

### 3. ASBESTOS MAGNATE OR ENVIRONMENTAL GURU: THE TRIALS OF STEPHAN SCHMIDHEINY

Daniel M. Berman<sup>1</sup>

What did Stephan Schmidheiny, former sole proprietor of Eternit, do with the billions from his 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. Now, after donating at least a billion dollars to a foundation he controls, *Forbes* has estimated that his net worth had declined to US\$2.9 billion by early 2011 [1].

Part of what Schmidheiny has done is to invest in Latin American forest properties. According to Swiss accounts, Stephan Schmidheiny began buying Chilean forest land in 1982, and by 2000 he owned over 120,000 hectares in Southern Chile, near Concepcion, land which the Mapuche Indians claim has been theirs since time immemorial. The Mapuche have charged that some of what Schmidheiny bought was stolen from them during the Pinochet dictatorship, using that regime's standard techniques of intimidation and torture. Schmidheiny's Chilean holdings, owned by his Terra Nova affiliate, are owned in turn by Nueva, Schmidheiny's Swiss-based holding company, which makes him one of Chile's largest owners of forest properties. (Nueva also controls companies in Latin America which employ thousands in the production of pipes, building materials, and in the planting and harvest of vast numbers of trees.) Terra Nova's businesses are so controversial that Huilcamans, President of the Mapuches' Consejo de Todas las Tierras, traveled to Switzerland in 1999 to convince Schmidheiny of the injustice of some of his subsidiary's activities. According to one account, Schmidheiny referred the Mapuche President to Hans-Ulrich Spiess, Terra Nova's Swiss representative, who found the accusations "absurd." Spiess claimed 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 dictatorial 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 used his "philanthropic" interests in Latin America to create the impression that he has invented a

new environmental paradigm based on the slogan "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" [3]. Schmidheiny's "eco-efficiency" and "civil society" paradigms did not include an imperative to inform asbestos-cement employees that their jobs were killing them – or that Eternit had a moral and legal duty to compensate those whose lives had been 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 his 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 1950 Stephan's father Max Schmidheiny, Eternit's sole owner, wrote to the company's Dutch subsidiary about recent research on asbestosis. In 1971 Max was quoted as criticizing Johns-Manville, the American asbestos giant, for placing warnings on sacks of asbestos exported from its mines in Quebec [4]. By the late 1970s Stephan Schmidheiny – who had replaced his father as owner – had ordered his firm's researchers to develop ways to produce fiber-cement panels which used plant fibers. Eternit even began to produce fiber-cement panels utilizing plant rather than asbestos fibers at its Ricalit factory in Costa Rica. But for a series of reasons, including the opposition of his own engineering staff and Eternit's local partners around the world, the asbestos substitution strategy was slow to take effect, so Schmidheiny ended up selling all of his asbestos-cement factories by 1990, in an attempt to transfer the liability for asbestos-related deaths to new owners.

*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*

<sup>1</sup> Dan M. Berman PhD: author of *Death On the Job*, co-author (with John T. O'Connor) of *Who Owns the Sun* and co-editor of *Health and Work Under Capitalism: An International Perspective*; email: danmberman@gmail.com

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 [5].

Schmidheiny, while selling off his Swiss properties and transforming himself into a banker and speculator, 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* [6], which argued 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 World Business Council for Sustainable Development (WBCSD), which set the tone for industrial and business participation at the International Conference on Environment and Development in Rio de Janeiro in 1992 [7]. One question the Schmidheiny analysis never answers is: what is to be done when businesses refuse to practice "eco-efficiency"? That choice would seem to be left to individual businesses.

During the 1990s Schmidheiny served on the Board of Directors of the Museum of Modern Art in New York City, and was also an active participant and lecturer at the Yale Center for Environmental Law and Policy of the Yale Law School. In effect, Stephan Schmidheiny decided "to take his money and run" from Eternit's looming asbestos disaster, and reinvest it in South American forests, construction materials, and electronics companies and in book projects, "grassroots" groups, universities and "philanthropic" enterprises around the globe, while leaving sick and dying workers to their own devices. He had launched himself on the world stage, magically remorphing himself into an environmental thinker and benefactor, and had that role sanctified by institutions of "the higher learning" [8] such as Yale University, which tastefully side-stepped the lethal origin of his multibillion-dollar fortune. In awarding Schmidheiny the honorary title "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 environ-

mentally 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." [9]

So far, Schmidheiny's 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. But in Osasco, Brazil a group of workers from Eternit's asbestos-cement plant, led by Ministry of Labor safety engineer Fernanda Giannasi, founded the Brazilian Association of People Exposed to Asbestos (ABREA) to fight for just compensation, medical care, and a ban on asbestos, a fight for justice in what Giannasi has called an "invisible war" against workers [10]. In addition, Schmidheiny is on trial in Turin, charged with willfully causing an environmental disaster, failure to comply with safety rules and negligence. Plaintiffs claiming damages at this criminal trial total more than 6,000 people including asbestos-disease survivors and the relatives of around 2,200 people killed by exposure to Eternit asbestos. Raffaele Guariniello, Turin's Public Prosecutor, has called for prison sentences of 20 years for Schmidheiny and for co-defendant Baron Louis de Cartier de Marchienne of Belgium [11]. A decision by a three-judge panel is expected in early 2012. A decade ago Stephan Schmidheiny told the *Wall Street Journal* "I promise you I will never go to an Italian prison." Since then he has refused to grant press interviews [12], and he has expressed no public remorse for the suffering and death his firm caused [13]. Only Stephan Schmidheiny, safe in his chateau by a lake in Switzerland or on his La Pacifica farm in Costa Rica, can tell us if he hears, in his dreams, the ghosts of asbestos workers past crying out for justice.

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## References

1. See [www.forbes.com](http://www.forbes.com), which in 1999 judged Stephan Schmidheiny to be among the 100 wealthiest people in the world. The figure of US\$2 billion in 1985 is from the Wemer Catrina book, *Eternit: Stephan Schmidheiny's Schweres Erbe [Eternit: Stephan Schmidheiny's Difficult Inheritance]*. Zürich: Orell Füssli; 1985. The latest estimate of his wealth by *Forbes* is for March 2011.
2. Dominik Flammer. Chiles Vergangenheit holt Schmidheiny ein [Chile's Past Catches up with Schmidheiny]. *Weltwoche*, Zürich, Feb. 18, 1999; also Ulrich Achermann. Schmidheiny & Co: Indianers Setzen Wälder in Brand [Schmidheiny & Co: Indians Set Fire to Forests]. *Weltwoche*, Feb. 25,

1999. [www.weltwoche.ch/](http://www.weltwoche.ch/).  
A more sympathetic view of Schmidheiny is available from Wemer Catrina. Stephan Schmidheiny's *Ferne Wälder* [Stephan Schmidheiny's Distant Forests]. *Tages-Anzeiger*, Zürich, Jan. 23, 1997. [www.tages-anzeiger.ch/archiv/](http://www.tages-anzeiger.ch/archiv/). Wemer Catrina is also the author of *Eternit: Stephen Schmidheiny's Schweres Erbe* [*Eternit: Stephen Schmidheiny's Difficult Inheritance*]. Zürich: Orell-Füssli; 1985.
- For a sketch of health conditions and practices inside the Osasco plant in 1983, see articles by Daniel M. Berman: *Asbesto (Amianto) no Brasil: Ameaça à Saúde dos Trabalhadores e da População*. *Trabalho e Saúde*, published by the Departamento Intersindical de Estudos e Pesquisas de Saúde (DIESAT), São Paulo, 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*. In Dr. Annie Thébaud-Mony (ed.) *L'Envers des Sociétés Industrielles: Approche Comparative Franco-Brésilienne*. Paris: Éditions L'Harmattan; 1990.
3. Stephan Schmidheiny. Missing the Boat on Foreign Aid. World Resources Institute, WRI Perspectives, Feb. 2000. [www.wri.org/](http://www.wri.org/).
  4. Barry Castleman. The Criminal Trial of Stephan Schmidheiny in Turin. This volume, Chap. 10.
  5. See Adrian Knoepfli's articles: *Beschäftigte al Manoevriermasse, Von Schmidheiny über Elektrowatt zu Siemens*. *SMUV-Zeitung* No. 9, Feb. 26, 1997; *Die Karten wurden neu verteilt, SKA, SBG, Elektrowatt, Schmidheiny, Winterthur, Rueck*. *Daz*, Dec. 22, 1995; and *Ein neues Buch Über die Schmidheiny's, Stephan, Thomas, Jacob*. *Wer ist Wer?* Dec. 30, 1994.
  6. Published by MIT Press, Cambridge, Massachusetts.
  7. For an understanding of the role of Schmidheiny and the WBCSD see Pratap Chatterjee and Matthias Finger's brilliant but little-known book *The Earth Brokers: Politics, and Development*. London & New York: Routledge; 1994.
  8. See Thorstein Veblen. *The Theory of the Leisure Class*. MacMillan; 1899, chapter 14, "The Higher Learning as an Expression of the Pecuniary Culture," for an amusing take on the uses of the university to big business.
  9. 1996 *Stephan Ernest Schmidheiny, Doctor of Humane Letters*, [http://www.stephanschmidheiny.net/files/file/awards/E\\_6\\_3-Aw-4\\_Yale.pdf](http://www.stephanschmidheiny.net/files/file/awards/E_6_3-Aw-4_Yale.pdf), downloaded March 30, 2011.
  10. The "invisible war" quote is from Fernanda Gianasi's acceptance speech on receiving an award from the Occupational Health Section of the American Public Health Association in Chicago, Nov. 1999. For accounts of present-day struggles for justice for asbestos workers and for an asbestos ban in Brazil, go to <http://www.abrea.com.br/17ingles.htm>.
  11. For on-going news in English about the Turin trial, Google "Asbestos in the Dock" at <http://asbestosinthedock.ning.com>; downloaded October 11, 2011.
  12. David Bank. *Moral Fiber: Billionaire Activist on Environment Faces His Own Past*. *Wall Street Journal*, Dec. 9, 2002. Castleman requested an interview with Schmidheiny, but Schmidheiny refused, as Castleman noted in *Asbestos: Medical and Legal Aspects*, op. cit., p. 769.
  13. In a message he wrote to friends about his "miraculous" recovery to a "new life" after his aorta ruptured, Schmidheiny makes no apologies for the business which earned billions for him and his family but sent thousands of workers gasping and choking their way to early deaths. See: "Ein Geschenktes Leben" ["A Gift of Life"], by Stephan Schmidheiny, Feb. 2008; this account was circulated to friends and acquaintances and appears to have been published as a chapter beginning on p. 233 of a book co-authored by René Lüchinger and Ueli Burkhard, *Stephan Schmidheiny, sein langer Weg zu sich selbst* [*Stephan Schmidheiny: His Long Journey Back to Himself*], Bern, Stämpfli Velag AG, apparently published in 2009.