[BusinessWeek Logo](http://www.businessweek.com/)

[](http://ad.doubleclick.net/click;h=v8/3c0b/0/0/*/c;251831374;0-0;0;73283421;3454-728/90;46086999/46104137/1;;~sscs=?http:/www.weekendmba.broad.msu.edu/learn-more?utm_source=businessweek&utm_medium=banner&utm_content=male&utm_campaign=spring2012)

Features January 19, 2012, 6:30 PM EST

**The U.S. vs. Rock ’n’ Roll**

**Is Gibson Guitar ruthlessly exploiting rain forests, or is the legendary Nashville company a victim of gun-toting regulators gone mad?**

By [Ben Austen](http://www.businessweek.com/bios/ben-austen-325.html)

At Gibson Guitar’s largest manufacturing facility, in Nashville, the plant manager, Johnny Alexander, unracks a just-built Les Paul Standard electric guitar. He slowly rotates it, light flashing on the undulating grain of its curly maple wood top. “That’s gorgeous,” he declares, showing off the wood. “That’s Mother Nature at her finest.”

Gibson is a 118-year-old company with annual sales nearing $500 million. Along with the Fender Telecaster and Stratocaster, its electric Les Paul and SG models are essential to rock ’n’ roll. Jimmy Page, Keith Richards, and Chuck Berry play Gibsons, as did Scotty Moore, T-Bone Walker, and hundreds of other greats. Gibson readily sells this tradition—a replica B.B. King “Lucille,” say, for $5,175, or an Eric Clapton 1960 Les Paul for $8,468. When Kiss guitarist Ace Frehley was in Nashville in December to introduce the Ace Frehley “Budokan” Les Paul, he raved about his Gibsons—many of which he’s modified to do such things as shoot rockets or spin like a pinwheel. “They’re made from the best materials, and the angled headstock gives you sustain forever,” Frehley said. “I’ve dropped the guitars dozens of times, and they’ve never let me down.”

The 130,000-square-foot Nashville facility builds 680 electric guitars daily, along with every component. Guitars of all colors and starburst shades stream down from the rafters on conveyors. Les Pauls and Flying V’s hang in glittering clusters to dry. The sweet smell of sawdust fills the air.

Returning the Les Paul to its rack, Johnny Alexander notes how workers there glue the necks of the guitars onto the bodies. On other company’s electric guitars, the necks are bolted on, but Gibson builds its electric guitars like most acoustic ones. It’s a slightly more expensive process, which they say produces a resonant, warmer tone. Both acoustic and electric guitars are constructed from slow-growth “tone woods,” species of wood with distinct acoustic properties. The bodies of most Les Pauls, for example, consist of a single piece of mahogany. Mahogany-necked Gibsons, says Jimmy Vivino, the bandleader on the late-night show *Conan* and a master guitarist, create a lingering sound, with more “fur” around the notes; the chords on a neck of ebony are more pointed, the notes jumping. For a guitar’s fingerboard—the sliver that runs up the neck and houses the metallic frets—rare woods are usually used. Vivino says a Les Paul with an ebony or rosewood fingerboard sounds like a saxophone, with a beefy, woody tone. “A Strat will not sound like a Les Paul,” Vivino adds. “No pedal will make that sound. That’s the sound I want.”

A guitar factory hardly seems the setting for a federal raid and a ferocious debate about regulation at home and rain forests abroad. In August federal agents raided Gibson plants in Nashville and Memphis in search of evidence that the company had illegally imported ebony and rosewood from India, to be used for fingerboards. At the main Nashville plant, two dozen agents from the U.S. Fish and Wildlife Service and the Homeland Security Dept. rushed in with guns on their hips and zip-tie cuffs dangling from their chests.

When the feds arrived at 8:40 a.m. on a Wednesday, according to witnesses and court documents, the plant’s 300 workers were already two hours into a shift, busily cutting, sanding, painting, and buffing. At the end of the production line, men and women were plugging completed guitars into amps, strumming away to tune and test them for quality. Agents cut power to the facility’s security cameras and fanned out. They ordered employees to step away from their computers, which they scanned for correspondence relating to the suspect shipment. Alexander was instructed to clear everyone from the building. Agents backed up a truck to the mill room’s loading docks and confiscated 7,000 unfinished fingerboards. They also took hundreds of guitar necks with fingerboards already attached and 80 completed guitars.

Alexander is from west Tennessee and believes no one is more patriotic than he is, but he questioned the show of force. He told the special agent overseeing the execution of the search warrant that he and his people were luthiers, not drug dealers. No one was going to run out the back door and destroy evidence. These were folks who got together at a nearby pub the third Friday of every month to jam.

“Mr. Alexander,” the agent replied, “we usually go in with shotguns drawn. This is nothing.”

It was not the first time Gibson had been raided. In November 2009, agents showed up at the Nashville plant searching for proof that the company had imported illegally harvested wood from Madagascar. In both instances, Gibson was suspected of contravening the Lacey Act, a 100-year-old conservation law that regulated the trade of game and wild birds before being amended in 2008 to include wood and plant products. Under the revised law, importers need to ensure that they and everyone along their supply chain comply with domestic and foreign laws regarding timber. In this case, Gibson had run afoul of India’s laws prohibiting the export of any unfinished wood products; the shipment included 1,250 slabs of rough-cut timber. There were other false claims on the shipment’s paperwork, according to court documents concerning the federal case, including Gibson not being listed as its final recipient. There have been only two high-profile cases testing enforcement of the new Lacey law. Both were lodged against Gibson Guitar.

Gibson did not disappear behind a wall of “no comments.” The afternoon of the August search and seizure, Gibson’s chief executive officer and co-owner, Henry Juszkiewicz, held forth for 30 minutes in the Tennessee heat, explaining to gathered reporters that his company had done nothing wrong and that, furthermore, Gibson was the victim of heinous governmental overreach. Here was Gibson, Juszkiewicz railed, an American company actually hiring Americans in a recession, and its own government was singling it out for punishment because it had broken another country’s laws. “This is not about conservation. It’s not about how the wood was logged,” he said. “This is about Indian labor.” His company was under attack, as was he and anyone who owned a guitar, which he said the government could now confiscate and use to charge them with an arcane crime. “It’s a pretty dangerous precedent,” he warned. If Gibson is found guilty of violating Lacey, it could face up to $500,000 in fines with the possibility of jail time for executives.

**“Maybe going after (**[**HOG**](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=HOG)**)Harley-Davidson** would have been slightly worse,” says Scott Paul, the director of the forest campaign at Greenpeace, of the feds’ focus on Gibson. “The government looks like it’s trying to stop rock ’n’ roll.”

The August factory sweep and seizures quickly became a rallying point for citizens agitating against regulation, “big government,” and Barack Obama. ([NWSA](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=NWSA))Fox News ran 24 stories on it in the following two weeks, three times more than any other network, calling it a politically motivated offensive carried out because of the plant’s use of nonunion workers and Juszkiewicz’s support of conservative politicians. In recaps of the raid, the federal agents were described as wearing SWAT attire, their guns drawn. Representative Marsha Blackburn, a conservative Republican from a district just outside Nashville, brought Juszkiewicz with her to Obama’s jobs speech to Congress in September. He sat in House Speaker John Boehner’s box.

Gibson ramped up its own “This Will Not Stand” campaign, filling its website with videos of employees and musicians decrying the assault on American jobs and values. “How much tyranny will you accept?” Jon Schaffer of the metal bands Iced Earth and Sons of Liberty barks in one video. In early October, at a “We Stand with Gibson” demonstration in Nashville, Juszkiewicz took the rostrum surrounded by “Don’t Tread on Me” flags and alongside Blackburn and the leaders of the Tea Party Express and Tennessee Tax Revolt.

As the Gibson case mobilized anti-Washington animus, a little-known environmental law was suddenly the embodiment of overzealous government. Amid demands to repeal the Lacey Act, Blackburn and another Tennessee congressman, Democrat Jim Cooper, proposed the Relief Act, an amendment that would seriously curtail Lacey’s reach. “Lacey is not effective in any way, shape, or form,” Blackburn told me by phone. “All this paperwork to sell a guitar, it’s gotten to the point of being ridiculous. There needs to be clarity in the law, not unintended consequences.” Juszkiewicz hired the prominent K Street firm Crowell & Moring to take the rare step of lobbying to change a law under which his company was being investigated.

Like the company, Juszkiewicz is an unexpected catalyst for this controversy. He is not politically active; he donates occasionally to both Tennessee Democrats and Republicans in Congress and calls himself a Bill Clinton fan. He has also been at the forefront of environmental oversight in his industry. He worked closely with the Rainforest Alliance, a nonprofit conservancy, to create the Forest Stewardship Council (FSC), which certifies the legality and good stewardship of participants along the timber supply chain. Some 360 million acres of forest and 22,000 vendors—from logger to retailer—in 107 countries now receive FSC approval. Juszkiewicz served for many years on the Alliance’s board of directors but stepped down in 2009, shortly after the first federal investigation into his company. In 2003, Greenpeace’s Paul, seeing Juszkiewicz as someone who promoted responsible logging, asked him to organize his counterparts at Fender, Martin, Taylor, and Yamaha into a coalition to help save Sitka spruce forests in southeastern Alaska. The guitar makers joined forces, making the case to a local tribe that FSC compliance would pay huge dividends.

The amended Lacey Act was viewed by manufacturers as the perfect complement to FSC certification. Where FSC offered economic incentive to do right, Lacey provided legal teeth. Importers of timber were now required to name every species of wood they used and were held accountable for the lawfulness of every logger, middleman, and wood manufacturer along the supply chain. The law passed with bipartisan support and was endorsed by President George W. Bush. The Rainforest Alliance and almost every environmental group backed it, as did unions and the timber industry. “The free market requires the rule of law,” says Deb Hawkinson, executive director of trade group the Hardwood Assn. The Lacey Act is credited with bringing greater transparency to the timber trade and with helping to reduce the amount of illegal logging. Most of all, say manufacturers, the law protects American jobs. With Lacey, Chinese competitors selling wood products here aren’t able to use illegally sourced wood and thus don’t have a major price edge. Don Finkell, CEO of Anderson Hardwood Floors in South Carolina, says, “If you want more American jobs, then enforce Lacey.”

Proponents of the amended law, such as the World Future Council, which named it an exemplary forest policy solution, say the criminal investigation into Gibson’s Madagascar trade is an example of the Lacey Act working as intended. The same coalition of guitar manufacturers that went to Alaska to protect Sitka spruce was asked to try something similar in Madagascar, where illegal trade has long plundered the country’s natural resources. Scott Paul says Malagasy rosewood and ebony are considered the Beluga caviar of tone woods, and the hope was that guitar makers would motivate growers and loggers there to operate legitimately. The consortium visited in June 2008. Every company but Gibson, however, decided not to do business in Madagascar, finding the trade too risky. Gibson ended up importing ebony from a logger named Roger Thunam in northeast Madagascar who had recently been arrested for illegally trading in precious woods. In e-mails acquired by the Justice Dept., Gene Nix, the Gibson employee who spent two weeks in Madagascar, writes his superiors that there weren’t any “legitimate harvests” of ebony or rosewood available, but that Thunam could supply them with wood for the “gray market.” In court filings tied to the case, the U.S. Attorney for middle Tennessee asserts that “meant purchasing contraband.”

Juszkiewicz insists that Gibson lawfully purchased its wood in Madagascar, and that allegations of wrongdoing are based on innuendo. As for the “gray market” e-mail, Juszkiewicz says Nix’s job back in Nashville was to grade wood: Nix had no expertise in procurement, had gone on the trip simply because he had some free time, and certainly had no business spouting off. Juszkiewicz also points out that the criminal investigation revolves around whether the wood was machined in Madagascar, the same bureaucratic officiousness as in the India inquiry. Moreover, says Juszkiewicz, Gibson went on the trip with the purpose of reforming the Malagasy market. “We were being sort of the good guys,” he says.

In 2009 a team from the Environmental Investigation Agency, an independent group committed to exposing environmental crime, posed as timber buyers in Madagascar and found illicit logging there rampant. Thunam was dealing in obviously illegal wood. Andrea Johnson, the EIA’s director of forest campaigns, says the criminal nature of the Malagasy timber trade was so openly discussed and widespread that it wasn’t even necessary to go undercover to observe it—there were hundreds of loggers cutting away in the national park, with a steady flotilla of tree-filled rafts and trucks emerging from the forest. “Anyone on the ground there had to understand all wood was illegal,” says Johnson. “The other guitar companies with Gibson clearly saw this.”

**Juszkiewicz describes himself as a businessman and a music** lover, ridiculously fortunate to have somehow married his two passions. He is 58, with thinning gray-blond hair and a light mustache. Originally from Rochester, N.Y., he began his career at ([GM](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=GM))General Motors, attending the General Motors Institute before going on to Harvard Business School, where two of his roommates eventually became his partners in acquiring and turning around failing businesses. (His band at Harvard: The Last Stand Good Time Band.)

In 1986, Juszkiewicz heard that Gibson Guitar was floundering under the ownership of Norlin Corp. and bought the company. He embedded himself there for eight months, speaking with every employee, interviewing dealers, talking to consumers, and thoroughly analyzing the ledgers. With Juszkiewicz as the new frontman, Gibson quickly became profitable. Over time he has also acquired the status of a music industry grandee. Amid the rows of irresistibly cool guitars displayed in his office are framed photographs of him with just about everyone, from Slash to Sting to Stevie Wonder. Two days after our meeting at his office, Juszkiewicz attended a Gibson-sponsored event in front of Nashville’s Country Music Hall of Fame. There he shared the stage with Alan Jackson, Kix Brooks, and Reba McEntire.

Juszkiewicz says he still wants to protect the world’s forests from illegal harvesting and trade. His business, he says, depends on a steady supply of various slow-growth woods, and he would like the U.S. to pre-certify supply chains, a gargantuan task that he suggests could be funded by companies volunteering to comply. He supports the proposed amendment to the Lacey Act, co-sponsored by Representatives Blackburn and Cooper, that would protect entertainers and antique dealers from prosecution. Blackburn and Cooper suggest limiting Lacey fines to $250, the cost of a speeding ticket, and eliminating penalties altogether for anyone who unknowingly violates the law.

The idea that individual guitar owners are at risk appears to be a scare tactic. Juszkiewicz, Blackburn, and others have yet to cite an actual case. The Justice Dept. recently sent a letter to Blackburn and others, stressing that Lacey has never been used to prosecute individual guitar owners or to confiscate their guitars. If or when instruments have been confiscated, they’ve been taken primarily because they contained ivory or mother-of-pearl inlays, which are regulated under an entirely different law, the Convention on International Trade in Endangered Species (CITES). When supporters of the Lacey amendment recently tried to explain this to Representative Cooper in his D.C. office, Cooper was unmoved. He told them he could lose his next election back home over this issue, saying repeatedly that country star Vince Gill had been calling him on the phone to demand that the law be changed.

In Nashville, Juszkiewicz has a team experimenting on replacements for hard-to-source woods such as ebony. In test results, he says, fewer than 10 percent can hear the difference between a fingerboard made of ebony and one made of obeche, a tree readily available in FSC-certified forests in Central America. Some even find the sound of an obeche fretboard fuller and sweeter. Gibson is also testing a variety of synthetic composite fingerboards, some of which, Juszkiewicz says, allow notes to translate more rapidly down the neck, creating a brighter and more vibrant tone.

The Justice Dept. has yet to bring any charges against Gibson and declines to comment on the ongoing investigation. As heawaits the federal case, Juszkiewicz remains committed to fighting on two fronts—both “to preserve his company from the DOJ’s hostile action” and to fix existing laws so his business can function in the years ahead. He dismisses any concern that he might be politicizing a rock icon and putting off potential buyers. He says most of the people contacting Gibson have been supportive, and the company hasn’t reported any dips in sales. Juszkiewicz concedes that he suddenly finds himself in a new line of business, his recent activism having been forced upon him as a matter of survival. “They dragged me into the political arena,” he says, “and now I won’t leave the stage until I win.”

Austen is a *Bloomberg Businessweek* contributor.

