

“The Public Eye Awards”

Nominations form

Nominated company (name):

Volcafé Holding Ltd. (ED&F Man)

Short description of the company (information on products / services and brands; financial information: profit, returns and turnover; employees; CEO/president etc.):

In May 2004, the British trading company ED&F Man whose headquarters are in London, overtook the Winterthur-based Volcafé, the subsidiary of the bankrupt Erb-group. Volcafé has 21 import and export companies worldwide. Before the merger with ED&F Man, Volcafé was number two in coffee trade. After the merger, ED&F Man/Volcafé is number one.
Turnover (2003): Swiss Francs 1,1 billion
CEO: Paul Moeller

Nominated for the following award categories:

- environment
- human rights
- labour rights
- taxes
- special prize _____
(name a award category in the style of the above)

More than one category can be chosen, if a company has acted irresponsibly in all these areas or if it cannot be assigned to just one category. In this case the organising committee will decide the final category.

Reasons for nomination:

General information on the case and date or time period

Since more than 25 years ago, the subsidiary of VOLCAFE in Guatemala, Waelti-Schoenfeld has been evading the payment of taxes, and by doing this, by slowing the development of the poorest segment of the population, the peasants, violating their most basic rights such as access to healthcare, education and in general, a better quality of life.

Recently information arrived to the Berne Declaration which led to the document, "Saving Taxes at the Expense of the Developing Countries (Instructions on how to invoice offshore transactions of VOLCAFE)". This report details how ED&F Man

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VOLCAFE through the Company Cofina Limited, based on the island of Jersey, has been hiding its earnings in the producing countries, evading the payment of taxes by showing losses. Making this practice even worse if that it takes place in such countries as: Guatemala, El Salvador, Nicaragua, Mexico, Tanzania, Kenya and others which share the common element that they all have high percentages of the population living in extreme poverty.

Let's take the case of Guatemala where we have more extensive information: From the beginning of the 1980s until the 1990s, VOLCAFE and an influential group of coffee exporters enjoyed millions of profits at the expense of the Guatemalan people, by charging the Central Bank millions in losses through money exchange rate differences through supposedly pre-financed operations. This caused the Central Bank to make up, the difference between the amount supposedly pre-financed and the exchange rate at the moment of exportation. The conflict was that the pre-financing was fictitious and the difference was pure earnings to the traders. This amounted to losses of more than US\$200 million to the Guatemalan government during that period of time. By the same manner, VOLCAFE certified and still certifies to the National Coffee Association of Guatemala (ANACAFE), lots for certain values which are then sold with other documents at a greater price, by doing this, evading the payment of taxes in the country of origin. This was denounced in Swiss courts. PAUL MOELLER has been CEO for more than 20 years of ED & F Man/Volcafe and still acts as such was not able to explain successfully explain these things in a Swiss TV program.

There have been numerous accusations in the news media both in Guatemala as well as abroad with respect to the corrupt practices and conflicts of interest within the ED&F Man VOLCAFE company. In many cases the influence of this transnational over weak Guatemalan administrations has been notorious while at other times as in the case of the accusations, of a Swiss National Reto Luthi, the accusations have met with repressive, measures better suited to the Mafia.

In June, 2004, a deputy of the Guatemalan Congress mentioned Waelti Schoenfeld in a list of fiscal evaders. This Guatemalan subsidiary of ED&F Man/ VOLCAFE is an example of how the transnational company evades payment of taxes in Guatemala.

With documents obtained directly from the Guatemalan Tax Authority (Superintendencia de Administración Tributaria -SAT-) the ridiculously small tax amounts paid by this company came to light during a plenary session where both the Minister of Finances as well as the director of the National Tax Authority were present.

These accusations were made public through the news media. The response from ED&F Man/VOLCAFE as well as on the part of the government was silence. Neither group wished to comment on these developments. The same occurred when the document of The Berne Declaration was published in Guatemala.

Documents obtained from the office of the Guatemalan Tax Authority, SAT, show that the Guatemalan representative of ED&F Man/ VOLCAFE paid US\$82,000 in taxes on approximately US\$33 million in sales during 2002 and US\$62,000 on US\$27 million in sales in 2003.

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Waelti Schoenfeld faces numerous accusations on the part of the peasants because of expropriation of land arising from usurious interest rates charged on loans to finance the cultivation and harvesting of the coffee. The peasants who neither read or write are required to sign documents in order to get the loans necessary to finance the production coffee crop. These documents leave the peasants in a clear disadvantage. They are never told how much they will be paid for the harvest and it is the very Company who decides how much to pay them at harvest time. The result is frequently a total loss of what little they may have had.

When the small producers organize in cooperatives and seek to legally protect themselves from the abusive practices of the imitational traders, ED&F MAN/ VOLCAFE resorts to the corruption of the cooperatives in order to continue to obtain coffee from the subsistence farmer instead of negotiating a more equitable price with an organization which will not permit itself to be abused in this manner.

An example is the case of the Hoja Blanca Cooperative in the department of Huehuetenango; in 2001, evidence was produced showing that the leader of the cooperative and his family were bribed in order to negotiate directly to Waelti Schoenfeld instead through the Federation which had legal support and personnel experienced in imitational coffee negotiations. The result was a debt of more than 130,000 Euros and interests of more than 60,000 Euros.

The corruption continues in other ways through under-invoicing and by falsification of invoices with phantom companies requiring the Government to even refund millions to the traders which reinforces the double condemnation occurring in this country that possess the second highest illiteracy rate in America, a country in which 80 percent of the people live in poverty, in which the minimum salary is less than 3 Euros per day. The country is burdened by low amounts collected in taxes which makes development very difficult in such things as: health care, education, housing, as well as basic services such as potable water, public transportation etc. The government is guilty however through its complicity and lack of action against these unjust activities.

ED&F Man/ VOLCAFE has counted on its influence with some members of the Swiss government in frauds such as occurring in Nicaragua and has been involved in many financial scandals in Switzerland such as in the case of the Erb group.

For these reasons as well as a total lack of respect for human dignity this company has been named to this dubious award.

Recently peasants threw coffee beans at the headquarters of Nestle in Mexico in protest against the low coffee market price. Notwithstanding the fact that the traders sell to the large buyers. ED&F Man /VOLCAFE sells more than 13 % of the world coffee production to such companies as Sara Lee, Nestle, Kraft, etc.

The same PAUL MOELLER of ED&F Man/ VOLCAFE was a CEO of JACOBS/ KRAFT SUCHARD COMPANY at the beginning of the 1980s when a world quota system was in effect. At that time the contraband existed by falsifying the place of

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origin leading to the extreme of even certifying East Germany as a coffee producing country.

Globalization has made these practices tacitly implicit in the world commerce, now on a larger scale than before and with little to slow it down, the protesting of these actions can cause the access to these markets to be cut off, permitting the "Powerful few" to become even more powerful.

Meanwhile there is an effort to create the Common Code for the Coffee Community (4C) without addressing the fundamental problem which is to eliminate offshore fiscal paradises so that traders must pay in the country of origin as stated in the paper of the Berne Declaration when Corporate Social Responsibility is referred to. A conscience must be created in the industrialized nations so that they control the sophisticated practices of their own companies that practice this brand of colonialism.

We firmly believe, backed by evidence and documents, that ED&F Man/ VOLCAFE is the suitable winner of the award for corruption and violation of human rights in under developed countries.

Characteristics of the company's irresponsible behaviour

- Tax evasion in underdeveloped third world countries
- Violation of the human rights of the inhabitants of these countries by evading taxes and not permitting access to basic services such as health care, education, housing and better standards of living

Consequences

- Poverty, underdevelopment, misery and lack of opportunities for self-improvement in developing nations

Demands made to the company

- To dismantle Cofina and the offshore companies in countries known as tax havens
- Coffee buyers, (roasters), should refuse to conduct transactions with suppliers operating from tax havens and verify that the goods they buy are correctly taxed in the country of origin.
- ED&F Man should immediately stop corrupted policies in Volcafe

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Sources / references

- www.evb.ch/index.cfm?folder_id=383
- www.taxjustice.net/e/declaration/index.php

***Nomination submitted by**

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