TOXIC TRADE
FOREST CRIME IN GABON AND THE REPUBLIC OF CONGO
AND CONTAMINATION OF THE US MARKET

eia
environmental investigation agency
KEY FINDINGS

EIA's four-year investigation establishes that illegally-sourced timber from Gabon and the Republic of Congo has routinely entered the United States (US) and, for over a decade, made its way to thousands of US consumers.

An in-depth analysis of the okoume (Aucoumea klaineana) veneer imported directly into the US from the two African countries indicates the complicity of the US importer Evergreen Hardwoods Inc. and the negligent sourcing of the manufacturer Roseburg. Roseburg’s okoume-made “eco-friendly” product can be found in dozens of family-owned retailers across the US and in major hardware stores including Menards and, until 2017, in Home Depot.

EIA investigators learned that the illegally-sourced okoume trees have been harvested, processed and exported by “Dejia Group,” a group of affiliated companies controlled by the Chinese mogul Mr. Xu Gong De. Dejia Group manages 1.5 million hectares of tropical forest in Gabon and the Republic of Congo, and is one of the most influential Chinese timber groups in Africa.

EIA undercover investigators and data analysts discovered that Dejia Group:

- has illegally obtained forest concessions, including the Lebama Forest Management Unit of 100,000+ hectares;
- routinely overharvests. EIA’s analysis indicates that one Congolese affiliate alone of the Group has overharvested 46 different species – by a total of roughly 85,000 cubic meters, equivalent to more than 15,000 trees;
- exported over 100,000 logs, worth over US$80 million, in excess of its Congolese log export quota between 2013 and 2016;
- has avoided the payment of at the very least between US$3 and US$6.7 million per year in corporate tax in Africa, from 2013 to 2016, through transfer pricing techniques that involve offshore companies based in Hong Kong.

EIA investigators were repeatedly told by the Group’s executives that these crimes have gone unpunished because of the bribes they routinely pay to multiple layers of public servants and decision-makers, including ministers.

Evidence collected by EIA shows that Dejia Group is by no means an isolated case. Forest crimes covered by high-level corruption are systemic and tightly linked to the inner workings of industrial logging in both Gabon and the Republic of Congo, countries that together account for more than half of the area allocated to logging concessions in the Congo Basin.

Dejia Group has taken advantage of the lack of mandatory Chinese regulations on imports of illegal timber to ship most of its illegal wood products to China.

The Group has also placed hundreds of thousands of tons of timber products into European countries with laws that prohibit the import of illegal timber, including France, Belgium, Italy, Spain, and Greece.
Executive Summary

The Congo Basin, home to the second largest tropical forest in the world after the Amazon and equal in size to half of the continental United States (US), is of vital importance for thousands of species, including our own.²,³ For four years, EIA has investigated the logging sector in the Congo and Gabon, countries that together account for approximately 60 percent of the total area under forest management in the Congo Basin. EIA’s findings reveal that one of the most influential groups of affiliated timber companies in Africa, which for the purpose of this report will be referred to as “Dejia (deh-ja) Group,” has built its business model on bribery and other crimes. According to evidence collected by EIA, the Group has continuously broken the most fundamental forest laws, has turned timber trade regulations upside-down, and has diverted millions in unpaid taxes from the governments of Gabon and the Republic of Congo. Dejia Group executives explained in detail to EIA investigators how the company routinely bribes ministers in both the Republic of Congo and Gabon to get access to timber concessions and avoid punishment for their crimes. EIA’s findings indicate that the Group’s modus operandi is by no means an exception – instead, the corruption and forest crimes perfected by Dejia also plague the majority of companies operating in the industrial logging sector in the Republic of Congo and Gabon. EIA found that illegally-sourced timber from Dejia is contaminating European and US markets, despite their laws prohibiting the import of illegal timber. In the US, the complicity of the main importer and the deliberate negligence of a prominent manufacturer, both of whom EIA investigators met undercover, are critical elements of the toxic supply chain. As a result, US consumers have unknowingly supported one of Africa’s most brazen criminal forest networks for over a decade.
Illegal logging and the related trade in illegally sourced wood products remain a major threat to the world’s forests, with severe impacts on climate, biodiversity, fragile states’ economies and the livelihoods of indigenous peoples.4,5 Estimates consistently and conservatively indicate that between 20 and 50 percent of all the timber traded internationally was harvested or traded illegally or from high-risk sources.6 Organized criminal groups have increasingly found profit in this business, and are now responsible for 50 to 90 percent of global illegal logging and related trade.7 Illegal logging flourishes and feeds a governance vacuum in countries where it occurs, furthering the development of multi-layered corruption hierarchies and leading to the violent silencing of individuals who stand up and dare to speak out.8,9,10

EIA investigators recently completed four years piecing together the complex corporate network and supply chains that connect the fragile rainforests of Gabon and the Republic of Congo to major US hardware stores, family-owned lumberyards and thousands of end consumers to whom, ironically, these timber products have been marketed for their “eco-friendly” characteristics.

In exchange for his political support and abundant connections in both China and Africa, Mr. Xu was allegedly the main financier of Mr. Ping’s 2016 presidential campaign in Gabon.

The backdrop to EIA’s in-depth research on the Africa-US timber trade is the rapidly changing landscape of the Congo Basin logging sector. In just a few short years, China has become the largest market for the region, accounting for 46 percent of exports in value (in 2016), and reshuffling the cards of a sector historically dominated by European companies since the colonization of the African continent in the 19th century.11,12,13 Asian entrepreneurs, including Malaysian, Singaporean, and Chinese from Hong Kong and the mainland, have acquired vast areas of tropical forest in the Congo Basin, creating new companies or bailing...
Executive Summary

In the first half of 2018 alone, Asian companies, chiefly from the Chinese mainland, have allegedly obtained control over 2.5 million hectares of forest concessions in Cameroon, the Republic of Congo, the Democratic Republic of Congo, and Gabon.

The Dejia Group was one of the forerunners of Chinese investment in Africa. According to one of the Group’s senior executives, Dejia set the model for success for Asian and particularly Chinese investors. Mr. Xu Gong De, a Chinese mogul who has spent decades in the region, is the mastermind behind the Group that has positioned itself at the epicenter of the Chinese investment in the timber industry in the Congo Basin. According to EIA’s investigation, several factors explain this trajectory.

The capacity to secure strong patronage from decision-makers has proven vital. The network of Dejia Group’s godfathers includes in particular one of Africa’s most influential diplomats, Mr. Jean Ping – an ex-African Union Chairman and former President of the United Nations General Assembly. In exchange for his political support and abundant connections in both China...
and Africa, Mr. Xu — who is a nephew of Mr. Ping — was allegedly the main financier of Mr. Ping’s 2016 presidential campaign in Gabon. In the Republic of Congo, Dejia Group found a strong ally in Mr. Henri Djombo, one of the longest-serving Ministers in Africa (including 19 years as the Republic of Congo’s Minister of Forest Economy). A Dejia executive in the Republic of Congo told EIA investigators that a briefcase full of cash was frequently given to the Minister in exchange for his services.

Dejia Group comprises several affiliated companies involved in the harvest, transport, processing and export of timber, including Sino Congo Forêt (SICOFOR) and Congo Dejia Wood Industry (CDWI) in the Republic of Congo, and Société de Sciage de Moanda (SSMO) and Société des Bois de Mounana (SBM) in Gabon. The rapid development of the Group has been anchored in the violation of national laws regarding forest exploitation, timber processing and export, and tax payments. Between 2013 and 2016, records obtained by EIA investigators and undercover meetings with Dejia’s top executives indicate that the Group has exceedingly overharvested the Congolese forest. During the same period, EIA’s analysis shows that the Group over-harvested nearly 20,000 cubic meters worth of species listed as vulnerable or endangered according to the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species.

Dejia Group controls over 1.5 million hectares in the Congo Basin, so its practices have acute impacts on immense tracts of unique forest habitat, including that essential to the survival of African forest elephants (Loxondota spp.) and great apes in the Republic of Congo. In this country, Dejia has operated for over ten years without an approved forest management plan, in breach of the central sustainability principle of the national Forest Code. Dejia Group’s modus operandi also makes a mockery of voluntary approaches such as the FSC certification standard.

The three pillars of Dejia Group’s strategy and the companies involved.
Source: EIA, 2018
as the “The Guide on Sustainable Management and Utilization of Overseas Forests by Chinese Enterprises” promoted by Chinese authorities. On the one hand, the Group has publicly committed itself to responsibly manage its concessions, while on the other hand, executives from the Group repeatedly told EIA investigators that these promises are essentially for show, with no impact at all on their daily illegal practices.22

A Dejia senior executive told EIA investigators that the Group has illegally obtained the right to harvest at least one of their concessions – the Forestry Management Unit (Unité Forestière d’Exploitation) Lebama in the Republic of Congo – by resorting to bribes. A colossal amount paid under the table, combined with a high-level political connection, allowed the Dejia Group to win the Lebama FMU during the last call for tenders for a forest concession in the Republic of Congo in 2016. Their proposal was somehow more appealing than their direct competitor who paid over US$4 million in bribes, as he claimed to undercover EIA investigators, in order to gain the concession. Dejia’s corruption scheme was revealed by one of the corrupt officials who took part in it during a courtroom trial, but the court decision against the Group has been kept away from the public’s knowledge and the company has faced no consequences.23

Contrary to its repeated promises to encourage local development in Africa, the Group has blatantly broken the Congolese law limiting exports of unprocessed wood. This law, designed to incentivize the creation of local employment and maximize value-added processing in the Republic of Congo, has been turned upside-down by the company. Instead of the 15 percent maximum allowed by Congolese law, Dejia Group has exported on average over 87 percent of its production as unprocessed round logs from the Republic of Congo between 2013 and 2016. During this period, the company exhausted its annual export quota of logs by April of each year; thus all log exports shipped after April were in violation of the Congolese export quota law.24,25 Dejia Group executives explained to EIA investigators that they cannot be “limited” by such laws; infringing them and obtaining ad hoc “derogations” through bribes is at the heart of their business model in the region. According to a detailed analysis of national timber trade records, only very few logging companies operating in the Republic of Congo have obeyed the export quota system between 2014 and 2017, revealing the staggering scale of malpractices pervading the Republic of Congo’s forest service and customs.26,27,28,29

As Dejia Group executives told EIA investigators, the company has also deprived the Congolese and
Gabonese governments of at least US$3 million in taxes each year through transfer pricing schemes using a variety of offshore entities located in Hong Kong.

Dejia Group’s stolen timber is contaminating three principal international markets: China, the EU and the US. Dejia sells most of its exports to the Chinese market – 82 percent in 2015-2016 by volume – where buyers ask little about the origin and legality of the timber. The EU and US, markets often referred to as “regulated markets” because of their legislation that prohibits the import of illegal timber, are also absorbing important quantities of illegally sourced timber from Dejia – 14 percent to the EU and 3 percent to the US in 2015-2016 by volume. The Dejia Group accounts for approximately 36 percent of all the timber exported from Gabon and the Republic of Congo to the US, mostly in the form of okoume (Aucoumea klaineana) veneers. The Group is actually the largest provider of this popular yet vulnerable tropical species to the US.30 According to EIA’s analysis The Group produces approximately 40 percent of all the okoume imported and used by American businesses and consumers.

Between 2007 and 2018, the Dejia Group sold over US$20 million worth of timber product to the US.31 Only a few US importers have been directly involved in this toxic trade. The largest of them is Evergreen Hardwoods, Inc.32,33 The entry of thousands of tons of illegally sourced timber into the US has relied on the active complicity of Evergreen, a company that has been in business with Dejia for over ten years. Evergreen’s former co-owner and current purchasing manager, Mr. Jim Green, stated to EIA investigators that he doesn’t care at all about whether the timber is of legal origin. He also claimed that even if the timber were to come from a protected area, he would have no issue purchasing it and placing it on the US market.34

“I’m not worried that you’re stealing from a national park. I don’t care. I just need to have documentation in case somebody accuses me.”

- Jim Green, Dejia Group’s long time client in the US

African forest elephants.
Source: Remi Pognantee
Okoume logs about to be peeled in the facility of the Dejia Group’s affiliate in Gabon.
Source: EIA

Mr. Green is well aware that his principal supplier in the Republic of Congo and Gabon routinely pays bribes. He explained to EIA investigators: “Everyone wants a bribe, everyone needs to be greased to make things work. I don’t care, I understand that, that’s how it works. I do that.” He also said that he has no problem with purchasing Dejia’s timber thorough the Group’s Hong Kong offshore companies.

Evergreen Hardwoods, Inc. is just the first link of Dejia’s US supply chain, which also involves one of the three major plywood factories in the country owned by Roseburg, a long-standing Oregon-based company that claims to be “America’s single broadest mix producer of green wood building products, owner of the largest capacity sawmill in the country, and the greatest exporter of wood chips in the U.S.” According to Roseburg’s representatives met by EIA undercover investigators, Roseburg has deliberately kept Evergreen as its intermediary with Africa-based suppliers and a convenient shield against legal enforcement actions.

The high-end okoume-face plywood manufactured by Roseburg, called “Breckenridge”, mainly used for outdoor siding and renovation, is then distributed by a multitude of affiliated businesses spread all over the country. It ends up in a wide spectrum of retail stores, from local lumberyards to the major US hardware chains such as Menard’s and until recently The Home Depot. Ironically, the product offers points within the rating framework of Leadership in Energy and Environmental Design (LEED), the most widely used green building rating system in the US.

Above and beyond the Dejia-Evergreen-Roseburg-Menards supply chain, EIA’s deep-dive into the logging sector in two of Africa’s largest timber producing and exporting countries shows the “business as usual” practices in vigor and the structural flaws of a particularly opaque sector which controls over half of the national forests in the Republic of Congo and Gabon. On the demand side, it exposes the current weaknesses in protecting US and EU consumers from illegally-sourced timber. EIA’s investigation underlines the urgent need for a much more comprehensive, consistent and stricter control of US’ importers due care obligations. Robust due care systems have proven to be the heart of the law-abiding implementation of the amended Lacey Act, the US law that makes it unlawful for any person to import and/or trade in timber products harvested, transported or sold in violation of state, foreign or international law (in this case, relevant to Gabonese and Congolese laws). Short of these needed changes, toxic timber trade flows from all over the world will continue to make their way to US markets.
EIA Recommendations

The “business as usual” degradation of the second largest tropical forest in the world, and the array of negative impacts on regional governance, call for urgent actions. EIA recommends:

GABON AND THE REPUBLIC OF CONGO

- Immediately suspend the operations of the Dejia Group’s affiliates in both countries and thoroughly investigate its logging, trading, processing and exporting practices;
- Launch an anti-corruption and tax evasion crack-down across the timber sector;
- Strengthen the regulatory frameworks with dissuasive measures against illegal logging and related financial crimes;
- Join the global effort for true public transparency in the forest sector, through the release of key information on logging operations and related trade in both countries.

UNITED STATES

- Conduct an investigation into the import of illegal timber by Evergreen Hardwood, Inc. from Dejia Group, including related corruption practices and participation in financial crimes;
- Investigate the operations of the Dejia Group’s affiliates located in the US;
- Clarify the due diligence obligations (risk determination, evaluation and mitigation) for timber importers under the Lacey Act;
- Improve routine analysis and oversight of declarations; systematically request information about importers’ due diligence systems and conduct frequent audits of their sourcing practices, particularly those related to timber flows from high risk countries and involving sensitive species; and conduct more civil forfeitures of illegally-sourced timber and wood products.

EUROPEAN UNION

- Investigate all imports from the Dejia Group’s affiliates, as they have an incredibly high likelihood of illegality under the EUTR and likely rely on non-compliant due diligence systems by European importers;
- Given the systemic flaws exposed in this report, all timber products coming from both the Republic of Congo and Gabon should be considered high risk under the EUTR, and subject to the highest required level of due diligence.

CHINA

- Prohibit the import of timber and wood products that have been harvested, transported or traded illegally; and work in cooperation with the Republic of Congo and Gabon to put an end to the specific illegal activities highlighted.
- Enforce the second provision to Article 164 of the National Criminal Law that criminalizes bribes given to non-Chinese public officials, and investigate Mr. Xu’s operations.

INTERNATIONAL ORGANIZATIONS

- Support the Republic of Congo and Gabon’s efforts in retrieving the funds lost due to fiscal evasion, and encourage reforms against fiscal crimes in the export-oriented forest sector.