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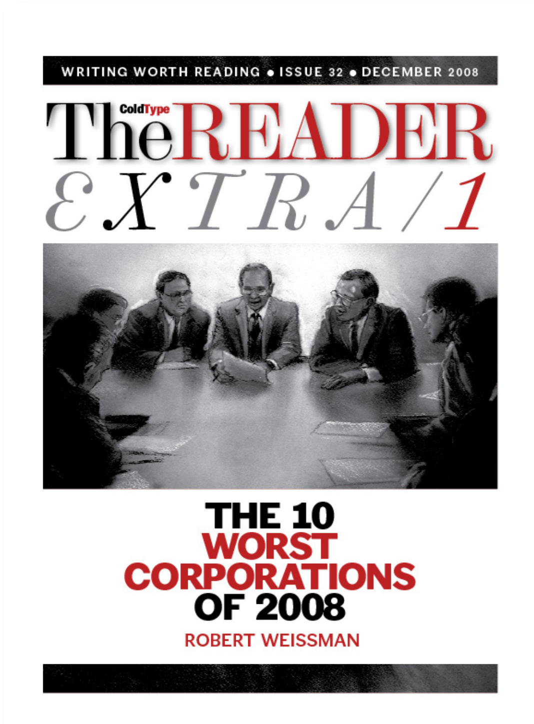
ROBERT WEISSMAN



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WRITING WORTH READING FROM AROUND THE WORLD

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THE 10 WORST CORPORATIONS OF 2008

ROBERT WEISSMAN

This year marks the 20th anniversary of Multinational Monitor's annual list of the 10 Worst Corporations of the year. In the 20 years that we've published our annual list, we've covered corporate villains, scoundrels, criminals and miscreants. We've reported on some really bad stuff — from Exxon's Valdez spill to Union Carbide and Dow's effort to avoid responsibility for the Bhopal disaster; from oil companies coddling dictators (including Chevron and CNPC, both profiled this year) to a bank (Riggs) providing financial services for Chilean dictator Augusto Pinochet; from oil and auto companies threatening the future of the planet by blocking efforts to address climate change to duplicitous tobacco companies marketing cigarettes around the world by associating their product with images of freedom, sports, youthful energy and good health.

But we've never had a year like 2008.

The financial crisis first gripping Wall Street and now spreading rapidly throughout the world is, in many ways, emblematic of the worst of the corporate-dominated political and economic system that we aim to expose with our annual 10 Worst list. Here is how.

> **Over the last 30 years, and especially in the last decade, Wall Street interests leveraged their political power to remove many of the regulations that had restricted their activities.**

Improper political influence: Corporations dominate the policy-making process, from city councils to global institutions like the World Trade Organization. Over the last 30 years, and especially in the last decade, Wall Street interests leveraged their political power to remove many of the regulations that had restricted their activities. There are at least a dozen separate and significant examples of this, including the Financial Services Modernization Act of 1999, which permitted the merger of banks and investment banks. In a form of corporate civil disobedience, Citibank and Travelers Group merged in 1998 — a move that was illegal at the time, but for which they were given a two-year forbearance — on the assumption that they would be able to force a change in the relevant law. They did, with the help of just-retired (at the time) Treasury Secretary Robert Rubin, who went on to an executive position at the newly created Citigroup.

Deregulation and non-enforcement:

Non-enforcement of rules against predatory lending helped the housing bubble balloon. While some regulators had sought to exert authority over financial derivatives, they were stopped by finance-friendly figures in the Clinton administration and Congress — enabling the creation of the credit default swap market. Even Alan Greenspan concedes that that market — worth $55 trillion in what is called notional value — is imploding in significant part because it was not regulated.

Short-term thinking: It was obvious to anyone who cared to look at historical trends that the United States was experiencing a housing bubble. Many in the financial sector seemed to have convinced themselves that there was no bubble. But others must have been more clear-eyed. In any case, all the Wall Street players had an incentive not to pay attention to the bubble. They were making stratospheric annual bonuses based on annual results. Even if they were certain the bubble would pop sometime in the future, they had every incentive to keep making money on the upside.

Financialization: Profits in the financial sector were more than 35 percent of overall U.S. corporate profits in each year from 2005 to 2007, according to data from the Bureau of Economic Analysis. Instead of serving the real economy, the financial sector was taking over the real economy.

Profit over social use: Relatedly, the corporate-driven economy was being driven by what could make a profit, rather than what would serve a social purpose. Although Wall Street hucksters offered elaborate rationalizations for why exotic financial derivatives, private equity takeovers of firms, securitization and other so-called financial innovations helped improve economic efficiency, by and large these financial schemes served no socially useful purpose.

Externalized costs: Worse, the financial schemes didn't just create money for Wall Street movers and shakers and their investors. They made money at the expense of others. The costs of these schemes were foisted onto workers who lost jobs at firms gutted by private equity operators, unpayable loans acquired by homeowners who bought into a bubble market (often made worse by unconscionable lending terms), and now the public.

What is most revealing about the financial meltdown and economic crisis, however, is that it illustrates that corporations — if left to their own worst instincts — will destroy themselves and the system that nurtures them. It is rare that this lesson is so graphically illustrated. It is one the world must quickly learn, if we are to avoid the most serious existential threat we have yet faced: climate change.

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Of course, the rest of the corporate sector was not on good behavior during 2008 either, and we do not want them to escape justified scrutiny. In keeping with our tradition of highlighting diverse forms of corporate wrongdoing, we include only one financial company on the 10 Worst list. Here, presented in alphabetical order, are the 10 Worst Corporations of 2008.

AIG: Money for Nothing

There's surely no one party responsible for the ongoing global financial crisis. But if you had to pick a single responsible corporation, there's a very strong case to make for American International Group (AIG).

In September, the Federal Reserve poured $85 billion into the distressed global financial services company. It followed up with $38 billion in October.

The government drove a hard bargain for its support. It allocated its billions to the company as high-interest loans; it demanded just short of an 80 percent share of the company in exchange for the loans; and it insisted on the firing of the company's CEO (even though he had only been on the job for three months).

Why did AIG — primarily an insurance company powerhouse, with more than 100,000 employees around the world and $1 trillion in assets — require more than

$100 billion ($100 billion!) in government funds? The company's traditional insurance business continues to go strong, but its gigantic exposure to the world of "credit default swaps" left it teetering on the edge of bankruptcy. Government officials then intervened, because they feared that an AIG bankruptcy would crash the world's financial system.

Credit default swaps are effectively a kind of insurance policy on debt securities. Companies contracted with AIG to provide insurance on a wide range of securities. The insurance policy provided that, if a bond didn't pay, AIG would make up the loss.

AIG's eventual problem was rooted in its entering a very risky business but treating it as safe. First, AIG Financial Products, the small London-based unit handling credit default swaps, decided to insure "collateralized debt obligations" (CDOs). CDOs are pools of mortgage loans, but often only a portion of the underlying loans — perhaps involving the most risky part of each loan. Ratings agencies graded many of these CDOs as highest quality, though subsequent events would show these ratings to have been profoundly flawed. Based on the blue-chip ratings, AIG treated its insurance on the CDOs as low risk. Then, because AIG was highly rated, it did not have to post collateral.

Through credit default swaps, AIG was basically collecting insurance premiums and assuming it would never pay out on a failure — let alone a collapse of the entire market it was insuring. It was a scheme that couldn't be beat: money for nothing.

In September, the New York Times' Gretchen Morgenson reported on the operations of AIG's small London unit, and the profile of its former chief, Joseph Cassano. In 2007, the Times reported, Cassano "described the credit default swaps as almost a sure thing." "It is hard to get this message across, but these are very much handpicked," he said in a call with analysts.

"It is hard for us, without being flippant, to even see a scenario within any kind of realm of reason that would see us losing one dollar in any of those transactions," he said.

"Before the bubble popped, Cassano's operation was minting money. It wasn't hard work, since AIG Financial Products was taking in premiums in exchange for nothing

Cassano assured investors that AIG's operations were nearly fail safe. Following earlier accounting problems, the company's risk management was stellar, he said: "That's a committee that I sit on, along with many of the senior managers at AIG, and we look at a whole variety of transactions that come in to make sure that they are maintaining the quality that we need to. And so I think the things that have been put in at our level and the things that have been put in at the parent level will ensure that there won't be any of those kinds of mistakes again."

Cassano turned out to be spectacularly wrong. The credit default swaps were not a sure thing. AIG somehow did not notice that the United States was experiencing a housing bubble, and that it was essentially insuring that the bubble would not pop. It made an ill-formed judgment that positive credit ratings meant CDOs were high quality — even when the underlying mortgages were of poor quality.

But before the bubble popped, Cassano's operation was minting money. It wasn't hard work, since AIG Financial Products was taking in premiums in exchange for nothing. In 2005, the unit's profit margin was 83 percent, according to the Times. By 2007, its credit default swap portfolio was more than $500 billion.

Then things started to go bad. Suddenly, AIG had to start paying out on some of the securities it had insured. As it started recording losses, its credit default swap contracts require that it begin putting up more and more collateral. AIG found it couldn't raise enough money fast enough — over the course of a weekend in September, the amount of money AIG owed shot up from $20 billion to more than $80 billion.

With no private creditors stepping forward, it fell to the government to provide the needed capital or let AIG enter bankruptcy. Top federal officials deemed bankruptcy too high a risk to the overall financial system.

After the bailout, it emerged that AIG did not even know all of the CDOs it had ensured.

In September, less than a week after the bailout was announced, the Orange County Register reported on a posh retreat for company executives and insurance agents at the exclusive St. Regis Resort in Monarch Beach, California. Rooms at the resort can cost over $1,000 per night.

After the House of Representatives Oversight and Government Reform Committee highlighted the retreat, AIG explained that the retreat was primarily for well-performing independent insurance agents. Only 10 of the 100 participants were from AIG (and they from a successful AIG subsidiary), the company said, and the event was planned long in advance of the federal bailout. In an apology letter to Treasury Secretary Henry Paulson, CEO Edward Liddy wrote that AIG now faces very different challenges, and "that we owe our employees and the American public new standards and approaches."

New standards and approaches, indeed.

Cargill: Food Profiteers

The world's food system is broken. Or, more accurately, the giant food companies and their allies in the U.S. and other rich country governments, and at the International Monetary Fund and World Bank, broke it.

Thirty years ago, most developing countries produced enough food to feed themselves [CHECK]. Now, 70 percent are net food importers.

Thirty years ago, most developing countries had in place mechanisms aimed at maintaining a relatively constant price for food commodities. Tariffs on imports protected local farmers from fluctuations in global food prices. Government-run grain purchasing boards paid above-market prices for farm goods when prices were low, and required farmers to sell below-market when prices were high. The idea was to give farmers some certainty over price, and to keep food affordable for consumers. Governments also provided a wide set of support services for farmers, giving them advice on new crop and growing technologies and, in some countries, helping set up cooperative structures.

> **Proponents said the new system was a "free market" approach, but in reality it traded one set of government interventions for another — a new set of rules that gave enhanced power to a handful of global grain trading companies like Cargill and Archer Daniels Midland, as well as to seed and fertilizer corporations**

This was not a perfect system by any means, but it looks pretty good in retrospect.

Over the last three decades, the system was completely abandoned, in country after country. It was replaced by a multinational-dominated, globally integrated food system, in which the World Bank and other institutions coerced countries into opening their markets to cheap food imports from rich countries and re-orienting their agricultural systems to grow food for rich consumers abroad. Proponents said the new system was a "free market" approach, but in reality it traded one set of government interventions for another — a new set of rules that gave enhanced power to a handful of global grain trading companies like Cargill and Archer Daniels Midland, as well as to seed and fertilizer corporations.

"For this food regime to work," Raj Patel, author of Stuffed and Starved, told the U.S. House Financial Services Committee at a May hearing, "existing marketing boards and support structures needed to be dismantled. In a range of countries, this meant that the state bodies that had been supported and built by the World Bank were dismantled by the World Bank. The rationale behind the dismantling of these institutions was to clear the path for private sector involvement in these sectors, on the understanding that the private sector would be more efficient and less wasteful than the public sector."

"The result of these interventions and conditions," explained Patel, "was to accelerate the decline of developing country agriculture. One of the most striking consequences of liberalization has been the phenomenon of 'import surges.' These happen when tariffs on cheaper, and often subsidized, agricultural products are lowered, and a host country is then flooded with those goods. There is often a corresponding decline in domestic production. In Senegal, for example, tariff reduction led to an import surge in tomato paste, with a 15-fold increase in imports, and a halving of domestic production. Similar stories might be told of Chile, which saw a three-fold surge in imports of vegetable oil, and a halving of domestic production. In Ghana in 1998, local rice production accounted for over 80 percent of domestic consumption. By 2003, that figure was less than 20 percent."

The decline of developing country agriculture means that developing countries are dependent on the vagaries of the global market. When prices spike — as they did in late 2007 and through the beginning of 2008 — countries and poor consumers are at the mercy of the global market and the giant trading companies that dominate it. In the first quarter of 2008, the price of rice in Asia doubled, and commodity prices overall rose 40 percent. People in rich countries felt this pinch, but the problem was much more severe in the developing world. Not only do consumers in poor countries have less money, they spend a much higher proportion of their household budget on food — often half or more — and they buy much less processed food, so commodity increases affect them much more directly. In poor countries, higher prices don't just pinch, they mean people go hungry. Food riots broke out around the world in early 2008. But not everyone was feeling pain. For Cargill, spiking prices was an opportunity to get rich. In the second quarter of 2008, the company reported profits of more than $1 billion, with profits from continuing operations soaring 18 percent from the previous year. Cargill's 2007 profits totaled more than $2.3 billion, up more than a third from 2006.

In a competitive market, would a grain-trading middleman make super-profits? Or would rising prices crimp the middleman's profit margin?

"In poor countries, higher prices don't just pinch, they mean people go hungry. Food riots broke out around the world in early 2008. But not everyone was feeling pain. For Cargill, spiking prices was an opportunity |to get rich

Well, the global grain trade is not competitive.

In an August speech, Cargill CEO Greg Page posed the question, "So, isn't Cargill exploiting the food situation to make money?" Here is how he responded:

"I would give you four pieces of information about why our earnings have gone up dramatically.

1. The demand for food has gone up. The demand for our facilities has gone up, and we are running virtually all of our facilities worldwide at total capacity. As we utilize our capacity more effectively, clearly we do better.

2. Fertilizer prices rose, and we are owners of a large fertilizer company. That has been the single largest factor in Cargill's earnings.

3. The volatility in the grain industry — much of it created by governments — was an opportunity for a trading company like Cargill to make money.

4. Finally, in this era of high prices, Cargill over the last two years has invested $15.5 billion additional dollars into the world food system. Some was to carry all these high-priced inventories. We also wanted to be sure that we were there for farmers who needed the working capital to operate in this much more expensive environment. Clearly, our owners expected some return on that $15.5 billion. Cargill had an opportunity to make more money in this environment, and I think that is something that we need to be very forthright about."

OK, Mr. Page, that's all very interesting. The question was, "So, isn't Cargill exploiting the food situation to make money?" It sounds like your answer is, "yes."

Chevron: "We can't let little countries screw around with big companies"

The world has witnessed a stunning consolidation of the multinational oil companies over the last decade.

One of the big winners was Chevron. It swallowed up Texaco and Unocal, among others. It was happy to absorb their revenue streams. It has been less willing to take responsibility for ecological and human rights abuses perpetrated by these companies.

One of the inherited legacies from Chevron's 2001 acquisition of Texaco is litigation in Ecuador over the company's alleged decimation of the Ecuadorian Amazon over a 20-year period of operation. In 1993, 30,000 indigenous Ecuadorians filed a class action suit in U.S. courts, alleging that Texaco had poisoned the land where they live and the waterways on which they rely, allowing billions of gallons of oil to spill and leaving hundreds of waste pits unlined and uncovered. They sought billions in compensation for the harm to their land and livelihood, and for alleged health harms. The Ecuadorians and their lawyers filed the case in U.S. courts because U.S. courts have more capacity to handle complex litigation, and procedures (including jury trials) that offer plaintiffs a better chance to challenge big corporations. Texaco, and later Chevron, deployed massive legal resources to defeat the lawsuit. Ultimately, a Chevron legal maneuver prevailed: At Chevron's instigation, U.S. courts held that the case should be litigated in Ecuador, closer to where the alleged harms occurred.

Having argued vociferously that Ecuadorian courts were fair and impartial, Chevron is now unhappy with how the litigation has proceeded in that country. So unhappy, in fact, that it is lobbying the Office of the U.S. Trade Representative to impose trade sanctions on Ecuador if the Ecuadorian government does not make the case go away.

"We can't let little countries screw around with big companies like this — companies that have made big investments around the world," a Chevron lobbyist said to Newsweek in August. (Chevron subsequently stated that "the comments attributed to an unnamed lobbyist working for Chevron do not reflect our company's views regarding the Ecuador case. They were not approved by the company and will not be tolerated.")

"Chevron is worried because a court-appointed special master found in March that the company was liable to plaintiffs for between $7 billion and $16 billion. The special master has made other findings that Chevron's clean-up operations in Ecuador have been inadequate

Chevron is worried because a court-appointed special master found in March that the company was liable to plaintiffs for between $7 billion and $16 billion. The special master has made other findings that Chevron's clean-up operations in Ecuador have been inadequate.

Another of Chevron's inherited legacies is the Yadana natural gas pipeline in Burma, operated by a consortium in which Unocal was one of the lead partners. Human rights organizations have documented that the Yadana pipeline was constructed with forced labor, and associated with brutal human rights abuses by the Burmese military.

EarthRights International, a human rights group with offices in Washington, D.C. and Bangkok, has carefully tracked human rights abuses connected to the Yadana pipeline, and led a successful lawsuit against Unocal/Chevron. In an April 2008 report, the group states that "Chevron and its consortium partners continue to rely on the Burmese army for pipeline security, and those forces continue to conscript thousands of villagers for forced labor, and to commit torture, rape, murder and other serious abuses in the course of their operations."

Money from the Yadana pipeline plays a crucial role in enabling the Burmese junta to maintain its grip on power. EarthRights International estimates the pipeline funneled roughly $1 billion to the military regime in 2007. The group also notes that, in late 2007, when the Burmese military violently suppressed political protests led by Buddhist monks, Chevron sat idly by.

Chevron has trouble in the United States, as well. In September, Earl Devaney, the inspector general for the Department of Interior, released an explosive report documenting "a culture of ethical failure" and a "culture of substance abuse and promiscuity" in the U.S. government program handling oil lease contracts on U.S. government lands and property. Government employees, Devaney found, accepted a stream of small gifts and favors from oil company representatives, and maintained sexual relations with them. (In one memorable passage, the inspector general report states that "sexual relationships with prohibited sources cannot, by definition, be arms-length.") The report showed that Chevron had conferred the largest number of gifts on federal employees. It also complained that Chevron refused to cooperate with the investigation, a claim Chevron subsequently disputed.

Constellation Energy: Nuclear Operators

Although it is too dangerous, too expensive and too centralized to make sense as an energy source, nuclear power won't go away, thanks to equipment makers and utilities that find ways to make the public pay and pay.

Case in point: Constellation Energy Group, the operator of the Calvert Cliffs nuclear plant in Maryland. When Maryland deregulated its electricity market in 1999, Constellation — like other energy generators in other states — was able to cut a deal to recover its "stranded costs" and nuclear decommissioning fees. The idea was that competition would bring multiple suppliers into the market, and these new competitors would have an unfair advantage over old-time monopoly suppliers. Those former monopolists, the argument went, had built expensive nuclear reactors with the approval of state regulators, and it would be unfair if they could not charge consumers to recover their costs. It would also be unfair, according to this line of reasoning, if the former monopolists were unable to recover the costs of decommissioning nuclear facilities.

In Maryland, the "stranded cost" deal gave Constellation (through its affiliate Baltimore Gas & Electric, BGE) the right to charge ratepayers $975 million in 1993 dollars (almost $1.5 billion in present dollars).

"Deregulation also meant that, after an agreed-upon freeze period, BGE was free to raise its rates as it chose. In 2006, it announced a 72 percent rate increase. For residential consumers, this meant they would pay an average of $743 more per year for electricity

Deregulation meant that Constellation's energy generating assets — including its nuclear facility at Calvert Cliffs — were free from price regulation. As a result, instead of costing Constellation, Calvert Cliffs' market value increased.

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The sudden price hike sparked a rebellion. The Maryland legislature passed a law requiring BGE to credit consumers $386 million over a 10-year period. At the time, Constellation was very pleased with the deal, which let it keep most of its price-gouging profits — a spokesperson for the then-governor said that Constellation and BGE were "doing a victory lap around the statehouse" after the bill passed.

In February 2008, however, Constellation announced that it intended to sue the state for unconstitutionally "taking" its assets via the mandatory consumer credit. In March, following a preemptive lawsuit by the state, the matter was settled. BGE agreed to make a one-time rebate of $170 million to residential ratepayers, and 90 percent of the credits to ratepayers (totaling $346 million) were left in place. The deal also relieved ratepayers of the obligation to pay for decommissioning — an expense that had been expected to total $1.5 billion (or possibly much more) from 2016 to 2036.

The deal also included regulatory changes making it easier for outside companies to invest in Constellation — a move of greater import than initially apparent. In September, with utility stock prices plummeting, Warren Buffet's MidAmerican Energy announced it would purchase Constellation for $4.7 billion, less than a quarter of the company's market value in January.

Meanwhile, Constellation plans to build a new reactor at Calvert Cliffs, potentially the first new reactor built in the United States since the near-meltdown at Three Mile Island in 1979.

"There are substantial clean air benefits associated with nuclear power, benefits that we recognize as the operator of three plants in two states," says Constellation spokesperson Maureen Brown.

It has lined up to take advantage of U.S. government-guaranteed loans for new nuclear construction, available under the terms of the 2005 Energy Act [see "Nuclear's Power Play: Give Us Subsidies or Give Us Death," Multinational Monitor, September/October 2008]. "We can't go forward unless we have federal loan guarantees," says Brown.

Building nuclear plants is extraordinarily expensive (Constellation's planned construction is estimated at $9.6 billion) and takes a long time; construction plans face massive political risks; and the value of electric utilities is small relative to the huge costs of nuclear construction. For banks and investors, this amounts to too much uncertainty — but if the government guarantees loans will be paid back, then there's no risk.

Or, stated better, the risk is absorbed entirely by the public. That's the financial risk. The nuclear safety risk is always absorbed, involuntarily, by the public.

CNPC: Fueling Violence in Darfur

Many of the world's most brutal regimes have a common characteristic: Although subject to economic sanctions and politically isolated, they are able to maintain power thanks to multinational oil company enablers. Case in point: Sudan, and the Chinese National Petroleum Corporation (CNPC).

In July, International Criminal Court (ICC) Prosecutor Luis Moreno-Ocampo charged the President of Sudan, Omar Hassan Ahmad Al Bashir, with committing genocide, crimes against humanity and war crimes. The charges claim that Al Bashir is the mastermind of crimes against ethnic groups in Darfur, aimed at removing the black population from Sudan. Sudanese armed forces and government-authorized militias known as the Janjaweed have carried out massive attacks against the Fur, Masalit and Zaghawa communities of Darfur, according to the ICC allegations. Following bombing raids, "ground forces would then enter the village or town and attack civilian inhabitants. They kill men, children, elderly, women; they subject women and girls to massive rapes. They burn and loot the villages." The ICC says 35,000 people have been killed and 2.7 million displaced.

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There is little doubt that Sudan has been able to laugh off existing and threatened sanctions because of the huge support it receives from China, channeled above all through the Sudanese relationship with CNPC

The ICC reports one victim saying: "When we see them, we run. Some of us succeed in getting away, and some are caught and taken to be raped — gang-raped. Maybe around 20 men rape one woman. ... These things are normal for us here in Darfur. These things happen all the time. I have seen rapes, too. It does not matter who sees them raping the women — they don't care. They rape girls in front of their mothers and fathers."

Governments around the world have imposed various sanctions on Sudan, with human rights groups demanding much more aggressive action.

But there is little doubt that Sudan has been able to laugh off existing and threatened sanctions because of the huge support it receives from China, channeled above all through the Sudanese relationship with CNPC.

"The relationship between CNPC and Sudan is symbiotic," notes the Washington, D.C.-based Human Rights First, in a March 2008 report, "Investing in Tragedy." "Not only is CNPC the largest investor in the Sudanese oil sector, but Sudan is CNPC's largest market for overseas investment."

China receives three quarters of Sudan's exports, and Chinese companies hold the majority share in almost all of the key oil-rich areas in Sudan. Explains Human Rights First: "Beijing's companies pump oil from numerous key fields, which then courses through Chinese-made pipelines to Chinese-made storage tanks to await a voyage to buyers, most of them Chinese." CNPC is the largest oil investor in Sudan; the other key Chinese company is the Sinopec Group (also known as the China Petrochemical Corporation).

Oil money has fueled violence in Darfur. "The profitability of Sudan's oil sector has developed in close chronological step with the violence in Darfur," notes Human Rights First. "In 2000, before the crisis, Sudan's oil revenue was $1.2 billion. By 2006, with the crisis well underway, that total had shot up by 291 percent, to $4.7 billion. How does Sudan use that windfall? Its finance minister has said that at least 70 percent of the oil profits go to the Sudanese armed forces, linked with its militia allies to the crimes in Darfur."

There are other nefarious components of the CNPC relationship with the Sudanese government. China ships substantial amounts of small arms to Sudan and has helped Sudan build its own small arms factories. China has also worked at the United Nations to undermine more effective multilateral action to protect Darfur. Human rights organizations charge a key Chinese motivation is to lubricate its relationship with the Khartoum government so the oil continues to flow.

CNPC did not respond to repeated requests for comment.

Dole: The Sour Taste of Pineapple

Starting in 1988, the Philippines undertook what was to be a bold initiative to redress the historically high concentration of land ownership that has impoverished millions of rural Filipinos and undermined the country's development. The Comprehensive Agricultural Reform Program (CARP) promised to deliver land to the landless.

It didn't work out that way. Plantation owners helped draft the law and invented ways to circumvent its purported purpose.

Dole pineapple workers are among those paying the price.

"The workers received only nominal title. They were required to form labor cooperatives. Intended to give workers — now the new land owners — a means to collectively manage their land, the cooperatives were instead controlled by wealthy landlords

Under CARP, Dole's land was divided among its workers and others who had claims on the land prior to the pineapple giant. However, under the terms of the law, as the Washington, D.C.-based International Labor Rights Forum (ILRF) explains in an October report, "The Sour Taste of Pineapple," the workers received only nominal title. They were required to form labor cooperatives. Intended to give workers — now the new land owners — a means to collectively manage their land, the cooperatives were instead controlled by wealthy landlords.

"Through its dealings with these cooperatives," ILRF found, Dole and Del Monte, (the world's other leading pineapple grower) "have been able to take advantage of a number of worker abuses. Dole has outsourced its labor force to contract labor and replaced its full-time regular employment system that existed before CARP." Dole employs 12,000 contract workers. Meanwhile, from 1989 to 1998, Dole reduced its regular workforce by 3,500.

Under current arrangements, Dole now leases its land from its workers, on extremely cheap terms — in one example cited by ILRF, Dole pays in rent one-fifteenth of its net profits from a plantation. Most workers continue to work the land they purportedly own, but as contract workers for Dole.

The Philippine Supreme Court has ordered Dole to convert its contract workers into regular employees, but the company has not done so. In 2006, the Court upheld a Department of Labor and Employment decision requiring Dole to stop using illegal contract labor. Under Philippine law, contract workers should be regularized after six months.

Dole emphasizes that it pays its workers $10 a day, more than the country's $5.60 minimum wage. It also says that its workers are organized into unions. The company responded angrily to a 2007 nomination for most irresponsible corporations from a Swiss organization, the Berne Declaration. "We must also say that those fallacious attacks created incredulity and some anger among our Dolefil workers, their representatives, our growers, their cooperatives and more generally speaking among the entire community where we operate." The company thanked "hundreds of people who spontaneously expressed their support to Dolefil, by taking the initiative to sign manifestos," including seven cooperatives.

The problem with Dole's position, as ILRF points out, is that "Dole's contract workers are denied the same rights afforded to Dole's regular workers. They are refused the right to organize or benefits gained by the regular union, and are consequently left with poor wages and permanent job insecurity." Contract workers are paid under a quota system, and earn about $1.85 a day, according to ILRF.

Conditions are not perfect for unionized workers, either. In 2006, when a union leader complained about pesticide and chemical exposures (apparently misreported in local media as a complaint about Dole's waste disposal practices), the management of Dole Philippines (Dolefil) pressed criminal libel charges against him. Two years later, these criminal charges remain pending.

Dole says it cannot respond to the allegations in the ILRF report, because the U.S. Trade Representative is considering acting on a petition by ILRF to deny some trade benefits to Dole pineapples imported into the United States from the Philippines.

Concludes Bama Atheya, executive director of ILRF, "In both Costa Rica and the Philippines, Dole has deliberately obstructed workers' right to organize, has failed to pay a living wage and has polluted workers' communities."

GE: Creative Accounting

General Electric (GE) has appeared on Multinational Monitor's annual 10 Worst Corporations list for defense contractor fraud, labor rights abuses, toxic and radioactive pollution, manufacturing nuclear weaponry, workplace safety violations and media conflicts of interest (GE owns television network NBC).

> **The invoices showed suspiciously high sales volume for lighting equipment in lightly populated Amazon regions of the country. These sales would avoid higher value added taxes (VAT) in urban states, where sales would be expected to be greate**

This year, the company returns to the list for new reasons: alleged tax cheating and the firing of a whistleblower.

In June, former New York Times reporter David Cay Johnston reported on internal GE documents that appeared to show the company had engaged in long-running effort to evade taxes in Brazil. In a lengthy report in Tax Notes International, Johnston cited a GE subsidiary manager's powerpoint presentation that showed "suspicious" invoices as "an indication of possible tax evasion." The invoices showed suspiciously high sales volume for lighting equipment in lightly populated Amazon regions of the country. These sales would avoid higher value added taxes (VAT) in urban states, where sales would be expected to be greater.

Johnston wrote that the state-level VAT at issue, based on the internal documents he reviewed, appeared to be less than $100 million. But, "since the VAT scheme appears to have gone on long before the period covered in the Moreira [the company manager] report, the total sum could be much larger and could involve other countries supplied by the Brazil subsidiary."

A senior GE spokesperson, Gary Sheffer, told Johnston that the VAT and related issues were so small relative to GE's size that the company was surprised a reporter would spend time looking at them. "No company has perfect compliance," Sheffer said. "We do not believe we owe the tax."

Johnston did not identify the source that gave him the internal GE documents, but GE has alleged it was a former company attorney, Adriana Koeck. GE fired Koeck in January 2007 for what it says were "performance reasons." GE sued Koeck in June 2008, alleging that she wrongfully maintained privileged and confidential information, and improperly shared the information with third parties. In a court filing, GE said that it "considers its professional reputation to be its greatest asset and it has worked tirelessly to develop and preserve an unparalleled reputation of 'unyielding integrity.'"

GE's suit followed a whistleblower defense claim filed by Koeck in 2007. In April 2007, Koeck filed a claim with the U.S. Department of Labor under the Sarbanes-Oxley whistleblower protections (rules put in place following the Enron scandal).

In her filing, Koeck alleges that she was fired not for poor performance, but because she called attention to improper activities by GE. After being hired in January 2006, Koeck's complaint asserts, she "soon discovered that GE C&I [consumer and industrial] operations in Latin America were engaged in a variety of irregular practices. But when she tried to address the problems, both Mr. Burse and Mr. Jones [her superiors in the general counsel's office] interfered with her efforts, took certain matters away from her, repeatedly became enraged with her when she insisted that failing to address the problems would harm GE, and eventually had her terminated."

Koeck's whistleblower filing details the state VAT-avoidance scheme discussed in Johnston's article. It also indicates that several GE employees in Brazil were blackmailing the company to keep quiet about the scheme.

Koeck's whistleblower filing also discusses reports in the Brazilian media that GE had participated in a "bribing club" with other major corporations. Members of the club allegedly met to divide up public contracts in Brazil, as well as to agree on the amounts that would be paid in bribes. Koeck discovered evidence of GE subsidiaries engaging in behavior compatible with the "bribing club" stories and reported this information to her superior. Koeck alleges that her efforts to get higher level attorneys to review the situation failed.

In a statement, GE responds to the substance of Koeck's allegations of wrongdoing: "These were relatively minor and routine commercial and tax issues in Brazil. Our employees proactively identified, investigated and resolved these issues in the appropriate manner. We are confident we have met all of our tax and compliance obligations in Brazil.GE has a strong and rigorous compliance process that dealt effectively with these issues."

"Members of the club allegedly met to divide up public contracts in Brazil, as well as to agree on the amounts that would be paid in bribes. Koeck discovered evidence of GE subsidiaries engaging in behavior compatible with the "bribing club" stories and reported this information to her superior

Koeck's Sarbanes-Oxley complaint was thrown out in June, on the grounds that it had not been filed in a timely matter.

The substance of her claims, however, are now under investigation by the Department of Justice Fraud Section, according to Corporate Crime Reporter.

Imperial Sugar: 13 Dead

On February 7, an explosion rocked the Imperial Sugar refinery in Port Wentworth, Georgia, near Savannah.

Tony Holmes, a forklift operator at the plant, was in the break room when the blast occurred.

"I heard the explosion," he told the Savannah Morning News. "The building shook, and the lights went out. I thought the roof was falling in. ... I saw people running. I saw some horrific injuries. ... People had clothes burning. Their skin was hanging off. Some were bleeding."

Days later, when the fire was finally extinguished and search-and-rescue operations completed, the horrible human toll was finally known: 13 dead, dozens badly burned and injured.

As with almost every industrial disaster, it turns out the tragedy was preventable. The cause was accumulated sugar dust, which like other forms of dust, is highly combustible.

The Occupational Safety and Health Administration (OSHA), the government workplace safety regulator, had not visited Imperial Sugar's Port Wentworth facility since 2000. When inspectors examined the blast site after the fact, they found rampant violations of the agency's already inadequate standards. They proposed a more than $5 million fine, and issuance of citations for 61 egregious willful violations, eight willful violations and 51 serious violations. Under OSHA's rules, a "serious" citation is issued when death or serious physical harm is likely to occur, a "willful" violation is a violation committed with plain indifference to employee safety and health, and "egregious" citations are issued for particularly flagrant violations.

A month later, OSHA inspectors investigated Imperial Sugar's plant in Gramercy, Louisiana. They found 1/4- to 2-inch accumulations of dust on electrical wiring and machinery. They found 6- to 8-inch accumulations on wall ledges and piping. They found 1/2- to 1-inch accumulations on mechanical equipment and motors. They found 3- to 48-inch accumulations on workroom floors. OSHA posted an "imminent danger" notice at the plant, because of the high likelihood of another explosion.

Imperial Sugar obviously knew of the conditions in its plants. It had in fact taken some measures to clean up operations prior to the explosion.

Graham H. Graham was hired as vice president of operations of Imperial Sugar in November 2007. In July 2008, he told a Senate subcommittee that he first walked through the Port Wentworth facility in December 2007. "The conditions were shocking," he testified. "Port Wentworth was a dirty and dangerous facility. The refinery was littered with discarded materials, piles of sugar dust, puddles of sugar liquid and airborne sugar dust. Electrical motors and controls were encrusted with solidified sugar, while safety covers and doors were missing from live electrical switchgear and panels. A combustible environment existed."

Graham recommended that the plant manager be fired, and he was. Graham ordered a housekeeping blitz, and by the end of January, he testified to the Senate subcommittee, conditions had improved significantly, but still were hazardous.

But Graham also testified that he was told to tone down his demands for immediate action. In a meeting with John Sheptor, then Imperial Sugar's chief operating officer and now its CEO, and Kay Hastings, senior vice president of human resources, Graham testified, "I was also informed that I was excessively eager in addressing the refinery's problems."

"Remarkably, even after the tragedy at Port Wentworth, and while Imperial Sugar said it welcomed the effort for a new dust rule, OSHA head Edwin Foulke indicated he believed no new rule was necessary

Sheptor, who was nearly killed in the refinery explosion, and Hastings both deny Graham's account.

The company says that it respected safety concerns before the explosion, but has since redoubled efforts, hiring expert consultants on combustible hazards, refocusing on housekeeping efforts and purchasing industrial vacuums to minimize airborne disbursement.

In March, the House of Representatives Education and Labor Committee held a hearing on the hazards posed by combustible dust. The head of the Chemical Safety Board testified about a 2006 study that identified hundreds of combustible dust incidents that had killed more than 100 workers during the previous 25 years. The report recommended that OSHA issue rules to control the risk of dust explosions.

Instead of acting on this recommendation, said Committee Chair George Miller, D-California, "OSHA chose to rely on compliance assistance and voluntary programs, such as industry 'alliances,' web pages, fact sheets, speeches and booths at industry conferences."

The House of Representatives then passed legislation to require OSHA to issue combustible dust standards, but the proposal was not able to pass the Senate.

Remarkably, even after the tragedy at Port Wentworth, and while Imperial Sugar said it welcomed the effort for a new dust rule, OSHA head Edwin Foulke indicated he believed no new rule was necessary.

"We believe," he told the House Education and Labor Committee in March, "that [OSHA] has taken strong measures to prevent combustible dust hazards, and that our multi-pronged approach, which includes effective enforcement of existing standards, combined with education for employers and employees, is effective in addressing combustible dust hazards. We would like to emphasize that the existence of a standard does not ensure that explosions will be eliminated."

Philip Morris International: Unshackled

The old Philip Morris no longer exists. In March, the company formally divided itself into two separate entities: Philip Morris USA, which remains a part of the parent company Altria, and Philip Morris International.

Philip Morris USA sells Marlboro and other cigarettes in the United States. Philip Morris International tramples over the rest of the world.

The world is just starting to come to grips with a Philip Morris International even more predatory in pushing its toxic products worldwide.

The new Philip Morris International is unconstrained by public opinion in the United States — the home country and largest market of the old, unified Philip Morris —and will no longer fear lawsuits in the United States.

As a result, Thomas Russo of the investment fund Gardner Russo & Gardner told Bloomberg, the company "won't have to worry about getting pre-approval from the U.S. for things that are perfectly acceptable in foreign markets." Russo's firm owns 5.7 million shares of Altria and now Philip Morris International.

A commentator for The Motley Fool investment advice service wrote, "The Marlboro Man is finally free to roam the globe unfettered by the legal and marketing shackles of the U.S. domestic market."

In February, the World Health Organization (WHO) issued a new report on the global tobacco epidemic. WHO estimates the Big Tobacco-fueled epidemic now kills more than 5 million people every year.

Five million people.

By 2030, WHO estimates 8 million will die a year from tobacco-related disease, 80 percent in the developing world.

The WHO report emphasizes that known and proven public health policies can dramatically reduce smoking rates. These policies include indoor smoke-free policies; bans on tobacco advertising, promotion and sponsorship; heightened taxes; effective warnings; and cessation programs. These "strategies are within the reach of every country, rich or poor and, when combined as a package, offer us the best chance of reversing this growing epidemic," says WHO Director-General Margaret Chan.

Most countries have failed to adopt these policies, thanks in no small part to decades-long efforts by Philip Morris and the rest of Big Tobacco to deploy political power to block public health initiatives. Thanks to the momentum surrounding a global tobacco treaty, known as the Framework Convention on Tobacco Control, adopted in 2005, this is starting to change. There's a long way to go, but countries are increasingly adopting sound public health measures to combat Big Tobacco.

Now Philip Morris International has signaled its initial plans to subvert these policies. The company has announced plans to inflict on the world an array of new products, packages and marketing efforts. These are designed to undermine smoke-free workplace rules, defeat tobacco taxes, segment markets with specially flavored products, offer flavored cigarettes sure to appeal to youth and overcome marketing restrictions.

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The Chief Operating Officer of Philip Morris International, Andre Calantzopoulos, detailed in a March investor presentation two new products, Marlboro Wides, "a shorter cigarette with a wider diameter," and Marlboro Intense, "a rich, flavorful, shorter cigarette."

Sounds innocent enough, as far as these things go.

That's only to the innocent mind.

The Wall Street Journal reported on Philip Morris International's underlying objective: "The idea behind Intense is to appeal to customers who, due to indoor smoking bans, want to dash outside for a quick nicotine hit but don't always finish a full-size cigarette."

Workplace and indoor smoke-free rules protect people from second-hand smoke, but also make it harder for smokers to smoke. The inconvenience (and stigma of needing to leave the office or restaurant to smoke) helps smokers smoke less and, often, quit. Subverting smoke-free bans will damage an important tool to reduce smoking.

Philip Morris International says it can adapt to high taxes. If applied per pack (or per cigarette), rather than as a percentage of price, high taxes more severely impact low-priced brands (and can help shift smokers to premium brands like Marlboro). But taxes based on price hurt Philip Morris International.

Philip Morris International's response? "Other Tobacco Products," which Calantzopoulos describes as "tax-driven substitutes for low-price cigarettes." These include, says Calantzopoulos, "the 'tobacco block,' which I would describe as the perfect make-your-own cigarette device." In Germany, roll-your-own cigarettes are taxed far less than manufactured cigarettes, and Philip Morris International's "tobacco block" is rapidly gaining market share.

One of the great industry deceptions over the last several decades is selling cigarettes called "lights" (as in Marlboro Lights), "low" or "mild" — all designed to deceive smokers into thinking they are safer.

The Framework Convention on Tobacco Control says these inherently misleading terms should be barred. Like other companies in this regard, Philip Morris has been moving to replace the names with color coding — aiming to convey the same ideas, without the now-controversial terms.

Calantzopoulos says Philip Morris International will work to more clearly differentiate Marlboro Gold (lights) from Marlboro Red (traditional) to "increase their appeal to consumer groups and segments that Marlboro has not traditionally addressed."

Philip Morris International also is rolling out a range of new Marlboro products

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with obvious attraction for youth. These include Marlboro Ice Mint, Marlboro Crisp Mint and Marlboro Fresh Mint, introduced into Japan and Hong Kong last year. It is exporting clove products from Indonesia.

The company has also renewed efforts to sponsor youth-oriented music concerts. In July, activist pressure forced Philip Morris International to withdraw sponsorship of an Alicia Keys concert in Indonesia (Keys called for an end to the sponsorship deal); and in August, the company was forced to withdraw from sponsorship in the Philippines of a reunion concert of the Eraserheads, a band sometimes considered "the Beatles of the Philippines."

Responding to increasing advertising restrictions and large, pictorial warnings required on packs, Marlboro is focusing increased attention on packaging. Fancy slide packs make the package more of a marketing device than ever before, and may be able to obscure warning labels.

Most worrisome of all may be the company's forays into China, the biggest cigarette market in the world, which has largely been closed to foreign multinationals. Philip Morris International has hooked up with the China National Tobacco Company, which controls sales in China. Philip Morris International will sell Chinese brands in Europe. Much more importantly, the company is starting to sell licensed versions of Marlboro in China. The Chinese aren't letting Philip Morris International in quickly — Calantzopoulos says, "We do not foresee a material impact on our volume and profitability in the near future." But, he adds, "we believe this long-term strategic cooperation will prove to be mutually beneficial and form the foundation for strong long-term growth."

What does long-term growth mean? In part, it means gaining market share among China's 350 million smokers. But it also means expanding the market, by selling to girls and women. About 60 percent of men in China smoke; only 2 or 3 percent of women do so.

Roche: Saving Lives is Not Our Business

Monopoly control over life-saving medicines gives enormous power to drug companies. And, to paraphrase Lord Acton, enormous power corrupts enormously.

The Swiss company Roche makes a range of HIV-related drugs. One of them is enfuvirtid, sold under the brand-name Fuzeon. Fuzeon is the first of a new class of AIDS drugs, working through a novel mechanism. It is primarily used as a "salvage" therapy — a treatment for people for whom other therapies no longer work. Fuzeon brought in $266 million to Roche in 2007, though sales are declining.

Roche charges $25,000 a year for Fuzeon. It does not offer a discount price for developing countries.

Like most industrialized countries, Korea maintains a form of price controls — the national health insurance program sets prices for medicines. The Ministry of Health, Welfare and Family Affairs listed Fuzeon at $18,000 a year. Korea's per capita income is roughly half that of the United States. Instead of providing Fuzeon, for a profit, at Korea's listed level, Roche refuses to make the drug available in Korea.

"Korea's per capita income is roughly half that of the United States. Instead of providing Fuzeon, for a profit, at Korea's listed level, Roche refuses to make the drug available in Korea

Korea is not a developing country, emphasizes Roche spokesperson Martina Rupp. "South Korea is a developed country like the U.S. or like Switzerland."

Roche insists that Fuzeon is uniquely expensive to manufacture, and so that it cannot reduce prices. According to a statement from Roche, "the offered price represents the lowest sustainable price at which Roche can provide Fuzeon to South Korea, considering that the production process for this medication requires more than 100 steps — 10 times more than other antiretrovirals. A single vial takes six months to produce, and 45 kilograms of raw materials are necessary to produce one kilogram of Fuzeon."

The head of Roche Korea was reportedly less diplomatic. According to Korean activists, he told them, "We are not in business to save lives, but to make money. Saving lives is not our business."

Says Roche spokesperson Rupp: "I don't know why he would say that, and I cannot imagine that this is really something that this person said."

Another AIDS-related drug made by Roche is valganciclovir. Valganciclovir treats a common AIDS-related infection called cytomegalovirus (CMV) that causes blindness or death. Roche charges $10,000 for a four-month course of valganciclovir. In December 2006, it negotiated with Médicins Sans Frontières/Doctors Without Borders (MSF) and agreed on a price of $1,899. According to MSF, this still-price-gouging price is only available for poor and very high incidence countries, however, and only for nonprofit organizations — not national treatment programs.

Roche's Rupp says that "Currently, MSF is the only organization requesting purchase of Valcyte [Roche's brand name for valganciclovir] for such use in these countries. To date, MSF are the only AIDS treatment provider treating CMV for their patients. They told us themselves this is because no-one else has the high level of skilled medical staff they have."

Dr. David Wilson, former MSF medical coordinator in Thailand, says he remembers the first person that MSF treated with life-saving antiretrovirals. "I remember everyone was feeling really great that we were going to start treating people with antiretrovirals, with the hope of bringing people back to normal life." The first person MSF treated, Wilson says, lived but became blind from CMV. "She became strong and she lived for a long time, but the antiretroviral treatment doesn't treat the CMV."

"I've been working in MSF projects and treating people with AIDS with antiretrovirals for seven years now," he says, "and along with many colleagues we've been frustrated because we don't have treatment for this particular disease. We now think we have a strategy to diagnose it effectively and what we really need is the medicine to treat the patients." **CT**