

FILE NAME: Eternit (ETER)

DATE: 2000

DOC#: ETER007

DOCUMENT DESCRIPTION: Draft Conference Presentation - Asbestos Magnate to Environmental Guru- The Morphing of Stephan Schmidheiny

15.7 ASBESTOS MAGNATE TO ENVIRONMENTAL GURU: THE MORPHING OF STEPHAN SCHMIDHEINY

DANIEL M. BERMAN AND ADRIAN KNOEFFLI*

(Ed. This document version has been produced via OCR - apologies to the authors if this process has introduced any unspotted inconsistencies.)

What has Stephan Schmidheiny, former sole proprietor of ETERNIT, done with his billions from the sale of Eternit's asbestos properties in the late 1980s? Between 1984 and 1999 Schmidheiny's net worth doubled from US\$2 billion to US\$4.4 billion.(1)

Part of what Schmidheiny has done is to reinvest in Latin American forest properties. According to recent Swiss accounts, Stephan Schmidheiny began buying Chilean forest land in 1982, and he now owns over 120,000 hectares in Southern Chile, near Concepcion, land which the Mapuche Indians claim has been theirs since time immemorial. The Mapuche charge that some of the land Schmidheiny bought was stolen from them during the Pinochet dictatorship, using that regime's standard techniques of intimidation, torture, and murder. Schmidheiny's Chilean holdings, owned by his Terra Nova affiliate, owned in turn by Nueva, his Swiss-based holding company, make him Chile's third largest owner of forest properties. (Nueva also controls a dozen companies in Latin America, which employ 10,000 in the production of pipes, building materials, and in the planting and harvest of vast numbers of trees.). The activities of Terra Nova are so controversial that Huilcamans, president of the Mapuches' Consejo de Todas las Tierras, went to Switzerland in 1999 with two of his aides in an attempt to reason with Schmidheiny personally and to get him to recognize the injustice of some of his subsidiary's activities. According to one account, Schmidheiny refused to speak with the Mapuche envoys, referring them instead to Hans-Ulrich Spiess, a Swiss representative of Terra Nova, who found the accusations "absurd." Spiess went on to claim that Terra Nova held a "legal title" based on Chilean legal procedures, and that "If we look back long enough, we will always find someone to whom the land belonged to at some time in the past." Schmidheiny never criticized Chile's Pinochet regime in public, but was quoted in a speech as saying, "A Third World country which opts for a liberal free-market economy must have a strong state."(2)

Schmidheiny uses his "philanthropic" interests in Latin America to create the impression that he has invented a new environmental paradigm based on the slogans "Eco-Efficiency" spurred by the representations of "civil society." Progress occurs, he believes, when "civil society...[that is to say]...millions of women and men outside of government" through "access" to "management know-how" and "fundraising capacity" are "empowered" to transform their countries), a roundabout way of advocating "no government regulation of business." Certainly, Schmidheiny's "eco-efficiency" and "civil society" paradigms do not seem to include an imperative to inform asbestos cement employees their jobs were killing them – or that ETERNIT had a moral and legal duty to compensate those whose lives were suffocated through asbestos exposure. Apparently the old "privatize the profits/socialize the losses" paradigm trumped the new "eco-efficiency/civil society" paradigm for the victims of the former 35-country ETERNIT empire, some of whom Schmidheiny must remember from his work as a foreman-trainee on the shop floor at ETERNIT's largest Brazilian plant in Osasco, São Paulo state, in the early 1970s. In his favor, we must note that Schmidheiny taught himself about the health problems of asbestos by the late 1970s and ordered his

researchers to develop ways to produce fiber-cement panels and roof tiles which used plant fibers, especially in ETERNIT's Ricalit factory in Costa Rica. But for a series of reasons, including the opposition of local partners, the asbestos substitution strategy was slow to take effect in most places, and Schmidheiny ended up selling all of his asbestos-cement factories by 1990.

BETTING THE PENSION FUND? In 1987, Stephan Schmidheiny bought Landis & Gyr, a family-owned firm which was one of the world's leading companies in automatic controls for buildings. In eight years he eliminated 3,000 jobs, and, in 1994, the Landis & Gyr pension fund lost US\$300 million in stock market speculation. The workers and the union claimed that Schmidheiny was fully aware of the risks management was taking with the workers' pension fund and that he had supported the "immoral" decision to withhold management contributions to the fund.(4)

Schmidheiny, while selling off his Swiss properties and transforming himself into a banker and speculator, has made a strenuous effort to integrate himself directly into the highest spheres of American society as an entrepreneur and environmental philosopher. In 1992 he published **CHANGING COURSE: A GLOBAL BUSINESS PERSPECTIVE ON DEVELOPMENT AND THE ENVIRONMENT** (5), which argues that rational capitalist development—based on his "eco-efficiency" concept—was the long-term solution to both environmental devastation and declining profits. He put his money and influence behind the concept by founding and funding the Business Council for Sustainable Development (BCSD), which set the tone for industrial and business participation in the International Conference on Environment and Development in Rio de Janeiro in 1992. (6) (One question his analysis never answers is what to do when businesses refuse to practice "eco-efficiency," which seems to be left to the choice of individual companies.)

Schmidheiny also serves on the Board of Directors of the Museum of Modern Art in New York City, and has been an active participant in the Yale Center for Environmental Law and Policy of the Yale Law School (the alma mater of Bill and Hillary Clinton). In 1996 he received the honorary degree of DOCTOR OF HUMANE LETTERS from Yale. In Yale press releases he is praised as the principal advisor for business and industry to the United Nations Conference on Environment and Development (the "Rio Conference") of 1992. People in the Western Hemisphere will probably hear more from Stephan Schmidheiny in the coming decades, because, as he told **FORBES** in 1997, he is moving his money out of Europe and "into the U.S. and Latin America." "America is younger and more dynamic," he said, while "Europe, despite the European Union, is growing old and defensive."

In effect Stephan Schmidheiny decided "to take his money and run" from ETERNIT's looming asbestos disaster, and reinvest it in book projects, intellectuals, universities and "philanthropic" enterprises around the globe, while leaving sick and dying workers to their own devices. In the 1990s he launched himself on the world stage as an environmental thinker and benefactor, and had that role sanctified by institutions of "the higher learning"(7) such as Yale University. (Whether Schmidheiny contributes to Yale's environmental efforts through foundations he controls or through personal philanthropy has not been ascertained). In proclaiming Stephan Schmidheiny a DOCTOR OF HUMANE LETTERS in 1996, Yale praised him in the following terms: "Not content to be a steward of a family business, you

have used your corporate role to promote stewardship of the global environment. You have made company decisions based upon the health of the planet, introducing new technologies and ways of doing business that are environmentally friendly. By bringing your message to leading industrialists around the world, you have helped to create an attainable vision of a global economy based on sustainable, ecologically sound development....." So far that concept of "stewardship" has not included a frank public assumption of moral and financial responsibility for the suffering and killing caused by the production and sale of ETERNIT's asbestos products around the world, as American asbestos companies have been forced to do. In Osasco, however, a group of workers from ETERNIT's old Osasco plant, led by Ministry of Labor safety engineer Fernanda Giannasi, has founded the Brazilian Association of People Harmed by Asbestos (ABREA) to fight for just compensation, medical care, and a ban on asbestos; to fight for justice in what Giannasi called an "invisible war" against workers. (8). Only Stephan Schmidheiny, safe in his chateau by the lake, can say if he hears the ghosts of asbestos workers past crying out for justice in his dreams.

9/2000

* DANIEL M. BERMAN, Ph. D., writes and lectures about energy, health, politics, and technology. His most recent book is WHO OWNS THE SUN? PEOPLE, POLITICS, AND THE STRUGGLE FOR A SOLAR ECONOMY. Contact: bermfam@davis.com; Daniel M. Berman, 1103 Maple Lane, Davis, California 95616, USA, Tel/FAX: 530-757-6609. He's an analyst at the California Public Utilities Commission in San Francisco.

ADRIAN KNOEPFLI writes about economics and business and how they relate to society as a whole. He has been following the Schmidheiny clan for almost a decade. Contact: knoepfli@swissonline.ch; Adrian Knoepfli, Streulistr. 81, Zuerich, CH-8032 (Switzerland). Tel: 0041-1-3821505, FAX: 0041-1-4229889.

References

1. See www.forbes.com, which in 1999 judged Stephan Schmidheiny to be among the 100 wealthiest people in the world. The figure of US2 billion in 1985 is from the Werner Catrina book.
2. Dominik Flammer, Chiles Vergangenheit holt Schmidheiny ein, ("Chile's Past Catches UP with Schmidheiny,"), WELTWOCH, Zuerich, Feb. 18, 1999; also Ulrich Achermann, "Schmidheiny & Co: Indies Setzen Waelder in Brand," (Schmidheiny & Co., Indians Set Fire to Forests. WELTWOCH, February. 25, 1999, from www.weltwoche.ch/). A more sympathetic view of Schmidheiny is available from Werner Catrina, "Stephan Schmidheiny's Ferne Waelder," ("Stephan Schmidheiny's Distant Forests," TAGES-ANZEIGER, Zuerich, Jan. 23, 1997, www.tages-anzeiger.ch/archiv/. Werner Catrina is the author of the non-confrontational yet fascinating book ETERNIT: STEPHAN SCHMIDHEINY'S SCHWERES ERBE, (ETERNIT STEPHAN SCHMIDHEINY'S DIFFICULT INHERITANCE) Orell-Fuessli, Zuerich, 1985. For a sketch of health conditions and practices inside the Osasco plant in 1983, see writings by Daniel M. Berman in Portuguese, English, and French versions: "Asbesto (Amianto) no Brasil: Ameaça à Saúde dos Trabalhadores e da População," in TRABALHO E SAÚDE, Departamento Intersindical de Estudos e Pesquisas de Saúde (DIESAT), July/August 1985, cover article; "Asbestos and Health in the Third World: the Case of Brasil, INTERNATIONAL JOURNAL OF HEALTH SERVICES, 2nd quarter, 1986; "Amiante et Santé dans le Tiers Monde, le cas du Brésil," chapter 5 from L'ENVERS DES SOCIÉTÉS INDUSTRIELLES: APPROCHE COMPARATIVE FRANCO-BRÉSILIENNE, Dr. Annie Thébaud-Mony, editor, Éditions L'Harmattan, Paris, 1990.

3. Stephan Schmidheiny, "Missing the Boat on Foreign Aid," World Resources Institute, WRI Perspectives, February 2000, www.wri.org/.
4. See Adrian Knoepfli's articles: "Beschaeftigte al Manoevriermasse, Von Schmidheiny ueber Electrowatt zu Siemens, SMUV-ZEITUNG No. 9, February 26, 1997; "Die Karten wurden neu verteilt, SKA, SBG, Elektrowatt, Schmidheiny, Winterthur, Rueck," daz, December 22, 1995; and "Ein neues Buch Ueber die Schmidheiny's, Stephan, Thomas, Jacob Wer ist wer?," daz, December 30, 1994.
5. Published by MIT Press, Cambridge, Massachusetts.
6. For an understanding of the role of Schmidheiny and the BCSD see Pratap Chatterjee and Matthias Finger's brilliant but little-known book THE EARTH BROKERS: POWER, POLITICS, AND DEVELOPMENT, Routledge, London & New York, 1994).
7. See Thorstein Veblen, THE THEORY OF THE LEISURE CLASS, MacMillan, 1899, chapter 14, "The Higher Learning as an Expression of the Pecuniary Culture," for a ponderously amusing discussion of the university's uses to business.
8. For an account of how U.S. asbestos companies were forced to pay billions of dollars in punitive damages to asbestos victims, see Barry Castleman, Sc.D., ASBESTOS: MEDICAL AND LEGAL ASPECTS, 4th edition, 1998. For accounts of present-day struggles for justice of ABREA, the Brazilian Association of People Exposed to Asbestos, see www.abrea.com.br. The "invisible war" quote is from Giannasi's acceptance speech on receiving the annual award for outstanding foreign achievement from the Occupational Health Section of the American Public Health Association in Chicago, November 1999.

Copyright © 2000 by Daniel M. Berman and Adrian Knoepfli.