



For more information, contact:

Coimbra Sirica: +1-301-943-3287 or csirica@burnesscommunications.com

Michelle Geis: +1-301-280-5712 or mgeis@burnesscommunications.com

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Fertile Ground for Land Grab in China as Local Middlemen and Global Paper Company Flout Farmers' Land Rights

Editor's Note: A copy of the embargoed study described in the text below is available at [this link](#) (Login: RRI, Password: humanrights). Finnish paper and pulp manufacturer Stora Enso has reviewed the findings and has included a response at the end of the report.

Washington, DC/Beijing, China (7-8 October 2010)—A new study released today in Washington, DC and Beijing suggests that one of the world's largest and "greenest" paper companies, in concert with local officials and other middlemen, used illegal means to gain control over thousands of hectares of Chinese forestlands, with a goal of acquiring 120 thousand hectares for a eucalyptus plantation in the Guangxi Autonomous Region of southern China.

The authors say their research shows that the middlemen, acting on behalf of Finnish paper and pulp manufacturer Stora Enso, often violated existing laws, and at times used physical threats on farmers who balked at signing over their rights—in essence, undermining the Chinese central government's recent measures to strengthen farmers' rights to the nation's forest lands.

The study of the land-acquisition practices of the Helsinki-based company, conducted between December 2009 and June 2010 by the Rights and Resources Initiative (RRI) and the Seattle-based Rural Development Institute (RDI), is based on interviews with Chinese farmers, community officials and company representatives in the Guangxi Autonomous Region, and a comprehensive review of Chinese laws and central decrees on rural forestland.

The authors note that risks of abuse of land rights have increased exponentially, as demand grows worldwide for agricultural and forest land, and as new monies become available under global climate change agreements aimed at protecting forests. "Unfortunately, we now know that the people who inhabit and depend on forestlands—whether in China or other vulnerable nations—cannot count solely on a company's reputation for corporate social responsibility," said Andy White, Coordinator of RRI.

Threat to China's unprecedented transfer of land to rural peoples

In the last decade, the Chinese government has made great strides in advancing rural development and forest restoration by quietly carrying out a nationwide forestland reform designed to strengthen the land rights of communities and households. This reform allows

households to transfer their land rights to others, including outside investors, as long as the process is voluntary and no one involved has a conflict-of-interest.

Arguably the largest in modern history, the recent reforms by the Government of the People's Republic of China cover more than 100 million hectares of forest land and affect 400 million people. "It is unconscionable that these important and historic measures, which were designed to give farmers secure rights to their forest lands, have been so abused," said Li Ping, study co-author, and attorney for RDI.

The experience of the farmers of Hepu County in the Guangxi Autonomous Region, as recorded in the study, suggests that booming global demand for agriculture, forest products and bio-energy may well endanger the success of the Chinese government's unprecedented and revolutionary forest land reforms.

"This is a wakeup call," said Ujjwal Pradhan, Regional Coordinator of the Southeast Asia Program of the World Agroforestry Centre (ICRAF). "Companies and their investors need to proactively investigate land rights and ongoing land-related conflicts. They cannot assume that local rights and interests are being protected, or that the laws are being followed, just because local governments are involved. Standards of corporate social responsibility need to be strengthened when it comes to land."

The study notes that, with a few exceptions, almost all the land acquired by Stora Enso in Hepu was collectively owned. However, Ping said, some of the land already had been allocated to individual households, and that was prior to the acquisitions by Stora Enso. He added that the law also prohibits transfers of collective land that has not yet been allocated to individual households.

China's 2002 rural land law requires that once an individual farmer household obtains the right to use collectively-owned land, all subsequent transfer contracts must be signed by a representative of that household. But most of the farmers interviewed in the affected communities said they had not been consulted about the transactions that transferred forestlands to Stora Enso.

"And many of those who agreed to a transfer of land felt pressured to do so by local political leaders—in some cases under duress and in response to threats of physical violence," Ping said.

Marcus Colchester, Director of the Forest Peoples Programme noted that Stora Enso has a better reputation than most paper companies, and has received awards repeatedly for ethical business practices.

"To avoid the destruction of natural forests, Stora Enso insists on establishing plantations before starting up local manufacturing operations and strives to uphold better social and environmental standards than most," Colchester said. "Yet their approach in this case is very disappointing, particularly as these problems were identified in early 2006."

Stora Enso slow to respond to news of irregularities

Colchester noted that Stora Enso had hosted an international meeting in April of that year where RDI and RRI staff informed Stora Enso management of the legal irregularities in their land acquisitions.

In September 2006, researchers with RRI and RDI conducted a field study of the plantations in Hepu County, and reported that the company had not yet changed its purchasing practices. The new study was commissioned in 2009, when farmers' protests against the Stora Enso land acquisitions in Hepu ended in violence.

Ping said he and his fellow researchers had sought to interview Stora officials for the new study, but, aside from one short conversation with a manager in late December 2009, they were unable to obtain further information from the company.

According to documents reviewed by the authors, Stora Enso intends eventually to acquire a total of 1.8 million mu (120 thousand hectares) of land in five counties in Guangxi. The company also plans to develop a pulp, paper, and board mill in southern Guangxi, investing a total in the region of €1.8 billion, which includes the land.

Stora Enso began the plantation operation in the region in 2002, according to the Stora Enso official interviewed briefly by the authors. The official told the authors that by the end of 2009, Stora Enso had gained control over 22 thousand hectares of forestland in Hepu County, the site of the violent conflicts in 2009 and the focus of this study.

Reliance on local government, rather than local market for land purchases

The Stora Enso official reported that in Hepu County, 70% of the transactions were conducted through the local government company—created for the sole purpose of acquiring land for Stora Enso—and 20% through multiple middlemen. The remaining 10% of the transactions were carried out directly between Stora Enso and the administrative entities of local collectives.

The study particularly criticizes Stora Enso's agreement to use a local government company to acquire the land, because Chinese laws require rural land transfers be conducted between the individual transferring the land and the purchaser through a negotiation that is free of duress.

"To acquire land legally and in a socially-responsibly fashion, Stora Enso should have negotiated with farmers and collectives, and paid a market rent determined under the 'willing-buyer-willing-seller' approach," said Ping. "Local officials had promised high targets for land acquisition in order to lure Stora Enso's investment to the region, so the company should have foreseen that coercion might be used to help them acquire the land they needed."

Farmers depend on forestlands for livelihood

Hepu, the county that is now home to many of Stora Enso's eucalyptus plantations, is an agricultural region where over 97% of its forestland is collectively owned and nearly 80% of its population relies primarily on the land for its livelihood. Forestland, especially wasteland that has been planted and developed into forests by farmers, plays an instrumental role in supplementing the income of local farming communities.

In conducting their research, the authors visited ten villages where farmers reported that they depended on forestlands to supplement their incomes, as arable landholdings range from one to 1.3 mu per person, “which is barely able to produce sufficient food for daily consumption,” according to the study.

“The new study suggests that all investors should ensure that local people have given their free, prior and informed consent before land transactions can be considered legitimate,” said Colchester. “We urge immediate remedial actions by Stora Enso to address these irregularities.” According to central government guidelines governing forest land transactions, all irregular land acquisitions require corrective measures by the purchaser.

RRI and RDI shared the final report with Stora Enso officials in mid-September 2010 and Stora Enso noted that they had begun to address the problem with a team of lawyers in order to inventory the cases of improper purchasing. However, local farmers interviewed by Ping in late September alleged that no corrective measures had yet been undertaken.

“China is not alone in confronting inappropriate land grabs,” White said. “This is a global trend that was documented recently in a World Bank report. But the solution the World Bank recommends—that we rely on corporate social responsibility to ensure good behavior—is grossly inadequate.

“The purpose of this study is to help confront this risk and convert growing investment rates into locally-sound enterprises that help lift rural people out of poverty. And in China, where the central government is taking strong steps to strengthen the rights of poor rural farmers, we need to encourage local governments and investors to make sure the rights they acquire have been freely and legally given.”

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Rights and Resources Initiative (RRI) The Rights and Resources Initiative is a strategic coalition to advance forest tenure, policy and market reforms. RRI is formed by international, regional, and community organizations engaged in conservation, research and development. The mission of the Rights and Resources Initiative is to support local communities’ and indigenous peoples’ struggles against poverty and marginalization by promoting greater global commitment and action towards policy, market and legal reforms that secure their rights to own, control and benefit from natural resources, especially land and forests. RRI is coordinated by the Rights and Resources Group, a non-profit organization based in Washington, D.C. For more information, please visit www.rightsandresources.org.

Rural Development Institute (RDI) The Rural Development Institute envisions a world free of poverty. We see a future in which all who depend on land for their well-being have secure land rights—one of the most basic, powerful resources for lifting oneself and one’s family out of poverty. For more information, please visit www.rdiland.org.

The Authors: Mr. Li Ping has extensive land tenure experience, including forestland tenure, tenure security, land tenure law, eminent domain law, resettlement law and policy, regulatory takings, compensation valuation, land use law, land policy, and land-related institutional expertise in developing countries. He currently serves as RDI’s resident China attorney.

Ms. Robin Nielsen worked as an attorney at RDI during the course of the study and brings together her commitment to equal opportunity and the rights of marginalized groups, an interest in lives lived in developing countries, and a belief that lawyers are uniquely positioned to change the lives of the world’s poorest people.