao as less important plantation crops ([Oliveira, 2008](#) and [IMA/LIMA, 2009](#)). During the deforestation, most people in the area had moved, and in the late 1980s, the rural population was declining and socio-economic standards were low in both the countryside and the growing towns ([Oliveira, 2008](#) and [IMA/LIMA, 2009](#)). Thus, the companies could easily buy land, predominantly cattle ranches, and in the Aracruz case, the military regime of the time 'facilitated' land acquisition ([Gonçalves, 2006](#)).

In 2009, the industrial eucalypt plantations of the Extremo Sul covered 625,000 hectares, with heavy concentration in the southern region, where Suzano's Mucuri mill and Aracruz had established large-scale

plantations in the 1980s. Veracruz/Veracel chose the unexploited northern part for its activities. The evaluation of social-economic effects of the rapid expansion revealed a problem with the statistical base material; during the period of strong plantation expansion, the IBGE national statistics on land use and farming for area coverage in Extremo Sul changed from 1.5 M ha in 1985 to 0.93 M ha in 1995. Critical data analysis combined with satellite imagery revealed 256,000 ha of land had been converted from cattle ranching to plantations during the 10-year period ([IMA/LIMA, 2009](#)), this was not surprising given the low economic return, area-wise, from cattle (125–160 USD per hectare and year; [IMA/LIMA, 2009](#)). Public statistics reveal a steady decline of rural population since the 1970s heydays of native forest logging, resulting in a 50% decline in rural population between 1980 and 1990 ([Almeida et al., 2008](#)), this out migration continues today at a lower rate. Meanwhile, urban areas grew rapidly, with immigrants from other states and regions outnumbering rural people from the neighbouring areas. The urban population in Extremo Sul grew from 358,000 in 1991 to 590,000 in 2007, whilst the rural population shrank from 245,000 to 180,000 during the same period ([IMA/LIMA, 2009](#)). The IBGE and IMA/LIMA data are not directly comparable due to different area coverage.<sup>1</sup>

Although many older cattle-ranches have been bought, interviews and field research on farms converted into eucalypt plantations ([Kröger, 2010](#)) indicate plantation expansion is not limited to large-scale cattle-ranches, family farms are also converted to eucalyptus plantations. In addition, many people are evicted from the fringe land they have occupied for subsistence farming without any title deeds and on the ranch owner's goodwill, for which they worked as temporary farmhands when they were needed, process discussed in detail by [Kröger \(2010\)](#). There are no data available on the number of people losing access to land in this way, but the general socioeconomic situation of many rural people is poor.

The establishment of the pulp industries gave rise to exaggerated expectations of new rural employment, as politicians and company marketing offered overtly optimistic promises. For example, Veracel announced the creation of 40,000 jobs, a figure that later dropped to 20,000, and 10,000 in the mill and 3000 in rural tasks; now, the mill employs around 400–700 workers, depending on the calculation method, mostly from outside the region as they cannot find specialised workers in the area ([Bacchetta, 2007](#)). From the 2003 inventory of the agricultural extension in Porto Seguro municipality, 74% of households were living on a total income of less than the minimum wage; 29% were illiterate and 59% had incomplete primary schooling; 72% had no title to the land they farmed, and 78% had never had access to any form of rural credit ([IMA/LIMA, 2009](#)). Similar data for rural Eunápolis are presented by [Raykil \(2005\)](#).

The plantations and associated legal vegetation/non-plantation reserves reshaped the landscape. In several smaller municipalities of Extremo Sul, 20–40% of the land was planted or reserved for vegetation restoration (normally, a similar amount of land is designated for conservation and restoration as for actual planting) and off-limits for the local people ([IMA/LIMA, 2009](#)).

The projects led to social conflict, with the result CSR policies of Aracruz are being questioned ([Fig, 2007](#)) and company dealings with public authorities over its land acquisition in the 1980s and 1990s being closely monitored ([Andrade, 2000](#)). In April 2004, 3500 activists of the Brazilian Landless Rural Workers' Movement (*Movimento dos Trabalhadores Rurais Sem Terra*, MST) occupied Veracel plantations in Eunápolis demanding land for agrarian reform settlements; a similar protest occurred in April 2006 in Teixeira de Freitas on a Suzano plantation ([Kröger, 2011](#)). Since then, different landless and homeless movements and indigenous Pataxó

groups have held land occupations and protests. These movements have established regional, national and transnational resistance networks and filed actions via the Public Prosecutors' offices. Several lawsuits, with pending and legal decisions issued, condemn the companies' legal breaches in several areas, including environmental, labour, and land-use legislation (see, for example, the list in the Formal Correspondence Ofício No. 433/2010/3.PJMA of the 3rd Environmental Attorney General in Bahia). Public prosecutors throughout the regions' municipalities have increased the number of investigations, and the Ministério Público ("public prosecutor's office") accuses Veracel's plantation certifier SGS of fraudulent certification processes and has initiated public civil action against Veracel ( [Ministério Público do Estado da Bahia, 2010](#)). The accusations are paralleled with rising grievances and mishandlings by the companies: for example, in March 2010, a local villager in southern Bahia was killed by Fibria's armed security force after he illegally collected firewood from a company plantation ( [Socio-Environmental Forum, 2010](#)).

In April 2004, the response to the MST occupation of Veracel lands was swift. The government promised to appropriate 30,000 ha of land for MST families in the region where Veracel operated; consequently, MST ended its occupation (*O Estado de São Paulo* 9 April 2004). Although the full area was not demarcated, three MST settlements were established on 1000 ha gained in the protest. Currently, the Bahia MST demands that eucalyptus plantation lands with doubtful title history, possibly originally state lands, are converted into settlements. Along with the governmental National Institute for Colonization and Agrarian Reform (INCRA), the MST claims the land price increased because of eucalypt investments, which has stalled agrarian reform in pulp project regions around Brazil ( [Kröger, 2010](#)).

The higher land price has led to the companies themselves adopting outsourcing schemes ( [Oliveira et al., 2006](#), [Oliveira, 2008](#) and [Souza et al., 2009](#)), even though direct land ownership is preferred and still the mainstay. The success of the 'out-grower' programme has created an opportunity for demanding better prices, or higher rents for the land, as happened in Veracel's region since 2005, where the outgrowers formed an interest organisation, *Associação dos Produtores do Eucalipto de Extremo Sul da Bahia* (ASPEX). In Aracruz and Suzano regions to the South, outgrowers (the private tree growers) organised themselves earlier and were demanding higher prices than ASPEX members ( [Peixoto, 2007](#)).

Veracel's contractual conditions are attractive to the outgrowers ( [Oliveira, 2008](#)), but, the contracts present limited opportunity for selling the produce to companies other than the signatory company, which has locked groups of regional outgrowers into closed arrangements with particular companies ( [Peixoto, 2007](#)). These contracts were initially individual, but then, the outgrowers organised and this considerably changed the dynamics. As of early 2011, however, the Veracel outgrowers organisation has split, and several of its early members are in deep conflicts with the company over contractual and legal issues related to harvesting (fieldwork and interviews, April 2011).

### 3. Ethical Analysis

In the analysis, we follow the protocol of [Gritten et al. \(2009\)](#), identifying: 1) stakeholders, 2) their interest, values and principles, 3) their view of their 'opponents', and 4) bridges and barriers to meaningful dialogue.

#### 3.1. Stakeholders

Two main stakeholder groups, each comprising several actors were identified:

The '*pro-industry*' group comprised successive Brazilian governments, civilians of both left and right political orientation, and the military dictatorship, the financial interests, particularly the existing paper and pulp industry (PPI), and industrial actors from the Nordic and other countries.

The '*local development*' group comprised organised and unorganised stakeholders in Extremo Sul, including traditional communities and the MST, which has a national political agenda that questions the social justice of present land use and tenure conditions and has strong regional organisation. Although a part of the local community, *large landowners* were considered as a group with a profile of their own. In addition, '*outgrowers*', the private tree growers, are an emerging group with interests of their own, and significant internal division, many leaning more towards the '*pro-industry*' group, others vehemently to the '*local development*' group.

Stakeholders defined as '*ecologist*', with a base in both national and non-national ENGO and primarily concerned with conservation of native ecosystems, and with the effects of large-scale eucalypt plantation were included in the '*local development*' group. Although much of the local development group's criticism concerns the immediate effects of the eucalypts, the ecologists include social issues in their analyses. Two organisations combine social and ecological issues: the local CEPEDES, *Centro de estudos e pesquisas para o desenvolvimento do Extremo Sul da Bahia*, and WRM, the global World Rainforest Movement, with close links to the global NGO, Friends of the Earth. For a stakeholder analysis, earlier forestry studies consider the recognition of separate interests is essential. For example, according to [Puppim de Oliveira \(2008\)](#), MST prioritises cultivation for subsistence over conservation, if there is conflict between the two. With ongoing "Green Revolution modernisation" of the countryside, many dispossessed local peasant groups incorporated environmentalism, with the result that Brazilian social movements established a set of ideas termed socio-environmentalism. Socio-environmentalism is "an environmentalism that is more politicized and further to the left than one sees elsewhere" and carries "unusually strong interpersonal relations among environmentalists in state and civil society institutions, who work together in both blocking and enabling networks" ( [Hochstetler and Keck, 2007](#):10–11). During the radical advance of pro-agribusiness policies, this paradigm has evolved into the more encompassing political ecology and environmental justice paradigms, which demonstrate how the poor and politically marginalised normally pay the highest price of corporate resource exploitation-focused resource governance ( [Kröger, 2010](#)).

In addition, the forest certifiers were identified as a separate stakeholder group, and included *FSC, the Forest Stewardship Council*, and the certifier companies issuing FSC certificates in Brazil, SGS Qualiflor and SCS Scientific Certification Systems. FSC has been questioned as a certifier by some ENGOS, but is supported by others organisations, such as the Rainforest Alliance. In the analysis of [Hoffman \(2001\)](#), the forest certifiers illustrate two strategies of environmental work: 1) an activist strategy that attempts to influence attitudes and values and aims to change legislation and 2) regulation with 'consultants' to forest owners and companies 'being part of the solution, not of the problem' from a company viewpoint ( [Nardelli and Griffith, 2003](#)).

The stakeholders are dynamic, and the boundaries between the groups are not fixed, but are flexible: a sliding scale with hundreds of variations illustrates the complexity more than bi- or tri-polarity. Within a sliding scale embracement of neoliberal economics and development paradigm lies on one pole and an alternative, small-scale subsistence-oriented green world order lies on the other pole; thus, the approximate member variance of

each group can be located. This perspective facilitates an understanding of the ongoing discourse, political strategies, political tools and narrative platforms through which stakeholders pursue their goals, and spread their interests, values and principles.

In addition, stakeholders network, and networking politics are a typical feature of modern forest conflicts, both in Lapland ([Linjakumpu and Valkonen, 2006](#)) and in South America ([Kröger, 2010](#)). Network politics connects those resisting pulp, even if the primary interests are only economic, such as in the case of cattle-ranchers. Separate stakeholders benefit through their networked allies narrative platforms, such as social and environmental narratives: different actors reap synergy benefits by sharing and replicating knowledge of experts on other areas than their own, and networking allows creating new hybrid discourses of socio-environmentalism, which then bridges different groups into an alliance or at least positions them on a cooperative platform. Likewise, increasing interconnectedness of state, national and multinational economic groups advocating for commodity export in Brazil benefit from their networking, for example by securing state-funding for a neoliberal-style investment, which is also a hybrid platform.

Furthermore, particular outcomes of for example environmental activists' campaigns create unforeseen consequences for other groups. The causalities between the outcomes should be seen in a global context, particularly when discussing campaigns targeting multinational corporations. Not all activism is done in concert even in a local context such as Southern Bahia, nor are all groups conscious of each other, yet, they can enjoy windfall gains or losses in campaigns and opportunities when other stakeholders reach or do not reach their goals vis-à-vis the company they all target. Moral victories for a company or an NGO campaign, for example following a verdict on a lawsuit or resolution of a land occupation via offering land to local populations, boost (or diminish) the legitimacy of other pulp companies or allied stakeholders. As discussed by [Myllylä and Takala \(2011\)](#), in the current conflict setting, Veracel (and Aracruz/Fibria) have legitimacy problems, particularly in conflicts over indigenous lands. Exacerbation of indigenous conflicts and land appropriations compromise the legitimacy particularly internationally.

### 3.2. Interests, values and principles

Three sets of interests, values and principles were identified: 1) focus on the activity (export of commodities by big corporations *versus* locally-oriented production by a multitude of locals), 2) basic political paradigm (shareholder-value increase in a politically stable neoliberal setting *versus* strengthening of small and medium sized farming by political, even conflictive distribution of resource access), and 3) a value base for determining justice and legality (declaredly legality-abiding value-base drawing strongly on local business ethics and consumer considerations *versus* rightfulness of land-use, conformity with social purpose clauses of the constitution, drawing on Brazilian socio-environmentalism). This methodological choice — rather than separately listing the specific interests, values and principles for each stakeholder group, can be defended via more economic communication and by the state of affairs that in many cases the differences between these are flexible, reflecting continuum in reality rather than more clear-cut theoretical definitions.

The principal interest of *industry stakeholders* lies in efficient and profitable production of a globally traded group of *commodities*, cellulose, paper and cardboard. The ultimate goal is increasing shareholder value, which is for example explicitly required in Swedish corporate legislation and the Finnish state ownership policy (Sweden: Aktiebolagslagen, 2005:551, Finland: Act on State Shareholdings 1368/2007). This actor group



embraces existing world order and the neoliberal paradigm of global trade, with a global division of labour based on competitive advantages. Politically, the main priority is stability, and as consumers make demands on both end-product quality and mode of production, the industry stakeholders depend on individual actors, and thus, promote values such as environmental consideration, human resource management, and corporate social responsibility (CSR) in marketing strategies. In terms of justice and legality, industry stakeholders declare loyalty to existing legislation, but may have viewpoints on specific laws on environmental consideration, labour, and land tenure. Empirical case evidence suggests that in practice corporations may act on the edge of the legal system when the local legal-political system and developing countries' cultures of corruption allow this, that is, work by the rules of the non-official business culture of countries such as Russia and Brazil ( [Kröger, 2008](#)).

The *local development stakeholders* group focuses on *livelihoods* rather than commodities and identifies with explicit and implicit interests of the 'people in Extremo Sul' and more widely, with the rural population of Brazil. The identification of this interest is a political process, and the different actors differ in their priorities. However, fieldwork reveals a common profile, which includes the strengthening of small and medium size farming, more resources to local social services and planning, and a land use policy counteracting the present concentration of tenure. This implies land reform, efficient procedures for titling, and documentation of existing *de-facto* holdings. Legal proceedings are used for both defending the present order and in working for change. MST justifies its land occupations through reference to Article 186 of the 1988 Constitution that allows occupation of land not fulfilling the social purpose requirements: rational and adequate use; adequate use of available natural resources and preservation of the environment; compliance with labour regulations and land use that favours the well-being of the owners and labourers ( [Wittman, 2009](#)).

The pressure exerted by MST protests is now a common part of the political games involving corporate resource exploitation ([Kröger, 2010](#) and [Kröger, 2011](#)). As the government has been funding large-scale company investment projects, no federal government is willing to utilise money voluntarily for buying sufficient land for the landless or channel technical and production support through state institutions for instigating national agrarian reform. The Brazilian Land Reform Institute (INCRA) is institutionally weak and is not provided enough resources by the government ([Wolford, 2010](#)). In this setting, MST has created participatory democratic interaction, providing essential services for the execution of land reform policy ([Wolford, 2010](#)). The MST protests and embedment with the political games largely remediated by the state are essential for assuring the government liberalises funds for land purchase ([Kröger, 2010](#) and [Kröger, 2011](#)). Thus, from an environmental justice perspective, MST considers their occupations of Veracel lands as legal and justified, as monoculture tree plantations do not fulfil the social purpose requirements. The MST and their allies claim that the titling of sizeable part of these lands is invalid (*terra devoluta* = state land illegally grabbed in the past by land speculators and sold to Veracel to avoid forthcoming state appropriations), and should not have been acquired. The plantation setting increases land prices, rendering it more expensive for INCRA to buy land ( [Kröger, 2010](#)).

The *ranchers* differ from the *local development* stakeholders as they secured large properties cheaply when the original forest was cleared, and manage the land with low investments per hectare and lower returns than crops or eucalypts, ~ 150 USD/ha/yr ( [LIMA/IMA, 2009](#)). Although this group of stakeholders is assumed to identify themselves with the present social and political order, as they will lose under agricultural reform, in the

demonstrations in Eunápolis they demonstrated against tree plantations. Some farm-owners sold land to the companies and gained better returns for their money in other investments, other cattle-ranchers became outgrowers for the pulp companies, and others continue ranching traditions.

From a traditional *ecologist* viewpoint, the immediate interest is conservation of natural resources and productive capacity of the land, with a physical environment conducive for human well-being ([www.wrm.org.uy](http://www.wrm.org.uy)); thus, the value base is sustainability. WRM expresses its values strongly and although there is less emphasis on legal philosophy, there is a willingness to use the present judicial system as a tool for advancing environmental justice.

*The certifier, FSC*, claims no juridical platform, but offers a strictly market-based mechanism based on stakeholder negotiation (FSC website, June 2011). However, FSC has to sit on two chairs ( [Nardelli and Griffith, 2003](#)). The immediate interest of the organisation is to function as a tool for advancing sustainable forestry and land use through market mechanisms. The legislative processes appear slow and unable to set sufficiently high standards ( [Graeme et al., 2008](#)) and effectiveness is influenced by the supply of local forestry programmes, regulation and enforcement of new standards ( [Espach, 2006](#)). Thus, FSC must formulate concrete targets based on scientific evidence, rather than advocating general political or ideological objectives; however, these cannot be so exacting that the forest owners and operators FSC certifies refuse to accept the standards. Conversely, if the targets are too lax, the certification will lose credibility. The [Swedish Society for Conservation of Nature \(2009\)](#), one of the founding agencies of the Swedish FSC standard, currently also faces this dilemma.

### 3.3. Stakeholders' view of their 'opponents'

The *local development* stakeholders' criticism have been summarised by CEPEDS ( [Souza and Overbeek, 2008](#)). *Firstly*, the immediate complaint concerns the physical impact of the eucalypt plantations: the size dominates the landscape, influences hydrology, and dispossesses subsistence farmers. There is also concern about the effects of pesticides on soils and workers and that remaining farmsteads are surrounded by trees, which is viewed negatively by the local culture. *Secondly*, the establishment of the mill and plantations only marginally contributes to the local economy. The absentee owners and higher-level authorities profit from this situation not the local communities, as subsistence farming and food production for the local market are 'squeezed out' and aspects of forestry economy, other than pulp making, are ignored. *Thirdly*, Veracel, in both its current form and the initial company, is accused of ignoring or manipulating environmental regulation, gaining support from politicians through election campaign contributions, blatant corruption and illegalities, and of presenting an arrogant attitude towards local residents' desire to participate in decisions affecting themselves.

The cattle ranchers' grievances, expressed in demonstrations against the companies in Eunápolis, focus on the reduced area of pastureland as the plantations spread. Land deals between themselves are accepted, as the land remains as pasture, and can be resold. The companies, however, as seen as intruders, locking up the land in their plantations and removing permanently from cattle ranching (interviews reported in [Kröger, 2010](#)).

The publications of transnational ENGO, such as WRM and Friends of the Earth (FoE) focus on the detrimental effects of eucalypt growing and challenge the long held perception of foresters and development agencies that fast wood monoculture can be equaled with reforestation, if properly managed ([Poore and Fries, 1985](#) and [Cossalter and Pye-Smith, 2003](#)). Other ENGO and FSC are also criticised for approving and certifying

the plantations of the major Brazilian paper and pulp companies. Greenpeace, together with Brazilian FASE and IBASE document alleged environmental crimes by pulp producers and participated in an analysis with aerial photo of the extent of Mata Atlântica clearance by Veracruz, the predecessor of Veracel, which was presented in a dossier in 1993 that preceded litigation in federal court against the company ([Fase, Greenpeace, Ibase, 1993](#)). As a consequence of the legal procedure, in June 2008, a federal court in Bahia sentenced Veracel Celulose for environmental crimes and ordered it to uproot 47,000 ha of eucalyptus plantations and pay substantial fines; the company has complained and the case is in upper courts now.

Amongst the *industry stakeholders*, Veracel, and owners Fibria and Stora Enso, had kept a 'low profile', but fiercely confronted its opponents when challenged through occupations or lawsuits, denying any misconduct. The industry discourses and viewpoints on their opponents are discussed more in detail in [Nylund and Kröger \(forthcoming\)](#). One of the most striking controversies is around legality: whereas the *local development* discourse adopts the wider concept of socio-environmental justice, Veracel has adopted a more orthodox defense of their action's legality. The *Note of Clarification* emitted by the company in their websites in 5 April 2004 after the MST occupation illustrates the industry framing of the MST actions as illegal and developmentally harmful and the company actions as legal and developmental. The *Note* is partly reproduced below. The italics (our) underline the words centrally defining company viewpoints on the MST, and, as discourses construct realities and characterise relations, explain partly (but only partly, as also the resistance is an actor in the historically-defined context) why the conflict since then has taken a hostile tone (see [Kröger, 2005](#) for the complete *Note* and more detailed analysis):

*"The invaders have already destroyed 25 hectares of eucalyptus trees and continue removing wood for building shacks at the invasion site. The MST's action is contrary to a previous legal decision in view of the fact that last year the same plantation had been invaded by the movement, at which time the courts determined that it was an illegal action [...] A company that is fully constituted according to legal requirements, Veracel deplors the occurrence because the area invaded, which belongs to the Inhaíba Project, is a productive property, licensed and cultivated in conformance with strict technical and environmental criteria. The growing of eucalyptus trees is a fundamental activity for the existence of the future Veracel pulp mill, a project that is currently responsible for the generation of nearly 8,000 direct and indirect jobs in the region, which contribute to the improvement in the quality of life for thousands of families."*

The discourse draws from the Brazilian history, and has to be understood contextually. With the political allegiances of the industry stakeholders, the industrial establishment in Brazil supported the harsh treatment of any opposition considered 'illegal' or 'leftist' during the military regime (1964–1984). During the two past periods of the Lula (Workers Party PT) presidency (2003–2010), MST and other contentious actors were provided with a more allowing political environment for protesting, but the industrialisation policy including tax break and investment bank loans to pulp expansion continued in various guises; so did also the discourses delegitimizing the opponents ([Kröger, 2010](#)). The 2004 occupations received publicity; for example, coverage by the media such as the Rio-based daily and conservative newspaper *O Globo* and *Financial Times*, both of which largely replicated the industry concerns and viewpoints ([Kröger, 2005](#)). Even though mixed and largely negative, this attention generated a wave of socio-economic impact analyses and academic research ([Kröger, 2010](#)). From the company perspective, much specific grievances have been addressed since these times ([Kröger, 2010](#)).

[Veracel, 2008](#)), and, consequently, the most critical issues are not discussed, as they are non-existent from the industry-viewpoint ( [Nylund and Kröger, forthcoming](#)).

### 3.4. Identifying interests, values and principles that are bridges and barriers to meaningful dialogue

It is necessary to differ between concrete grievances, legitimate campaigning for alternative developmental policies, and rhetoric. In the resolution of complex forest-related conflicts, the politics of cooperation can only begin after the politics of power have been exhausted ([Raitio, 2008](#)), for which central grievances have to be addressed and policy-discrepancy resolved; rhetoric should be distinguished from actual changes. In this sense, the Veracel conflict is still in the stage of power politics, the company using its superior position to win over situations in spite of opposition, instead of engaging on politics of cooperation, which does not abuse power, but relies principally on finding solutions where both parties have to be notably flexible on their benefit-maximisation. Even though there are signs of politics of cooperation emerging, there are many barriers to a meaningful dialogue. The possibilities for meaningful dialogue exist, but are limited. The differing views on development ([Böhm and Brei, 2008](#)) are considered a major dividing element. Veracel has developed its CSR policies ([Veracel, 2008](#)), and the successful outgrower programme integrates smaller and medium-size landowners into economic development. Stora Enso put in a great deal of effort to enhance the company's profile as environmentally and socially responsible (see [www.storaenso.com](http://www.storaenso.com)). However, CSR is not enough to meet the requirements of sustainable development that necessarily involves institutional, structural and power political transformations in land tenure and other issues ([Kröger, 2010](#) and [Nylund and Kröger, Forthcoming](#)).

Confrontations continue. For example, in the view of the local rural population and its allies, Fibria still presents a superior attitude towards the landless, other critics and local populations. For them, an illustrative case of the state of relations is the killing of a firewood gatherer, Henrique de Souza Pereira, on March 17, 2010. In the press release (“Armed security force of Fibria (Aracruz) kills local villager in Bahia”, Sócio-Environmental Fórum of the Extreme South of Bahia and the Alert against the Green Desert Network, March 23, 2010), the company lamented the death, but shed all responsibility. Instead, it blamed the practices of local people “[...] the growing climate of insecurity prevailing in some locations of the south of Bahia, which is to a great extent caused by the growing scale of occurrences of wood theft from forestry companies operating in the region” ([Fibria, 2010](#)). — In continuum, in April 2010, MST staged an occupation on state land allegedly illegally acquired by Veracel, and demanded its appropriation for agrarian reform. The governments of Bahia and Brazil are not enthusiastic in controlling the extravagancies of companies, critics say; instead, they promote fast plantation expansion and ease legal requirements and legal processes required for establishing plantations ([LIMA/IMA, 2009](#)). Meanwhile, MST does not intend to seek a reformist solution, but continues demanding the constitution be respected and not overlooked.

Rhetoric has reflected the local grievances and cleavages, and spread transnationally, following global pulp markets. In autumn 2009, Stora Enso engaged in an embarrassing dispute in the Finnish media, trying to brand the MST as a violent movement; thereby, damaging their CSR image ([Nikkanen, 2010](#)). In May 2010, Stora Enso was one of the multinationals “accused” at the “People's Court”, a transnational NGO platform for addressing allegedly dubious practices of multinational companies, especially in the developing world. The company responded to the “court” with total denial of any misconduct, framing itself as “one of the most ethical companies in the world” with reference to its declared standards and efforts for implement them and for

verifying the results ([Nikkanen, 2010](#)). At a pulp and plantation project in Guangxi, China, the company welcomed a Rights and Resources Initiative report on problematic land acquisition policies ([Ping and Nielsen, 2010](#)), and acted resolutely to resolve the issues even before publication of the critical report. Discussions with both Stora Enso directors and MST activists indicated the company was pushing its Brazilian partner towards a less confrontational way of addressing local grievances.

Grievances and policy-differences could be resolved. With the low population pressure in Extremo Sul, (600,000 people on 3 M ha), in theory there should be room for both subsistence farms, cattle ranches, permanent crop plantations, and responsibly managed fast wood plantation programmes. However, the skewed tenure structure and increase in land prices have rendered extensive land reform by government land acquisitions expensive. This current situation reflects power politics and entrenched attitudes that are structurally tied to the industrial plantation-based investment model, environmental governance setting and land tenure problems. For [Gritten et al. \(2009\)](#), such problem interfaces might be causally interlinked, or alternatively, the values and ethical issues dividing or uniting the actors with separate interests have their own platform. The case evidence suggests there is causality: structure places the groups into different territories, which are subject to different lived realities where interests, values and principles are constructed.

However, some bridges exist and there is room for more to be built: structure does not define everything, but action and attitudes play a role as well. For example, several MST camps received building material for shelters from the company, and many local people, and some Indigenous groups, had day-to-day productive interactions with company personnel. In addition, the company has not requested police action against the land occupations it claims ([www.veracel.com.br](http://www.veracel.com.br)) are currently ongoing; in interviews, company directors emphasised that they want to avoid bloodshed by all possible means and find peaceful solutions. Critical actors view many of these changes as cosmetic or questionable in their motivation or goals, as simultaneously company executives' public discourses have framed the resistance as "violent", "liars", or "not-really-landless." If managed carefully, many of these rhetoric barriers could be overcome through serious dialogue on what the local population understands and requires from CSR. Currently, the "patron" dispatches ready-thought CSR model in an unsophisticated manner to its "clients", the perceived receivers of "benevolence" and "development" ([Fig, 2007](#)). Yet, attitudes and rhetoric should be fixed first, before meaningful dialogue resolving grievances is possible.

According to existing forest conflict resolution theory ([Hellström, 2001](#) and [Raitio, 2008](#)), before politics of cooperation can truly begin, the way dialogues are held should be decided together, general power relations should change, and local populations should receive something substantial, such as land. The attempts by Stora Enso to divide local MST groups from the São Paulo National Coordination of MST and to frame critical prosecutors, such as Silva Neto, as politically-driven 'activists' and not officials, are unlikely to solve any problems. (For example, the interview with Stora Enso's Head of Corporate Communications, Lauri Peltola, broadcast by the Finnish Broadcasting company on the 8.30 evening news 08 October 2010, related to [YLE, 2010](#), in Finnish). These tactics could be softened if company executives realised the repercussions of these anti-conciliatory and arrogant discourses, per conflict theory making resolution a distant goal.

The expanding outgrower programme is a promising bridge throughout Brazil ([Gonçalves, 2006](#)). Although not solving the problem of landless and subsistence farmers, a wide group of growers are engaged in an economic

activity that is more profitable than cattle raising, and through acceptance of the (re-)conversion of the region into a forestry stronghold, an increase in these activities can be expected. Company pilot projects growing high-value but slower rotation timber species on scattered lots of land, and allowing some eucalypts to grow into timber dimensions for sale at the local market, would support saw milling for local demand and other small-scale secondary transformation industries (e.g. carpentry shops). This combined with other agroforestry options would create a differentiated forest-related economy in Extremo Sul. Yet, in practical conflict management and resolution, politics of cooperation cannot begin before power politics are exhausted.

#### 4. Discussion

##### 4.1. Ethical Analysis as a working tool

[Gritten et al. \(2009\)](#) may be interpreted as seeing EA a straightforward working protocol. Having applied the protocol to our case, we wish to emphasise the role of the analyst. The procedure requires that the researcher(s) identify the basic values and interests of the parties, and view the conflict through the eyes of different actors without bias, whilst searching for solutions. According to EA, these solutions should be found in 'bridges', where the parties have common ground, behind the rhetoric of conflict. However, this cannot be achieved without a personal concept of what comprises a 'fair' solution.

After scrutinising the development of the pulp industry and associated plantations in Eastern Brazil over four decades, we identified several main issues. The core problem was the one-sided attention on an industrial development paradigm by both governments and the industry, whilst the local population in an 'agricultural frontier' region were abandoned, without either local institutions or economic means to forcefully counterbalance the changes introduced by the establishment of the company and subsequent land use. Through a hierarchical approach, from the local people's viewpoint ([Koopmans, 2005](#)), the government and companies steam-rolled a previously neglected region, and were unprepared for the effects of this process. With a more inclusive approach, aimed at stimulating a wider array of forestry and tree-related economic activities, and strengthening the physical and administrative infrastructure in the whole region, the accusations of 'neo-colonialist behaviour' would have been less justified.

The way forward for the future is emphasised by the Rio declaration, 'Environmental issues are best handled with the participation of all concerned citizens, at the relevant level'. The absence of such processes is striking, particularly until 2005. Currently, in 2011, Veracel is attempting to double the investment size by building a new factory and buying a further 200,000 ha of land in the same region. Cepedes, as a representative of the 'local development' group, strongly criticised the plan in our interviews between 2004 and 2011. Firstly, they argue that the process is not legally valid as the Environmental Impact Assessment (EIA) of the expansion has been contracted by Veracel from another pulp company's (Suzano) subsidiary called Cepemar ([IN, 2011](#)), which constitutes according to them an infringement of the impartiality clauses of the Brazilian law. Secondly, they criticise the expansion process as non-democratic, as the Bahian government withdrew the power to accept the EIA from the environmental council, that involves civil society groups, to the environmental director of the state politically denominated by the governor. From the way the company's expansion plans are handled, we see conflict resolution as a yet distant goal.

The importance of participatory approaches for disarming conflicts of interest in land use governance is stressed in the literature (e.g. [Hellström, 2001](#) and [Mayers and Bass, 2004](#)). No criteria for social sustainability were fulfilled when the main paper and pulp project started, as neither the municipalities concerned nor any civic movement was consulted, both when the Veracel project was launched and during expansion. There are several reasons for this. A formal reason is that no competent dialogue partner, if Odebrecht/Veracruz had wanted dialogue, existed in the 1990s. In addition, the level of public administration between the state government in Bahia and the small municipalities does not exist. However, a more concrete reason was the way industry projects were operated, anchored in federal and state administration seeking primarily GDP growth through developmentalism and without consultation at local levels. From a local perspective, the situation is complicated by the development of the Extremo Sul, as with other agricultural frontier zones ([Soares-Filho et al., 2004](#) and [Puppim de Oliveira, 2008](#)), which has not been sustainable since deforestation began in the 1950s. The social situation in Extremo Sul is not new, but was accentuated as the paper and pulp industry became established. Regardless of definitions, both the social indicators and actual conflicts highlight the present situation is not socially sustainable, this validates [Eisto's \(2004\)](#) proposal, as failure to meet the criteria (of participatory approach) created a worse situation than there would have been otherwise.

We fear a continued negative development as expanding plantations will accentuate concrete grievances, and reinforce the perception of social un-sustainability of the ongoing rural transformation.

#### 4.2. Concluding remarks

The Ethical Analysis highlighted fundamental differences in the perception of desirable land use, for both the industrialisation and agribusiness model favoured by national policy and industrial establishment and for land-reform driven development that stimulates the development of small-scale family agriculture for local food production. This controversy mirrors national politics and global discourse. If the companies had adopted a different approach during the establishment phase, an acute conflict might have been avoided. Instead, diffused discontent developed into articulated conflict, where MST devised a specific strategy that used both contentious and routine politics to achieve a double goal: to halt the further expansion of plantation and to promote its fundamental agenda, land to the ever-more politicised landless ([Kröger, 2010](#)).

In retrospect, the pulp companies could be construed as short-sighted through only paying attention to their own immediate needs in terms of fast-wood, and not considering this could turn the entire region into a wood industry 'hot-spot'. In the face of severe opposition, in the form of land occupation and lawsuits, Veracel developed the themes of sustainability and corporate social responsibility in its public relations ([Veracel Celulose, 2008](#) and [Nylund and Kröger, Forthcoming](#)). However, the differences in corporate and community perspectives indicate Veracel might have more work to do before general local disapproval is quelled. The way Fibria handled the killing of a local wood collector on its land also highlights a compelling need for radical rethinking.

Ethical Analysis is a methodological approach very helpful in describing a complex conflict, making sensible questions and getting sensible answers, not a theory for conflict study, and overlaps with other research on forest conflicts. The conflict culture approach, used in the study of forest conflicts by [Hellström \(2001\)](#), emphasises how local political systems and the cultural context produce the conflict dynamics and this presents a solid base for research, as it emphasises the contingent and contextual factors, such as the specific

history of the region. Large-scale pulp investments do not materialise in cultural or social voids, but are placed in complex rural settings and a mosaic of different actors, simplified here as two main groups, 'pro-industry' and 'local development', which characterise pulp conflicts in Brazil. The different developmental views are prominent and lie at the core of the contention, and for conflict to be resolved, both the investment model and power relations should be modified: this claim is supported by earlier findings on forest conflicts in Finland ([Raitio, 2008](#)).

One suitable way of advancing EA and conflict management studies is to focus on the local, national and transnational links in the dynamics of contentious politics. In these approaches, the actors are dynamically tied to each other within the political games created (under the strong influence of state actors, the legal system, and the international context), and the 'rules of the games' dialectically influence the actors' specifics, identities and values in the games. This approach emphasises interaction and dynamics, not the cultural differences of the entities: one example of this research approach is the Dynamics of Contention research programme ([McAdam et al., 2001](#)) used in the analysis of the MST-pulp industry conflicts by [Kröger, 2010](#) and [Kröger, 2011](#). Entities change constantly and new elements such as innovations are introduced through dialectic interactions. The role of resistance can be considered positive, and the rise of socio-environmentalism to a central position in new rural movements' practices and ideologies present an opportunity for the industry to change its investment model. Front line companies could reap benefits as pioneer developers and adjusters to global transformations in moral economies and production paradigms, which emphasise greener and more sustainable projects.

Applied research should focus on the practical potential of EA-based intervention and management/resolution potential in forest conflicts. In this situation, EA is a complement to conflict resolution and training of managers, administrators, politicians, activists, and researchers. Underestimating ethical and value-based dimensions in conflicts can be costly. In the globalised world, there is little scope for corporate and movement practices to differ dramatically across areas of operation, as information on differing standards and approaches are transmitted rapidly. The narrative platforms by which stakeholders pursue their goals, and spread their interests, values and principles, are transnational, at least in the Veracel conflict. In this setting, the number of stakeholders increased considerably, and conflict management, or resolution, became more difficult (even though new actors might facilitate dialogue, if integrated deliberatively and properly). With increasing complexity, the viable option is to endorse high ethical and moral standards in operations, interactions, and attitudes.

Finally, the current pulp investment model largely ignores local socio-economic development. However, the experience of continued conflict should stimulate the companies to take a wider view of integrated local development, and not see it mainly as goodwill-creating Corporate Social Action (cf. [Nylund and Kröger, forthcoming](#)). The Nordic experience suggests that the relations between local society and forest industry are most favoured where the industry is one, albeit a major, part of a varied local economy, encompassing both agriculture and industries ([Palo, 2005](#)).



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<sup>1</sup> IBGE statistics are covering 1.0 to 1.6 million ha 1970–1985, but only 0.9 million ha in 1995/96. The IMA/LIMA team (2009) recognised this and made a survey of their own using fresh satellite imagery but does not compare this with IBGE, which in turn provides no coverage maps on its website.