UPM-Kymmene and APRIL: The Chinese-Indonesian connection

UPM-Kymmene Corporation --one of the world's largest forest products companies and paper producers, with industrial plants in 15 countries-- the APRIL Group (Asia Pacific Resources International Holdings Ltd.) and APRIL's majority shareholder have recently signed an agreement to sell APRIL's 51% interest in the Changshu paper mill to UPM-Kymmene. The value of the transaction is US$ 150 million. As a consequence of the agreement, the Finland-based UPM-Kymmene has now become the sole owner of the Changshu paper mill. At the same time, it has been agreed that APRIL will enter into a six and a half year contract for supplying bleached hardwood kraft pulp to the Changshu paper mill.

The Changshu paper mill, which started to operate in March 1999, is located by the Yangtze River in Jiangsu Province, about 100 kilometres from Shanghai. The mill's paper machine --provided by the also Finnish company Valmet-- has an annual capacity of 350,000 tonnes of uncoated fine paper. Since the beginning, UPM-Kymmene has had the management responsibility of the paper mill. During year 2000 the estimated production of the mill will be about 290,000 tonnes of uncoated fine paper, and its exports will represent a half of the total Chinese paper sales to neighbouring countries.

It is interesting to note that the now formally separated partners will continue carrying out joint activities during the coming six and a half years but in a different scenario. UPM-Kymmene will produce paper in its own plant in China, but with pulp supplied by APRIL. The strong criticism received by the alliance between both companies was to a large extent based on APRIL's bad reputation in Indonesia, where it destroyed extensive areas of rainforest, which were substituted by monoculture pulpwood plantations. Additionally, APRIL generated conflicts with local communities over land tenure issues (see WRM Bulletin 6) and between local dwellers and the company's workers (see WRM Bulletin 17). The new situation will allow UPM-Kymmene to try to dissociate itself from those negative impacts, while at the same time to benefit from purchasing cheap pulp for the cleaner and less contentious process of paper production.

At the same time --and according to the company itself-- "the Changshu paper mill will become a significant platform for UPM-Kymmene's strategy in Asia. The strong growth in paper consumption in China and elsewhere in Asia create favourable circumstances for further development of the Changshu paper mill". Will the next move be to plant eucalyptus --with advice from Finland's Jaakko Poyry-- and to produce pulp in China? Would that be the reason for the "six and a half year" contract with APRIL?

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