

BY ELIZABETH DE CARVALHAES,
EXECUTIVE PRESIDENT OF THE BRAZILIAN
PULP AND PAPER ASSOCIATION (BRACELPA)
✉: FALECONOSCO@BRACELPA.ORG.BR



DIVULGAÇÃO BRACELPA

LAND TO ENSURE GROWTH

The investments announced by pulp and paper companies in the country at the end of 2010 – US\$ 20 billion for projects to increase forest base and expand and modernize pulp and paper mills – will promote a new growth cycle for the industry.

Brazil is currently the fourth largest producer of pulp and the ninth producer of paper and, without a doubt, has the potential to position itself at even higher levels within these markets.

For such, it needs to ensure the competitiveness of its products, by unburdening investments and executing infrastructure and logistics projects, allowing for the flow of growing production volumes.

These themes are part of Bracelpa's agenda and are discussed by the entity at top levels of the federal government. Additionally, it is also important to ensure favorable conditions for investing on the part of foreign companies in this industry that do business in the country, particularly with regards to the purchase of land.

In 2008, an opinion issued by the Office of the General Counsel to the Federal Government (AGU) established restrictions for foreigners to purchase rural properties. One such measure, land acquisitions greater than 50 exploration modules (ranging between 250 and 5,000 hectares) will need prior authorization from the Ministry of Agriculture, while land purchase projects will have to be linked to the statutory objectives of the company, and the acquisition will be limited to 25% of a municipality's total area.

Since its publication, AGU's opinion has caused legal uncertainty in various productive sectors associated to the use of land. The pulp and paper sector permanently assesses the impacts of this measure. Companies that have been doing business in Brazil for many years, like International Paper, Cenibra, Stora Enso, Rigesa, Norske Skog Pisa, Bahia Specialty Cellulose and CMPC, among others, await a solution that recognizes investments already made and ensures future projects.

Bracelpa acknowledges as legitimate the Union's need, in the name of national sovereignty, to maintain

control over land ownership. On the other hand, reinforces the importance of warranting conditions so that companies can operate and expand their activities, as this generates jobs and income and promotes the country's economy.

According to analysts, by creating a distinction of Brazilian companies according to their origin of capital (domestic or foreign) AGU's Opinion goes against the Constitution of 1988, which establishes that there cannot be this type discrimination. It also makes applicable, once again, Law #5,709, of 1971, created during the military regime and restricted foreigners from purchasing land (individuals and legal entities), as well as Brazilian companies with a majority of foreign capital.

In the current economy, where companies have capital distributed in stock exchanges operating globally, it is expected that the federal government, aware of the negative effects of such measure, will clarify that it has no intention of hindering investments that aim at the country's growth, regardless of the origin of capital. With this, it will create conditions to deal with in a differentiated manner those sectors that are provenly productive, from speculative capital.

Another factor of insecurity for companies stems from an instruction issued by the National Justice Council (CNJ) that instructed notary offices to follow the Constitution and not AGU's opinion. As such, how can one be certain that a property registered today, based on this instruction, will be acknowledged a few months from now? This legal uncertainty compromises the work of those who need to make decisions about the future of their business.

In Bracelpa's evaluation, some of the investments by multinationals for the next few years, totaling around R\$ 6 billion, could be transferred to other countries if there is no alternative to this issue that prioritizes growth. Brazil is, recognizably, a center for attracting foreign investment in various sectors and it cannot afford to lose this status, even more so now, as it has conditions to conquer a greater share of the global economy. ■

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