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global witness



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Dear @FIRSTNAME@,

Welcome to a bumper edition of the Global Witness newsletter. You'll see we have more stories than ever before - since March we have launched three exciting new investigative reports, highlighted to the US government the importance of energy revenue transparency, drawn ethical investors' attention to strange goings on at the HSBC bank, brought important recommendations to the Congolese government, and seen a real success taking place in Liberia. Read on for more of the latest news from our campaigns to end resource-fuelled conflict, corruption and environmental destruction throughout the world.

Global Witness Report Reveals how Cambodia's Political Elite are Stripping the Country of its Natural Resources

In June this year Global Witness published a damning report on illegal logging and high-level corruption in Cambodia called ***Cambodia's Family Trees***. The result of several years undercover research in Cambodia, the report exposes in graphic detail how a syndicate comprising relatives of Prime Minister Hun Sen and other senior officials has looted the country's forests. Members of this group are heavily implicated in cases of kidnapping and attempted murder. The report also presents evidence of corruption by senior officials and the smuggling activities of elite military units controlled by Hun Sen.

The Cambodian authorities immediately responded by banning the report, confiscating copies and harassing journalists who reported on its findings. The Prime Minister's brother has threatened that "if they [Global Witness staff] come to Cambodia, I will hit them until their heads are broken." *

Despite these attempts at censorship the report attracted extensive **international media coverage** and 40, 500 copies of the report have been downloaded from the website since the launch.

The report called on donors to demand an overall increase in transparency in the way that Cambodia's natural resources are managed. Yet in spite of the body of evidence against leading government officials and their families, donors remained mute on the subject of a follow-up investigation and prosecutions at the annual donor-government meeting to discuss reforms and further aid to the country later that month. They also ignored the government's broken pledges on governance, fighting corruption and upholding human rights, choosing instead to increase aid by 15%.



Logs classified as 'firewood' being transported in Cambodia: members of the country's political elite are making millions of dollars from illegal logging every year

Global Witness will continue to expose corruption in Cambodia and call on Cambodia's donors to insist on reforms to enable ordinary Cambodians to hold their government to account.

* References to the threat made against Global Witness staff by Prime Minister Hun Sen's brother are drawn from an article by Douglas Gillison and Yun Samean, published in the Cambodia Daily on June 5 2007.

Read '**Cambodia's Family Trees**'

Find out more about the **Cambodia campaign**

Help us expose and fight corruption and impunity in Cambodia – donate to Global Witness now

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Persuading the U.S. government to push transparency in the global energy sector



Casualties of the protracted conflict in Angola: A lack of transparency in oil revenues can ultimately lead to civil unrest, war and vast human suffering.

In March, Global Witness published a new report calling on the U.S. government to take a leading role in pushing energy revenue transparency called ***Oil Revenue Transparency: A Strategic Component of U.S. Energy Security and Anti-Corruption Policy.***

The report highlights how the lack of transparency surrounding the revenues governments gain from oil and gas extraction so often leads to corruption. Six of the top ten oil-exporting countries rank among the worst third of world's most corrupt nations, according to a list compiled by Transparency International. Thanks to this rampant corruption, the populations of oil-rich countries do not see any benefit from the millions of dollars that natural resource extraction brings. In Equatorial Guinea, over 50% of the population is forced to survive on

less than \$1 per day, and in Angola one in four children die in infancy from poverty-related diseases, yet both these countries earn millions from the production of oil. Furthermore, our report points out how reliance on corrupt, impoverished regimes seriously undermines U.S. energy security and the American government's commitment to protecting human rights and fighting corruption.

Transparent accounting of payments and revenues can limit the opportunity for oil-related corruption. Transparency depends on three principles, which together enable citizens to hold their governments to account for the use of energy revenues:

- **publish what you pay** — oil, gas, and mining companies disclosing the revenue payments they make to governments;
- **publish what you earn** — governments revealing the revenues they receive from extractive companies;
- **publish what you spend** — governments publishing their budget expenditures.

Transparency brings real and tangible benefits. Following the implementation of international transparency standards through the Extractive Industries Transparency Initiative, in Azerbaijan, the increase in transparency provided by the EITI helped secure a 160% increase in Foreign Direct Investment from 2002 to 2005.

Our report calls on the United States government to play a leading role in pushing for oil revenue transparency as a key part of its energy security and anti-corruption policies. This could enhance energy security, improve investment climates, and contribute to the development of poor nations and reduce their reliance on international aid. Global Witness urges the US to make it legally obligatory for extractive companies to publicly report all the payments made to governments on a country-by-country basis. The U.S. should also make monitoring transparency a priority for its embassies abroad and for its diplomatic engagement with oil-producing countries, and use its position as a Board Member of international financial institutions – such as the World Bank – to ensure that transparency is a key part of their lending policies too. Energy revenue transparency is a critical tool for combating high-level corruption, poverty and squandering of oil wealth. It should be a priority for all donor countries.

[Download the report here.](#)

Global Witness co-hosts multi-sector transparency discussions

Oil Revenue Transparency was launched on March 21st at a non-partisan discussion of oil revenue transparency at the Woodrow Wilson International Centre for Scholars in Washington DC. With contributions from the non-profit, private and financial sectors, including the International Monetary

Fund, the U.S. State Department, Shell Oil and international watchdog Revenue Watch – as well as Global Witness – the day's dialogue covered links between U.S. energy security and oil revenue transparency and key policy options. The panellists discussed how the U.S. is affected by its dependence on unstable, corrupt oil-producing countries and urged policymakers to pursue policies that will bring more transparency and greater accountability in oil-producing states and extraction companies.

You can watch the discussions on the Wilson Centre website [here](#).

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An Exposé Success: Mittal Steel agrees a better deal for the Liberian people

Back in October of last year, Global Witness published ***Heavy Mittal: A State within a State?***, an exposé of the \$900 million iron ore concession agreement signed in 2005 between Mittal Steel - the world's largest steel company - and the transitional, non-elected Liberian government, which was renowned for its corruption. The contract was heavily weighted against the interests of the impoverished West African country, struggling to re-build after decades of civil war and our report documented its grossly unequal terms and called on the agreement to be substantially re-negotiated to benefit the Liberian people. Since then, a new democratically elected government has been established and our report drew its attention.



A Mittal quarry-worker in Liberia: our exposure of Mittal Steel's unfair deal should help poor Liberians like him benefit from the extraction of their country's natural resources

Our report outlined how the deal gave up important sovereign and economic rights to Mittal – virtually creating a 'state within a state' and leaving the Liberian people will almost no benefit from the exploitation of their country's natural resources. For example, a public railway and a public port were to be transferred to Mittal Steel's control and the government would only be able to use them if there were spare capacity. Mittal was potentially exempt from applying Liberia's laws on human rights and environmental protection within the concession areas. The company would be able to appropriate public and private land without providing adequate compensation, and would enjoy a five-year extendable tax holiday, depriving the state of vital revenue that could be used to address the country's drastic poverty levels.

The exposé provided a case study of a well established pattern of behaviour among trans-national corporations around the world – maximising profit by taking advantage of gaps in international regulations which allow concessions and contracts to strongly favour the corporation over the host nation. The Liberian government recognised Global Witness' work to expose this information, and in January insisted on renegotiating the contract.

Now, Mittal has moved one step closer to living up to its pledges of corporate social responsibility by renegotiating the deeply unfair deal. The revised contract is soon due to be ratified by Liberia's National Legislature. Improvements include:

- The removal of the tax holiday for Mittal
- The port and railway will remain under Liberian control
- Mittal will no longer be exempt from any new human rights or environmental laws passed in Liberia
- Mittal's right to take over new land for the concession is now more balanced with the rights of existing property holders
- The new contract sets the price of iron ore based on the market, instead of allowing Mittal to set its own price

Despite these improvements, the contract is still covered by a confidentiality clause which will likely make it very hard for Liberian citizens to monitor Mittal's payments and hold their government accountable for spending on much-needed poverty reduction and social investment programmes.

Download ***Heavy Mittal*** [here](#)

Find out more about our work to help improve natural resource governance in Liberia [here](#)

Notwithstanding its shortcomings, the renegotiation of the Mittal Steel extraction contract is a great success for Global Witness and for the Liberian people.

Will you help us expose other inequitable deals that deprive poor citizens of the proceeds from their country's natural wealth? [Donate to Global Witness now](#)

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Hot Chocolate: the violent origins of the cocoa in our chocolate



An MI-24 helicopter in the Cote d'Ivoire: revenues from cocoa should be funding national development, not further conflict

In June, Global Witness published ***Hot Chocolate: How cocoa fuelled the conflict in Côte d'Ivoire***, which exposes how the revenue from Côte d'Ivoire cocoa – found in chocolate bars around the world – has illegally funded the nation's recent violent conflict.

Since September 2002, the fighting in Côte d'Ivoire between the government and the Forces Nouvelles – the rebel group holding on to the northern half of the country – has claimed thousands of civilian lives and displaced hundreds of thousands of people. Until this year the country was literally divided between a rebel-

held north and a government-controlled south, separated by a demilitarised zone. A new political agreement was signed a few months ago, but it remains to be seen whether this will bring lasting peace – the country remains deeply divided and violence frequently breaks out, contributing to instability throughout the West African region. Severe poverty now affects almost half of the Ivorian population yet, encouraged by a culture of impunity, high-level officials on both sides are reaping financial reward from the crisis.

Almost half the world's cocoa comes from Côte d'Ivoire, and it remains the country's main economic resource, representing on average 35% of the total value of Ivorian exports and worth around US\$1.4 billion a year. ***Hot Chocolate*** documents patterns of revenue mismanagement, account opacity and corruption throughout the cocoa sector. Over US\$118 million from the cocoa trade has funded both the government and the rebels. The Forces Nouvelles have gone as far as to divert state revenues through a parallel tax system, which has not only helped the rebel group survive but has also allowed individual officials to enrich themselves to the detriment of the population of northern Côte d'Ivoire.

There has also been a disturbing pattern of intimidation against those who have investigated or denounced corruption in the cocoa trade – from the disappearance and probable murder of journalist Guy-André Kieffer in 2004 to the kidnapping of a French lawyer who was auditing the cocoa sector for the European Union.

Hot Chocolate also details the links between two major Western companies and the diversion of some funds from the cocoa trade. Two senior directors of cocoa companies – one from Cocoa SIFCA, the Ivorian subsidiary of US food group ADM, the other from Dafci, then owned by French conglomerate Bolloré – were both representing Côte d'Ivoire's biggest exporters' union on the board of the Ivorian cocoa institution at the time that funds were diverted. Global Witness is calling on the chocolate industry to ensure that the products it sells are conflict-free. We are also pressing cocoa suppliers to be transparent about where their money goes, and ensure that it supports development in Côte d'Ivoire and not unaccountable elites on either side of the crisis.

Consumers can help by phoning the helpline numbers on the back of their chocolate bars and demanding that chocolate companies push their suppliers to support cocoa farmers, not civil war. At a time when the government and the Forces Nouvelles are trying to tie up a peace deal, it is crucial that both sides stop diverting cocoa revenues and concentrate instead on ending patterns of corruption, mismanagement and violence.

Download ***Hot Chocolate***.

Find out more about Global Witness' work to end the trade in conflict resources – click [**here**](#)

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The staggering extent of illegal logging in Nicaragua's tropical hardwood forests

In March Global Witness published ten ***Independent Forest Monitoring mission reports*** following a pilot project in Nicaragua. Independent Forest Monitoring works with governments, civil society and the private sector by providing objective information on forest law enforcement, as well as an impartial assessment of the administrative and control mechanisms implemented by the forest authority. Within this we also try to identify how illegal logging and corruption are taking place, and suggest where and how those systems could be changed.

As the official independent monitor in Nicaragua, we documented our findings in the regions of Nueva Segovia, Región Autónoma Atlántico Norte and Región Autónoma Atlántico Sur in ten separate reports. These reports make the often complex factual evidence we gather accessible as well as provide concrete conclusions and recommendations. This kind of work supports forest law enforcement in the country and, ultimately, helps achieve sustainable forest management that benefits all Nicaraguan people.

Our work has shed a spotlight on the grave problems facing the forest sector in Nicaragua. There are major weaknesses in forest governance at an institutional level, most notably a lack of control by the law enforcement institutions. At the same time, evidence shows that an atmosphere of impunity exists among logging companies, leading to extensive bad and illegal management practices, without fear of prosecution. Global Witness staff documented many examples of logging taking place beyond the boundaries of concessions that, although a serious offence under Nicaraguan law, is going virtually unpunished. We also collected evidence of extensive logging in protected areas – established to safeguard water from contamination – which could seriously jeopardise clean water supplies. There is also an ongoing problem of lax forest management. Failure to properly mark the boundaries of concessions areas is increasing the risk of both accidental and intentional logging outside of agreed areas and makes forest monitoring more difficult. Systematic lack of attention to technical requirements for timber extracting roads, bridges and culverts has caused great damage to forest areas.

Our work to improve forest management in Nicaragua was well received within the country. Jorge Canales, Sub-Director of the Nicaraguan Forest Institute (INAFOR), praised Global Witness' work in "helping to put the sector in order". INAFOR authorities agreed in February to establish a review committee for the mission reports, which will provide comments from an institutional point of view and follow up on the reports' recommendations. We look forward to continuing to work constructively with INAFOR over the coming months to improve forest management throughout Nicaragua.



Timber trucks in Nicaragua: Flouting regulations and inadequate enforcement has led to real problems of erosion and pollution of the natural environment

To read the summary report of forest monitoring in Nicaragua, [click here](#).

You can download all of the mission reports [here](#).

Interested in finding out more about Independent Forest Monitoring? [Click here](#)

Global Witness' forest monitoring work in Central America is helping to preserve forests for the future of the people there.

Help us to continue this vital work in Nicaragua and throughout the world, by donating to our campaigns here.

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Global Witness reveals HSBC to be in violation of its own environmental policy and triggers investor criticism



Our take on the famous HSBC advert: the bank should ensure it implements its own ethical policies

In March Global Witness revealed how the multinational bank HSBC appeared to be violating its own environmental guidelines by arranging the stock exchange listing for Malaysian timber giant Samling, a company notorious for the destruction of tropical forests and the abuse of local communities.

In the 1990s Global Witness exposed how Samling was illegally sourcing timber from a Cambodian wildlife sanctuary, and we have followed the company's activities ever since. Samling and its related companies have caused controversy around the world. They have extensively logged untouched tropical forest in Cambodia, Guyana, Papua New Guinea and Malaysia, where Samling is one of the companies logging the last remaining areas of primary forest on the island of Sarawak. Samling sold a stake on the Hong Kong stock exchange, raising US \$278 million for paying off debts and new expansion. While HSBC is planting trees to reward its retail customers for requesting online statements, Samling is cutting them down.

HSBC's role as joint arranger of Samling's public offering stands in stark contrast to the environmentally-friendly image it likes to promote. HSBC's own environmental guidelines say that the bank will not deal with commercial operations logging in primary tropical moist forests or high conservation value forests. However, this is precisely what Samling has been doing for years. By helping Samling raise money for new logging, HSBC has turned its own environmental commitments into meaningless greenwash.

Global Witness publicly called on HSBC to terminate its relationship with Samling, to consider carefully what to do with the profits raised from the listing, and to ensure that its environmental and sustainability policies are applied consistently to all of the bank's activities. Global Witness's angle on HSBC's support of Samling was picked up by the South China Morning Post, and then by the

European investment press. As a result HSBC began to receive enquiries from managers of ethical investment funds who were concerned about their holdings in the bank.

Following this bad publicity and the pressure from the investment community, HSBC has recently announced an external review of its decision to support the Samling public offering. While Global Witness is not yet convinced that this solves the problem (HSBC has not said it will terminate its relationship with Samling), it shows that the bank has been publicly forced to take action and to acknowledge that the original decision was questionable.

On a longer-term note, our contacts in the sustainable investment industry have said that this activism on Samling may be helping to prompt campaigning on banks to turn a new corner. There has been considerable public noise over the last few years about the voluntary Equator Principles which set environmental and social standards for banks involved in project finance. But project finance accounts for only a small proportion of bank profits. High-profile initiatives such as the Equator Principles are meaningless if their spirit is not applied to all banks' profit-making activities, including public share offerings like Samling's. While it is of course positive that some banks are developing environmental policies, they will only be effective if they are complied with. Global Witness welcomes the sign that investors are paying attention to concerns that campaign groups raise about the ethical claims of banks and other private corporations.

Global Witness brought concerns about HSBC's activities to the attention of the judges of the Financial Times Sustainable Bank of the Year Award, and we were told that our information had been taken into account in their decision making. HSBC did not win. However, the award went to ABN Amro, a bank that has recently come under fire for its role in Gazprom's purchase of the environmentally controversial Sakhalin II oil and gas project. This episode showed how much work is still to be done in pushing the international financial community to clean up its act.

[Find out more about Global Witness' work to expose the role of financial institutions in enabling conflict and corruption.](#)

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Pushing for reform of natural resource governance in the Democratic Republic of Congo

Following the election of Joseph Kabila as President of the Democratic Republic of Congo (DRC) in late 2006 and the formation of a new, democratically-elected government, Global Witness continues its work to bring effective natural resource governance to the DRC. In March, we released **[Agenda for Reform in the Natural Resource Sector of the DRC](#)**, which urges the President and the new government to seize the momentum of the post-election period to implement fundamental reforms in the mining and forest sectors. In April 2007, Global Witness campaigners travelled to Kinshasa to present the **[Agenda for Reform](#)** to representatives from DRC's government, the National Assembly and international donors. Our recommendations draw attention to ways the government can take real steps to end widespread impunity for state looting and corruption, prevent natural resources from fuelling conflict and use the country's natural wealth to contribute effectively to development.

In principle, the new government has made a commitment to increasing transparency and respect for the rule of law in its Contract of Governance (March-December 2007) published in February 2007. The emphasis on justice and the fight against corruption in the Contract is an important step in the right direction. Global Witness is now calling on the government to demonstrate strong political will to ensure that these do not become empty promises. Our **Agenda for Reform** intends to contribute to the government's work to improve governance, through concrete recommendations for policy and practice.

Following the start of the conflict in 1996, large proportions of the country's mineral wealth were signed off in opaque deals which provided great benefits to the companies concerned but few or none to the country as a whole. Our recommendations include the urgent need to initiate an independent review of mining contracts and to cancel or substantially renegotiate contracts which may have been drawn up illegally or provide no significant benefits to the country.

Another priority for the new government should be to improve conditions for artisanal miners who work in a sector which is anarchic and unregulated. These workers are particularly vulnerable to abuses by government officials, members of the security forces, militia and other actors. Artisanal miners work in life-threatening conditions and deaths from preventable accidents are common. We have called on the government to increase its oversight of the artisanal sector, adequately investigate all cases of abuses and accidents that occur, close unsafe mines and address the widespread problem of child labour in this area of work.

A further area of concern is the forests of the DRC. There is currently a moratorium on new logging concessions in the country, and our **Agenda for Reform** highlights the urgency of preserving the DRC's forests by maintaining this moratorium until minimum conditions of oversight and regulation are met. It warns of the devastating consequences of deforestation, not only for the forty million people dependent on the forests for their livelihood but also in terms of the forests' importance in reducing the impact of climate change throughout the world. We recommend that the Congolese government manage the DRC's forests as a 'global public good', working with governments of other countries to reduce carbon emissions produced as a result of deforestation. It is also of vital importance to ensure that future forest policy reform is centred on improving local livelihoods and advancing the rights of forest dependent communities, ensuring regulation of the formal and informal timber sector, and investigating and, where appropriate, prosecuting those who are engaged in illegal logging and timber exports.

Our recommendations to the Congolese government are based on several years of investigative research in the country documenting illicit and illegal exploitation of natural resources and its contribution to conflict, corruption and human rights abuses. We are calling on the government to make the restoration of the rule of law in the natural resource sector a real priority so that the Congolese people can finally start to benefit from their country's natural resource wealth.

[You can read and download the Global Witness Agenda for Reform here, containing our recommendations in full.](#)



Artisanal diamond miners in the DRC: the government needs to improve the appalling conditions they work under

Interested in the DRC? Find out more about Global Witness' work on this country [here](#).

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