
Norwegian, Canadian and Korean capitals get together in global paper business

The expansion of the paper industry worldwide is provoking severe social and environmental problems through three types of activities which are part of its production chain: the chipping of native forests, the plantation of extensive monocultures --that generally follow the previous clearcutting of the forest-- and the pollution of water and air caused by the industrial process itself.

The new strategy of paper companies seems to be the set up of joint-ventures between different corporations, which means not only the concentration of resources, but also of power and decision-making. Southern countries, where both raw material and labour force are cheap, and legal and environmental controls are weak, are the preferred places to carry out such activities. For example, it has recently been announced that Norske Skog, from Norway, Abitibi Consolidated, from Canada, and Hansol Paper, from Korea, have formed the Pan Asia Paper Company (PAPCO) to operate in Asia Pacific, with headquarters in Singapore.

According to Jan Reins, spokesperson of Norske Skog, PAPCO has low-cost assets in a region with high growth potential, and this enhances the company's profitability. Norske Skog has been running two of the PAPCO mills in Cheong Won in Korea and Sing Buri in Thailand for half a year. These two mills have had high profits over that period. In less than ten years, the company has more than doubled its newsprint capacity and developed from being a medium-sized supplier with mills in Norway into one of the leading global players. More than half of its newsprint capacity is now outside Norway, meaning that the risk profile of the company has become much better balanced.

PAPCO will operate in Korea, Thailand and China. The conglomerate's four paper mills are modern and very efficient, with an average machine age of five years. The newly created company will also be responsible for Norske Skog and Abitibi's exports within the region. PAPCO's total tonnage for sale will be of around 1.8 million tonnes, meaning some 30 per cent market share in the Asia Pacific region outside Japan. PAPCO paper exported to America will be sold by Abitibi, while exports to Europe, the Middle East and Africa will be performed by Norske Skog.

It is to be remarked that Norske Skog has been repeatedly denounced by Norwegian NGOs for its depredatory activities in the taiga forests. The new strategy of the company is to join in a powerful holding and to settle in Southern countries. The company, that also owns mills in France, the Czech Republic and Austria, has also set its sights in South America, supposedly the next step of its expansion at the global level.

Sources: Matti Ikonen, 3/2/99; Rein Baalsrud Midteng 4/2/99.