LOTTERY, PAGE 3

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FULL PLATE OF STEAMERS

Sunday: *Partly sunny, 90*
Monday: *Cloudy, high 80s*
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SUNDAY, JULY 10, 1994

Taking a profit, and inflicting a cost

First of three parts

By Mitchell Zuckoff
GLOBE STAFF

US firms seeking riches among the foreign poor

FOUL TRADE

TANGERANG, Indonesia – The global economy begins here, in Yati's shanty, inside a wooden box where she keeps a few coins, a glass bead necklace and a powerful document on world trade.

The document is her pay stub, and it shows that Yati earned 165,000 rupiah – not quite $80 – for a month of sewing bits of leather and lace for shoes that bear the name Reebok. She worked 40-hour weeks plus 90 hours of overtime.

It costs less to live in the sweltering villages of rural Indonesia than almost anywhere else in the world. And Reebok International Ltd., of Stoughton, Mass., goes to great lengths to portray itself as a conscientious promoter of human rights in the Third World.

But when Yati leaves the clean, well-lit factory, she has only enough money to rent a 10-by-12-foot shack, with dirty walls alive with gecko lizards. There is no furniture, so Yati and two roommates sleep on a mud-and-tile floor.

Through a translator, Yati asks, "How much Reeboks cost, US?" The answer is on the bottom line of her monthly pay stub.

Having suspected as much, Yati shuts her eyes and nods.

...

There is little doubt the United States' economic future depends on its place in the global economy. An alphabet soup of free trade treaties like NAFTA and GATT, the end of the Vietnam embargo and the renewal of favorable trade status for China are vivid, recent acknowledgments of that fact.

But as economic barriers fall, US companies are becoming more than just free traders. They are the nation's new emissaries, exposing the world to the American way of doing business and, indirectly, the American way of life.

The impression they make can be an ugly one.

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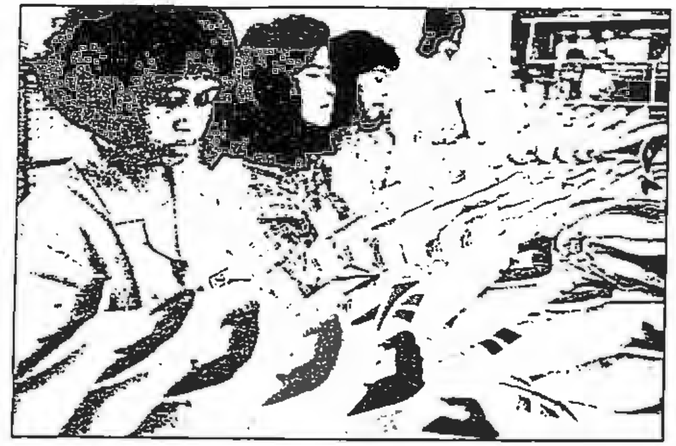


GLOBE PHOTO / MITCHELL ZUCKOFF

Women assemble shoes for Reebok at a Korean-owned factory in Tangerang, Indonesia. The minimum wage is about 25 cents an hour.

Continued from Page 1

In the poor[est cor]ners of the globe, US companies – or the local companies they hire to do their bidding – behave in ways that would land them in a court of law, or the court of unfavorable public opinion, here in the United States.

Sometimes the effects of the growing trade parade are felt by Third World workers who fuel the global economy; sometimes by the consumers who keep it humming; and sometimes by the environment that absorbs its leftovers.

Reebok is considered representative of US companies that use workers in places like this, distancing itself from the manufacture of its products by using foreign contractors it neither owns nor controls.

In the emerging global economy, few dispute the desirability of US business investing overseas. In fact, economists say it is necessary for Third World countries to pass through a period of low wages and weak regulations to build economic strength, citing the transformation of Hong Kong, Taiwan, Singapore and South Korea.

But a Globe review of US corporate behavior abroad found that rather than raising standards of living, American firms are more likely to be paying no better than local minimum wages, fouling the environment and selling products that in some cases are dangerous and deceptively marketed.

Consider:

■ Companies like Calvin Klein, Liz Claiborne and Reebok seek out manufacturers in poor nations like Indonesia, where worker rights are illusory and minimum wages fall below local poverty levels. Slave or "bonded" laborers have been found in places like China and Bangladesh, and their products have landed in US stores.

■ US pesticide companies sell developing countries thousands of tons of chemicals that are banned or not registered in this country. Sometimes they cause harm abroad, and sometimes they come back to the United States, on fruits and vegetables, in what has been dubbed the "Circle of Poison."

[...] a dumping ground for the developed world. An apt[ly] named example of "toxic trade" is the cruise ship SS United States, which was sent to Ukraine for the removal of tons of asbestos. Strict environmental regulations dissuaded the ship's owners from doing the work in the liner's namesake country.

■ US firms sell outdated, poorly labeled and mislabeled pharmaceuticals to developing countries. A congressional report last fall concluded that two-thirds of drugs sampled by investigators in Third World countries "failed to provide the kind of complete information a physician needs to use the drugs safely and effectively."

■ Nearly two decades after the world first recoiled at stories of African mothers being tricked into replacing breast milk with infant formula, a New Jersey company is allegedly doing much the same thing, with equally devastating results.

To be sure, US companies are not alone. South Korean manufacturers are notorious labor offenders in Third World countries, and Japanese and European companies are culpable as well. And some US companies – like Levi Strauss & Co. of San Francisco and Gillette Co. of Boston – try to behave the same way in the Third World as they do at home.

'Don't confuse human rights with marketing.'

FAUZI ABDULLAH
Labor organizer

JUL 10 1994

Moreover, offending companies are not solely to blame. They often are abetted by the governments of poor countries, which are hungry for jobs, taxes and a share of the profits.

Abuses also occur because the US government takes a see-no-evil approach to overseas practices by US-based companies. A second congressional report last fall concluded that US multinationals often are in conflict with the US national interest "at [...] the US government has not specified what that interest is."

Corporate interests were widely seen as driving US policy in May when the Clinton administration renewed Most Favored Nation trade status for China, despite Beijing's failure to improve human rights.

But anyone surprised by that decision needed only to look back to President Clinton's State of the Union speech in January. In it, he said that opening untapped markets overseas is the linchpin of America's economic future.

"It means jobs and rising living standards for the American people – low deficits, low inflation, low interest rates, low trade barriers and high investments," Clinton said. "These are the building blocks of our recovery."

The president will soon be making similar arguments. Only months after approval of NAFTA, the North American Free Trade Agreement, Clinton is expected to ask Congress this year to approve history's most sweeping trade treaty, the Uruguay Round of the General Agreement on Tariffs and Trade, known as GATT.

Its supporters point to the promise of free trade and increased global prosperity; its opponents – citing a virtual absence of protections for workers, consumers and the environment – call it a license to exploit.

Foreign trade – imports and exports of goods and services – accounted for almost 22 percent of the US gross domestic product in 1993, up from less than 14 percent two decades earlier. And that figure is expected to continue to rise dramatically as new markets open to US companies.

Nowhere is the explosion of global trade more apparent than in Southeast Asia and China, where huge developing markets and cheap labor create fertile ground for growth-hungry companies. US corporate investment is growing faster in Asia than anywhere else, approaching $13 billion last year. That total does not include billions more in imports and exports.

And it all starts with people like Yati.

• • •

Road of poverty

The dirt road to Yati's factory is an obstacle cour[se of] dirty children, a roller coaster o[f di]ps and turns, lined by ramshackle squatters' shacks and a lush tropical forest.

The smell suggests a slaughterhouse or a sewage treatment plant. But there is no sewage treatment here, so waste-filled ditches ripen in 95-degree heat. A textile factory adds a biblical touch by pouring blood-red dye into a stream of feces.

The people are uniformly thin, but the pigs grow fat on garbage and the mosquitoes grow fat on the pigs.

Indonesian footwear factories are the largest source of Reebok's products, turning out an estimated 15 million pairs last year, or 28 percent of all Reeboks sold. Chinese factories were a close second, followed by plants in Thailand.

Reebok owns none of the factories. Like dozens of other multinationals, Reebok separates itself from the manufacturing process – and from the direct responsibilities of being an employer – by using subcontractors in Third World countries. A South Korean company owns PT Garuda Indawa, the sprawling factory that employs Yati, who asked that her last name not be used.

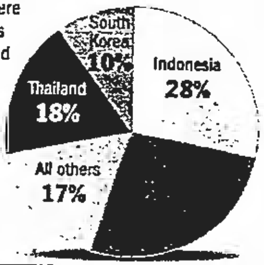
"We view our relationships with our factories as partnerships," said Doug Cahn, Reebok's director of human rights, who spent much of his professional career as an aide to US Rep. Barney Frank, the liberal Massachusetts Democrat. "We want them to understand our insistence that internationally recognized workplace standards are in effect."

Every six months or so, Reebok sends Cahn to this remote outpost, a three-hour drive from the Indonesian capital of Jakarta, to test the factories' compliance with Reebok's widely praised and much-copied human rights standards. The seven standards include non-discrimination, no forced or child labor, a safe workplace and what the company calls "fair wages."

By adopting the rules, Reebok has ostensibly held itself to a higher standard than most US companies in the Third World. The workplace rules contribute to the company's self-styled image as a promoter of human rights, an image that is honed every year with awards to young human rights activists.

Reebok manufacturing

Countries where Reebok shoes were produced in 1993



SOURCE: Reebok

But Indonesian labor activists say the image does not square with reality.

"Don't confuse human rights with marketing," warns Fauzi Abdullah, a longtime labor organizer in the Jakarta area. "Reebok isn't the worst company here, but that doesn't mean they're good guys."

"They spend a little money on what they call human rights, money that would have gone to television advertising, to make themselves look good," he said. "Their main purpose is to exploit low wages here. They're not looking for ways to help the people who make their shoes."

During an hours-long inspection of Yati's factory, Cahn walks up and down 46 rows of sewing machines, with 60 women working in each row. He checks to make sure fire extinguishers are full, fire exits are marked and glue pots are covered.

With a Reebok-employed translator, Cahn conducts five-minute interviews with two of the plant's 7,800 workers. Both echo the factory manager's assurances that they are paid the Jakarta minimum wage: $1.80 a day, or about 25 cents an hour, plus overtime.

Cahn's training in workplace safety and labor issues consists of what he calls "common sense, and what I've picked up. It's not that complicated." He seems satisfied with what he finds.

"They've ma[illegible] lot of improvements here," he says a[illegible]rd. "Things are looking a lot better."

Although Cahn says one of Reebok's Indonesian contractors received a warning for not following health and safety standards, he will not disclose the contractor or the specific problem. No Reebok contractor anywhere in the world has lost a single order for failing to live up to the company's two-year-old rules.

By contrast, Levi Strauss brings independent inspectors on its factory visits. In the same two years, Levi Strauss has canceled contracts with 35 of its 700 contractors worldwide, issued warnings to 175 others and – because of human rights abuses – pulled out of China, the world's largest market.

Moreover, close inspection of Reebok's standards reveals how much latitude the company gives itself.

Rather than unequivocally promising workers a safe factory, Reebok pledges only to look for contractors "that strive to assure employees a safe and healthy workplace."

Yati averaged 63 hours of work each week, but her factory still complied with Reebok rules on "working hours." Reebok's human rights standards say the company prefers factories that normally require no more than 60-hour weeks. But then it adds: except for appropriately compensated overtime in compliance with local laws."

Under the fair wages section, the company says it will seek business partners who pay wages "that address the basic needs of workers and their families" – but, the statement continues, "so far as possible and appropriate in light of national practices and conditions."

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Open for business

Indonesia is the fourth-most populous nation in the world and one of its poorest. The 13,000 islands of this sprawling archipelago contain 190 million people, and 2 million of them enter the work force each year.

For much of the 27-year reign of President Suharto, the government has tried to lure foreign business by keeping wages as low as possible and unions as docile as imaginable.

That is accomplished to no small extent by appointing the owner of the nation's 40th-largest conglomerate to be minister of manpower. His office sets the minimum wage. And an owner of another Indonesian conglomerate is head of what passes for the country's only legal union.

"Don't be betrayed by how things seem in this country," said HJC Princen, director of the Institute for the Defense of Human Rights in Jakarta. "A union here is not a union, a minimum wage is not a livable wage, and freedoms are not real freedoms."

A worker who is paid $1.80 a day, before overtime, spends almost half-a-day's pay for a pack of Indonesia's omnipresent clove cigarettes. Or three hours' pay for one good papaya, and two days' pay for enough meat to feed dinner to a family of four. A study sponsored by the UN's International Labor Organization found that 88 percent of women earning the Indonesian minimum wage were malnourished.

Labor activists say a minimum wage that satisfies basic needs is 7,000 rupiah a day, or about $3.30.

Reebok's Cahn said it would be "acting like an imperialist" to impose US standards and wages on companies that do business in places like Indonesia, which he said must pass through a stage of low wages to become industrialized. And, he said, the presence of Reebok and others is far better than leaving the country to rice farming.

"Think about what their lives would be like, how much worse, if we weren't here at all," Cahn said.

"When you talk about $2 a day, there is shock value, but what is the alternative for these people?" said David L. Lindauer, chairman of the economics department at Wellesley College. "They are taking that job because it's probably better than staying in the country and growing rice.

"This isn't slavery," added Lindauer. "The hope is that if enough Reeboks go to Indonesia and sop up the work force, next year the wage will be $2.50 a day."

Yet not all US companies take advantage of Indonesia's $1.80-a-day minimum wage.

In Bogor, an hour outside Jakarta, Gillette is paying an average of three or four times the required wage at a plant it owns and operates. Gillette Indonesia also provides US-style retirement and health benefits, sponsors a local school, donates money and time to a nearby orphanage and offers free hepatitis-B shots to the neighborhood.

"The job of a good company is to help raise the living standard where you operate. You do that by looking after your people," said James H. French, president of Gillette's Indonesian subsidiary.

As French talks, he walks the factory's manicured grounds and peeks into a mosque that the company built for its Muslim workers.

Gillette does not have a formal set of human rights standards, but company officials say the same approach is followed at each of its 62 manufacturing plants in 28 countries.

"We have a mission and values statement," French said, "but the real standard is something you understand on a gut level. You know your responsibilities."

...

Third World economics

Reebok shoes are also made at PT Tong Yang Indonesia, in a gloomy region outside Jakarta called Bekasi.

Factory owner Tan Chuan Cheng says he loves his 6,400 workers. And he says he believes they love him, too.

"You have to be their friend, you have to be their teacher, you have to be their parent," he says, displaying machines and workers who pump out 400,000 pairs of Reeboks every month.

Tan says he would like to pay his employees more, but cannot. He illustrates the point by pulling from the conveyor belt a pair of ladies' white aerobic shoes.

Reebok pays Tan $10.20 for each pair of these shoes, which sell for more than $60 in the United States. Two-thirds of the cost is for material, while wages account for perhaps $1.40, he says. Almost as costly as wages are the bribes of officials that Tan and other factory owners say are a fixture of the Indonesian bureaucracy.

"Even if all the Reebok producers got together and went to Reebok and said, 'Give me $13 for these so we can pay workers more,' it wouldn't work. I think they would say, 'We'll go to China and pay $8.'" Tan says. "But I wouldn't even risk asking, for fear of what would happen."

Reebok officials acknowledge that the company is always looking for new and cheaper sources of production.

"Cutting costs is part of our business. It's difficult for anybody to compete with China because wages there present a tremendous competitive factor," says Scott Thomas, an expatriate American who heads Reebok's Indonesian operations.

The pressure on developing countries to keep wages low or risk losing highly mobile businesses has created what some activists call a "race to the bottom."

"It's an old game," consumer activist Ralph Nader told a congressional committee in April. "[illegible] 50 years ago the textile workers of New England demanded higher wages and safer working conditions, the industry moved its factories to the Carolinas and Georgia."

Nader said the new GATT treaty "is crafted to enable corporations to play this game, with much more recklessness at the global level, to pit country against country in a race to see who can set the lowest wage levels, the lowest environmental standards, the lowest consumer safety standards."

Indonesian activists say the pattern already is developing.

"Companies and countries compete for the worst laws, and the weaker the laws are, the better they like it," says Tohaps Imanungkalit, research chairman for the Indonesian Workers Welfare Union, an organization that the government has refused to recognize. "Their codes of conduct only refer to the laws here, so the workers are helped only to the worst conditions."

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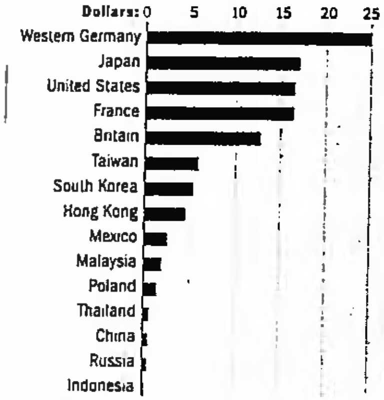
Labor costs

Hourly cost of manufacturing in 1993



SOURCE: Morgan Stanley

Clashes with workers

Efforts by Indonesia to retain companies like Reebok have begun to clash with workers' demands to share the wealth they are creating. In April, a wave of riots erupted in the resort city of Medan, caused by manufacturers' failure to pay the minimum wage.

And still unresolved is the murder of a 24-year-old woman at an Indonesian watch factory last year. She was beaten, raped and killed after protesting the firing of 13 fellow workers. Factory officials are being prosecuted, but rights groups have accused the Indonesian army of involvement as well.

All those issues will come into play when US Trade Representative Mickey Kantor recommends whether the United States should extend special trade privileges worth an estimated $640 million a year to Indonesia. Two US organizations, Asia Watch and the International Labor Rights Education Fund, an affiliate of the AFL-CIO, have challenged extending the privileges because of Indonesian labor rights abuses.

World tra agreements

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Treaties removing international trade barriers will increase the presence of US companies abroad. The North American Free Trade Agreement (NAFTA) was ratified seven months ago, and Congress will soon debate the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

	NAFTA	GATT
Participants	United States, Mexico, Canada	More than 120 countries
Key points	■ Will remove all trade tariffs and most other restrictions on business over the next 15 years. ■ Side agreements give each country unprecedented rights to investigate the other countries' compliance.	■ Cuts overall import duties by about 40%. ■ Phases out import limits on textiles and clothing. ■ Scales back farm supports. ■ Boosts copyright and patent protection.
Results	■ Creates a single market larger and more populous than the European Community. ■ In the three months after NAFTA took effect, US-Mexico trade reached record levels, US trade surplus with Mexico was cut in half.	■ Should pump an additional $235 billion into the global economy by 2005. ■ Countries worldwide would lose significant customs revenue. The US expects to lose $14 billion over the next five years.

SOURCE: General Accounting Office, US Trade Representative's Office, GATT officials

GLOBE STAFF CHART

And yet, few US labor activists expect the United States to impose sanctions against Indonesia, especially after President Clinton separated human rights from economic issues when he extended trade privileges with China. Moreover, in his Most Favored Nation announcement, Clinton declined to insist that US business adhere to certain standards abroad. Instead, he suggested a "voluntary set of principles" of conduct, and only for firms in China.

The AFL-CIO and other US labor organizations have been aggressive in fighting labor abuses in Third World countries, in part because of their historic concern for worker rights. But in a climate of free trade and highly mobile manufacturers, they also are trying to protect the future of US hourly wage workers, their core constituency.

American unions say corporate moves to low-wage, non-union countries are hastening the three-decade slide in union membership, particularly in manufacturing.

"We want to diminish capital flight from the United States that is based on labor exploitation," said Mark Anderson, director of international trade affairs for the AFL-CIO. "We've heard too many cases of companies saying, 'OK, folks, we need $2 an hour in concessions or we're going to move.' "

Business representatives say the unions are off-base.

"The whole issue is grotesquely overblown," says Stephen Cooney, director of international investment for the National Association of Manufacturers. "The unions don't like to confront the movement of jobs to right-to-work states, Sun Belt states, and that's what's really hurt their organizing efforts."

. . .

Fading dream

NAFTA, GATT and diplomatic trade talk mean nothing to Yati, who at 23 thinks of marriage, children and her next day on the Reebok assembly line.

Back in her shanty, bathed by the yellow-brown light of a single naked bulb, she shares her dream of leaving the factory to become a secretary. But after four years of making Reeboks, she has neither the savings nor the time to pursue it, and the dream is growing dim.

Asked to imagine her future, her bright face turns to a scowl, and she waves a hand in the air.

"I can't," Yati says. "This is all there is for me."

NEXT: *Selling dangerous products abroad.*

Trapped by poverty, killed by neglect

JUL 10 1994

By Mitchell Zuckoff
GLOBE STAFF

NAKHON PATHOM, Thailand – One moment they were mothers and fathers of Thailand, sewing and stuffing Playskool "Water Pets" for daughters and sons of the United States.

A moment later they were trapped in a fire fueled by the fabric of toys meant to comfort and amuse.

They listened for a fire alarm that never rang. They searched for sprinklers and fire hoses that had never been installed. They ran for doors that were locked to prevent theft.

They knelt in prayer and wailed in pain. Then they died.

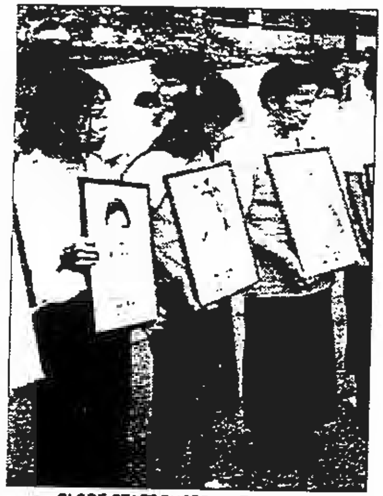
The fire last year at the Kader Industrial Co. toy factory here killed at least 188 workers, almost all young women. Some bodies were never found, and some families were too distraught to look.

The fire was reminiscent of the infamous 1911 blaze that claimed 146 lives at the Triangle Shirtwaist Co. in New York. In both cases, female sweatshop workers surrounded by flammable material were locked in factories without fire equipment. Triangle workers made $2 a day in 1911, while Kader workers were paid $5 a day in 1993.

Worker safety in the United States has taken giant leaps forward in the 83 years since the Triangle Shirtwaist tragedy. But factories in Third World countries, where thousands of American corporations buy or manufacture their products, frequently remain 19th-century death traps.

"Americans are very concerned with the materials that go into their toys," said Songsak Boongawenapanon, director of the Union for Civil Liberty in Bangkok, an advocacy group for families of Kader fire victims. "They are not thinking about the other side, the workers who make these toys. These are killer toys for workers in the Third World."

The Kader factory, about 15 miles outside Bangkok, was owned by rich investors from Hong Kong, Thailand and Taiwan. But most of their business came from major US toy companies.



GLOBE STAFF PHOTO / MITCHELL ZUCKOFF

Relatives of Kader victims attend a memorial this year.

US companies that bought from Kader make up a who's who of the toy industry, including giant Hasbro Industries of Pawtucket, R.I., whose Playskool division produces Water Pets.

Company spokesman Wayne Charness said Hasbro takes pains to ensure that its overseas manufacturers provide safe workplaces. He said the company no longer does business with Kader.

"We have arrangements with all our subcontractors that require them to be careful about how they do things," he said.

Kader clients also included Fisher-Price Toys of East Aurora, N.Y., Tyco Manufacturing of Portland, Ore., Toys "R" Us and Wal-Mart stores. In the 18 months before the fire, at least 358 shipments of toys were sent from Kader to the United States, according to an export database at the Journal of Commerce.

In May, one year after the fire, victims' families chanted with eight Buddhist monks at the Srisamranrath Bamrung Temple, near the factory.

Chieo Lengruska sat on the floor of the temple, her eyes ringed red and her hands twisting her skirt as she talked about her 19-year-old daughter, Watana. Chleo was working at a nearby textile mill when she heard the Kader factory was on fire.

"I ran here to find my daughter," she said through a translator. "I couldn't get inside. I could only watch the building collapse. . . . She was a very good girl." Rescue workers retrieved only her daughter's burned name tag.

As she spoke, two of the smallest mourners stared at a display of photographs of the fire victims, who had been laid out in rows or stacked like cordwood outside the factory. Five-year-old Aim Rodkit knew that his mother had died there. His 2-year-old sister, Om, was too young to understand.

Using US exports can be risky

Second of three parts

JUL 11 1994

By Mitchell Zuckoff
GLOBE STAFF

FOUL TRADE

MANILA – This story is 20 years old. So is Julie Chabena.

It has been two decades since the world first shuddered at news of in-fant formula companies providing ust enough free samples to leave Af-rican mothers dry and their babies lependent on bottles.

Today, curled up with her sick daughter in crib No. 49 in San Lazaru Hospital here, Chabena is proof that while the world's attention was fo-used elsewhere, the story has re-nained the same. Only the locations nd methods have changed.

In the global economy, let the uyer beware.

Just as some American compan-s take advantage of weak labor and vironmental laws in poor coun-es, they also manufacture and ex-rt products that are illegal in the nited States, or inappropriate for e Third World consumers being ged to buy them.

Powerful drugs and pesticides e frequently cited as examples, but oducts like infant formula can do t as much damage in the wrong nds.

"My milk is not good for the baby," says Chabena, as toothless as her infant daughter. "I was breast-feeding and the doctors tell me to stop. They tell me to use the bottles, the formula, so she will be fat and healthy."

But 6-month-old Roseann Cha-bena is neither. Her short life has been marked by maladies: pneumo-nia, malnourishment and severe di-arrhea, raging sores on her feet and an unexplained respiratory ailment.

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GLOBE PHOTO / MITCHELL ZUCKOFF

In Manila, Julie Chabena gives American infant formula to her 6-month-old daughter, Roseann, who suffers from pneumonia and malnutrition.

'Made in the USA' is sometimes a warning

JUL 11 1994

■ TRADE

Continued from Page 1

FOUL TRADE

Poorly labeled drugs and US-banned pesticides are just two examples of problem products sold overseas. The incentive is the huge potential for profits in untapped, developing countries.

All of Roseann Chabena's problems cannot be blamed on formula. But Dr. Imelda Ben, a breast-feeding advocate with the Philippines department of health, says thousands of desperately poor families like the Chabenas are being denied the benefits of breast milk. She blames companies like American Home Products of New Jersey, whose Wyeth-Ayerst subsidiary makes the Bonna brand formula that Roseann drinks.

The formula is not tainted, Ben says, but Wyeth's marketing strategy is.

"The hospitals here are very poor, so they take money from the milk companies," Ben says. "In exchange, doctors and nurses promote formula to poor women who don't know their own milk is better and who can't afford to use formula properly."

* * *

Reversal of policy

On Jan. 15, 1981, as one of his last official acts, President Jimmy Carter issued an executive order to sharply limit the export of products that were banned or restricted from sale in the United States. The rule applied to pharmaceuticals, pesticides, industrial chemicals, medical devices and consumer products.

But on Feb. 17, 1981, just 33 days later, a new president, Ronald Reagan, revoked the order. He worried it would put US exports "at a competitive disadvantage."

Carter's order had come in response to US exports of children's pajamas coated with TRIS, a banned cancer-causing chemical used as a flame-retardant, and the pesticide Leptophos, which was blamed for the deaths of several Egyptian farmers.

With a laissez-faire policy giving them wide latitude, US-based pharmaceutical and pesticide companies, or their foreign subsidiaries, continue to sell developing countries drugs and bug killers that are banned or severely restricted in the United States because of health hazards.

Drug companies also were accused last fall in a congressional report of selling powerful pharmaceuticals that are so poorly labeled that Third World health providers find it difficult to prescribe them correctly. The situation is exacerbated in many poor countries because drugs are sold without prescriptions, like packs of gum.

Drugs and pesticides are just two examples of problem US products sold overseas.

The same year that Reagan overturned Carter's order on dangerous products, his administration stood alone against 118 other countries, casting the only vote against an international code designed to end deceptive marketing of infant formula. It was only this May that President Clinton lifted US government opposition to the code.

Still, the code is voluntary, and companies have applied its rules selectively. Breast-feeding advocates say insidious marketing of formula persists in the Third World.

In other cases, the US government goes so far as to promote dangerous products. While the US surgeon general implores Americans to quit smoking, another arm of government, the US Trade Representative's office, demands that Asian countries open their markets to American cigarette brands.

The incentive for US firms is the huge potential for profits in developing countries.

Each year, US pesticide companies sell foreign countries about $750 million worth of chemicals that are not approved by the US government, according to the National Agricultural Chemicals Association, the leading pesticide industry trade group. From January 1992 through November 1993, US companies exported at least 45,000 tons of banned, never-registered or severely restricted pesticides around the world, according to the Port Import Export Research Service, a database on trade.

Worldwide sales of baby formula have reached $8 billion each year, and the market is dominated by a handful of US companies and the Swiss food giant Nestle SA.

Foreign pharmaceutical sales are expected to total $28.8 billion for US companies this year. Sales to Third World countries are about $4 billion and growing.

There is no way to know how much of that total comes from drugs banned in the United States. Although exports of banned drugs are prohibited, US regulators have no jurisdiction over – and keep no records on – the foreign subsidiaries that US pharmaceutical firms use to manufacture US-banned drugs.

The international cigarette market has become the focus of US tobacco companies, which face increasing restrictions and declining consumption at home. Including exports and overseas manufacturing, annual foreign sales now exceed $20 billion for US tobacco companies, industry reports show.

And all those markets are growing, baht by baht in Thailand, peso by peso in Mexico, and so on around the world.

* * *

"The American way"

On a sun-drenched day outside San Lazaro Hospital, a man beats a dog to death with a three-foot piece of lumber. The yelps attract children from a squatter's shanty. They wait patiently for a share of the meat that will be their lunch.

"The pig is very expensive. The dog is not expensive," a passerby explains.

The hospital is walled off from the shanties and dead rivers of Manila's poverty-ruined Quiricada area, but it is hard to separate it from the surrounding filth.

In the pediatric intensive-care unit, paint chips fall in flakes from metal cribs. A broken window lets the stench of the ward mix with the fetid air from outside.

Patients at this government-owned hospital are among the poorest of Manila, where 20 percent of children under 5 are malnourished, the infant mortality rate is five times higher than in the United States, and more than 40 percent of residents live below the local poverty line.

In almost every crib there is not only a sick child but also its mother or grandmother, each one with a hand-woven fan to fight heat and flies. On a wooden table next to each crib is a metal can filled with infant formula, a majority of them bearing Wyeth's blue-and-white Bonna label.

The women here, most of whom say they were breast-fed by their own mothers, have been convinced they are feeding their children "the modern way, the American way," in the words of Julieta Jordan. Her sickly 2-year-old grandson, Jerlon, has been in and out of this ward his entire life. When Jerlon is hungry, he cries, "Bonna."

"Breast-feeding is good, but this is better," Julieta Jordan says confidently. She equates its cost with presumed benefits. "Bonna is expensive. It makes him strong."

To the contrary, there is universal agreement that breast-feeding is always more nutritious than formula. Antibodies are passed from mother to child through breast milk, and studies have shown that bottle-fed babies suffer higher rates of pneumonia, diarrhea, respiratory infections and meningitis, among other ailments.

But the mothers here believe otherwise, and breast-feeding activists and consumer groups blame doctors, nurses and midwives who work on behalf of the formula companies. They cite efforts by the companies to violate the letter or the spirit of the international marketing code.

In the Philippines, where much of the code has been adopted as law, there are widespread reports – but no government prosecutions – of infant formula companies giving money and gifts to health care workers in tacit exchange for promoting formula. The law bans such payments and gifts, and the companies deny they violate it.

But at Polymedic General Hospital in Manila, a nurse in the pediatric ward says her $4,000 salary was secretly paid this year by Nestle. The nurse, who declined to be identified, said last year it was Wyeth's turn. The companies deny the allegation.

Dr. Manuel Salazar, the government health officer in rural Quezon province, oftered a litany of cases where doctors were sent to conferences by Wyeth, Nestle and two other Ameri[illegible] formula companies, Bristol-Myers and Abbott Laboratories.

"Everyone knows how it works," Salazar said. "These doctors are the formula companies' friends, and they pay them back with good things to say about the formula. And then the women listen to the doctors and stop breast-feeding."

Breast-feeding advocates say the companies also sponsor doctors' training in obstetrics and pediatrics. Moreover, they skirt a ban on infant formula advertising by airing commercials for "follow-on" formula for children more than six months old.

"Poor women here are not sophisticated," said Ines Fernandez, a breast-feeding advocate in Manila. "They don't distinguish between formula for toddlers and formula for infants, and the companies know that."

Wyeth spokeswoman Carol Emerling vigorously disputed the activists' charges, saying the company does not improperly entice health professionals or new mothers to use its products.

She said that Wyeth, in 1983, "adopted and implemented the code in its entirety in developing countries. We certainly monitor it carefully, and when we find it not being applied, we take action." Emerling said that when activists told Wyeth that one of its employees in Uruguay was promoting formula by raffling free tickets to Buenos Aires, the worker was "promptly disciplined."

The company's position, Emerling said, is that "all children should be breast-fed." Infant formula products, she continued, are merely an alternative for women who for physical or other reasons do not breast-feed, she said.

In the Philippines, Emerling added, "We do not market to women, we do not market to the consumer. Our contacts are with the health professionals, and those contacts are completely appropriate." When told of allegations of secret payments in the Philippines, Emerling categorically denied that the company pays nurses' salaries or funds doctors' trips.

But those claims have not satisfied advocates such as New Haven-based Action for Corporate Accountability. In 1988, the group initiated a boycott of American Home Products, and reinstated a 1970s boycott of Nestle, to protest what the group said were systematic violations of the code.

Beyond the letter of the code is the fact that Third World mothers who stop breast-feeding become dependent upon a product few can afford to use properly.

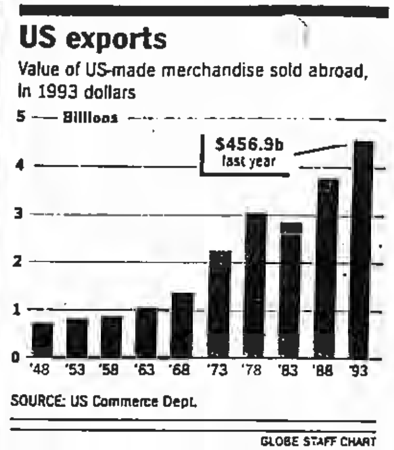
Chabena says her husband makes about 100 Philippines pesos a day, just over $4, as an itinerant construction worker. Bonna costs her up to 30 percent of the family's income. When money is tight, she stretches the supply by diluting it with three or four times as much water as recommended.

And Chabena is among the nearly 1 billion people in developing countries, almost one-fifth of the world population, who have no access to clean water. She uses dirty water from a public faucet to make her daughter's meals.

"When she grows up, I wanted her to finish college," Chabena says. "Now, I just want her to be healthy."

GLOBE STAFF PHOTO MICHELE McDONALD

In a store outside Manila, Rolly Cleeron holds a bottle of Machete pesticide, an American-made product that has never been approved for use in the United States.



JUL 11 1994

Prescription for danger

At the Universal Pharmacy on Sukhumvit Road in Bangkok, a pharmacist named Amon plays the role of doctor, prescribing medicine based on customer complaints.

For various kinds of pain, he offers dipyrone. "An effective pain killer," he says cheerfully. "Very good, very safe."

Asked for a product to relieve infant diarrhea, Amon, who declined to give his last name, is rapid and helpful again. He reaches for a bottle of Kaopectate.

But Amon is wrong on both counts.

Dipyrone [illegible] has been blamed for bone marrow damage and other ailments, has been banned or severely restricted as a dangerous product by at least 23 countries, including the United States. Yet, the US drug company Sterling Winthrop uses its subsidiaries to sell it to 20 other countries, primarily developing nations in Latin America, under the brand name Conmel. In Thailand, most dipyrone products are made by a German drug company, Hoechst.

As for Kaopectate, made by Upjohn, Amon is correct that the creamy white liquid is an effective treatment for diarrhea. But the company says it should not be used by infants, in whom it can cause harmful or even fatal complications.

A parent in Thailand, however, would have no way to know that. First, few poor Bangkok residents see doctors, so Amon's faulty prescription would go unchallenged. Second, the label that warns against use by children under 3 is printed only in English. The only Thai writing is the price tag.

Amon's little pharmacy offers a window into the sale of dangerous and poorly labeled drugs in Third World countries.

"Drug companies get away with everything they can, and that translates into meeting the lowest possible standards a Third World country allows," said Dr. Sidney Wolfe, director of Public Citizen's Health Research Group, who helped author a congressional study last year on pharmaceutical marketing.

"There is little question," Wolfe added, "that there have been many thousands of preventable deaths and injuries caused by the reckless and dangerous labeling of these drugs."

The study concluded that two-thirds of the labels on 241 drugs surveyed "failed to provide the kind of complete information a physician needs to use the drugs safely and effectively." More than half had "severe labeling deficiencies" that could lead to serious or life-threatening problems. The study examined drugs sold by US companies in Thailand, Brazil, Kenya and Panama.

Sen. Edward M. Kennedy, the Massachusetts Democrat who requested the study, called it "a shocking indictment of industry abuses and a clear call for US government action."

One proposal has been to require US drug companies to meet US Food and Drug Administration labeling standards wherever they do business. But, to date, Congress has taken no action on that idea.

Dr. Harvey Bale, senior vice president of the Pharmaceutical Research Manufacturers Association, an industry trade group, rejected the congressional study as poorly designed. He said it ignored international medical practice and tried to set a standard based on US regulations that take no account of local health conditions.

"Most other countries, developed and developing, reject [the US] approach to labeling, believing that too much information merely diverts the physician's attention from the most important and essential information necessary to make the correct prescription," Bale said.

Critics say that even if they agreed with Bale, his approach would not help when the only person standing between a patient and a powerful drug is an ill-informed pharmacist, or when labels are in a foreign language.

Even if labeling problems were fixed, there remains the issue of companies like Sterling Winthrop using foreign subsidiaries to manufacture and sell drugs banned in the United States.

The FDA banned dipyrone from the United Sta' in 1977 because studies showed a link between the drug and severe loss of white blood cells as a result of bone marrow damage. Manufacturers of dipyrone dispute that finding, defend the drug and argue against US efforts that they say violate other nations' sovereignty.

"We remain convinced that there are very minimal risks," said Sterling Winthrop spokesman Terry Kelley. "The FDA or the US cannot necessarily dictate to other countries, nor are US [drug policies] necessarily the gold standard."

But critics say the real standard for drug firms is how much profit is at stake.

"It's hard to understand how drug companies can tell the lies they do," said Dr. Ken Harvey of the Medical Lobby for Appropriate Marketing, an Australia-based organization.

"They are economic colonialists," Harvey added, "saying they are out to help Third World countries, but really there to take what they can and move on."

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Selling pesticides

Even easier than selling US-banned drugs is selling US-banned pesticides to Third World countries.

Unlike US pharmaceutical companies, which have to use overseas subsidiaries, American pesticide firms can manufacture banned bug killers in the United States, then export them for sale abroad.

In Bogor, Indonesia, at the Tani Jaya farm store, a small bespectacled man uses an abacus to add up his sales. He is eager to sell a pesticide called Marshal, made by FMC Corp. of Institute, W. Va.

FMC tried unsuccessfully for more than 10 years to receive US Environmental Protection Agency approval for Marshal, the brand name for a chemical called carbosulfan. The EPA, in denying domestic sales, cited unanswered questions about health and environmental damage caused by the pesticide. And US regulators are not alone; Malaysia in 1974 prohibited the manufacture, sale and import of carbosulfan.

Yet FMC – the sole patent-holde[r] carbosulfan worldwide – sells Marsha[l] in more than two dozen countries, many of them in the Third World, for use on everything from alfalfa and apples to sorghum, sugar beets and sunflowers. It also is used on rice in Thailand, the No. 1 exporter of rice to the United States.

That sets in motion what environmentalists call the "Circle of Poison," because of cases where US-banned pest killers have been found on imported produce.

For instance, in a dozen cases since 1982, the FDA has found illegal traces of prothiophos, an insecticide that has never been registered in the United States, on grapes from South Africa, pears from Japan, mustard greens from Thailand and pickles from Sri Lanka. Prothiophos, made by Miles Inc. of Kansas City, Mo., is sold as Tokuthion.

Tokuthion also is for sale at the Tani Jaya store, one shelf above the Marshal.

The pesticide industry, much like the pharmaceutical industry, says it would be wrong for the United States to impose standards on the world.

"To say that you can't export these things because the US hasn't approved this is regulatory imperialism," said John McCarthy, international vice president for the National Agricultural Chemicals Association. McCarthy said banning exports of unapproved pesticides would cause "significant job losses" as US pesticide companies moved manufacturing overseas.

Unlike other industrial countries, the United States requires pesticide exporters to notify overseas importers of the shipments of a US-banned or never-registered pesticide. But environmentalists say the notification rules are almost useless.

Often, the foreign importer is a subsidiary of the US manufacturer, so the notification is little more than a paper transfer.

The Clinton administration in April moved to tighten the export policy by requiring that foreign governments be notified of the shipments. However, the new policy would not stop the export of banned or never-registered pesticides. Legislation to stop such exports almost passed in Congress in 1990, but efforts for approval since then have gone nowhere.

Activists say pesticide sales reflect the United States' overall approach to dangerous products in the Third World.

"Wherever you look, there are clear examples of corporate misbehavior and lack of care about what corporate practices will do to workers, the environment and consumers," said Sandra Marquardt of Greenpeace. "It's basic callousness. They know that these substances are harmful, but they sell them anyway."

NEXT: *Dumping toxic waste on the Third World*

JUL 11 1994

Cigarette companies try to strike a match in Asia

JUL 11 1994

By Mitchell Zuckoff
GLOBE STAFF

MANILA – It has been a quarter-century since Americans have seen anything like it.

It looks like a beer commercial, with bikinied volleyball players and rugged men on a California beach. Then the jingle starts: "Gimme the feeling, gimme the taste, gimme the spirit of the USA." Then, "Winston. The Spirit of the USA."

Throughout Asia, the spirit of the US government's trade policy has been to push US-brand cigarettes on countries that do not want them. The policy sometimes includes pressuring governments to allow advertising outlawed in the United States.

"It is the height of hypocrisy," said Dr. Hatai Chitanondh, president of the Thailand Health Research Institute. "Health officials in the United States are telling people not to smoke. Then your trade officials force the world to buy American cigarettes."

Throughout the 1980s, the US Trade Representative's office moved aggressively to ensure access for US tobacco firms in Asian countries, which traditionally limited their markets to government-owned cigarette monopolies.

The free traders' rationale was that if a US trading partner allowed domestic sale of cigarettes, then American tobacco companies should be allowed to compete.

"If we are being kept out of a market because they want to favor their own industries, that just isn't fair," said Diane Wildman, spokeswoman for the trade representative's office.

Beyond the issue of fairness is the question of dollars and cents. Beyond tobacco jobs and taxes, exports by US tobacco firms reduce the nation's trade deficit by more than $4 billion annually, the Commerce Department says. Nearly 30 percent of the 660 billion cigarettes produced last year in the United States were exported, nearly twice as much as in 1988, industry officials said. And that does

SINOPIX PHOTO / R. JONES

The giant lettering of a Marlboro advertisement dominates a street scene in Canton, China.

not include US-brand cigarettes manufactured overseas.

Still, some US agencies have established restrictive policies based on tobacco's deadly qualities – including links to heart disease and cancer of the mouth, lung, esophagus, kidney and bladder. For instance, the Overseas Private Investment Corp., a government agency, denies aid to US cigarette companies.

But the trade representative's office took a different tack, pushing US tobacco into Japan, Korea, Taiwan and Thailand.

In Thailand, US trade officials threatened to reduce imports of Thai jewelry, coffee, sugar, tuna, rubber and pineapple. That would have cost Thailand $350 million, the amount that US tobacco growers said they were losing by being kept out of the Thai market. Thailand couldn't bear the cost, so it gave in.

Cigarette industry representatives are adamant in arguing that if tobacco is sold legally in other countries, US companies should be given a chance to compete. They also reject arguments that health concerns should outweigh trade issues.

"The US cannot claim to be nanny to the world," said Brenda Follmer, spokeswoman for R.J. Reynolds Tobacco International. "These governments have their laws, their regulations, and we follow them."

At stake is a huge market for US cigarette firms.

Cigarette use among US adults has dropped from 40 percent in 1965 to roughly 25 percent today. But smoking rates in Asia rose 3 percent in 1989 alone. The region is seen as the source of new recruits to replace US and European smokers who quit or die.

Once in a new country, US cigarette firms mount advertising blitzes. In places like Malaysia and China where governments restrict TV ads for cigarettes, tobacco companies engage in "brand stretching." The practice consists of putting a cigarette name – such as Salem or Marlboro – on items like clothing or businesses like travel agencies, then advertising those non-tobacco items.

The effect of the US tobacco invasion in Asia has been dramatic. In the year after South Korea opened its market to US cigarettes, smoking among male teen-agers rose from 18 percent to 30 percent; among female teenagers – who traditionally spurned smoking – it rose from 2 percent to 9 percent, according to the General Accounting Office, an investigative arm of Congress.

It is unclear how hard the Clinton administration will push tobacco interests abroad. Last year, the president established a Tobacco Task Force to bring together government officials to discuss the subject.

But tobacco opponents question whether tough restrictions on the companies' overseas operations will emerge from this group. They note that US Trade Representative Mickey Kantor was once a lawyer-lobbyist for the tobacco industry, and they fear that the White House's approach to cigarette trade will mirror an advertisement now appearing in Asian magazines.

In the ad, a lone horseman is framed by a vista from the southwestern United States. The copy reads: "Out here there is only one rule: No Rules. Marlboro Country."

A river of waste from rich nations flows to the poor

JUL 12 1994

Last of three parts

By Mitchell Zuckoff
GLOBE STAFF

GLOBE PHOTO / KITTINUN RODSUPAN

Workers at Thai Tantalum in Bangkok demonstrate their lack of concern about radioactive uranium and thorium in barrels of sludge from Fansteel Inc. of Chicago.

BANGKOK – The barrels arrived here as a free sample, compliments of a Chicago company with a $100 million problem and a shrewd way to fix it.

FOUL TRADE

Eight of them came rolling off the freighter Roman Pazinski last summer, each filled with corrosive green-gray sludge. But that wasn't all. The muck was seasoned with radioactive thorium and uranium.

The barrels came from the US metals company Fansteel Inc., which said the nuclear waste was so diluted it posed no threat. In addition, Fansteel told the Thai company receiving the sludge that it was loaded with valuable metals.

Fansteel planned to follow up the samples with as many as 35,000 barrels, all laced with nuclear wastes. And their new owner, unaware of the waste's toxicity, never bothered to buy a Geiger counter.

Environmental groups say Fansteel's export plan is a vivid example of a kind of trade that treats poor countries as environmental dumping grounds for rich, industrialized nations like the United States. They say these abuses combine with labor and consumer exploitation in Third World countries to create a triumvirate of dirty trade practices.

"Toxic trading," as environmental dumping is known, has sent millions of tons of noxious leftovers from North America and Europe to the Third World.

"What the First World doesn't want in their back yard, we take because we have no choice," said Dr. Susan Pineda, spokeswoman for the Philippines health ministry.

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FOUL TRADE

A cornucopia of toxic refuse from the United States is piling up on Third World shores. American and foreign environmental regulators have little power to stop it.

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■ TRADE
Continued from Page 1

Critics like the environmental group Greenpeace say the recipients are countries so hungry for trade that they will accept almost anything, no matter what harm it might bring. Or, they are too poor or unsophisticated to enforce their meager regulatory attempts to restrict such imports.

Business groups like the US Chamber of Commerce have defended toxic trade as a boon to the economies of developing countries, which can earn much-needed dollars by accepting the wastes of rich nations. They accuse opponents of being "neocolonialists" who try to keep Third World nations in poverty.

The United States is the world's No. 1 source of hazardous waste, creating more than all other industrialized countries combined.

Of the 238 million tons of hazardous waste generated in the United States each year, 13 million tons are exported legally, much of it scrap metal. That total is increased by untold tons of illegal exports, carried by "midnight haulers" to Mexico or by ships carrying sewage billed as organic fertilizer or some other bogus label.

There is no international system to monitor toxic exports, and US environmental regulators have little power to stop such deals even if they know the wastes will be disposed of unsafely in a poor country.

The cornucopia of toxic refuse piling up on Third World shores includes nuclear waste, used automobile batteries and tires, old paints, contaminated soil, chemical solvents, asbestos, incinerator ash and plastics that give off poisonous fumes when burned. Sprinkled into the mix are substances like cyanide, mercury, dioxin, PCBs and lead.

Most developed countries have moved to end the trade, but the United States is one of only two industrialized nations, along with New Zealand, that have failed to ratify an international hazardous waste treaty that phases out such exports.

In March, the Clinton administration told Congress it supports the treaty and its ban on most exports of hazardous wastes to developing countries. The administration's proposal also would phase out exports of garbage and other wastes to the Third World within five years.

"Citizens in other countries should not be asked to bear the burden of US pollution," Carol M. Browner, administrator of the Environmental Protection Agency, said.

Congress has taken no action.

Environmentalists say congressional approval of the ban would put the United States in line with the rest of the industrialized world. That, plus ratification of the international waste export treaty, would mark the beginning of the end for US toxic trade.

But as it now stands, the ban does not apply to radioactive materials like the sludge in Fansteel's barrels.

* * *

Radioactive sludge

Fansteel's sludge came from a 45-acre site in Muskogee, Okla., hard by an interstate highway and the Arkansas River.

For 40 years, the company used the site to process two rare metals called tantalum and columbium, which are used to make a wide variety of products from electronics equipment to nuclear reactors.

In the late 1980s, when the market for the metals bottomed out, Fansteel began selling off that part of the company. But getting out of the business wasn't simple.

The process of refining the rare metals releases radioactive wastes. And during its four-decade run, Fansteel dumped an estimated 25 tons of uranium and 65 tons of thorium into sludge ponds outside the Muskogee plant.

In 1991, after Fansteel had ended its tantalum and columbium operations, the US Nuclear Regulatory Commission listed those sludge ponds among the nation's 46 most troublesome nuclear waste sites. While not an immediate threat to the public, the sites had contamination levels higher than NRC standards. And their owners were required to clean them up.

Fansteel officials have refused to discuss the case, but one NRC estimate put Fansteel's cleanup costs at $100 million. That is about 100 times the company's earnings last year.

Rather than clean up the wastes at home, the company decided "for financial reasons" to ship them to Thailand, according to internal NRC documents provided to The Boston Globe.

The company that bought the wastes was Thai Tantalum Corp., a relative newcomer to the field of rare metals that had been building a relationship with Fansteel.

At the time that Fansteel was exiting the tantalum and columbium business, it was selling the Thailand company equipment, patents and technology. In turn, Thai Tantalum hired former Fansteel employees and even opened an office in Muskogee.

As the relationship flourished, Fansteel hatched a plan to empty the contaminated ponds, put 14,700 tons of radioactive sludge into barrels and ship it to Thai Tantalum's headquarters outside Bangkok.

As required by US law, Fansteel applied for an export license from the NRC. The application said Thai Tantalum would use the sludge as raw material, sifting through the radioactive muck to find valuable leftovers of tantalum and columbium.

That sounded fine to US nuclear regulators.

US laws on overseas shipments of radioactive materials are designed entirely to prevent unauthorized transfers of substances that could be used to make a nuclear bomb. The NRC's export office does not restrict shipments of nuclear wastes.

"Our criteria is based on national security and not whether some shipment is environmentally or politically disagreeable," said Ronald D. Hauber, assistant director for exports at the NRC. Hauber granted Fansteel's export license in May 1992.

"This export was an automatic yes. It had no bomb-making potential of any significance, and we could have stamped it approved for export on that basis alone," Hauber said.

Export license in hand, Fansteel assem-

A worker at Thai Tantalum Corp. opens one of eight barrels of radioactive sludge shipped to Thailand last summer by Fansteel Inc. of Chicago.

oied the free sample barrels, booked passage aboard the Roman Pazinski and waited for the go-ahead nd the rest.

If not fo: the last-minute intervention of environmentalists, the plan would have worked.

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Familiar with controversy

Thai Tantalum was no stranger to the controversy generated by industrial waste.

The company's first plant, on Thailand's resort island of Phuket, was burned in 1986 by a mob of local residents who feared it would poison the environment, spew radiation into their midst and destroy the region's lucrative tourist industry. Fresh in their collective memory were the deaths in 1984 of more than 4,000 people in Bhopal, India, the victims of a poisonous gas leak at a Union Carbide plant.

Thai Tantalum absorbed that loss, regrouped and built a new plant at a government-owned industrial park in southern Rayong province. With expertise and equipment from Fansteel, all Thai Tantalum needed was raw material.

That's where Fansteel's sludge fit in.

When the eight barrels arrived in July 993, no one in Thailand – outside of the two ompanies – knew what they contained.

Under Thai law, Thai Tantalum had no bligation to inform government officials that it was receiving sludge tinged with radioactive uranium and thorium.

Helping to keep the wastes a secret was failed attempt by US nuclear regulators inform their Thai counterparts of the nature of Fansteel's free sample.

The US regulators sent a letter about the shipment to the Thai Embassy in Washington. But, somehow, it never made it to the Thai nuclear regulator in Bangkok for whom it was intended.

The Thai Embassy forwarded the letter, "but I understand it was not received in Bangkok," said Suchai Janepojanat of the Embassy's Office of Science and Technology. The NRC's letter, reviewed by the Globe, would have made it clear to Thai regulators that the shipment contained uranium and thorium.

But with the letter nowhere to be found, and no requirement in Thailand that regulators be informed of nuclear imports, the eight sample barrels arrived unnoticed last summer in Bangkok.

Then, in February of this year, Bangkok environmentalists got wind of what Fansteel and Thai Tantalum had planned. They quickly informed Bangkok's nuclear regulators.

Upon learning of the sample shipment, Virah Mavichak asked himself a key question for all Third World countries: "Are we being used as a dump site?" Virah, director of the Thai Department of Industrial Works' office of hazardous substances, investigated the shipment.

He concluded that Thai Tantalum's motive was innocent: to import cheap raw materials. It was only upon the sludge's arrival, he said, that Thai Tantalum learned it was virtually worthless, containing only small amounts of valuable metals.

As for Fansteel, Virah concluded that the US company was trying to save money on the cleanup of its sludge pools, and Thailand was considered no more than a cheap disposal site.

Fansteel officials are keeping silent on the Thai Tantalum affair. "I have nothing to report to you," said Keith R. Garrity, Fansteel's chairman and chief executive.

Fearing that Fansteel might still try to send the rest of the sludge from Muskogee, Bangkok authorities have revoked Thai Tantalum's import license.

Environmentalists, however, still question why Thai Tantalum did not test the sludge in Oklahoma, where it had an office. "It makes you wonder if there was some kind of secret disposal deal," said Nick Morgan, a toxic trade opponent with Greenpeace.

The rest of Fansteel's sludge is still in Muskogee. And the NRC is awaiting the company's next plan for disposal.

Weeks after their discovery by nuclear regulators, the eight barrels were removed from Thai Tantalum and disposed of by Thailand's Office of Atomic Energy for Peace.

Before the barrels were hauled away, however, Thai Tantalum employees demonstrated their lack of fear about the nuclear residues. They plunged their hands into one of the barrels.

Yet they still did not know what they were touching. Months after the barrels' arrival, there was still no Geiger counter, or any other way to detect radioactivity.

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Dirty trade

The story of Fansteel and Thai Tantalum is just one of hundreds, perhaps thousands, of cases of US companies turning to Third World trade to dispose of environmental problems. Sometimes their actions take the form of toxic trade, while at other times companies locate polluting industries in the poorest – and most poorly regulated – countries.

The rationale behind toxic trade was spelled out – perhaps sardonically – by an unlikely source: US Treasury undersecretary Lawrence Summers.

When he was chief economist of the World Bank, Summers wrote an infamous internal memo that said, in part: "Shouldn't the World Bank be encouraging more migration of the dirty industries to the least-developed countries?"

The memo talked about "underpolluted" African countries and suggested that "the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable."

When the memo became public, Summers insisted he was mocking people who make such arguments. But business leaders have pressed ahead nonetheless.

Take the international trade in used car batteries. Although Americans might worry about a single lead paint chip, millions of used lead batteries are sent to the Third World.

Some of the lead waste trade comes to a vivid end in Saraburi, Thailand, north of Bangkok, where a former Oregon company called Bergsoe Metals operates a smelter behind an ornate Buddhist archway.

To understand what Bergsoe does, it is necessary to know two thin out lead: It can be effectively recycled again and again, and it is one of the most toxic of all environmental contaminants. Lead is particularly dangerous to children: even small amounts can cause brain damage.

For decades, lead batteries were recycled throughout the United States in plants like Bergsoe's, called secondary lead smelters. But by the mid-1980s, much of the US lead-smelting industry was closing down, driven out of business by the cost of complying with strict environmental standards.

The search for profits took the industry to the Third World, where factories operate largely unburdened by costly environmental controls.

That was the case for Bergsoe. In May 1986, the US subsidiary of the Danish company Bergsoe Metal Corp. went bankrupt and closed its lead battery recycling plant in St. Helens, Ore. Before its closure, the Oregon Department of Environmental Quality determined that Bergsoe's factory had poisoned the surrounding area.

Today, neighbors of Bergsoe's Thailand plant complain that their eyes burn at night. Environmentalists say liquid residues from the plant run into the local water system. Tests taken a year ago by Greenpeace scientists found elevated levels of lead in the blood of Bergsoe neighbors, and toxic sediments in nearby soil, streams and plant life.

Nevertheless, Bergsoe has support from the Thai government. Environmentalists say the company received an "outstanding factory" award from the Ministry of Industry in 1988. The company also has blunted criticism by providing medical care and medicine for its neighbors.

The batteries at Bergsoe are only a fraction of the 60,000 tons of lead scrap exported each year from the United States, according to the Commerce Department. Much of the scrap takes the form of batteries, which are the primary product for lead in industrialized countries. Although Canada is the leading importer of used US batteries, Southeast Asian countries are becoming the preferred target for such exports.

Realizing th some Southeast Asian countries, inclu g Thailand, Indonesia and the Philippines, have tried to slow the import of lead batteries. But the trade continues unabated.

In the Philippines, for example, waste batteries continue to enter the country – many from the United States – despite a 1991 ruling that such imports violate a national hazardous waste law.

"We still see containers of batteries on the docks, and we know the industrialized countries still see us as a place to get rid of their problems," said Anita Seldran of the Philippines group Green Forum.

Seldran and other environmentalists say

Route of the Khian Sea

The Khian Sea left Philadelphia in August 1986 loaded with 13,476 tons of incinerator ash. Over a 27-month journey, the ship changed its name three times and tried unsuccessfully to unload the ash on five continents before it appeared off the coast of Singapore with its holds empty.

US laws offer little help for their cause: Companies exporting hazardous wastes from the United States are required to obtain prior consent from the importing country, but a loophole in federal regulations exempts used batteries by declaring them valuable commodities.

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Diverse players

Beyond nuclear wastes and car batteries, toxic trade or toxic dumping is as diverse as US industry itself. For example:

■ Southwire Corp. of Georgia and its subsidiary, Gaston Copper Recycling, were stuck with 1,000 tons of a substance called baghouse dust. The dust, contaminated with lead and cadmium, comes from filters in metal-smelting operations; disposing of it in a hazardous-waste landfill costs $300 a ton.

The companies decided instead to pay $45 a ton to a waste broker, who then sold it for $50 a ton to Stoller Chemical Corp. of South Carolina. Stoller added water and sulfuric acid, labeled it fertilizer and sold it to Bangladesh.

About one-third of the load was used on crops before US environmental authorities caught up with it. Southwire and Gaston were fined $1 million last fall, and two executives were convicted on criminal charges.

■ The ship Khian Sea, which has become synonymous with toxic trade, left the United States in August 1986 with 13,476 tons of incinerator ash from Philadelphia.

First, the ship tried to dump the waste on a Bahamian island. Blocked, it sought other ports in the Caribbean Sea that would accept its toxic cargo. In October 1987, Haiti issued a permit for the load, under the impression it was fertilizer. When the government learned the cargo's true nature, the Khian Sea was ordered to remove it. But more than 2,000 tons were left behind on a Haitian beach.

Over a 27-month journey, the ship changed its name three times and tried unsuccessfully to unload the ash on five continents. No one knows exactly what happened to the Khian Sea's toxic wastes, but environmentalists say it was unceremoniously dumped somewhere in the Indian Ocean.

■ In 1968, a Rhodes scholar named Bill Clinton sailed to England aboard a sleek red-white-and-blue ocean liner called the SS United States.

Built for record speed – it still boasts the fastest New York-to-Southampton crossing – it was the pride of America's fleet.

Twenty-four years later, in 1992, Clinton was elected president and the SS United States was a rusting hulk filled with 300,000 square meters of asbestos, a carcinogenic fiber.

The ship became a symbol of toxic trade when it was sold that year to a Delaware-based consortium with plans to refurbish it for luxury cruising.

Removal of the asbestos in the United States would have cost $100 million, so the new owners had the ship towed to Turkey, where the same process – minus US-style disposal regulations – would have cost a fraction of that. Alerted to the danger, Turkish authorities killed the deal.

So the ship went to cash-starved Ukraine, to the Black Sea port of Sevastopol, where the asbestos removal is ongoing.

"The Ukraine needs technology and all kinds of aid," said Nick Morgan of Greenpeace. "We send them a ship named for our country that's filled with asbestos."

End of series

JUL 12 1994

US firms ship mercury, and South Africans suffer

By Mitchell Zuckoff
GLOBE STAFF

In his village in South Africa's Natal Province, Engelbert Ngcobo was known as a strapping man, a successful provider for his wife, four sons and two daughters.

But now Ngcobo, 44, lies in a hospital, brain damaged and comatose, a victim of mercury poisoning.

His wife prays over him. His daughter Mpume is pained by the sight of the frail man on the bed. "He doesn't even make a difference in the height of the mattress," she tells visitors.

Ngcobo worked at a plant where American companies sent tons of toxic mercury wastes, ostensibly for recycling.

It is legal to export hazardous wastes for recycling, but environmentalists say the American companies knew or should have known the wastes would be stockpiled instead of recycled by Ngcobo's employer, the Thor Chemicals plant at Cato Ridge. And if the US companies misled American or South African officials about the true fate of the wastes, they could face civil or criminal penalties.

"If they had made any inquiries at all, they would have known the mercury wastes weren't being shipped to a safe plant," said Dr. Mark Colvin, an epidemiologist at the Natal Medical Council, a regional health service.

African and US environmentalists say British-owned Thor Chemicals is a sham recycling operation. They say the plant, about 40 miles from Durban, dangerously stockpiles much of the deadly waste it receives, failing to safeguard its storage and plan for its ultimate disposal.

Even worse than the stockpiling, environmentalists say, the mercury that Thor does process has poisoned its workers, while discharges from the plant have fouled air and water throughout a valley inhabited by Zulu settlers and refugees.

A 21-year-old Thor worker named Peter Cele died from mercury poisoning last year, and three Thor executives are standing trial in Natal on a charge of "culpable homicide." Twenty-eight other Thor workers also suffer from various forms of mercury-related ailments, Colvin said. Mercury poisoning can damage the brain, nervous system, kidneys and lungs.

"You can trace the problems of this region and these people to the Thor plant at Cato Ridge," Colvin said.

GLOBE STAFF PHOTO / YUNGHI KIM

Ngcobo's wife, Virginia, is flanked by son Francis and daughter Mpume at their home outside Durban.

Kelvin Dally, general manager of Thor's US office in Connecticut, denied that the Cato Ridge plant was a sham recycler. "That is just incorrect," he said. "Their definition of a sham is obviously different from ours." He declined to discuss health or environmental problems at the plant.

A February inspection of Thor by the African National Congress found more than 10,000 drums of mercury wastes, most of them bearing labels from three US chemical companies: Borden Chemicals and Plastics of Geismar, La.; American Cyanamid Co. of Wayne, N.J.; and Calgon Carbon Corp. of Pittsburgh.

Officials of American Cyanamid say they stopped sending wastes to Thor in 1991 upon learning of problems at the plant. Calgon stopped shipping barrels to Thor in 1989, and company officials say they believe drums bearing the Calgon name are old barrels that have been refilled with someone else's wastes.

Borden was shipping mercury to South Africa as recently as February, when 150 barrels were sent to Thor on the freighter Agulhas. Borden recalled the drums under pressure from the ANC, Greenpeace and the environmental group Earthlife Africa.

However, 2,596 drums – more than 80 percent of all the wastes Borden says it sent since 1990 – remain stockpiled at Thor. Environmentalists say the Borden barrels are evidence that Thor was improperly storing wastes rather than recycling them.

' say the American firms should share responsibility i... .he cleanup and the health of Thor workers.

Marshall Owens, Borden's director of manufacturing, said the company was surprised to learn of Thor's practices. He said Borden ordered the recall of the 150 drums sent in February because of its own concerns, not because of pressure from environmentalists.

As for the remaining 2,596 barrels, Borden takes no responsibility. "Thor owns those drums," Owens said.

But it might not be so simple. The US Environmental Protection Agency is investigating whether Borden misled regulators about what it knew of the ultimate fate of the wastes. If Borden is found to have known in advance that the mercury would not be recycled, the company could be prosecuted for failing to inform US and South African officials. Borden has asked a federal judge to block the EPA investigation.

As for Thor's future, the company's British owners have announced plans to end mercury operations in 1996.

The ANC, Earthlife Africa and Greenpeace will watch to see what Thor does with the leftover waste barrels. They want them returned to Borden and other senders.

"They share the blame here," Colvin said of the US companies. "It remains to be seen if they have a legal responsibility to clean this up. But they have a moral responsibility to assist in the process."

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GLOBE STAFF PHOTO

Engelbert Ngcobo, a former worker at the Thor Chemicals plant who suffered mercury poisoning, lies comatose and brain-damaged in a Durban hospital.

US sues La. firm for shipping of toxic waste

OCT 28 1994

By Mitchell Zuckoff
GLOBE STAFF

The Justice Department yesterday filed a lawsuit accusing a Louisiana company of illegally shipping more than 150 tons of hazardous wastes to South Africa, a situation documented by the Globe in July.

The suit against Borden Chemicals and Plastics of Geismar, La., seeks multimillion-dollar penalties for the shipments, as well as for the company's allegedly illegal operation of an incinerator and other alleged violations of federal hazardous waste laws.

"Environmental pollution does not stop at US borders, and we will use all of our enforcement authorities against those who engage in the illegal international hazardous waste trade," said Carol Browner, administrator of the Environmental Protection Agency, which joined in the lawsuit.

Along with the monetary penalties, the lawsuit filed in federal court in Louisiana seeks to force Borden to clean up a release of cancer-causing and other hazardous wastes into groundwater at the company's headquarters.

"This case will send the message that those who attempt to circumvent the hazardous waste laws do so at their peril," Attorney General Janet Reno said in a statement. "For

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US sues over La. company's toxic-waste shipping abroad

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years, Borden stored and disposed of large quantities of hazardous wastes in violation of the law. Such practices can only be stopped with vigorous enforcement."

As part of the suit, the Justice Department and the EPA allege that Borden illegally shipped more than 300,000 pounds of mercury-laced wastes to the Thor Chemicals plant in Cato Ridge, South Africa, about 40 miles from Durban.

Borden Chemicals is not related to the giant food company Borden Inc.

The suit says Borden Chemicals failed to notify EPA of the shipments, thereby preventing the agency from verifying that the materials were properly identified as hazardous waste and that the South African government had agreed to accept them.

Borden officials do not deny shipping the wastes to South Africa, but they criticized the EPA and Justice Department for filing what they called "retroactive charges" that violate "basic concepts of fairness and due process."

"It is simply wrong to allow a federal agency to retroactively change the rules on what constitutes hazardous waste and then attempt to punish a business because it was not in compliance before the rules were changed," said Wayne Leonard, Borden's vice president and general manager.

GLOBE STAFF FILE PHOTO / YUNGHI KIM

A worker from Thor Chemicals, which allegedly received tainted waste from Borden Chemicals, lies in a coma from mercury poisoning.

Leonard said Borden Chemicals is being sued because it relied on a determination by the Louisiana Department of Environmental Quality that the shipments did not qualify as hazardous wastes.

The EPA, however, disagreed with the state agency. In May, Borden filed suit in federal court seeking to uphold the state agency's ruling. That suit is still pending, although the state agency has since agreed with the EPA that the materials Borden was shipping were, in fact, hazardous wastes.

Leonard denied suggestions by the EPA and the Justice Department that the company turned to South Africa as a cheap and easy way to dispose of its dangerous leftovers.

"We didn't ship the material to be processed because it was cheaper," he said. "We did it because we thought it was the proper thing to do for the environment."

The Globe stories in July, part of a series titled Foul Trade, used the Borden shipments as a prime example of how some US companies take advantage of weak environmental, labor and consumer standards abroad.

African and US environmentalists have charged that British-owned Thor Chemicals is a sham recycling operation that dangerously stockpiles much of the deadly wastes it receives. That charge was reiterated by the Justice Department and the EPA in the lawsuit.

Of the relatively small amount of mercury wastes recycled at Thor, environmentalists say, the company processed them in a way that poisoned workers, air and water throughout a valley inhabited by Zulu settlers and refugees. Mercury poisoning damages the brain, nervous system, kidneys and lungs.

One Thor worker has died from mercury poisoning and another is brain damaged and comatose. Dr. Mark Colvin, an epidemiologist at the Natal Medical Council, a regional health service, has documented at least 28 cases of Thor workers with mercury-related ailments.

In February, the African National Congress found more than 10,000 drums of mercury waste at Thor Chemicals, 2,596 of them bearing Borden labels.

At the time of the inspection, another 150 barrels were aboard a freighter en route from Borden to the Thor plant, but the company agreed to recall them under pressure from the ANC and the environmental groups Greenpeace and Earthlife Africa.

Environmental activists hailed the lawsuit against Borden, but said it did not go far enough to prevent future shipments of hazardous wastes from the United States.

Connie Murtagh, a researcher for Greenpeace's toxic trade campaign, said Borden might have avoided problems with the federal government if it had simply informed the EPA that it was shipping hazardous materials.

"If they had done that, it would have been fine for them to dump it in South Africa," she said. "That's why the United States should outlaw such shipments altogether."

The United States is one of only two industrialized nations, along with New Zealand, that have failed to ratify an international hazardous waste treaty that phases out such exports. The Clinton administration in March said it supports the treaty, but Congress has taken no action on the ban.