

## 2011 is the International Year of Forests

More and more, planted forests have an important role in hundreds of communities in several countries, helping to decrease social inequality, generating jobs and income, in addition to warranting the supply of inputs to assist the population's needs. Source of renewable biomass energy, they contribute expressively to the absorption of greenhouse gases, thus mitigating climate change impacts. This is the message that Bracelpa wishes to convey in the "International Year of Forests 2011", a global initiative of the United Nations (UN).

"The United Nations' choice to elect forests as a theme worthy of celebration in 2011, acknowledges the fact that forests are strategic resources for sustainable development and, furthermore, that they are essential to Man's survival", affirms José Luciano Penido, Chairman of Bracelpa's Board. "The International Year of Forests is a unique opportunity for the Brazilian pulp and paper industry to prove its large expertise in the multiple use of forests, from which it extracts sustainable products and inputs", he adds.

With the theme "Forests for the People", the UN aims to raise awareness of the international community on the relevance of preservation and the sustainable development of native and planted forests, thus evidencing that sustainable management is essential to prevent environmental damages, such as illegal deforesting and loss of biodiversity.

According to UN, forests house 80% of the entire planet's biodiversity, provide nourishment for 1.6 billion people and stock more than 1 trillion tons of carbon. Forests cover 31% of the globe's surface, whereas 30% of this total is channeled to industrial ends, i.e., they are sources of raw material for

the production of wood and other forest products. The UN also estimates that forestry-based industry accounts for more than US\$ 100 billion in worldwide business transactions each year.

Planted forests supply inputs for the wood, furniture, steel, and pulp and paper industries. Brazil currently has 6.3 million hectares of eucalyptus and pinus planted forests, from which, 2.2 million hectares are owned by the pulp and paper sector that also keeps 2.9 million hectares of preserved areas. Throughout decades, pulp and paper companies have intensively invested in research and biotechnology to achieve a genetic improvement of species and to enhance forest handling. That is why, today, this industry has the most productive planted forests worldwide and with the shortest cycle of growth.

In Brazil, the pulp and paper sector generates more than 115 thousand direct jobs, of which 46.8 thousand in forestry activities. "Companies develop a series of specific actions with young professionals, community leaders, small rural producers, qualification agencies and municipal governments, which provide alternative revenues for families and strengthen regional economies", explains Penido. Forestry partnerships programs benefit thousands of small rural producers, through technology transference, assurance of wood purchase and incentives to the development of other profitable agricultural activities associated with forest seedling.

Read more about the "International Year of Forests" at: [www.un.org/forests](http://www.un.org/forests). [Click here](#) to see the video "[Planted Forests: Vital Allies of the Planet](#)".



Dear Reader,



We Brazilians have what it takes to properly manage our country's natural resources for future generations.

This is a major responsibility that requires our searching for solutions to a complex equation: encouraging economic development and, at the same time, ensuring the conservation of our environmental heritage.

Therefore, the new Brazilian Forestry Code – the most applicable and complete legal framework to unite production and conservation – must reflect the search for a consensus and balance between these two goals.

This premise has guided the work of The Brazilian Forest Dialogue over the past year, when joint work began among environmental organizations and forestry industries to develop consensus-based proposal for the Forestry Code.

The process involved months of very gratifying learning, mainly because, even when stakeholders' positions were very different, we found a path to reach our common goal: updating the environmental legislation.

We have chosen the route of sustainability. Thus, the proposals presented by forestry industries and environmental organizations reflect an interest in forestry legislation that holds the pillars of sustainability - economic, social and environmental - in even higher esteem.

Enjoy!

**Elizabeth de Carvalhaes**  
Chief Executive Officer

# Ensuring Legal Compliance

Bracelpa sent a letter to Asian, European and US-based companies that export printing and writing paper to Brazil to clarify national legislation concerning tax-exempt paper trading. The purpose of the letter, which was signed jointly with the National Paper Distributors Association (Andipa), is to stress the importance of paying close attention to their Brazilian operations so as to avoid their products being involved in tax fraud.

In the letter, the two entities state "through the distribution chain, some of the paper allegedly imported for editorial purposes has been diverted from its originally intended use".

"Brazilian legislation granting tax exemptions for printing and writing papers to be used in book, newspaper and magazine production is not a prerogative in the international market. Thus, we have decided to clarify the matter, since many exporters are unfamiliar with the end use of the products they sell. Involvement in misappropriation of tax-exempt paper products could affect the company's reputation", affirms Elizabeth de Carvalhaes, Chief Executive Officer of Bracelpa. ▶

## Tax-Exempt Paper Estimate of the deviation of purpose

Year	Estimated consumption of tax-exempt paper* (domestic + imported)	Estimate of the deviation of purpose*	Share of total consumption of tax-exempt paper diverted
	tons	tons	%
<b>2005</b>	673.000	302.000	45%
<b>2006</b>	813.000	422.000	52%
<b>2007</b>	869.000	464.000	53%
<b>2008</b>	988.000	581.000	59%
<b>2009</b>	938.000	468.000	51%
<b>2010</b>	1.135.000	620.000	57%
<b>Estimated tax loss in 2010: \$ 411 million BRL</b> (about \$257 million USD)			

\*The estimate of consumption and misuse of the tax-exempt paper is based on data about the production of magazines, provided by the National Association of Magazine Publishers (ANER) and books, by the Brazilian Book Chamber (CBL)

# Ensuring Legal Compliance (Cont.)

Recent data estimates that approximately 620,000 tons of paper were diverted in 2010, resulting in a loss of \$411 million BRL (about \$257 million USD) in tax revenue. The Treasury Department of the State of São Paulo disclosed that penalties recently charged related to this fraud already total \$100 million BRL (about \$62.4 million USD).

In 2009, the Brazilian government adopted a new “tax-exempt paper” fiscal control operations in order to stop this diversion in the domestic market. The first step was taken at federal level through a legislation which establishes new mechanisms for granting special registration as well as new registration requirements for manufacturers, distributors, importers, newspaper-related companies, and publishing and printing houses that use tax-exempt paper for printing books, newspapers and periodicals.

Within this context, the state government of São Paulo published a decree, making the exemption of the ICMS (Value Added Tax on Sales and Services) for paper used for printing books, newspapers and periodicals dependent on the State Tax



International Paper

Department’s prior knowledge, as per the provisions of a norm yet to be published.

“Companies must ensure that they declare goods properly to help importers follow correct Brazilian customs procedures. They should work with their representatives in Brazil to ensure full compliance with the new laws regarding import declaration and paper use in the domestic market”, says Elizabeth.

In addition to the companies, pulp and paper associations in 13 countries – South Africa, Argentina, Austria, Belgium, Canada, China, Spain, the United States, Finland, India, Indonesia, Portugal and Sweden – also received the letter from Bracelpa clarifying questions concerning relevant Brazilian legislation. ●

## Shifts in cardboard imports

Bracelpa has also been following the imbalance between the production of publishing material and the importing of cardboard declared for publishing use. From 2005 to 2009, the amount of cardboard available in Brazil was 50% higher than publishing houses’ production. In other words, if all of the declared imported cardboard had been used for publishing purposes, Brazil today would have more than 300 million copies of books.

“The authorities need to investigate the actual use of this paper. Tax-exempt cardboard cannot

be used to produce boxes or packaging for food, cosmetics, medicine, drinks, toys, electronics or other products. The national paper industry cannot be jeopardized by illegal activity”, states Elizabeth de Carvalhaes.

She stresses that producers and Bracelpa defend the free market, which depends on free and fair competition. “Companies that pay taxes and honor their obligations cannot compete with practices that undermine these principles”, concludes.

# The Road to an Updated Forestry Code

Instead of polarizing the debate, we dialogue to seek consensus. This was the path chosen by the main forestry industries in Brazil and by some of the leading environmental organizations working in the country to tackle one of the most important topics on the national agenda: reformation of the Brazilian Forestry Code. At a meeting of The Brazilian Forest Dialogue, these NGOs and companies proposed a consensus on 16 specific points to revise the Code. In May, the Brazilian House of Representatives approved a substitution of the environmental legislation effective in the country, considered to be one of the most rigorous sets of forestry laws in the world. Consequently, debates to approve the text have caught the attention of the international community. The legislation is now being debated in the Senate.



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“The Code needs to be forward-looking, creating a legal framework to exploit Brazil’s potential without stripping its resources”, states José Luciano Penido, Chairman of Bracelpa’s Board. “The proposal represents a consistent alternative for Brazil. The productive sector needs to advance without dispensing forest conservation”, stresses Marcio Santilli, coordinator of the Socio-Environmental Institute (ISA).

In the letter launched by The Brazilian Forest Dialogue, which introduces the proposal, the

signatories defend that the Forestry Code must be “revised, perfected and updated since legislation still falls short and is rather inefficient in uniting the aims of rural production and environmental protection”. The letter highlights Brazil’s forestry features and its importance in terms of climate change, and makes reference to native and planted forests as important assets to promote sustainable development in Brazil.

The proposal also stresses the search for a balance between the forestry industry’s view of development, which includes country-wide expansion in the coming years, and the legitimate concerns of NGOs to preserve the environmental and family agriculture. “Our work together was very productive, and we hope to have aided the Legislative and Executive branches”, says Roberto Mesquita, director of the BioAtlantic Institute and member of the Coordinating Board of The Brazilian Forest Dialogue.

In this second stage of negotiations – which also includes the support of the Ethos Institute for Business and Social Responsibility – the document will be submitted to senators with the goal of making headway on topics that still require further development. One of the main expectations involves questions regarding climate change, economic incentives to recover certain areas, payment for environmental services, sustainable businesses and a new green economy. The document written by members of The Brazilian Forest Dialogue stresses that these topics need to permeate the revision of current legislation.

“The Brazilian Forest Dialogue proposals reflect the interests of its signatories in ensuring legislation that values sustainability. The Forestry Code should meet the needs of all those in the productive sector, from the family farmer to the large exporter, benefiting society as a whole and adding value to the economy”, concludes Elizabeth de Carvalhaes, Chief Executive Officer of Bracelpa.

**Editorial:** BR PULP & PAPER NEWS is a publication of the Brazilian Pulp and Paper Association (Bracelpa) intended to be used by associated companies, governments, the press and international entities. The reproduction of articles is permitted provided the source is mentioned.

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**100% of Brazilian pulp and paper production originates from planted forests, renewable sources**



INTERNATIONAL YEAR OF FORESTS • 2011



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BRAZILIAN PULP AND PAPER ASSOCIATION