

Video Transcript Excerpt

Full video can be found at:

<https://www.youtube.com/watch?v=I2lwefgTzNU>

Karl Schmid, Schweighofer's purchasing manager in Romania explained the company's market dominance to EIA undercover investigators:

Karl Schmid: No, no...the thing is simple. In Romania, are harvested about seven million cubic meters of softwood. If we run in full, we need four and a half million ourselves. So, actually if we want to run in full and only with domestic wood, there's no place for others.

The Romanian Parliament is currently considering a new forest law that would threaten Schweighofer's business model:

Mr. Schmid: And we start to have big pressure from the government side, because we are too big already. They want to change forest law against us and all these stupid things...

EIA: The politics here are such that its possible to influence?

Mr. Schmid: They did this...there was a lot of illegal cutting, stealing and so on in the last years in Romania. So in Romania, people were listening, it was a sensitive point—of wood. SO, okay, it was good in politics now, it being election year, to make big noise and to say look, we will stop everything, we will do everything. With how it came now out, I am sure the same it will disappear again.

Despite acknowledging the illegal cutting, the head buyers accept and incentivize illegally harvested timber. During the first tour of the facility, investigators told the company that they found the community forestry contracts too rigid and expressed their intent to cut illegally beyond the terms of the contract:

EIA investigator: I mean the initial negotiations we've had, what a little bit concerns me is the rigidity of the volume we have to produce every year...

Mr. Buculei: It is not a problem of rigidity from our side because you decide what you want to sell....

EIA investigator: ...I am thinking that for our business model of expansion here, that it would be smart to cut maybe the total 25000 cubic meters of spruce in 3-4 years as opposed to the 7 years.

Mr. Buculei: 3 or 4 years....It is no problem for us.

Schweighofer accepted the offer to buy illegal wood again in a second meeting months later.

EIA investigator: So we discussed before we have, you know, a situation where we have some contracts that I find to be inflexible in terms of they say I can cut this amount this year...

Mr. Schmid: Mm-hmm.

EIA investigator: I'd like to cut in the case of [name withheld] not three thousand the first year but about six thousand for example, and I just need to have an off-take agreement that is willing to take that.

Mr. Schmid: No Problem...

EIA investigator: SO even if I'm limited by the contract with the community, three thousand, I've got another three thousand, another four thousand that gets me to 20 thousand...

Mr. Schmid: You are welcome.

Mr. Buculei: It is no problem.

Mr. Schmid: You are welcome.

EIA investigator: If I can produce more from those places, I can bring them here.

Mr. Schmid: No problem.

Schweighoffer officials also offered to pay a bonus for the illegal wood:

EIA investigator: And you mentioned a potential bonus system?

Mr. Buculei: That's for sure.

Mr. Buculei (in earlier meeting): We pay also a bonus if he delivered 3000 and he signed for 2000 (cubic meters of wood).