

The Global Timber Titans:

Profiles of Four U.S. Wood Products Corporations Driving the Globalization of the Industry



Boise Cascade



GEORGIA-PACIFIC

INTERNATIONAL  PAPER



Weyerhaeuser

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Committee on Corporations
International Forum on Globalization
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Introduction

When Victor Menotti told me that the Environment Program of the International Forum on Globalization (IFG) was going to convene a meeting of forest activists from around the world near Seattle, five months before the ministerial meeting of the World Trade Organization (WTO) in the same city, I asked what would be the strategic agenda for such a gathering. Would the main focus be the WTO and the proposed forestry accord on wood products? If so, would the strategic target for action be certain key government delegations promoting this agenda? Or would we also focus strategic action on the giant timber corporations which are the driving forces behind the forestry accord in the first place?

The reason for posing these questions had to do with the work that we were doing in the IFG Program on Corporations. As with other social movements, there is a tendency amongst many environmental activists to focus their energies on governments as the prime targets for social change. After all, it is supposedly the governments we elect that make public policy and pass legislation in a democratic society. By targeting governments alone, however, we tend to ignore the powerful role played by big business and transnational corporations behind the scenes. Clearly, the big timber corporations have a vested interest in the proposed forestry accord. If an effective campaign is to be mounted by forestry activists, it must target the global timber titans as well as certain key governments.

To assist in developing a campaign strategy to stop the proposed WTO forestry accord, we thought it would be useful to provide some background research and analysis of several major corporate players in the global timber market. In doing so, we commissioned George Draffan of the Public Information Network in Seattle to develop corporate profiles of four of the timber titans -- Boise Cascade, International Paper, Weyerhaeuser, and Georgia Pacific. Since representatives of all four of these corporations sit on President Clinton's trade advisory committee, it goes without saying that they have been one of the major forces behind the U.S. government's agenda to promote a forestry accord on wood products through the WTO.

By developing these corporate profiles, we wanted to find answers to some questions that would help in designing campaign strategies. For example: what basic information do we need to know about the make-up of these four timber giants? What are their plans for closing domestic mills and moving their operations overseas? What types of forest regions are being targeted for this expansion? What impacts will this have on the already rapid depletion of the planet's remaining timber reserves? What impact will this have on workers in the forest industry? What do these developments have to say about the future of the global timber industry? Although the profiles that follow here were not designed to answer all these questions, they do provide some basic strategic intelligence on these four corporate players which is essential for developing campaign strategies.

We hope this material will be useful in stimulating discussion and debate in developing campaign strategies to confront the major corporate as well as government players involved in promoting the proposed WTO forestry accord. Depending on the strategic discussions that take place at the June 24-26 meeting of forestry activists near Seattle, as well as the evolution of negotiations with regards to the proposed forestry accord, the IFG Corporations Committee is considering the possibility of transforming this material into a pamphlet for campaign activists which could be useful for both lead-up and follow-up actions to the WTO ministerial.

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Four Global Timber Titans

International Paper, Georgia-Pacific, Weyerhaeuser, and Boise Cascade rank first, second, fourth, and sixth on the current list of Fortune 500 forest and paper products corporations.

IP, G-P, and Weyerhaeuser rank first, second, and fourth on the 1998 Fortune Global 500 list.

Representatives of each of the four corporations serve on the U.S. Trade Representative's Industry Sector Advisory Committees for Trade Policy Matters for ISAC 10 (Lumber & Wood Products) and ISAC 12 (Paper & Paper Products).

The four corporations spend millions of dollars to elect politicians and to influence legislation:¹

	Lobbying expenditures 1997-June 1998	PAC money contributions 1997-98	Soft money contributions 1997-98
Boise Cascade	\$576,500	\$55,000	\$ 16,000
Georgia-Pacific	\$935,000	\$138,838	\$223,800
International Paper	\$3,555,058	\$251,819	\$253,250
Weyerhaeuser	\$1,506,000	\$97,187	\$29,000

These are only the direct, reported contributions from the corporations themselves, and does not include money spent by industry associations, nor the contributions by executives, employees, subsidiaries or affiliates controlled by these four corporations.

	Revenues U.S.\$ billions²	Profits U.S.\$ millions³	CEO pay⁴ salary/bonus stock options	Current employ- ment⁵	Jobs lost	U.S. land controlled (acres)	Non-U.S. land controlled (acres)
Boise Cascade	6.162	(37)	\$1,642,832 \$ 811,092	23,039 ⁶	13,000 jobs lost 1980s- 1997 ⁷	2,392,000 ⁸	Canadian and Chilean joint ventures.
Georgia-Pacific	13.3	274	\$2,143,522 \$6,656,044	46,500	1,400 jobs in 1996; 1,770 jobs in 1998 ⁹	6,000,000 ¹⁰	Canada ¹¹ 336,463
International Paper	19.500	(213)	\$3,286,998 \$1,831,393	80,000 including 26,000 overseas ¹²	4,988 jobs cut in 1996-1998; 8,200 total job cuts planned ¹³	5,700,000 ¹⁴	Chile ¹⁵ 741,300 Mexico: ? N Zealand ¹⁶ 790,752
Weyerhaeuser	10.766	294	\$1,717,302 \$1,406,750	35,032 ¹⁷	11,944 jobs lost 1988- 1998 1,504 jobs in 1997- 1998 ¹⁸	5,340,000 ¹⁹	Australia ²⁰ 62,500 Canada ²¹ 27,002,000 N Zealand ²² 193,000 Uruguay ²³ 234,000

Global Timber Titan:



Boise Cascade

Corporate headquarters

111 West Jefferson
PO Box 50, Boise ID 83728
208-384-6161
www.bc.com

History

In 1913, Frederick Weyerhaeuser and associates incorporated Boise Payette to exploit public lands in Idaho which the U.S. Congress intended to be sold to settlers. Boise Payette and Cascade Lumber of Yakima, Washington were merged in 1957 into Boise Cascade. Boise Cascade, Potlatch, and Weyerhaeuser were interlocked from the time of their incorporation by Weyerhaeuser and associates in the early 1900s until the 1980s.²⁴ Boise Cascade tried diversification into engineering, construction, and real estate, but has retrenched to concentrate on producing and distributing paper and other office supplies.

Boise Cascade's Current Operations²⁵

In 1998, Boise Cascade got 46 percent of its revenues and 58 percent of its profits from office products. 26 percent of its sales came from paper products, and 26 percent of its sales came from building products.²⁶

- *Office products:* 68 distribution centers located in 33 U.S. states, Australia, Canada, France, Spain, and the United Kingdom, and 73 retail outlets located in Hawaii and Canada. Boise Cascade Office Products' industrial customers include Deluxe (security printing), IBM, Kinko's, Merrill (financial printing), Xerox, and exclusive contracts with many universities.
- *Building products:* sawmills, plywood and veneer, and particleboard plants in 5 U.S. states, wholesale building materials in 10 U.S. states, an oriented strand board joint venture located in Barwick, Ontario, Canada, a joint venture agreement for an OSB and wood chip facility in Chile, a joint venture agreement for a facility in Brazil,²⁷ and distribution of Russian lumber to customers in western Europe.²⁸
- *Paper and paper products:* pulp and paper mills in 5 U.S. states, converting facilities in Oregon and Washington, corrugated container plants in 5 states, and a joint venture agreement for pulp and paper operation in Guangdong, China.

Boise Cascade Timberland

As of 1999, Boise Cascade owns or leases more two million acres in the United States: 1,400,000 acres in the Northwest, 300,000 acres in the Midwest, and 700,000 acres in the South. Despite its extensive land holdings, only a third of the billion board feet of sawtimber and a million and a half cords of pulpwood Boise Cascade mills consumed in 1998 came from its own land²⁹ -- so the corporation has been a major beneficiary of public timber sales. In four of the nine U.S. National Forest regions, Boise Cascade ranked among the top purchasers of public timber in the five years 1994 to 1998.³⁰

- In 1990, Boise reduced its holdings in the western Cascades from 597,000 acres to 450,000 acres.³¹ In 1991 another 30,000 acres were sold in western Oregon.³²
- In 1995, several mills in Ontario and Boise's cutting rights in Canada were transferred to the Rainy River Forest Products spin-off.³³
- In 1996, Boise sold 667,000 acres of timberland to Mead Corporation in connection with the sale of its coated publication paper business in Rumford, Maine.³⁴

Directors	Interlocks³⁵
Anne Armstrong	Former U.S. Ambassador to Great Britain.
Philip J. Carroll	Fluor Corporation.
Rakesh Ganwal	U.S. Airways Group.
Edward Hagenlocker	Ford Motor, Visteon Automotive.
George J. Harad	CEO. ³⁶
Robert Jaedicke	Stanford School of Business.
Francesca Ruiz de Luzuriaga	Mattel.
Donald S. Macdonald	Former Canadian House of Commons and cabinet, and commissioner to Great Britain and Northern Ireland.
Gary G. Michael	Albertson's.
Paul J. Phoenix	Dofasco.
A. William Reynolds	Old Mill Group, GenCorp.
Jane E. Shaw	AeroGen, ALZA Corp.
Frank Shrontz	Boeing.
Edson Spencer	Honeywell.
Ward W. Woods Jr.	Bessemer Securities, Stant Corporation, Freeport-McMoRan.

Cutting Jobs at Boise Cascade

Mill closures and restructuring reduced employment at Boise Cascade from 35,000 in the 1980s to 22,000 employees in 1997.³⁷

- Valseltz was a Boise Cascade company town on the Oregon coast, established in 1924, logged out, and then closed down in 1984. Six hundred residents were kicked out, the lake was drained, the town was bulldozed, the Valley & Siletz Railroad subsidiary was abandoned, and the site was listed as a Superfund hazardous waste site.
- Boise closed its International Falls siding division at Big Falls, Minnesota in December 1984. In 1989, when Boise Cascade hired BE&K as a non-union general contractor for a \$535 million paper

mill expansion at International Falls, union members held a wildcat strike, demonstrations mounted, temporary housing set up for construction workers was destroyed by arson, and police used tear gas to stop a protest in which rocks were thrown and cars were overturned.³⁸

- In 1994, a mill at Joseph, Oregon was closed.
- In 1995, the mill at Council Falls, Idaho was closed, costing 75 jobs in a city of 1,000 residents. and equipment was moved to Papanoa, Mexico. The Idaho site was turned over to the city, which has turned it into a business park.³⁹
- In 1996, Boise shut down its paper manufacturing facility in Vancouver, Washington.⁴⁰
- "Shift reductions" displaced 41 employees at Bend, Idaho in 1996, and 26 employees at Cascade, Idaho in 1997.⁴¹
- In 1998, Boise Cascade closed sawmills in Horseshoe Bend, Idaho, and Fisher Louisiana, and in 1999 will close a sawmill in Elgin, Oregon and a plywood plant in Yakima Washington -- closures which will cost 494 people their jobs.⁴²
- A new "cost-reduction initiative and restructuring" announced at the end of 1998 was expected to eliminate another 400 jobs in manufacturing and administration, 140 jobs at BC Office Products, and 978 layoffs or early retirements.⁴³

When it closes mills, Boise Cascade typically blames environmental restrictions, "the ongoing global financial crisis," the "weak business environment,"⁴⁴ -- but Boise Cascade's "Blueprint for the '90s" called for a deliberate shift of its pulp and paper operations away from the Pacific Northwest.⁴⁵ During the 1980s, Boise Cascade increased its mill capacity in the southern U.S. by 475 percent, while decreasing its Pacific Northwest "westside" capacity by 19 percent.⁴⁶ But at the same time Boise is closing sawmills at home, it is "taking steps to access foreign wood baskets."

Boise Cascade Office Products is expanding across the globe by buying up office, computer, and paper products companies. In 1996, 19 businesses were acquired, including 4 in Canada and 3 in Australia. In 1997, BCOP bought 8 businesses, including 2 in France and 1 in the UK. In 1998, BCOP acquired another 6 businesses, including 1 in Spain and 2 in Canada.⁴⁷ "Executives at Boise Cascade Office Products plan to continue the company's bold corporate growth strategy into... the next millennium."⁴⁸

While it searches the globe for cheaper timber and more office products customers, Boise Cascade is a member of the nonprofit association Buy Idaho. "The concept of marketing goods and services locally is a viable concept," claims former radio station owner Dale Peterson, who is Buy Idaho's Executive Director. Bruce Belcher, a former advertising agency owner and now the president of Buy Idaho's board, said "the backbone of the U.S. economy is still small businesses and homegrown businesses," and "we have a number of people who feel it's a patriotic Idaho thing to support."⁴⁹

Meanwhile, state and federal funding goes towards picking up the pieces. The Idaho Small Business Development Center has opened offices to aid struggling businesses in Council, Horseshoe Bend, and other towns abandoned by Boise Cascade.⁵⁰

Boise Cascade's Expansion Overseas

Boise Cascade in Brazil

Despite the failure of its Mexican venture, Boise is pursuing a wood chip and oriented strand board venture in Chile, and has signed an agreement to develop a venture in Brazil.⁵¹

Boise Cascade in Canada

Boise Cascade currently owns a 47 percent interest in the Voyageur Panel oriented strand board (OSB) venture in Ontario. Boise Cascade operates the plant and markets the 400 million square feet of OSB produced annually.⁵²

Boise Cascade in Chile

In 1997, Boise Cascade and the Chilean firm Maderas Condor S.A. (aka Forestal Condor) formed a joint venture named Cascada Chile (later named Company Industrial Puerto Montt, or CIPM) to build a \$180 million in a wood-chipping and oriented strand board facility in Bahia Ilque, Chile. The plant would produce 400 million square feet of OSB a year, doubling Boise Cascade's OSB capacity.⁵³

An environmental impact study for the project prepared by Dames & Moore (the same consulting firm which prepared a study for Trillium's proposed timber project in Chile) analyzed only the impacts of building the mill and port, and not the impacts of cutting thousands of acres of timber to feed the mill.⁵⁴ Cascada Chile has published advertisements distorting citizen opposition, and the local newspaper *Llanquihue* published an editorial supporting the "Ilque and the hen of gold eggs" and attacking opponents as "eco-terroristas."⁵⁵

The public relations firm Burson Marsteller, contracted by Boise Cascade, tried to distort the findings of a technical study done by the department of forestry at the Universidad de Concepcion, but two days later the university foresters revealed the manipulation of their technical report, and declared that the project is unsustainable.⁵⁶ When deputies of the House of Representatives visited Ilque in September 1998 to present opposition to the Cascada project, and criticized the Forest National Corporation (CONAF) for irregularities at the local and regional level, the company paid more than 20 farmers to demonstrate against the deputies.

Numerous lawsuits have been filed against the project, one by the local salmon industry, another by adjacent property owners. Another lawsuit charged that the Chilean Congress improperly approved the project. Yet another lawsuit was filed on behalf of NGOs, small farmers, scientists, and local people claiming that the project would violate the constitutional right to a clean environment. And CRS Forestal filed suit against Boise Cascade, accusing it of illegally appropriating the intellectual idea of the Cascada OSB project.

In May 1999, the Court of Appeal fined Cascada Chile \$825,000 for destroying a 5,000-year-old archaeological site, to be added to a fine for illegally cutting trees.⁵⁷

Boise Cascade in China

Boise Cascade has signed a \$13 million joint-venture agreement with Shenzhen Leasing to manufacture and sell carbonless paper in China under the name Zhuhai Hiwin Boise Cascade Specialty Paper. The manufacturing will be done at a 3,000 ton per year facility in Zhuhai which Guangdong acquired from Hiwin Paper Mills. An additional plant will be built and operated. "[The] aim is to meet increasing needs in China (now 100,000 tons per year and expected to grow 15 percent annually) and elsewhere in Asia. 'China's per capita paper consumption is growing faster than anywhere else in the world,' said Boise Cascade chairman George Harad. Boise will hold 60 percent of the equity and Shenzhen the rest."⁵⁸

Boise Cascade in Mexico

In 1995, Boise Cascade closed its mill in Council, Idaho and moved some of the mill equipment to Papanao, Guerrero, Mexico, where its wholly-owned subsidiary Costa Grande Forest Products had rented a formerly state-owned sawmill, and supposedly had exclusive logging rights to a million acres of old-growth pine from the local ejidos (land communes), at a price of \$60 a cubic meter -- three times what the local mill had been offering. The plan was to cut 100 million board feet over five years, for export to the United States, and operating a second mill in nearby Tecpan. Boise Cascade was paying Mexican workers \$4.75 per day. In June 1995, a protest by farmers about timber cutting left 17 farmers dead and 20 wounded by the police. The Guerrero state governor resigned, and 28 police officers and four officials were jailed. Boise Cascade pulled out of this operation in 1998, "due to an inconsistent and seasonal wood supply."⁵⁹

Global Timber Titan:



Corporate headquarters

133 Peachtree Street, N.E., Atlanta, Georgia 30303
PO Box 105605, Atlanta, Georgia 30348
404-652-4000
<http://www.gp.com>

History

Founded in 1927, Georgia-Pacific grew to be largest supplier of lumber to U.S. military in World War II, expanded to the Pacific Northwest, and moved its headquarters to Portland, Oregon. By 1960 Georgia-Pacific had a million acres of land; by 1968 sales had reached a billion dollars. Between 1955 and 1965, G-P expanded seven-fold, and during the 1960s acquired 45 companies owning 2.4 million acres of forest land. By 1970, G-P owned 3.5 million acres in the U.S., another million acres in Canada and Brazil, and cutting rights to another 1.5 million acres.⁶⁰ By 1972, G-P was so big that the U.S. Federal Trade Commission (FTC) ordered G-P to divest itself of "certain acquisitions alleged to be anticompetitive and monopolistic in nature." G-P was ordered to transfer 20 percent of its assets to a new "independent" corporation, and prohibited from future acquisitions in the timber industry in the South for five years and from further acquisitions in the plywood industry for ten years. The order allowed the distribution of the stock of the new corporation (Louisiana-Pacific) to G-P shareholders -- in effect, setting up two companies with the same shareholders.⁶¹

In 1982, G-P moved its headquarters back to Atlanta, Georgia, symbolizing its move from the cutover lands in the Pacific Northwest back to the second- and third-growth pine forests of the South.⁶² Georgia-Pacific continues to push the limits of anti-trust (monopoly).⁶³ By 1989, it had 22 percent of the plywood production in the U.S. (more than it had when the FTC forced the it to split off of Louisiana-Pacific) and five percent of total U.S. lumber production (behind only Weyerhaeuser).⁶⁴ The biggest prize was yet to come. In 1989, G-P offered to buy Great Northern Nekoosa for \$3.7 billion, but Great Northern Nekoosa opposed the takeover. G-P tried to oust Nekoosa's board and remove its "poison pill" anti-takeover defense. G-P's CEO met with the governor of Maine to promise that the takeover wouldn't lead to mill closures, but internal G-P documents revealed discussion of the sale of all of the operations in Maine. In 1990, Nekoosa agreed to a \$5 billion buy-out, and by the end of the year G-P had sold \$1 billion in assets, including 24 mills and 540,000 acres of timberland, to help pay for the takeover. In 1991 80 percent of Nekoosa was sold to the Bowater paper corporation.⁶⁵

Directors	Interlocks⁶⁶
James S. Balloun	National Service Industries, Radiant Systems, Wachovia.
Robert Carswell	Shearman & Sterling, Private Export Funding Corporation, (finance company affiliated with the U.S. Export-Import Bank).
Alston D. Correll	Sears, Roebuck, Southern Company, SunTrust Banks.
Jane Evans	SmartTV, US West, BancOne Arizona, Kaufman & Broad Home, Philip Morris.
Donald V. Fites	Caterpillar, AT&T, Mobil, Wolverine World Wide.
Harvey C. Fruehauf, Jr.	HCF Enterprises, ISPNews-HighWind, Sentinel Trust.
Richard V. Giordano	BOC Group, Rio Tinto.
David R. Goode	Norfolk Southern, Aeroquip-Vickers, Caterpillar, Delta Air Lines, Texas Instruments.
M. Douglas Ivester	Coca-Cola, SunTrust Banks.
Louis W. Sullivan	Former Secretary of the U.S. Dept. of Health and Human Services, Morehouse School of Medicine, Bristol-Myers Squibb, CIGNA, Equifax, General Motors, Household International, 3M.
James B. Williams	SunTrust Banks, Coca-Cola, Genuine Parts Co., Rollins, RPC, Sonat.

Georgia-Pacific's Current Operations

- Manufactures and sells pulp, communication papers, containerboard, packaging and tissue, plywood, oriented strand board and industrial panels, lumber, gypsum products and chemicals.⁶⁷
- Building products facilities in the U.S., Canada, South Africa, and South America.
- Georgia-Pacific owns and operates 37 sawmills, including 24 southern U.S. pine sawmills and two wood treating operations.⁶⁸
- 14 pulp and paper facilities including Ashdown, Arkansas; Crossett, Arkansas; Bellingham, Washington; and Palatka, Florida.⁶⁹
- 23 U.S. and Canadian gypsum wallboard plants, 5 joint system plants, 2 fire-door core plants, 4 recycled paperboard plants, an industrial gypsum plant.⁷⁰

Georgia-Pacific Timberlands

G-P owns or controls more than 5,800,000 acres:⁷¹

- 3,900,000 acres of primarily pine forests in the South
- 500,000 acres of primarily Douglas fir and redwood forests in Oregon and California
- 1,400,000 acres of hardwood and coniferous forests in the northern U.S. and New Brunswick, Canada.

In 1988 G-P timberlands supplied 17 percent of the overall timber requirements of its manufacturing facilities.⁷²

- In 1990, G-P sold 119,000 acres of timberland in Washington, Arkansas, and Mississippi to Hancock Timber Resources. A company spokeswoman admitted that the Washington was no longer needed since G-P got woodchips for its Bellingham paper mill from Canada.⁷³
- In March 1997, G-P sold northern California operations for \$308 million, including 127,000 acres of timberlands, its sawmill in Martell, and a particleboard plant to the giant Sierra Pacific Industries.⁷⁴
- In March 1998, G-P sold its real estate development properties in South Carolina and Florida.⁷⁵
- In December 1998, G-P sold 61,000 acres of timberlands in West Virginia.⁷⁶

- In 1999 G-P sold 390,000 acres of Canadian timberlands to the province of New Brunswick for U.S.\$41 million, and confirmed it was negotiating to sell 446,000 acres of land in Washington County, Maine.⁷⁷

Cutting Jobs at Georgia-Pacific

Georgia-Pacific Corporation currently employs 45,000 people at more than 400 facilities primarily located throughout the United States and Canada.⁷⁸ Constant expansion through acquiring other companies has kept G-P's workforce expanding as well -- but the takeovers have actually cost thousands of people their jobs over the decades.

- In 1956, G-P bought out Coos Bay Lumber Company, which held six billion board feet of timber on 120,000 acres, and over the next four years G-P, fired or drove away many of the senior managers at Coos Bay, and liquidated two billion board feet to help pay for its climbing debt. By the 1970s, most of G-P's 170,000 acres in Coos and Curry counties had been logged, and G-P abandoned a plywood mill in 1979, a resins plant in 1981, a veneer mill in 1983 and a hardboard plant in 1989 as it shifted the base of its operations back to the South. In 1990, Coos County Commissioner Ed Stevenson said "G-P owns a lot of land in Coos County, and had they managed it on a sustained yield basis like public lands are managed [sic], they could have operated forever."⁷⁹
- After acquiring two mills from American Forest Products in 1988, G-P cut 25 percent of the jobs and reduced the wages of the survivors. Mills in Maine, in Valdosta Georgia, and in Tomahawk Wisconsin and more than half a million acres of land were sold after G-P's takeover of Great Northern Nekoosa in 1990.⁸⁰
- In 1990, G-P closed a plywood and stud mill in Coquille, Oregon, putting about 320 people out of work.⁸¹ G-P blamed a shortage of timber, but the U.S. government blamed imports of Canadian wood products, and offered to pay for the workers' job retraining and relocation.⁸² Automation is key as well: in 1994, G-P reopened a mill in Coos Bay. G-P's Coquille plywood and stud mill had employed 320; the new \$18 million, computer-packed sawmill, which can turn a log into lumber in 30 minutes, will employ only 85 people.⁸³
- GP closed its Reading Pennsylvania paper mill in July 1990, putting 100 employees out of work because "the mill has become unprofitable because of aging equipment and increased competition."⁸⁴
- GP closed five mills in the southeastern U.S. in June 1992.
- G-P's Woodland Maine pulp and paper mill was "downsized" in 1992 when 100 union and salaried employees lost their jobs.⁸⁵

The reasons for intense competition include a global race to reduce costs, and ever-larger machines. Woodland plant manager Ralph Feck said "'We are making more tons every day. We're doing it for less... but just to make the mill profitable doesn't solve the Woodland problem. The mill has to be competitively profitable within Georgia-Pacific,' referring to the intense competition among G-P mills for investment dollars for upgrading equipment. Feck said he expects that by 1998 G-P will be competing with four new plants in South America and Indonesia that will use eucalyptus trees in the pulp process. 'Woodland is at a competitive disadvantage because of the slow speed of the machines,' said Duane Lugdon, international representative for the United Paperworkers International Union. 'One of the more modern mills today can produce as much as three times the Woodland mill.'" To help G-P remain "competitive," city officials offered G-P a \$20 million tax break if it would modernize the mill to keep it running.⁸⁶

But the Woodland layoffs continued in 1998. In October 1998, 70 employees at G-P's Woodland lumber mill were laid off.⁸⁷ A month later, 130 employees at G-P's pulp and paper mill were laid off. G-P "denied rumors" that G-P's timberlands are on the auction block, but admitted that it was considering options for its 446,000 acres of timberland in Maine and 390,000 acres in New Brunswick, including possible sale -- and then turned around and promised that even if the lands were sold, it would have little effect on Woodland employees, who weren't alone in feeling the effects of overcapacity -- similar shutdowns were taking place at G-P mills in Arkansas, Louisiana and Wisconsin.⁸⁸ As note above, the lands were indeed sold.

- In August 1998, 60 employees were indefinitely laid off at G-P's hardwood market pulp operations at plants in Ashdown, Arkansas, and Port Hudson, Louisiana -- once, again, blamed on the Asian side of the global market -- and G-P public relations personnel duly denied rumors that Woodland would also be shut down. G-P communications manager Gaile Nicholson claimed "We have had no indication that the Woodland operation is being shut down," just a few weeks before it happened.⁸⁹

Planned or not, G-P's layoffs have had their intended effect -- boosting profits and reassuring Wall Street. In response to the report that G-P and its timberlands spin-off had netted \$84 million in the third quarter of 1998, Salomon Smith Barney analyst Chip Dillon said "It was a good quarter, no question. We are pleased." But G-P CEO Pete Correll took the opportunity to continue the specter of future losses, which this time were blamed on "the distressed state of the global economy, falling exports and surging imports."⁹⁰

- G-P closed its Foresthill mill 1993, laying off 190 workers, part of the 5,700 mill jobs lost in California in the 1990s. Five years later, the California Trade and Commerce Agency was considering cleaning up the site using a \$200,000 U.S. Environmental Protection Agency "brownfields" grant for abandoned, idled or underused industrial and commercial sites. Other clean-up funds have come from state funding and Community Development Block Grants. "The theory is that many of the 84 California lumber mills that closed within the last 12 years are sitting idle because their property owners don't have the cash or inclination to assess potential environmental contamination problems on their property."⁹¹
- In July 1995, Georgia-Pacific announced plans to close 60 of its 133 building products distribution facilities. "We're doing this to grow our business, lower our cost structure and improve performance for customers and suppliers," said G-P vice president George MacConnell.⁹² "[In December 1996], about 50 employees, mostly in Atlanta and Denver, were told they'd lost their jobs... and the remaining 5,750 were warned there will be more to come."⁹³ "We are going to reduce costs in areas that will have a minimal impact on customers," said company spokesperson Ken Haldin. "We want to reduce costs but to continue to execute our growth strategy effectively."⁹⁴ "As a result of this program, approximately 720 employees were terminated in 1997."⁹⁵
- In 1996 G-P announced plans to downsize its salaried work force by about 1,400 employees.⁹⁶

Sometimes the mills G-P puts out of business aren't even its own. In 1996, an Oregon jury ordered G-P to pay damages totaling \$15.4 million to John LaPrade's Newport Land Timber Company because G-P had willfully breached a contract to supply logs to LaPrade's mill, where 50 employees used second-growth timber to make studs. LaPrade's attorney alleged in court that the breach of contract may have been part of an elaborate plan to force LaPrade to sell his mill to Georgia-Pacific at a lower price than the \$5 million the two companies had verbally agreed upon; the supply of logs had slowed until LaPrade had to close the mill and lay off all 50 workers. LaPrade's attorney stated that "After the mill was shut down, [G-P] came back to [LaPrade] and said, 'Atlanta doesn't want to pay \$5 million. Make us a lower price. [LaPrade] came to us instead... and we filed a lawsuit.'"⁹⁷

- In September 1996, G-P sold two gypsum wallboard facilities at Buchanan, New York, and Wilmington, Delaware as part of antitrust deal with the U.S. Dept. of Justice.
- In December 1996, Georgia-Pacific sold its Martell, Calif.-based building products operations and 127,000 acres of timber for \$320 million. It will use the proceeds to pay down debt, which stood at about \$5.8 billion -- and more than 200 Martell millworkers lost their jobs when the mill was shut down in 1997. David Bischel of the California Forestry Association, said the number of operating sawmills in the state has been cut in half in the past 10 years.⁹⁸
- In December 1997, G-P announced another restructuring plan that included "disposing of its millwork fabrication facilities nationwide as well as several distribution centers located in the Western United States... The execution of the plan included separation of approximately 1,770 employees in 1998."⁹⁹
- In August 1998, G-P indefinitely shut down the hardwood market pulp portion of its operations at Ashdown, Arkansas and Port Hudson, Louisiana, costing 60 people their jobs. "With the economic downturn in Asia and its weaker currencies, Southern hardwood market pulp is not a viable product," CEO Pete Correll explained.¹⁰⁰
- In October 1998, 70 employees at G-P's Woodland, Maine lumber mill were laid off, and a month later, 130 employees at G-P's Woodland pulp and paper mill were laid off.¹⁰¹

Georgia-Pacific's Expansion Overseas

While G-P has been cutting jobs at home, it has been cutting forest overseas. In 1989, the Rainforest Action Network called for a boycott against Georgia-Pacific (and Weyerhaeuser) because G-P was (and is) a primary importer of tropical hardwood products into the U.S., operated a hardwood veneer plant in Brazil (since sold), and imported plywood from Indonesia, Malaysia and the Philippines.¹⁰²

G-P has benefited from the free trade agreements which have encouraged the globalization of the timber industry. G-P's pulp mill in Brunswick, Georgia "ships its entire output to Mexico and other points south... [and] has seen its exports to Mexico rise by about 40 percent, or \$40 million, in 1994."¹⁰³

After gutting Nekoosa in the early 1990s, and laying off hundreds of employees, G-P was ready for a "spending spree", according to a 1994 report by the Wall Street Journal. "Georgia-Pacific Corp has decreased its debt from its 1990 acquisition of Northern Nekoosa Corp, and pulp and paper prices have soared, leaving the company with \$1.75 billion to spend on capital improvements. With booming global economies and with tight supplies, pulp and paper prices have surged... The company is considering acquisitions, both in the U.S. and abroad. Georgia-Pacific's chairman and CEO, A.D. "Pete" Correll, said there is no new forest land available for harvesting in the U.S., so the company must look to other countries."¹⁰⁴

The insatiable expansion of the timber industry concerns investors as well as environmentalists and workers. In 1999, G-P offered \$840 million for Unisource, the largest independent marketer and distributor of printing and imaging paper and supply systems in North America. In response, Moody's Investors Service warned that it might downgrade its rating for G-P stock if the corporation took on the additional debt. G-P's acquisition of Unisource was soon confirmed at a price of \$840 million plus the assumption of \$400 million in Unisource debt.¹⁰⁵ And G-P [and L-P, which had just announced Canadian

investment] took "big hits to their stock prices. Both companies announced spending plans that are at odds with what investors want to hear," said one stock analyst.¹⁰⁶

Georgia-Pacific in Argentina and Chile

In 1998, Georgia-Pacific and Masisa S.A. of Santiago, Chile announced a joint venture to expand resin and formaldehyde production into Argentina and Chile. Masisa is South America's largest and lowest-cost producer of particleboard and medium-density fiberboard (MDF). "This agreement supports our chemical division's strategy of expanding into growing markets around the world," said G-P vice president Lee Thomas. G-P also plans to expand products and services to Brazil and other markets in South America.¹⁰⁷

Georgia-Pacific in Brazil

G-P has long owned a Brazilian subsidiary named Amazonas Compensados e Laminados, and from 1965 until 1990 operated a veneer and plywood plant in Portel, Brazil, which is now called Larson Wood Products and is owned by G-P's former manager Bruce Larson, and G-P remains a major customer. G-P also sold 50,000 acres of rainforest in the area.¹⁰⁸

Georgia-Pacific in Canada G-P has seven building materials facilities in Canada.¹⁰⁹

Georgia-Pacific in Costa Rica G-P owns a third of Envases Industriales de Costa Rica.¹¹⁰

Georgia-Pacific in Indonesia

Georgia-Pacific has operated in Indonesia since 1960, when the Kiani Lestari venture between G-P and Bob Hasan received a 357,000-hectare concession of primary forest. Thirty years later, Hasan and G-P were still in business, with the Kertas Kraft Aceh cement sack venture in Sumatra,¹¹¹ and Plywood Tropics USA (Portland OR), one of the U.S.'s largest importers of tropical wood, was owned by former G-P international forestry director Richard Newman and Bob Hasan.¹¹²

Georgia-Pacific in Mexico

G-P's 1994 annual report included two Mexican wood moulding facilities; its 1998 report lists two subsidiaries, Georgia-Pacific de Mexico and Maderas Howrey.¹¹³

Georgia-Pacific in Panama

G-P owns 50 percent of Industria Panamena de Papel and Fipasa-Fibras Panama and 100 percent of the Aztec Trading Company.¹¹⁴

Georgia-Pacific in Russia

In 1992, Georgia-Pacific tried to negotiate a logging and pulping contract for taiga forest in Russia.¹¹⁵

Georgia-Pacific in South Africa

In 1998, Georgia-Pacific acquired a 50 percent shareholder interest in Resinkem (Pty) Limited, South Africa's leading supplier of formaldehyde and urea formaldehyde adhesives.¹¹⁶

Global Timber Titan:

INTERNATIONAL PAPER

Corporate headquarters

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www.internationalpaper.com

History

International Paper was established in 1898 with the merger of 20 paper mills in the northeastern U.S. Operations expanded to Canada in the 1920s after Canada banned the export of pulp. In the 1960s, IP began producing paper products in Colombia, Ecuador, Puerto Rico, Mexico, Spain, and Italy, and diversified into land development, oil and gas, and other non-paper products, many of which were later sold off. Diversification into disposable diapers and tissue in the 1970s led to overcapacity and debt, but the 1980s and 1990s saw more acquisitions in the U.S. and Europe, in forest products (such as New Zealand's Carter Holt Harvey) and non-forest products (Israel's Scitex electronic prepress systems).¹¹⁷ IP and Union Camp are in the process of merging, and will have 22 percent of the domestic market for paper used for writing, computer printing and photocopying, and 14 percent of the market for container and linerboard.¹¹⁸

Directors	Interlocks ¹¹⁹
John T. Dillon	Chairman and CEO; director of Caterpillar; chairman of National Council on Economic Education.
Peter Bijur	CEO of Texaco; director of American Petroleum Institute; member of Business Council, Business Roundtable, Conference Board, National Petroleum Council.
Robert J. Eaton	CEO of Chrysler; member of Business Council, Business Roundtable, President's Adv. Comm. on Trade Policy and Negotiations, director of Economic Strategy Institute and U.S./Japan Business Council.
John A. Georges	Former CEO of IP; director of AK Steel, Ryder Systems, and Warner-Lambert; member of Business Council and Trilateral Commission.
James A. Henderson.	
John R. Kennedy	Former CEO of Federal Paper Board; director of DeVlieg Bullard, Chase Brass, Georgetown University, Foreign Policy Association..
Donald F. McHenry	Georgetown University, Brookings Institution, Mayo Foundation, Columbia University, Africare, Coca-Cola, Bank of Boston, SmithKline Beecham, Institute for International Economics.
Patrick F. Noonan	CEO of Conservation Fund; former president of Nature Conservancy; director of Ashland (oil company) and American Gas Index Fund.
Jane C. Pfeiffer.	Ashland, J.C. Penney, Mutual Life Insurance, Conference Board, University of Notre Dame, Overseas Development Council, Council

	on Foreign Relations.
Charles R. Shoemate	CEO of Best Foods (CPC Intl); director of CIGNA; member of Business Roundtable; trustee of The Conference Board.
C. Wesley Smith.	

International Paper's Current Operations¹²⁰

U.S. operations:

26 pulp, paper and packaging mills
 58 converting and packaging plants
 31 wood products facilities
 9 specialty panels and laminated products plants
 6 specialty chemicals plants
 oil and gas operations
 real estate activities
 distributes printing, packaging, graphic arts and industrial supply products, primarily manufactured by other companies, through over 250 distribution branches
 5.9 million acres of timberland

Non-U.S. facilities (27 countries in 1998):

14 pulp, paper and packaging mills
 35 converting and packaging plants
 4 wood products plants
 3 specialty panels and laminated products plants
 5 specialty chemicals plants

Carter Holt Harvey (New Zealand, Australia, Chile):

6 pulp, paper, packaging and tissue mills
 27 converting and packaging plants
 52 wood products manufacturing and distribution facilities
 820,000 acres of timberland (New Zealand)
 1,000,000 acres of timberland (Chile)

Union Camp operations:

IP is currently merging with Union Camp, one of the top ten paper corporations in the U.S., which manufactures paper, packaging, chemicals and wood products, owns 1,600,000 acres, and employs nearly 18,000 people in 40 countries.¹²¹

International Paper Timberland

At the end of 1998, International Paper owned 5,900,000 million acres of timberland in the U.S., which provided 20 percent of International Paper's U.S. log and fiber requirements.¹²² The acquisition of Union Camp's timberlands would bring the total to 7,500,000 acres. IP has a half interest in more than 800,000 acres of radiata pine forests in New Zealand owned and managed by Carter Holt Harvey.¹²³ IP has an interest in 1,200,000 acres of forestlands in Chile through its subsidiary Carter Holt Harvey's stake in Arauco, Chile's top wood pulp exporter.¹²⁴

- In the late 1970s, IP sold 420,000 acres of timberland (and hundreds of jobs) in Florida.¹²⁵

- In 1996, International Paper sold a majority stake in 300,000 acres of land in Oregon and Washington to R-H Timber (Roseburg Forest Products and Hampton Affiliates) for about \$750 million. Over the years IP had mainly exported raw logs from these lands, and had repeatedly shut and reopened its mills; three hundred IP employees' jobs were threatened by the sale.¹²⁶
- IP sold the rights to 175,000 acres in August 1997.
- In 1998, the Port of Longview, Washington bought 75 acres of industrial land in a \$5.2 million deal to help establish a new industrial park. IP had owned the land, but had never developed the property. The Port bought 120 acres from IP in 1996, and is negotiating a deal to buy an 18 acre site formerly occupied by a factory that made treated wood products, if International Paper meets some specific environmental conditions.¹²⁷
- In December 1998 International Paper sold 185,000 acres of timberland in Maine to The Nature Conservancy for \$35 million, and in February 1999 announced its intentions to sell another 245,000 acres in Maine.¹²⁸

Cutting Jobs at International Paper

At the end of 1998, IP had 80,000 employees (54,000 of them in the U.S.), up from 55,500 employees a decade earlier, due to acquiring other companies.¹²⁹ In the past three years alone, IP has announced planned job cuts of 6,938, and actually executed 4,988.¹³⁰

- The 1972 closure of IP's Temiscaming, Quebec mill was the subject of the Canadian Film Board documentary *The Town That Wouldn't Die*.
- IP has a long history of labor conflict. A 1921 strike was defeated with strikebreakers. Sixty-five years later, in 1987, union members at IP's Mobile, Alabama plant rejected the company's demands for wage concessions and were locked out of their jobs. The strike spread to more than 3,500 employees in Maine, Wisconsin, and Pennsylvania. At IP's Jay, Maine paper mill, 1,250 workers went on strike for more than a year to protest wage cuts and the loss of 178 jobs. IP hired scabs through BE&K (a construction company known for its strikebreaking), and the strike was abandoned in October 1988.¹³¹
- The Grays Harbor, Washington pulp and paper mill owned by IP and ITT Rayonier was closed in 1992, costing some 600 people their jobs. Some 230 people were put back to work when the mill was later reopened by a group of local investors.¹³²
- In 1994, IP announced it would phase out printing and writing papers at three mills in Turners Falls, Massachusetts, Merrill, Wisconsin, and Oswego, New York collectively employing 400 people.¹³³
- In 1994, IP closed its Union Envelope plant in Richmond, Virginia, cutting 202 jobs. IP blamed the closure on new fax and e-mail technologies, but the union claimed there were plenty of orders for envelopes, and said IP was closing the plant as a tax write-off.¹³⁴ Several years earlier, IP had announced that it would divest envelope operations after it bought Hammermill Paper Company in 1986.¹³⁵ IP's division manager had to hire a lawyer to work out a separation agreement after the IP asked him to sign a "non-compete" clause to stay out of the envelope business, and he managed to open his own envelope company.¹³⁶
- In 1994, IP closed four plants in Mobile Alabama, Raleigh North Carolina, and Middletown and Hawthorne New York, cutting 225 people's jobs (but saying 150 people could keep their jobs if they would relocate). "Production efficiency" was expected to double after the consolidation.¹³⁷

- IP closed its label manufacturing plant in Peoria, Illinois at the end of 1995, eliminating 305 jobs. The plant had been expected to receive more modern equipment in the early 1990s, but labor problems prompted the company to send the machines to a new, nonunion plant in Bowling Green, Kentucky. The plant had been owned by International Paper since 1961. The EDC, the city of Peoria, and Illinois Central College subsidized the workers' retraining and reemployment.¹³⁸
- In 1996 IP announced that 1,955 jobs would be cut; by the end of 1998, 1,597 had been cut.¹³⁹
- In 1996, IP temporarily laid off 597 of its 852 workers in Georgetown, South Carolina. "This is a regrettable situation," said IP's mill manager. "However, because we live in a free market economy, the law of supply and demand prevails. Currently supply outweighs demand" -- hardly a surprise in an industry (and a corporation) which had been building excess capacity for decades.¹⁴⁰
- In 1997, IP announced that 3,015 jobs would be cut; by the end of 1998, 2,446 had been cut.¹⁴¹
- In 1997, IP reduced operations in Hamilton, Ohio, eliminating half of the 400 jobs. In 1994, Ohio had granted a package of subsidies to International Paper, including a \$7,000,000 loan and a \$700,000 grant to buy equipment, a \$3,400,000 tax credit, \$420,000 in sales tax exemptions, and a \$90,000 job training grant -- but IP was continuing to pit the states of Ohio and Kentucky against each other to provide ever-greater subsidies to retain IP facilities.¹⁴²
- In 1997, IP closed the Woronoco mill in Russell, Massachusetts -- a mill which had been operating since 1913 -- and 90 jobs were lost.¹⁴³
- In 1998, IP announced it save about \$85 million per year by eliminating 1,968 jobs; by the end of 1998, 945 of those jobs had been cut, including 74 salaried and 221 hourly positions at its Gardiner, Oregon linerboard mill, 170 jobs in Ticonderoga, 30 in Lock Haven Pennsylvania, 50 in Selma Alabama, 450 in Mobile Alabama and 100 in Bastrop Louisiana. Blaming currency rates and cheaper production costs overseas, IP continues cutting jobs as it "tries to maintain its position as the world's largest forest and paper products producer in an increasingly competitive global market."¹⁴⁴
- In 1998 IP laid off 47 of the 287 employees at its Raleigh, North Carolina packaging plant.¹⁴⁵

The Raleigh layoffs would "reduce costs and make the facility more competitive," and "although the company called the layoffs temporary, it declined to say when and whether workers will be able to return. Because the layoffs are not considered permanent, nobody will receive severance packages.... 'Although difficult, this decision is in the best interest of the entire plant,' facility manager John Rooney said. 'It is important for our long-term growth to keep our costs under control so we can effectively compete in the world markets.' Paper industry analyst Sheldon Grodsky was quoted as explaining that 'There's been chronic overcapacity, which makes it hard for anyone to raise prices. In an environment like this, raising productivity is an ongoing job year after year.' And that translates into automation and fewer employees over time, he said."¹⁴⁶

- In 1998, 336 jobs were lost when IP closed two fiberboard plants in North and South Carolina.¹⁴⁷
- The acquisition of Zellerbach's distribution business resulted in the closure of several facilities, and IP has "surpassed its goal to eliminate 1,000 jobs" -- including 274 of its own positions.¹⁴⁸

- IP has 80,000 employees; the pre-merger Union Camp has 18,000 employees. Their merger is expected to save the new corporation \$300 million per year, in part by cutting jobs. "International Paper said some of the savings would come from job cuts but declined to be specific. 'There will be some consolidation of staff activities associated with the savings,' said Marianne Parrs, chief financial officer of International Paper, 'but we have not put any specific numbers on what they might come to. In the context of the combined company, we're not talking about all that many people.'"¹⁴⁹

International Paper's Expansion Overseas

As thousands of its employees lose their jobs, IP continues its global expansion. U.S. acquisitions in 1998-1999 included paper giant Union Camp for \$6.6 billion, and Mead's Zellerbach paper distribution businesses for \$263 million. At the time a spokesman said was too early to say what will happen to employees after the Zellerbach acquisition is complete -- but IP soon announced that 25 facilities would be closed and 1,000 jobs would be cut.¹⁵⁰

International Paper CEO John Dillon announced that "We have made the determination not to build new domestic capacity and we expect that our growth will continue to come through very targeted acquisitions, expansion in growing markets overseas and an aggressive customer-driven way of doing business." and that his interest is "to prosper in areas of the world where economic growth rates and demand for our products will outpace those rates in the United States."¹⁵¹

Overseas acquisitions in 1998 included:¹⁵²

- a joint operating agreement with the **Turkish** company Olmuska to manufacture containerboard and corrugated boxes for markets in Turkey and surrounding companies.
- Continental Cup of **Australia**.
- OAO Svetogorsk, a **Russian** pulp and paper business, to expand its operations in the Russian and Eastern Europe markets.
- Marinetti S.A.'s paper cup operations in Chile.

International Paper in Chile

International Paper owns 50 percent of Carter Holt Harvey (CCH). CCH owns 50 percent of Inversiones y Desarrollo Los Andes (IDLA), a joint venture with Inversiones Socoroma S.A. (a Chilean investment company of the Angelini Group). IDLA owns 60 percent of Chile's largest industrial company, Compania de Petroleos de Chile (COPEC), which owns 1,200,000 acres of mostly radiata pine, has a pulp capacity of 1.3 million tons per year, and sawtimber operations.¹⁵³ The Arauco operation is Chile's top pulp exporter.¹⁵⁴

In 1993, Carter Holt Harvey commenced several actions in Chilean courts challenging agreements between Carter Holt Harvey's subsidiary and Socoroma (which have now been terminated), and in 1994 Socoroma commenced an arbitration action seeking to expel Carter Holt Harvey from Los Andes. In 1998 the arbitration was refused to expel CCH, but granted monetary damages to Socoroma.¹⁵⁵

\$1.3 billion pulp mill proposal has been blocked.¹⁵⁶

International Paper in Mexico

IP's xpedx distribution division operates in Mexico.¹⁵⁷

In 1997, Mexico passed controversial reforms to subsidize its failing timber industry, which cut its production in half between 1995 and 1996, and lost a third of its jobs, despite an increase in domestic consumption. International Paper was one of the Mexican law's primary authors. After the collapse of Mexico's economy in December 1994, International Paper promised to invest in Mexico if it would offer financial incentives. In a 1995 letter to Zedillo's office, International Paper Forest Division Director Edward Kobacker said "Mexico is wasting a clear opportunity. If Mexico is to be globally competitive, there should not be limits on the size of privately owned sections of forest ... and the country should legislate incentives to promote the establishment of commercial plantations." So Mexico made land purchases easier for forestry companies and explicitly gave commercial forest plantations a special legal status. International Paper is planning a 50,000-hectare tree plantation in Chiapas and several other projects.¹⁵⁸

In 1996, IP began negotiations to buy pine and encino paper pulp from Mexican ejidos in the Sierra Madre. High level officials of the SEMARNAP (Secretariat of the Environment, Natural Resources and Fish) were present at some of these meetings. A contract with the Ejido of San Alonso was signed in June 1996. In August, the Commission of Solidarity and Defense of Human Rights (COSYDDHAC) received a document signed by 13 ejido members from who expressed their concern and opposition to the volume of the proposed logging, which could double the ejido's timber cut.¹⁵⁹

International Paper in Finland

In 1996, IP acquired Forchem, a tall oil and turpentine producer in Finland.¹⁶⁰

International Paper in New Zealand and Australia

In 1995, IP boosted its stake in Carter Holt Harvey (New Zealand) to 50.1% at a cost of more than \$1 billion; IP was already CCH's largest shareholder, with just under a quarter of the stock. CHH is New Zealand's largest timber plantation owner (with 820,000 acres of radiata) and a major producer of market pulp, with pulp and paper, packaging, tissue, and wood products facilities in New Zealand, Australia, and Chile. Control of CCH increases IP's production capacity at a price far below the cost of building new mills or adding capacity at existing plants.¹⁶¹

International Paper in Russia

In 1998 IP bought a majority interest in OAO Svetogorsk, a Russian pulp and paper business north of St. Petersburg on the border with Finland, from the Swedish corporation Alfa-Laval's Finnish subsidiary Tetra Valal. The venture, IP's first in Russia, will expand IP's presence in the Russian and Eastern Europe markets. "This is not going to replace something that would have been made in the United States and shipped to Russia," said company spokesman Jack Cox." Svetogorsk produces tissue products, fine paper, laminated board and pulp. The U.S. State Department's Overseas Private Investment Corp has approved up to \$150 million in political risk insurance for IP's investment.¹⁶²

Global Timber Titan:



Corporate headquarters

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History

From its start in the U.S. Midwest in the last quarter of the 19th century, Weyerhaeuser expanded to the U.S. South and U.S. Northwest in the early 20th century. A careful review of Weyerhaeuser's corporate documents over the years shows its march through the world's forests. Weyerhaeuser acquired the rights to British Columbia softwood and eastern Canadian hardwoods in 1971; by 1999, Weyerhaeuser had rights to 27 million acres in Canada.¹⁶³ Weyerhaeuser began selling in Japan in the 1920s.¹⁶⁴ By the late 1960s Weyerhaeuser had subsidiaries in Guatemala, the Caribbean, West Indies, and Venezuela.¹⁶⁵ In the mid-1960s, Weyerhaeuser acquired the rights to six billion board feet on three quarters of a million acres in Borneo (Indonesia) and Basilan and Mindanao (Philippines). Another quarter million acres was acquired in Indonesia in 1969, and by 1971 Weyerhaeuser had rights to two million acres in Indonesia, Malaysia, and the Philippines.¹⁶⁶

In 1993, Booth Gardner, former Washington State Governor and multimillionaire heir to the Weyerhaeuser fortune, was appointed top trade negotiator for the GATT, under U.S. Special Trade Representative Mickey Cantor.¹⁶⁷

Directors	Interlocks¹⁶⁸
Martha R. Ingram	Ingram Industries, Ingram Micro, Baxter International, First American Corporation, Vassar College, Vanderbilt University.
John I. Kieckhefer	Kieckhefer Associates.
George H. Weyerhaeuser	Boeing, Chevron, SAFECO, The Business Council.
Steven R. Rogel	Former CEO of Willamette Industries, director of Fred Meyer, Pacific Harbors Council, Boy Scouts of America, Pacific University.
William D. Ruckelshaus	Browning-Ferris Industries, Madrona Investment Group, Cummins Engine, Coinstar, Monsanto, Nordstrom, Solutia.
Richard H. Sinkfield	United Auto Group, Rogers & Hardin, Atlanta College of Art, Vanderbilt University, State Bar of Georgia, Atlanta Urban League.
James N. Sullivan	Chevron, University of San Francisco, American Petroleum, Institute.
W. John Driscoll	Rock Island Company, Comshare, Northern States Power, John Nuveen &

	Company, St. Paul Companies.
Philip M. Hawley	Krause Furniture, Broadway Stores (Carter Hawley Hale Stores), California Retailers Association, Aeromovel USA, Haynes Foundation.
Donald F. Mazankowski	Former Member of Canadian Parliament, Deputy Prime Minister, and Minister of Finance. Director of the Power Group of Companies, Canadian Utilities Ltd., Shaw Communications, IMC Global, Gulf Canada Resources, Gulf Indonesia Resources, Golden Star Resources, Canada Brokerlink, Great West Life Assurance, Investors Group, and University of Alberta.

Weyerhaeuser's Current Operations¹⁶⁹

27 softwood lumber mills
 5 softwood plywood and veneer mills
 5 composite panels facilities
 6 oriented strand board facilities
 12 hardwood lumber mills
 1 hardwood door facility
 9 pulp mills
 6 paper mills
 1 paperboard mills
 4 containerboard mills
 44 packaging mills
 24 recycling facilities
 NORPAC newsprint (joint venture with Nippon Paper)
 residential and commercial real estate in 13 states (worth \$584 million at year-end 1998)
 mortgage securities (\$119 million at year-end 1998)

Weyerhaeuser Timberlands

- Weyerhaeuser currently owns 5,100,000 acres and leases 200,000 acres of commercial timberland in the U.S. (3,300,000 million acres in the South and 2 million acres in the Pacific Northwest).¹⁷⁰
- Weyerhaeuser has long-term license arrangements for 27,035,000 acres in Canada (7,453,000 acres in Alberta, 2,899,000 acres in British Columbia, 4,221,000 acres in Ontario, and 12,462,000 acres in Saskatchewan).¹⁷¹
- Weyerhaeuser World Timberfund, L.L.P. is a 50 percent owned joint venture with institutional investors to make investments in timberlands and related assets outside the United States; its primary focus is in pine forests in the Southern Hemisphere.¹⁷²

By its own estimate, Weyerhaeuser has clearcut four million acres in the U.S. since 1900, including 98,000 acres in 1998.¹⁷³ In the 1930s, Weyerhaeuser thousands of acres of cutover land in Oregon, Washington, Idaho, and Minnesota to avoid paying property taxes.¹⁷⁴ In addition, Weyerhaeuser subsidiaries and affiliates cut (and left behind) several million acres in the Philippines, Malaysia, and Indonesia in the 1960s, 1970s, and 1980s.¹⁷⁵

More recently, in 1995, Weyerhaeuser sold 220,000 acres in Oklahoma to Hancock Timber.¹⁷⁶ In 1996, Weyerhaeuser sold its Klamath Falls, Oregon hardboard, particleboard and plywood manufacturing operations, 600,000 acres of timberlands, and its nursery and seed orchard facilities. The timberlands

portion of this transaction involved a like-kind exchange for other timberlands, primarily land in southeastern Louisiana and southern Mississippi previously owned by Cavenham Forest Industries.¹⁷⁷

Cutting Jobs at Weyerhaeuser

Weyerhaeuser, the "tree-growing company," publicizes its pioneering tree farms, but from its beginnings in the Midwestern U.S., as the old forests disappear, Weyerhaeuser mills are closed and workers are left unemployed. When an area has been depleted of trees, the mill is often burned and the local subsidiary company dissolved. In the past, cut-over areas have been literally abandoned, sometimes defaulted for back taxes, because the land was worthless to the company once the timber was gone.¹⁷⁸ In modern times, public subsidies come in the form of federal assistance to retrain mill workers when mills are closed.¹⁷⁹ *Timber and Men*, the 700-page Weyerhaeuser company history¹⁸⁰, can be read as a litany of the rise and fall of several hundred Weyerhaeuser subsidiaries over more than a century, companies Weyerhaeuser pitted against one another. In the end Weyerhaeuser shuts each one down as the forest resource is depleted and the mill becomes too old to operate efficiently.

At year-end 1998, Weyerhaeuser had 35,032 employees, down from 46,976 employees ten years earlier.¹⁸¹

- In 1987, 110 people at the Weyerhaeuser mill at Longview, Washington lost their jobs for lack of old growth trees.¹⁸²
- In 1995, Weyerhaeuser's mill in North Bend was shut down, and Weyerhaeuser spokesman Paul Barnum said "The mill [shut down in North Bend, Oregon in 1995] wasn't losing money, but if we're going to maximize shareholder value, we need to make that mill more competitive."¹⁸³ In 1989, 60 people at Weyerhaeuser's North Bend, Washington, sawmill permanently lost their jobs when the mill was closed for lack of big trees.¹⁸⁴
- Meanwhile the Weyerhaeuser cedar mill at Coos Bay, Oregon, having run out of timber largely because of Weyerhaeuser's massive log exports to Japan, was being retooled for smaller logs for export lumber.¹⁸⁵ Mill jobs at Coos Bay have been lost because so much of the timber was shipped to Japan and Korea as raw logs -- but state and federal funds are spent on tax breaks and infrastructure to keep log exports going.¹⁸⁶
- In 1991, 270 people lost their jobs when Weyerhaeuser closed its 43-year-old mill in Springfield, Oregon, again because of the dwindling supply of old-growth timber. Weyerhaeuser, which had been buying federal old growth in the mid-1980s when its own was exhausted, decided not to equip the mill to process the 400,000 acres of second-growth timber it owned in the area.¹⁸⁷
- In 1991, Weyerhaeuser's 65-year-old Klamath Falls, Oregon lumber mill was closed because of the depletion of old growth timber.¹⁸⁸
- In 1992, Weyerhaeuser closed its Everett, Washington paper mill, costing nearly 300 workers their jobs. Weyerhaeuser blamed the closure on low pulp prices due to overcapacity, high woodchip prices due to the shortage of federal timber, and the need to upgrade pollution control equipment. The paper mill was the last of four saw mills and two pulp mills in Everett.¹⁸⁹
- In 1996, Weyerhaeuser sold its Klamath Falls, Oregon hardboard, particleboard and plywood manufacturing operations.¹⁹⁰

Weyerhaeuser cut at least 1,804 jobs in 1997 and 1998, including:¹⁹¹

- 330 jobs in recycling operations.
- 29 jobs in corrugated paper operations at Longview, Washington.
- 240 plywood manufacturing jobs in Plymouth, North Carolina.
- 165 plywood jobs in Philadelphia, Mississippi.
- 200 jobs at the Coos Bay, Oregon export sawmill.
- 200 jobs in Lumby, Merritt, and other British Columbia lumber mills.
- 460 jobs at various pulp & paper operations.
- 80 corporate operations jobs.
- 100 jobs at the Longview Washington chlor-alkali plant.

Weyerhaeuser's Expansion Overseas

Weyerhaeuser's wholly owned subsidiary, Weyerhaeuser Forestlands International, is a 50 percent owner of RII Weyerhaeuser World Timberfund, L.L.P., a joint-venture partnership with institutional investors advised by UBS Brinson, Inc. of Chicago, which structures and manages timberland investments on behalf of institutional and other qualified investors to acquire timberland outside the United States. Weyerhaeuser Forestlands International is the managing general partner, with responsibility for all management and marketing activities. World Timberfund currently has operations in Australia and Uruguay (discussed below).¹⁹²

In 1999, Weyerhaeuser CEO Steven Rogel said that "In the future, we will continue to focus our investment activities on these low-cost regions of the world... We must eliminate redundancy... We must look for future growth opportunities" and "if we are going to prosper in our second hundred years, we're going to have to be--and we intend to be--a 'consolidator.'"¹⁹³

Weyerhaeuser in Australia

In 1999, Weyerhaeuser World Timberfund acquired for U.S.\$142 million the Victoria and South Australia plantations and manufacturing assets of CSR Ltd. of Australia, one of the world's largest building and construction materials groups. The purchase includes 62,500 acres of radiata pine plantations, two softwood lumber mills with a capacity of 115 million board feet, a lumber treating operation, a pine moulding re-manufacturing plant, a woodchip export business, and a 30 percent interest in CSR's Sydney-based sales and distribution business. The new Southeast Australian operations will do business as Green Triangle Forest Products Ltd. Approximately 500 people currently work in Green Triangle Forest Products Ltd.¹⁹⁴

Weyerhaeuser in Canada

Weyerhaeuser has long operated in Canada, and holds long-term licenses for 27 million acres in Saskatchewan, Ontario, and British Columbia. In 1998, Weyerhaeuser bought the Dryden, Ontario paper mill and related assets from Bowater, including two lumber mills and timber licenses for 4,350,000 acres.¹⁹⁵

In June 1999 it was announced that Weyerhaeuser would acquire MacMillan Bloedel, one of the biggest timber corporations operating in British Columbia.

Weyerhaeuser in China

In 1998, Weyerhaeuser's 50 percent owned joint venture, SCA Weyerhaeuser Packaging Holding Company Asia Ltd., opened a newly constructed containerboard packaging facility in Shanghai, China. Construction continues on another facility in Wuhan, China, which is expected to open in 1999.¹⁹⁶

Weyerhaeuser in Mexico

Subsidiaries include Weyerhaeuser de Mexico, Weyerhaeuser Servicios, and Weyerhaeuser del Bajío.¹⁹⁷

Weyerhaeuser's packaging plant in Silao, Guanajuato began production in March 1999. Located in Central Mexico about 200 miles northwest of Mexico City, the plant will initially employ 70 people to produce corrugated containers for industrial and agricultural customers. A Weyerhaeuser vice president said "We've been doing business in Mexico for several years. This plant is the next logical extension of our relationship with our customers in Mexico whose expanded level of international exports has increased their need for superior packaging performance and appearance." The general manager of the facility promised that "in addition to offering a competitive choice in packaging, Weyerhaeuser brings to Mexico our high standards in safety, ethics and the environment. We plan to take care of our people while making a positive difference in the community."¹⁹⁸

Weyerhaeuser in New Zealand

In 1998, Weyerhaeuser's subsidiary Weyerhaeuser New Zealand Holdings acquired a 51 percent interest in 193,000 acres of managed forestland and related assets in New Zealand. Weyerhaeuser is responsible for the management and marketing activities of the Nelson Forest Products joint venture located on the northern end of the South Island consisting of 151,000 acres of Crown Forest License cutting rights and approximately 42,000 acres of freehold land.¹⁹⁹

Weyerhaeuser in Russia

For several years in the early 1990s, Weyerhaeuser (and other U.S. corporations, including Boise Cascade and Georgia-Pacific) attempted to set up logging ventures in Siberia.²⁰⁰ After negotiating with the Russian industry Dahlstrom for several years, Weyerhaeuser signed a deal with the Far Eastern timber industry Koppinskii Lespromkhoz to cut trees in the Koppi and Botcha River areas, and gave funding to the local Far Eastern Scientific Research Institute for Forest Management, but abandoned the venture in 1994.²⁰¹

Weyerhaeuser in Uruguay

Weyerhaeuser's World Timberfund holds a 97 percent interest in the Colonvade, S.A. venture that has acquired over 234,000 acres of private grazing land in Uruguay that is currently being converted into plantation forests.²⁰²

Footnotes

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- ⁵ 1999 Fortune 500, <http://www.pathfinder.com/fortune/fortune500/>, May 5, 1999.
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- ²¹ Weyerhaeuser 1998 Annual Report, p. 19.
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- ²⁷ Boise Cascade 1998 Annual Report p. 9.
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- ⁶¹ 81 F.T.C. 984, Dec. 26, 1972. Louisiana-Pacific started out big (1973 sales \$270 million) and soon became a giant (1979 sales \$1.3 billion). Upon birth, L-P had plants in California, Texas, Louisiana, Idaho, Washington, Oregon, Alaska, and Ohio. L-P soon bought more mills and land in California and Montana, as well as monopoly rights to five billion board feet of the Tongass National Forest in Alaska. In 1976 L-P also bought 2,000 acres in California from Fibreboard. L-P's defense lawyer John Crowell was soon embroiled in anti-trust lawsuits over its monopoly contracts on the Tongass National Forest; Crowell's legal prowess earned him the position of overseeing the U.S. Forest Service under Ronald Reagan.
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- ⁷² Georgia-Pacific 1998 Form 10-K. In an unsuccessful effort to boost stock prices in 1997, G-P spun off its timberland into a separate corporation, The Timber Company; see Cynthia Mitchell, A Chip Off the Old G-P Block: New Entity Planned for Timber Holdings, *Atlanta Constitution*, Sept. 18, 1997, p. E1.
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¹⁹² Weyerhaeuser 1998 Form 10-K; and Weyerhaeuser company press releases, April 12 and June 4, 1999. UBS Brinson manages \$1 billion on behalf of over 65 clients worldwide, including forests in the U.S., Argentina, Chile, New Zealand and Uruguay. UBS Brinson is part of UBS AG (www.ubsbrinson.com).

¹⁹³ Weyerhaeuser 1998 Annual Report, p. 8; and *TAPPI Journal*, Jan. 1999, p. 31.

¹⁹⁴ Weyerhaeuser company press releases, April 12 and June 4, 1999.

¹⁹⁵ Weyerhaeuser 1998 Form 10-K.

¹⁹⁶ Weyerhaeuser 1998 Form 10-K.

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