
Vietnam: a “paper tiger” in South East Asia?

Between 1974 and 1990 the Swedish International Development Agency (SIDA) invested over US\$ 1 billion in a project for a pulp and paper mill in Vietnam, as a way of showing the opposition of former Prime Minister Olof Palme and his government to the United States policies towards that nation. After a feasibility study performed by the Finnish forestry consultant group Jaakko Poyry in 1974, SIDA hired the Swedish company WB Systems AB to build Bai Bang pulp and paper mill in Vinh Phu province, northern Vietnam. Five years later, due to increasing problems in the process of construction, a consortium of Scandinavian companies -Scanmanagement, 60% owned by Jaakko Poyry- took over the task. The first stage was completed in late 1980 and in 1982 the second phase started. Several problems emerged in the first five years after completion, since post-war Vietnam lacked the necessary technical capability to maintain and run such a huge mill, as well as enough foreign currency to import the spare-parts and chemicals needed for pulp and paper production. SIDA provided technical staff and supported Vietnamese exports of paper to Korea, Taiwan and Japan.

Since Bai Bang began to operate, it has had problems in finding enough raw material to meet its design capacity. A concession of 200,000 hectares of forest land granted in 1982, was expanded to 1,200,000 hectares in 1983 and to 4 million hectares in the late 1980s, affecting natural forests situated in the provinces of Ha Tuyen, Hoang Lien Son and Vinh Phu. An investigation of the socioeconomic conditions in 1985 concluded that conditions for the forestry workers of the project were poor, with low pay and forced labour. To face the problem of wood shortage, SIDA established 6,500 hectares per year of *Eucalyptus camaldulensis*, *Pinus caribaea* and *Styrax tonkinensis* plantations. But these plantations were often not successful, since in many cases village people resisted the competition for land use that plantations meant for their cattle breeding and agriculture.

Environmental impact of the mill on local communities of the surrounding villages of Phuloc, Phulo and Phunham was also severe: effluents from the Bai Bang mill have been poisoning for years agricultural rice land and rivers. A total of over 50,000 m³/day of waste water -containing 3 to 6 times as much untreated pollutants as in Scandinavia- is discharged into the Lo and Red Rivers. In 1993 the Bai Bang paper company had to pay US\$ 1800 to the people of Phunham as a compensation for its polluting activities.

Even if SIDA cancelled further contributions to the mill in 1990, problems have not disappeared, since Vietnamese Ministry of Light Industry -now in charge of the mill- kept on importing pulp wood from Thailand and Indonesia to keep the industry in operation, while pollution is not being controlled. The Ministry is also looking for foreign funds to expand the mill but until now no donors have been found.

In the meantime, the pulp and paper industry in Vietnam continues to expand: Oji Paper (Japan's second largest paper manufacturer), Central Trading and Development (Taiwanese consortium) and Itochu Corporation (one of Japan's largest trading companies) are involved in fast-growing species' plantations. Vietnam already has over 245,000 hectares of eucalyptus plantations.

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