

Danzer involved in bribery and illegal logging

Greenpeace investigation reveals Swiss-German company bribing officials in Cameroon, Democratic Republic of Congo and Republic of Congo

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Western Lowland gorillas occur in Danzer's IFO concession in Congo-Brazzaville. Industrial logging increases the illegal bush meat trade which is driving the Great Apes such as the gorilla towards extinction. © Daniel Beltra / Greenpeace

"If there is any threat of a fine, so-called conditioned cases, he is prepared to take care of this by giving a gift."

R. Giger, one of the two executive directors of Interholco AG, on bribery in relation to IFO, Republic of Congo, April 2003

The World Bank's "CEO Initiative" brings together some of the leading logging companies in Africa with environmental NGOs to discuss issues related to Sustainable Forest Management. The Danzer Group is one of a handful of European logging companies which takes part in the CEO Initiative. Yet despite being part of this select group, the Danzer Group is violating key principles in forestry and law. As this report demonstrates, the Danzer Group are knowingly financing illegal loggers and bribing public officials.

What is the Danzer Group?

The Danzer Group has its origins in 1932, when Karl Danzer founded his first veneer trading company in Paris. After the Second World War, Danzer started to build an industrial veneer empire, opening his own veneer mill in Reutlingen, Germany in 1949.¹ From these early years, Danzer combined the production of tropical veneers with the operation of his own logging concessions in Africa.

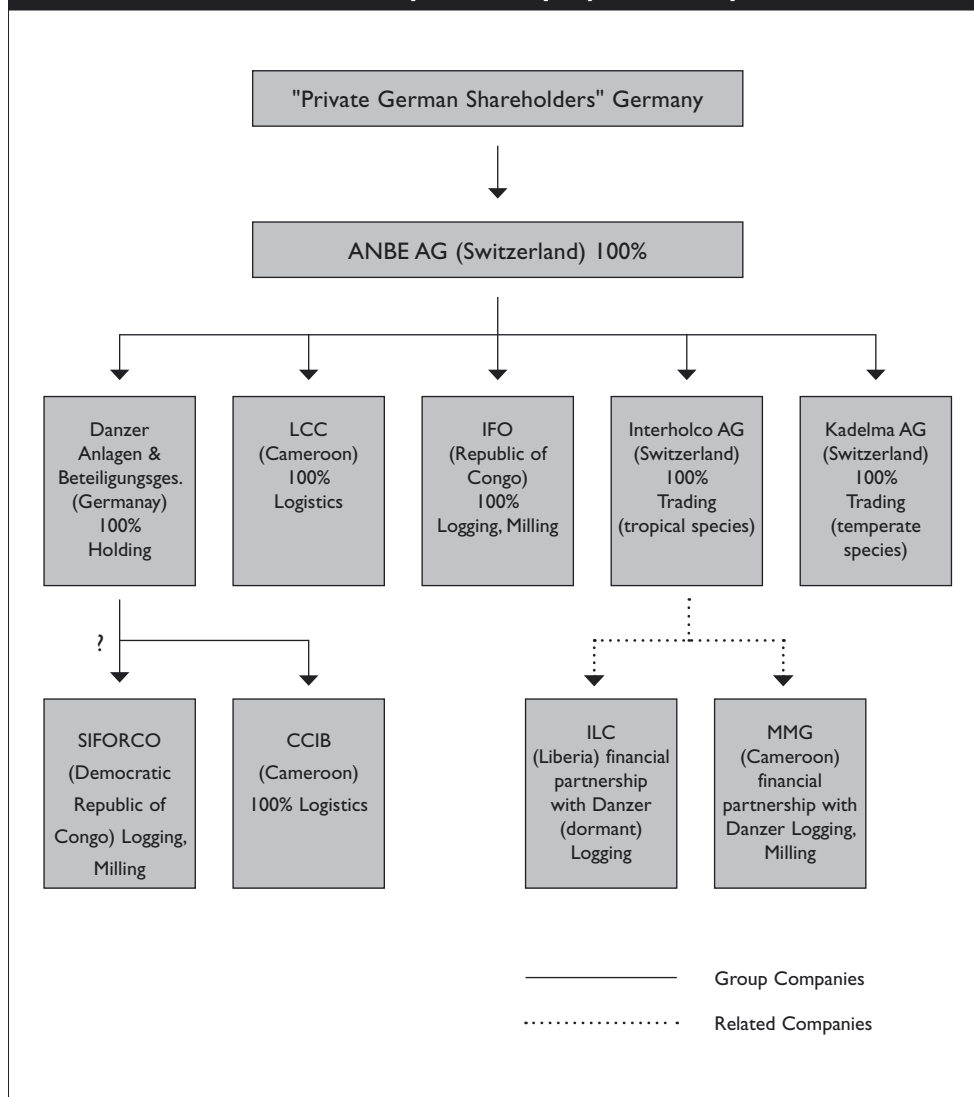
The group has since developed into one of the world's biggest producers of hardwood veneers, with annual sales of over € 500 million,² as well as one of the biggest international traders in tropical roundwood, sliced wood and veneers. Today the Danzer Group operates thirteen veneer mills and five sawmills around the world and a number of large timber concessions. In the Democratic Republic of Congo (DRC) and neighbouring Republic of Congo (RC), Danzer Group's concessions cover more than 4 million hectares of rainforest, an area larger than Switzerland.

¹ <http://www.danzer.de>
² <http://www.danzer.de>

Since its foundation, the Danzer Group has always been led by a member of the German Danzer family. From 2002 the Chief Executive Officer has been Hans-Joachim Danzer, a third generation Danzer.³ The Group's holding company is, however, ANBE AG,⁴ headquartered in Switzerland, which describes its owners as "private German shareholders."⁵ Since 1962, Danzer Group's international trade in tropical timber has also been based in Switzerland, through Interholco AG. From there, Danzer Group's global trading in tropical roundwood, lumber and tropical is organised.

Interholco's main procurement area is Africa, and it buys from other group companies SIFORCO (in DRC) and IFO (in RC), as well as from numerous third party suppliers. Interholco procures wood not only from the last rainforests being destroyed in West and Central Africa, but in many cases from companies that have been documented to be involved in illegal logging or, until very recently, associated with arms trafficking activities.⁶ Moreover, as this case study demonstrates, Danzer Group companies do not hesitate to bribe officials in Africa, thus violating national as well as international laws and regulations.

Partial overview on Danzer Group inter-company relationships



"There are huge rents to be earned from activities such as logging in tropical rain forests, where permits can be obtained corruptly or where inspectors can be bribed."

World Bank 1997

3 <http://www.danzer.de/en/02/02.html>
 4 ANBE Aktiengesellschaft (shareholder company)
 5 Schweiz. Verband Creditreform, April 2004
 6 UNSC (2000), Global Witness (2001), Greenpeace investigations

Africa's remaining rainforests

The remaining rainforests in Central and West Africa are the last refuge for threatened species such as lowland gorillas, chimpanzees, forest elephants and also bonobos, man's closest relative. These rainforests safeguard the survival of thousands of species of animals and plants and are home to many millions of indigenous people. According to the most recent calculations, only one-third of the original forests in Africa still remain, and less than one-tenth are still big enough to permanently maintain the biodiversity of a large intact rainforest.⁷

Destructive logging nonetheless continues largely unabated in Africa. Experts consider over three-quarters of all remaining frontier forests in Africa are threatened, mostly by the timber industry.⁸ These forests have been at the epicentre of violent conflicts for the past decades in several African countries, from Sierra Leone to the Democratic Republic of Congo, from Liberia and the Ivory Coast to Central Africa Republic. Local populations have been held hostage, either to militias and armies, or to all-powerful industrial groups seeking profits at any cost.

The problem of corruption

The World Bank has identified corruption as "the single greatest obstacle to economic and social development" and regards its harmful effects to be especially severe on the poor. Particularly concerned about timber exploitation, the Bank states: "There are huge rents to be earned from activities such as logging in tropical rain forests, where permits can be obtained corruptly or where inspectors can be bribed."⁹ In recent years, therefore, the Bank has supported over 600 anti-corruption programmes.

Also aiming to combat corruption, the member states of the Organisation for Economic Co-operation and Development (OECD) agreed to a *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, which went into effect on 15 February, 1999. This Convention makes it a crime "to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals."¹⁰ The signatory states agreed to apply "effective, proportionate and dissuasive criminal penalties" to those who bribe foreign public officials. The convention further requires that countries are able to seize or confiscate the bribe and the profits gained thereof.¹¹ All OECD members have ratified this convention, including Switzerland (in 2000) and Germany (1999), and are thus obliged to take action against companies within their jurisdiction that are known to be involved in corruption.

Danzer Group dealing in baksheesh and gifts

Some of the African countries in which the Danzer Group operates are considered to be among the most corrupt and violent in the world. The international NGO Transparency International places the Republic of Congo, Ivory Coast and Cameroon among the 30 worst out of 130 countries surveyed.¹² Instead of complying with national laws and the OECD Convention, and setting standards for sustainable development it purports to uphold,¹³ The Danzer Group continues to support a logging sector which is fuelling rampant corruption in the region.

In a confidential report about Danzer Group's business activities in Africa, written by René Giger, one of the two executive directors of Interholco AG, in April 2003 and obtained by Greenpeace, Giger summarises:

"With regards to gifts/frais de mission (baksheesh), three philosophies occur to me in Africa. In Douala¹⁴ one is blackmailed into having to pay baksheesh amounting to hundreds of thousands of FF¹⁵, and this is also paid out liberally. In Congo (Kinshasa),¹⁶ Mr. H... tries to be more restrained but nevertheless is prepared to pay where necessary. At IFO both Mr S.... and Mr D....,

"The tax office is demanding a "fiscal control" and is making a link to LCC Mr F... is trying to resolve the matter with FRF 20-30,000. Although we actually have nothing to fear at CCIB, there is always the question of the then undeclared exports of IHC via Alima F., which we want to avoid under any circumstances."

R. Giger, one of the two executive directors of Interholco AG, April 2003

⁷ World Resources Institute 1997

⁸ World Resources Institute 1997

⁹ World Bank (1997)

¹⁰ OECD, web-page

¹¹ U.S. Department of Commerce (<http://www.osec.doc.gov/ogc/occic/occdsum.html>)

¹² Transparency International, Corruption Perceptions Index 2003

¹³ eg www.danzer.com/en/03/03.html

¹⁴ Cameroon

¹⁵ likely to mean French Francs

¹⁶ Democratic Republic of Congo

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are absolutely against such gifts and are also about to rigorously eliminate the old sinecures. Mr S...’s philosophy is not to give any gifts in advance in order to avoid any possible difficulties. If there is any threat of a fine, so-called conditioned cases, he is, however prepared to take care of this by giving a gift.”

The scale of bribery practices by Danzer Group’s employees in Africa is not fully known and requires further investigation. However, for IFO (RC) - the subsidiary with seemingly the most stringent approach to bribery – an attachment to the travel report by Mr. Giger estimates possible annual savings of around €50,000 from cutting back on “frais de mission which up to now have been mostly paid from force of habit”

The way “gifts” are used is explained by Giger’s report in a reference to one of Danzer’s Cameroon subsidiaries, CCIB. According to Giger, the tax authority in Cameroon insists on a “fiscal control”, which he urgently tries to avoid, as there apparently have been “undeclared exports of IHC [Interholco] via Alima F.”¹⁷ Giger casually notes: “Mr. F.... is trying to resolve this matter with FRF 20-30,000 [around €3000-4500].”



MMG logs marked “ARB-288” imported into Germany by Interholco, Nordenham, 2000 © Greenpeace

74 Bei Geschenken/Frais de Mission (Bakschisch) fallen mir in Afrika drei Philosophien auf: In Douala wird man erpresserisch genötigt, Bakschisch in Hunderttausenden von FF zu gewähren und zahlt diese auch grosszügig. In Kongo (Kinshasa) versucht Herr ████████ zurückhaltend zu sein, ist aber trotzdem, wo notwendig bereit zu bezahlen. Bei der IFO sind sowohl Hr ████████ als auch Herr ████████ absolut gegen solche Geschenke und sind auch daran die alten Pfründen rigoros auszuschalten. Hr ████████ Philosophie ist keine Geschenke in voraus zu machen um allfälligen Schwierigkeiten auszuweichen. Bei einer allfälligen Bussandrohung, sog. konditionierte Fälle ist er aber schon bereit, diese mit einem Cadeaux zu erledigen.

Extract from “Travel report of 03.04.-14.04.03 to Cotraco, Siforco, IFO, LCC”, by René Giger, one of the executive directors of the Danzer Group subsidiary Interholco AG, Switzerland.



Illegally logged timber from MMG, traded by Interholco (IHC) with marking “ARB-288” partially erased to hide true origin, Port of Kribi, 2000. From Auzel et al (2002a).

In another section, Giger discusses a tax demand, including fines, for €360 million against SIFORCO in DRC. Whilst the Danzer Group declared timber deliveries from IFO, in neighbouring Republic of Congo, to SIFORCO as tax-free transit business, the state of DRC now claims this to be a taxable import/export activity. On the advice of a local tax advisor, Giger suggests that the demand is due to “rivalry between the authorities” and claims that the “whole matter was instigated by a dismissed employee“. To solve this problem Giger states “It is calculated that a maximum of US\$ 50,000 will be needed to get this whole thing off the table”.

SIFORCO was founded in 1976 as a joint venture between the Danzer Group and the German governmental development agency DEG (Deutsche Investitions- und Entwicklungsgesellschaft). Although today it is fully owned by the Danzer Group, it is still financially supported by DEG.¹⁸

17 Exploitation Forestière Alima Ferdinand (A.F.) is a Cameroonian logging company, based in Yaoundé.
18 Forests Monitor 2001; DEG 2003

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Danzer Group finances illegal loggers

In Cameroon, Interholco purchases logs and timber from the logging company Mba Mba Georges (MMG), with which it has a close financial partnership. Through loans to MMG, Interholco seems to have secured exclusive marketing rights for all MMG products. MMG has only recently become active in Cameroon, and has a sawmill in the south west of the country, near the port of Kribi. In 2000, MMG was involved in illegal logging on a massive scale. It was documented as being active outside the limits of one of its authorised logging areas. Indeed, MMG logged 1,000 hectares of an area planned for a community forest, with the local population incurring enormous damage. It used the marking “ARB-288”, assigned for another logging permit, on the trees felled, and in the same year, Greenpeace detected these very same logs at the German port of Nordenham – imported by Interholco.

While this case of illegal logging by MMG has been well documented in several reports,¹⁹ the company has never been fined for these infractions. On the contrary, despite the Cameroonian Ministry of Environment and Forestry (MINEF) 2000 criteria for new concession awards, which define such infractions as “grounds for disqualification”²⁰ [from auctions], MMG won the 125,568 hectare concession UFA 00-003 in July 2000, only a month after its illegal logging was documented by officials of MINEF. The value of the timber stolen by MMG is estimated to be almost FCFA 700 million (over €1 million).²¹

In a letter dated 29 September, 2003 to Greenpeace, Switzerland, IHC (part of Danzer Group) stated: “Interholco of course rejects any business with companies involved in illegal logging. Such activities, however, have to be proven or there must at least be clear indications. To our knowledge, this is not the case for MMG.”



OTC logs traded by Interholco (IHC), Greece, December, 2001 © Greenpeace



ILC logs imported into Germany by Interholco (IHC), Nordenham, June 2002. © Greenpeace



19 Auzel et.al. (2002a); MINEF (200a); MINEF (2000c); Global Witness (2001b)
20 MINEF (2000a)
21 Auzel et.al. (2002a)

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The letter is signed by Ulrich Grauert, one of the two executive directors of Interholco AG. Grauert seems to have a poor memory as in April 2003 he was directly informed by René Giger (his co-director at Interholco) about MMG's ongoing illegal logging in the newly obtained concession UFA 00-003. In his confidential travel report, referring to MMG, Giger states: "Logging volumes are not being achieved. Yield is not being achieved because the diameters are too small. MMG is already felling illegally in the next coupe [cut block];²² as a result, next year the same coupe will be worthless again."

Just as Giger's remark indicates ongoing illegal logging activities by MMG beyond the 2000 incident, the company also continues to evade its financial obligations. The concession gained in 2000 came with a management plan financed with over FCFA 200 million (about €300,000) from the "Canadian Co-operation", to be paid back by whoever obtained the concession. MMG, four years later, has still to pay more than FCFA 170 million (about €255,000). It was recently formally notified of its failure to pay back the management plan in a public communiqué by the Ministry of Forestry.²³

Danzer Group, war and arms trafficking

Following years of debate, on 7 July 2003, the UN Security Council (UNSC) imposed sanctions on the import of Liberian timbers. The UNSC was forced to take this drastic, unprecedented measure because international dealers such as Interholco had been unwilling to voluntarily stop trading with an industry that financed Liberian president and warlord Charles Taylor.

The UNSC regarded Charles Taylor as a major destabilizing factor in the region, for instance through his orchestration of the activities of the RUF rebels in neighbouring Sierra Leone. The RUF controlled Sierra Leone's²⁴ diamond fields and moved diamonds illegally out of the country via Liberia. For this reason, in March 2001²⁵ the UNSC had imposed sanctions on trade in diamonds from Liberia, as well as banning 130 members of Charles Taylor's entourage from travelling. These included Maurice Cooper, co-owner of the Inland Logging Company (ILC).²⁶

Danzer Group's Interholco AG had a very close partnership with ILC. It was the company's exclusive agent for the export of timber.²⁷ The company reported that it had officially exported 19,815 m³ of logs in 2000, but the UNSC Panel Experts estimated that this figure was closer to 50,000 m³. The ILC also maintained a private militia in Sinoe County and managed the port of Greenville.²⁸ The militia have been reported as harassing local people.²⁹

Besides exporting Liberian wood supplied by the ILC, Interholco also procured from the Oriental Timber Company (OTC) and the Maryland Wood Processing Industry (MWPI). The OTC's manager, Dutchman Gus van Kouwenhoven, is regarded by the UN as a key figure in the logistics of illegal arms movements to Liberia.³⁰ The MWPI controlled Port Harper in the south of the country and has also been accused of involvement in illegal arms shipments entering Liberia through this port.³¹ Only increased rebel activities and finally the UNSC sanctions stopped Interholco trading with OTC, MWPI and other Liberian suppliers.

Trading in Liberian logs and with the OTC in particular did not, however, prevent the Danzer Group stating, in a letter (10 January, 2002) sent to a German citizen: "The Danzer Group and all its subsidiary companies will do absolutely no business with companies which trade arms ... In our business-to-business relations we make decisions solely in accordance with our standards and in no event do we wish our business relationships to be misused for financing weapons or civil wars."



MMG timber sold by Interholco to the largest wooden flooring manufacturer in Switzerland, Bauwerk Parkett.
© Greenpeace

22 Assiette de coupe
23 MINEF (2004)
24 UNSC (2001)
25 UNSC (2001)
26 UNSC (2001)
27 UNSC (2001b); Greenpeace investigations
28 UNSC (2001b)
29 Global Witness (2001)
30 UNSC (2000); Global Witness (2001)
31 Global Witness (2003)

Call to action

This report represents nothing more than one case study. The practices and behaviour outlined here, though illegal and unethical, are very widespread among companies operating in the international timber trade.

Bribery and other illegal activities continue unmonitored and in almost all cases with complete impunity. Without decisive and credible action by governments, international agencies and consumers to control the practices of the international timber trade, the world's remaining ancient forests will continue to be a natural "resource", nonchalantly, yet ruthlessly and unethically, exploited and destroyed. The local communities dependent upon them will continue to suffer directly and indirectly from the fierce battles to control, extract and appropriate these resources.

Yet there is hope for Africa's rainforests, if key players commit to taking action. Specifically:

- African countries where Danzer Group timber originates must open an inquiry into the evidence uncovered in this investigation, and prosecute companies and individuals found to be involved in bribery, corruption and illegal logging. Initiatives such as the Cameroonian Anti-Corruption Commission should be utilised in these inquiries.
- European countries, including Switzerland, must amend their legislation on bribery and money laundering to include illegal logging and associated trade. EU companies found guilty overseas should be prosecuted under EU legislation. Swiss companies found guilty overseas should be prosecuted under Swiss legislation.
- European countries must act swiftly to adopt new legislation through the FLEGT (Forest Law Enforcement, Governance and Trade) process aimed at halting the import and trade of illegally sourced timber and timber products in Europe. Switzerland should also adopt similar legislation. Such legislation should impose penalties against companies found guilty and give the relevant authorities the legal means to prosecute and dismantle the organized criminal networks.
- Companies must immediately stop buying timber products derived from companies involved in illegal activities (such as illegal logging, bribery, forced labour, arms trafficking, etc.) until the producers can demonstrate, through independent third-party verification, that they comply with all legislation.

Abbreviations

DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DRC	Democratic Republic of Congo (DRC)
€	Euros
FCFA	Franc de la Communauté Financière d'Afrique
IHC	Interholco (part of The Danzer Group)
ILC	Inland Logging Company (Liberia)
MINEF	Ministère de l'Environnement et des Forêts
MMG	Mba Mba Georges (Cameroon)
MWPI	Maryland Wood Processing Industry (Liberia)
NGO	Non Governmental Organisation
RC	Republic of Congo
RUF	Revolutionary United Front
OECD	Organisation for Economic Co-operation and Development
OTC	Oriental Timber Company (Liberia)
UFA	Unites Forestière d'Aménagement
UNSC	United Nations Security Council

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