EXECUTIVE SUMMARY

ECONOMIC DEVELOPMENT, CORPORATE ACCOUNTABILITY AND THE ENVIRONMENT: COMPARATIVE CASE STUDIES FROM COSTA RICA AND LOUISIANA

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The study examines the interplay between corporations, the state and civil society in determining state (national) economic policies and compares the dynamics of this relationship as it has developed in Costa Rica and Louisiana. A central argument throughout the work is the idea that a truly environmentally sustainable corporation must also be fully accountable to the local communities in which it operates. Chapter Two demonstrates how most corporations continue to fall far short of being truly accountable to the public and state regulatory institutions. Chapter Three shows how Shell-Norco and other petrochemical industries have influenced the environment and state policies in Louisiana. Chapter Four addresses the role of the agro-export industry in Costa Rican development through a case study of Del Monte's Pineapple Development Company (PINDECO). Chapter Five introduces the role of the Concerned Citizens of Norco (CCN) and El Frente de Lucha Contra La Contaminación de PINDECO (The Front in the Struggle Against Pollution at PINDECO) in pushing corporations toward greater accountability. The thesis ends with a discussion of alternative development paradigms as promoted by the Louisiana Environmental Action Network (LEAN) and the Costa Rican company TropOrganics.

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COSTA RICA AND LOUISIANA: What's The Link?

While there are undeniable cultural and historical differences between the two, both Costa Rica and Louisiana are today facing strikingly similar challenges to development. Despite prolonged struggles to diversify their respective economies, both have historically relied on one sector of growth. The agro-export sector in Costa Rica and the petro-chemical industries in Louisiana have defined regional growth strategies for the better part of this century.

Low economic diversity engendered a series of socio-cultural transformations that are common to both Costa Rica and Louisiana. In both cases, social services and environmental quality were sacrificed to stimulate economic growth. Similarly, both Costa Rica and Louisiana have reconfigured their policy formation processes in response to protean internal power structures. Today, large, multinational corporations dominate the economic/political landscape in both Costa Rica and Louisiana.

Policy planners in Costa Rica and Louisiana have both bought into a neo-liberal development paradigm.[1] Under this model, nations (states) open their doors to international markets, emphasizing the production of only those exports in which they believe they have a comparative advantage. Costa Rica's natural resources, high ecological bio-diversity, and cheap labor have thus become the backbone of new growth strategies; in Louisiana, access to the Gulf of Mexico and the Mississippi River and low enforcement of national environmental standards remain central advantages. Economic liberalization in Costa Rica translated into a series of loans and harsh austerity measures that mandated a reduction in the public sector. Structural adjustments[2] successfully stabilized the Costa Rican economy but today continue to weaken, ironically, the very social programs that made Costa Rica one of the wealthiest nations in the developing world. Government insurance programs, the state health care system, social security services and a strong public education system are today struggling to survive in Costa Rica. Similarly in Louisiana, health care, education and other state services remain grossly under-funded and Louisiana's social indicators tarry as some of the worst in the United States. Therefore, I would argue that at the beginning of the twenty-first century *Costa Rica and Louisiana are facing remarkably similar economic development dilemmas*.

My analysis also addresses the cultural and environmental dimensions of economic globalization. How is power distributed between corporations, the state, and civil society? Do corporations have different policies and practices across borders? If so, what factors account for this difference? More broadly, how are the benefits, responsibilities and challenges of the current development paradigm distributed between all relative stakeholders?

The thesis examines the interplay between corporations, the state and civil society in determining state economic policies and compares the dynamics of this relationship as it has developed in Costa Rica and Louisiana. A central argument throughout the work is the idea that *a truly accountable corporation is, by definition, environmentally sustainable as well.* The thesis opens up a dialogue about and offer criticisms of the larger economic system which perpetuates a social division of power between blue-collar laborers and their employers. It raises questions about other issues as well, including the socio-environmental consequences of plantation economies and dependant workforces, worker's rights in a globalized economy, and the shortcomings of our current system of corporate accountability.

In the thesis, I compare corporate operations in the dominant sector of each state's economy. I use Shell-Norco as an example of a petrochemical company in Louisiana and Del Monte's Pineapple Development Company (PINDECO) in Buenos Aires, Costa Rica as an example of the dynamic interactions between the state and private sector in Costa Rica. At the global and local level, both companies have made public pledges to develop sustainably. I examine these pledges, as well as corporate environmental management systems (i.e., ISO 14000) against the regulatory balance provided through state enforcement mechanisms and cross-border community organizing.

[1] Neo-liberal refers to a new type of economic liberalism in which (often in order to pay external debts), nations deregulate domestic markets, privatize state-owned enterprises, and cut social spending.
[2] Structural Adjustment Programs (SAPs) were designed to stimulate private investment, equalize budget deficits and curb national inflation. SAPs also require nations to cut back on social sector spending. The World Bank and the Inter-American Development Bank granted Costa Rica its third Structural Adjustment Loan in 1995. In return for $350 million in loans, Costa Rica was forced to cut 8,000 workers from the public payroll.

SHELL-NORCO AND THE STATE OF LOUISIANA

Leadership from the private sector, particularly petrochemical industries, was crucial to the development of Louisiana's economy. A review of the historical record makes it clear that the state and private sector in Louisiana continue to promote a common development ideology that primarily benefits themselves. Corporations have unquestionably enjoyed a disproportionate share of the benefits of Louisiana's economic development model; by contrast, low-income residents, particularly people of color, have shouldered a disproportionate share of the state's economic and social burdens. I back up my critique of the synergetic relationship that has developed between the state and corporate sector in Louisiana with statistics on the state's industrial tax incentive program.

My case study of Shell-Norco forcefully demonstrates the complexity of contemporary economic and environmental disputes that have come to characterize the state of Louisiana. From their riverside community 45 miles west of New Orleans, residents of Norco's Diamond community have struggled for decades to develop a mutually respectable relationship with their industrial neighbor, Shell-Norco. Today, residents suffer from respiratory illnesses, blurred vision, heart pains and cancers—ailments they maintain are a result of their close proximity to the plant. Shell, however, denies that it has any direct responsibility for the community's health problems and insists it has obeyed all existing laws and regulations.

As the tenth largest corporation in the world, Shell International advertises that it is "leading the way" in corporate sustainability initiatives. At the local level, however, community action groups like the Concerned Citizens of Norco (CCN) are challenging the practical application of Shell's international commitments. What I observed at Shell-Norco can be best explained as a collision of two competing visions of corporate accountability. The CCN feels that a community buyout is the only acceptable solution to the current situation; Shell, on the other hand, insists it is already accountable to the public, citing its willingness to disclose plant data and its full compliance with existing federal and state laws.

THE DEL MONTE CORPORATION IN COSTA RICA

As in Louisiana, Costa Rica's development history has been largely determined by foreign, multinational corporations. Also like the situation in Louisiana, Costa Rica's natural environment and low-income population have been most negatively effected by state economic programs. PINDECO and other foreign transnational corporations have radically changed the social and environmental landscape of the region. Today, Buenos Aires residents are torn between a traditional model of development, historically centered around subsistence family farming, and the promises of the neo-liberal model.

In just the last 12 months, El Frente de Lucha Contra la Contamincación de PINDECO (The Front in the Struggle Against PINDECO) has brought community concerns to the attention of PINDECO administrators. Members of El Frente charge that PINDECO has ignored Costa Rican labor laws (particularly with respect to the right to organize independent unions) and irresponsibly managed the handling and application of its pesticides (resulting in both human and environmental contamination). I examine Del Monte's role as a (self-proclaimed) leader in corporate accountability initiatives focusing on its recent certification as an ISO 14001 company. I argue that Del Monte has consistently violated both its own standards and the standards mandated by the Costa Rican government. I focus my analysis around three specific areas: 1) water and the environment, 2) worker health and human safety and 3) labor rights. *In Costa Rica, just as in Louisiana, the negative externalities of development appear to be almost exclusively transferred to the environment and lower class population.*

CORPORATE POLICIES VS. CORPORATE PRACTICES: IMAGE AND REALITY

My research corroborates the grave discrepancy between image and reality that continues to persist in the international promotion of development paradigms. The "Tropical Paradise" illusion in Costa Rica serves a similar purpose as the "Sportsman's Paradise" illusion in Louisiana. These images distort and conceal ecological realities: Costa Rica has the highest rate of deforestation in all of Latin America while Louisiana's pollution rates are amongst the highest in all the United States. In both places, a lack of environmental enforcement only complicates the paradox.

My concept of sustainability (and the one I use throughout the thesis) necessitates not only micro-level changes at individual facilities but a global reconfiguration of the very structure of commerce itself. I have serious doubts that any oil refinery, no matter how advanced their technology, will ever be environmentally or economically sustainable. The prospects of achieving true sustainability are equally problematic for chemically dependent agro-export industries.

My point of contention, though, is not that corporations should not be talking about greening their operations but rather that, in the process of becoming more sustainable, corporations should not be promoting false concepts/images to the public. Results from my research point to a disturbing disconnection between corporate policy and corporate practices at both PINDECO and Shell-Norco.

For example, although PINDECO says it will "meet or exceed the requirements of relevant laws, regulations and codes of practice regarding responsible environmental stewardship" it insists that heavy pesticides and fertilizers are "necessary" for production.[3] Indeed, it is more cost-efficient to use "procedures that minimize the risk of pesticide residues" rather than eliminate the residues all together.[4] Organic producers like TropOrganics, however, are working challenges to Del Monte's claim that chemical inputs are necessary for economically efficient production.

Shell, meanwhile, promises "to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment consistent with [their] commitment to contribute to sustainable development" (Shell, Business Principals, 2000). In just the last two years, however, social and environmental justice activists from Nigeria to Norco have brought to the public eye several cases contending that Shell (and the growth paradigm they promote worldwide) systematically violates basic human rights. In New Orleans, Shell representatives consistently misrepresent the CCN struggle, insisting that Shell has a "high overall favorability rating with the Norco community."[5] Jim Kimes, Norco Shell Chemical Plant Manager, reported to the press in March of 2000 that "the Norco communtiy has an overwhelmingly favorable impression of the Shell complex." [6]

In their Business Principals, both Shell and Del Monte recognize that they do have a responsibility to shareholders, customers, employees, and society. However, in Norco, Louisiana, Shell officials continue to deny responsibility for air pollution and community health problems. Similarly in Costa Rica, PINDECO continues to consistently violate Costa Rican law as well as their own policies by irresponsibly managing the handling and application of their chemicals, ignoring existing labor laws and denying responsibility for regional environmental damage.

This critique of corporate conduct should in no way take away from what I consider to be a very promising development in the international environmental arena: the emergence of sustainability discourse from within the corporate sector themselves. Rather, my intent has been to demonstrate the need for stronger mechanisms (local and international) to ensure that corporations are accountable 1) to the laws and regulations of the countries in which they do business and 2) to their own codes of conduct and the promises they make to the public. Because they are non-binding, self-directed corporate codes of conduct and other voluntary policies fall short of effectively regulating corporate behavior. *In both Costa Rica and Louisiana there seems to be a radical separation between, on the one hand the images and policies that corporations and the government report to the public and, on the other, the data concerning the integrity of their actual practices*. If Shell and Del Monte are, as they contend, going to be leaders in global sustainability initiatives they must first address the very basic accountability problems that continue to persist in their operations throughout the world.

CHALLENGES TO CONTEMPORARY DEVELOPMENT IDEOLOGY:

[3] Del Monte. "Corporate Environmental Policy." 1999.; Personal Interview, Dr. Altamirano, 1999.
[4] Del Monte. "Product Protection Plan." 1999.
[5] Swerczek, Mary. "Plant's Neighbors Bag Their Air." *The Times-Pi cayune*, River Parishes Bureau. 21 June, 1999.
[6] Swerczek, Mary. "Shell Reconsidering Norco Homes." *The Times-Picayune*, River Parishes Bureau. 3 March, 2000. Kimes' statement may be statistically "correct" if he is referring to the entire Norco population (many of whom represent middle management Norco), not the 1,ooo or so residents in the Diamond Plantation area.

LEAN and TROPORGANICS

In both Louisiana and Costa Rica, community organizations have begun promoting alternatives to the dominant development paradigm. The Louisiana Environmental Action Network (LEAN) is an umbrella organization representing over one-hundred community groups in Louisiana. And, just down the road from PINDECO, the Costa Rican company TropOrganics is a working example of a sustainable pineapple-exporting corporation. Collectively, these organizations are helping to bring about a change of consciousness and renew faith in an alternative means of sustenance.

Like PINDECO, TropOrganics has brought jobs and capital into a small community. TropOrganics, however, is a working example of a corporation that has truly balanced environmental preservation with the needs to make profits. As an organic producer, the company is "willing to sacrifice production for quality." According to two ex-PINDECO workers, the biggest difference between the two operations is "the way we [the workers] are treated...[the owners] know us and they both treat us well." By controlling one niche of the pineapple market, alternative growers have already started putting a limited amount of pressure on traditional producers like PINDECO. TropOrganics is hoping to fill a niche in a growing independent organic market—a niche in which chemically dependent producers like PINDECO simply cannot compete. In the future, Troporganics would like to help local farmers export organic coffee directly to the U.S. "We'd like this area to be known as Organic Valley," said the owners.

Likewise in Louisiana, several NGOs are trying to create new opportunities for small communities and small businesspeople. Along with university and private-sector representatives, LEAN received a Ford Foundation several years ago to begin developing an alternative economic development strategy for the state. Paul Templet of Louisiana State University is the Project Administrator and is aided by Ernie Nieme, an economic advisor from Oregon. Amy Clipp, a private consultant out of New Orleans, has been charged with creating a "green" Chamber of Commerce to increase customer bases within green businesses, encourage other businesses to go green and ultimately influence state policy. Their research is of extreme importance to environmental activists and development planners throughout the state as it moves beyond ideological criticisms to offer working solutions to regional environmental and social problems. Together, these people are successfully challenging the dominant development paradigm and debunking myths about Louisiana's economy.

Central to alternative growth strategies in Louisiana and Costa Rica is a shift away from a corporate control of state economic policies and toward a system based on <u>local</u> control of <u>local</u> development strategies by <u>local</u> people and <u>local</u> businesses. Small businesses have helped remediate economic crises throughout America and there is good reason to believe they would benefit Louisiana and Costa Rica as well. Small businesses have already helped Louisiana state employment figures--in the five years since 1990, 60% of all new jobs in Louisiana were created by firms with less than 100 employees.

PROSPECTS FOR CHANGE

In Louisiana, environmental protection has been and still is perceived to be the enemy of economic growth rather than an essential prerequisite to growth and the creation of new jobs. Today, a full 61% of all tax breaks in Louisiana are funneled into the petrochemical industry (Templet: 1997). These rewards and other government incentives to big businesses have inhibited the growth of other sectors of the economy and have kept Louisiana dependent on a fundamentally flawed development model.

Similarly in Costa Rica, state planners have bought into a development paradigm that poses a severe and immediate threat to the nation's poor and the environment. As structural adjustment policies reconfigure the nation's economic landscape, private enterprises continue to displace Costa Rica's once-strong public sector. *Campesino* ownership of land, long a backbone of Costa Rican stability, is today being replaced by corporate control of state resources. Economic liberalization has resulted in rising inflation rates and a soaring external debt. Export growth, while strong and rising, has yet to surpass import figures.

In both Costa Rica and Louisiana, neo-liberal growth models have perpetuated the division between social and racial classes and contributed to dwindling health, employment and educational services. *If state policy makers are to successfully address these challenges, they must begin a shift away from locational incentives and toward entrepreneurial strategies, emphasizing empowerment and localized control over state resources.*

The very presence of an environmental dialogue at top-level management marks a noteworthy shift in corporate management consciousness. The proliferation of environmental literature and programs aimed at business leaders is in and of itself a tremendous testament to the now-recognized necessity of balancing economic growth with ecological preservation. Business leaders need to remain an active member of sustainable development dialogues and participate fully in efforts to green their operations. However, all sustainability conversations should be rooted in a discussion of the historical and present inequities in the global distribution of power.

Environmental management and regulatory systems in place today fall far short of mandating full corporate accountability. Corporate codes of conduct, social responsibility platforms and environmental management systems are progressive management tools that have the potential to improve company performance but these efforts are grossly insufficient in and of themselves. The ISO 14000 series and other industry programs need to be complemented with enforceable environmental and labor laws that include clauses for independent, third-party monitoring of corporate management systems.

Push for economic reforms will undoubtedly continue to come from an increasingly well networked coalition of environmental groups, labor activists, small business leaders and progressive economists. Despite recent efforts to "green" production processes, corporations are unlikely to provide meaningful leadership in the movement toward real sustainability. Corporate environmentalism should be approached cautiously by policy makers; regardless of what may well be honorable intentions on the part of corporate planners, individuals within the corporate system are rigidly limited by the structure, momentum and goals of the capitalist growth machine itself.

State and national governments, acting as representatives *of the people*, have an essential role to play in the development of a more equitable development paradigm for the both Costa Rica and Louisiana. In many ways Kenneth Thomas of the University of Missouri was correct in commenting that, "states are prisoners of a situation where they'd all be better off if they offered fewer incentives, or none at all." Yet states (nations) are not prisoners; just as they created the current economic system, they can reform it.

Economic development strategies should not be unilaterally determined by the private sector. Decisions on state growth, like all policies that affect a broad array of stakeholders, should be democratically developed and implemented by civil society at large. Business leaders should not be discounted by grassroots sustainability organizers, however -- businesses indeed have an unquestionably important role to play in the sustainability movement. However, corporations should participate in the sustainability movement not as its imperious chieftain but as one stakeholder, along side the public and local governments.

Ultimately, corporate accountability means more than responsibility to investors-- it also entails company responsibility to employees, the environment, and surrounding communities. Corporate-defined and internally regulated accountability projects have some potential to affect change but ultimately fall short of returning control back into the hands of citizens and local governments. A truly accountable corporation, however, *by definition* is an environmentally sustainable corporation as well. And corporations like Del Monte and Shell/Motiva have a long way to go to become environmentally sustainable.

FOR MORE INFORMATION

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