World Resources Institute

Sustainable Enterprise Program
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A TOXIC INTERNATIONAL PARTNERSHIP (TIP)

A Toxic International Partnership is an exercise prepared by Thomas N. Gladwin, Stern School of Business, New York University. It is intended for educational purposes only.

This exercise is a chapter in the book ***Stakeholder Negotiations: Exercises in Sustainable Development*** (1995) edited by Alan R. Beckenstein, Frederick J. Long, Matthew B. Arnold and Thomas N. Gladwin. The book contains six exercises that illustrate how different institutions place competing demands on the natural environment, how they attempt to incorporate these demands on the natural environment, how they attempt to incorporate these demands on the natural environment, and how they attempt to incorporate these demands into a sustainable development strategy.

Exercise 5

A TOXIC INTERNATIONAL PARTNERSHIP (TIP)

During the 1980s, developed countries witnessed the rapid growth of a powerful environmental movement. One key international issue was the transport of hazardous waste from developed to developing countries. Economists argued that developing countries should have the freedom to seek economic development in ways that they considered appropriate. Environmentalists and individual citizens decried the ethical implications of these "toxic exports."

In the late 1980s, U.S.- based Treeton Chemical (a fictional company) chose to aggressively expand its chemical production and distribution activities in Europe in order to capitalize on the emerging European Community market. Rather than build new production and marketing capacity, Treeton bought Tossico Chemical, a well-regarded Italian company. Soon after this acquisition, Tossico was accused of transporting hazardous waste to Africa. While not technically illegal, Tossico's actions have drawn the attention of policy makers and environmentalists.

Treeton's European Division President has called an emergency meeting to review the incident and develop a response plan. You will represent one of seven Treeton executives that have been asked to attend this meeting. You will present your analysis and plan to the President of Treeton and , eventually, to Treeton's Board of Directors.

A TOXIC INTERNATIONAL PARTNERSHIP (TIP)

BACKGROUND

The Greening of Europe
The late 1980s witnessed a stunning rise of the so-called "green" movement in Western Europe. Inspired by dead seals, wilting forests, closed beaches, Chernobyl, chemical accidents, ozone depletion, global warming, and so on, environmental groups such as Friends of the Earth saw their memberships double. Green consumerism emerged rapidly in nations such as West Germany, Switzerland and the United Kingdom, with retailers capitalizing on a rising demand for "environment friendly" products. Green political parties and politicians gained strength at local, national and European-wide (i.e., European Parliament) levels. Once thought of as little more than radical business-bashing cranks, the greens moved from the political fringe to the center in countries as diverse as France, Italy, Sweden, the Netherlands, and West Germany.

Public opinion polls revealed extraordinary shifts. Germans, for example, expressed twice as much worry about pollution as compared to unemployment, and 70% of the Dutch population declared their willingness to forego a higher standard of living for a cleaner country. The media went on environmental alert, providing almost daily front page news coverage of environmental issues. Government leaders and politicians of all persuasions also got busy, holding an unprecedented number of intergovernmental and other top level meetings dedicated to saving the environment. The scope of environmental regulation consequently expanded and plans grew more ambitious. The Dutch government, for example, decided to cut all forms of pollution by at least 70% by the year 2010. A watershed in Europe's conversion was marked in 1988, when Britain's Prime Minister Margaret Thatcher- the "Iron Lady" who a few years back had denounced environmental groups as "the enemy within" – marked her conversion to a "Green Goddess" with a major speech to the Royal Society stating that "no generation has a freehold on this Earth. All we have is a life tenancy—with a full repairing lease."

The one industry perhaps impacted the most by all of this was the chemical industry, with pollsters increasingly finding it associated in the public mind with hazardous waste, toxic spills, plastic litter, destruction of forests, and dead animals. A survey of West Germans among the most eco-conscious of Europeans, showed that 45% were hostile to the chemical industry and another 50% were bothered by it. With the public increasingly viewing the industry through a prism of "hazard plus outrage," polls shoed roughly half of all Europeans calling for tougher regulation of chemical manufacturing and disposal. Industry interpretations of its image or legitimacy crisis are revealed in the following speech excerpts:

"Doing business efficiently and effectively in a mere technocratic sense is no longer sufficient to preserve the acceptability of business by society" (Alex Krauer, Chairman of Ciba Geigy).

“Part of the [environmental] opposition obviously believes that the chemical industry is the symbol of all evil” (Aarnout Loudon, President of AKZO).

“There is little faith in the chemical industry’s ability to act responsibly of its own accord. It is an important goal for the future to win back this lost confidence…” (Herwig Hulphe of Bayer)

“WE have a situation where the public feels that it knows very little about the industry…” (Dr. Ian Canadine, Senior Executive of ICI).

“Our continued existence as a leading manufacturer requires that we excel in environmental performance and that we enjoy the non-objection – indeed the support- of the people and governments in the societies where we operate around the world” (Edgar S. Woolard, Chairman of Du Pont).

Completing Europe’s Internal Market

Europe’s economic and technological malaise during the early 1980s had manifested itself in sluggish relative growth rates, persistently high unemployment, and growing trade deficits and losses of global market shares in high technology sectors. European leaders in 1985 concluded that the best hope of revitalizing their economies lay in attempting to fulfill the original vision of the European Economic Community, by means of “Completing the Internal Market.” This initiative, formally endorsed in “The Single European Act” of 1987 and summarized in the phrase “Europe 1992,” required the Community’s twelve member countries to remove all remaining obstacles to the free movement of people, goods, services, and capital by the end of 1992. This was to be done via the adoption and implementation of 300 directives removing physical, technical and fiscal barriers (*e.g.* eliminating customs delays, harmonizing standards and regulations, opening of public procurement markets to external competition, *etc.*).

The economic and technological impacts of fully completing the internal market would be dramatic. The European Economic Community (EEC) Commission projected that the creation of a unified market might add about 5% to the EEC’s gross domestic product, create as many as 2 million new jobs in the medium term, and drive average consumer prices down by 6%. The great bulk of all gains would arise from dynamic effects of market integration via inter- and intra-industry restructuring, fuller exploitation of comparative advantages and scale/scope economies, reductions in organizational inefficiencies, and stimulation of technical progress and innovation.

For the chemical industry, “Europe 1992” was likely to lower costs of transportation (border crossing formalities), packaging and labeling, product approval/registration, and manufacturing, if rationalization produced greater scale economies. But it was also likely to toughen competition by destroying long-standing “orderly marketing arrangements: and by rapidly intensifying price competition (*i.e.*, stimulating arbitrage processes to reduce the current massive price differences between countries for the same chemical or pharmaceutical products). R&D financing could become more difficult. A period of painful and dramatic restructuring was thus expected. Sir John Harvey-Jones, former Chairman of ICI based in Britain, Europe’s factories would be closed and half of its companies would disappear through sales or mergers. Small chemical companies located in peripheral countries were bound to go under. Medium-sized firms that had mainly targeted domestic markets would need to grow or internationalize quickly.

Such forces manifested themselves in Europe's chemical industry in the late 1980s, with "Europe 1992" triggering a wave of consolidation at two levels: 1) within companies via the combining of manufacturing and distribution activities into fewer, larger operations; and 2) within the industry, with a wave of mergers and acquisitions contributing to increased concentration. Some commentators predicted a massive shakeout in the chemicals industry, with ten multinational companies eventually dominating the industry. Other analysts forecast two groups of survivors: the global giants ("Goliaths" who survive because of their size and worldwide presence) and the niche players (the "Davids" who survive by their technological or financial wits). Italy provided a perfect model of this process, with a plethora of mergers, acquisitions, asset disposals and joint ventures in the late 1980s.

A TALE OF TWO COMPANIES

Treeton Chemical
Treeton chemical was a U.S.-based firm, with 60% of its global revenues derived from basic and specialty chemicals, 20% from household or homecare products. In 1987 it attained sales of $8 billion, profits of $600 million and had assets of $8.5 billion. Profits as a percentage of sales were 7.1%; of assets, 7.0%; and of stockholder's equity, 15.6%. It had 45,000 employees worldwide, a price/earnings ratio of 10/1, and a R&D to sales ratio of 7.0%.

Treeton had numerous manufacturing research facilities in Europe, spread among the U.K., the Netherlands, Belgium, France and West Germany. Sixty-five percent of its European sales were serviced by local production, the other 35% representing imports from its U.S. operations. During the mid-80s, triton had been reducing the scope of its commodity or basic chemicals operations, and diversifying into higher-margin specialty chemicals and emerging areas such as biotechnology, pharmaceuticals, and advanced materials, mainly through acquisitions. AS of 1987, Treeton was sitting on a strong cash position (nearly $700 million then available) and possessed highly regarded research and development capabilities. Its external image regarding environmental protection was fairly solid, consisting of a total commitment, worldwide, to "responsible care."

Within Europe, Treeton strategic planners had concluded that it needed to fill in gaps in its European product/market portfolio in order to become a more strategically balanced pan-European company. Gaining "critical mass to become world class" became the corporate ambition. This strategy would initially be pursued by searching for very specific, defensible market niches (both country- and product-wise). Treeton would boost its presence in fast growing markets, develop local manufacturing capacity in all major European markets (West Germany, France and Italy being priorities) , and begin to "Europeanize" its EEC operations (via centralization, Euro-branding, cross-country marketing, and consolidation of production of products for customers in different countries).

Treeton did not want to get left behind the bandwagon of the growing chemical industry interest in Southern Europe. Most analysts had concluded that Mediterranean basin markets for chemicals would likely grow twice as fast over the next ten years as those in Northern Europe. Italy had emerged as the preferred site of acquisitions (*e.g* by Exxon Chemical, Solvay, Sweden's Perstorp *etc.*), for expansions (*e.g.* Dow Chemical, Alusuisse, ICI), for joint ventures (*e.g.*, new research labs developed by Merck, Sandoz, Glaxo, Dow). Italy became Treeton's "obsession," and Treeton's European investment banker advised it to focus its sights on mid-sized specialty-chemicals producers in Italy such as Tossico Chemical Co.

Tossico Chemical Co.
Tossico Chemical, owned in large measure by the Tossina family, was a mid-sized producer of specialty chemicals in Italy. Its sales in 1987 were $1.2 billion (about one-eights the level of the large Montedison Group), assets were $800 million, net income was $58 million, and employees numbered 5,107. Tossico produced a variety of gasoline additives, dyestuffs, catalysts, industrial coatings, enzymes, food additives, and vaccines. It had two research labs and seven production facilities in Italy (two based in the underdeveloped south and the rest concentrated in the industrialized north of the nation). The firm produced little outside of Italy, though it exported about half its yearly sales, mostly to other European countries, As a privately owned firm, it was independent from the handful of powerful families and individuals who dominated Italian industry, often through interlocking shareholdings. The price for this independence was reduced access to preferential financing and governmental subsidies enjoyed by the big chemical groups.

Tossico confronted a range of challenges in 1987. A key one was the need to boost R & D spending. Strapped for cash, it was able to spend only 2% if its turnover on R & D , compared to 2.5% for the Italian chemical industry as a whole, 4.5% in the United States, and 6% in West Germany. Although its labs were working on some very promising new businesses such as advanced materials and biotechnology, the company's top management knew hat a large cash infusion would be necessary to make the needed quality jumps. The owners were also nervous as to what "Europe 1992" might imply for small and medium-sized companies. Lacking the existing international market coverage, resources to expand abroad, and experienced international management, some key members of the Tossina family had concluded that the company might eventually be squeezed out of business by Pan-European or global competitors.

Such squeezing was already being felt right at home—the two giants Montedison and Enichem (a subsidiary of government-owned Ente Nazionale Idrocarburi) planned a merger that would create a company with revenues that would constitute 32% of national industry sales. The other side of the squeeze play came from the international companies operating in Italy, who together accounted for about one-third of total industry sales of $38.8 billion. Firms such as Dow Chemical, Alusuisse, ICI, and Exxon Chemical were aggressively expanding their operations. And companies with a long established presence in Italy, such as Bayer, BASF, Hoescht and Ciba Geigy were producing in the country only one-fifth to one-third of what they sold there. With government-favored national giants on the one hand, and aggressive foreign multinationals displaying "Euro-fever" on the other, how could Tossico survive in a 1992 world of intensified competition?

TAKEOVER OF TOSSICO

White knight to the Rescue
During the fall of 1987 the senior member of the Tossina family was approached by an Italian merchant bank on behalf of a large Italian holding company controlled by the Bagnelli family, whose interests included agribusiness, real estate and chemicals. The holding company was interested in acquiring 100% of Tossico and wanted to know whether the family was ready to sell the business. The inquiry split the family into two camps, with younger Tossinas wanting to cash out and older Tossias feeling family pride and obligations to their grandfathers to hold on (the firm was started ion 1889). To make matters more complicated, there had been long-standing animosities between the Tossina family and the Bagnelli family. The powerful Bagnellis, in the view of some Tossinas, had gotten to where they were by cunning and arrogance, and as the old Italian proverb warned: "To trust is good, not to trust is better."

Day and night negotiations among the Tossinas finally resulted in the following compromise: 1) survival of the firm did indeed necessitate a massive infusion of resources (*e.g.*, cash, professional management, technology, and foreign distribution/marketing networks); 2) Tossico's future had to be cast with Europe and not just Italy; 3) those family members wanting to cash out would be allowed to do so, even if this meant losing majority control of the enterprise; and 4) another , more friendly suitor or partner had be found very quickly in order to avoid the heavy-handed power plays that the Bagnellis were sure to mount. With this agreement, the family engaged Italy's leading investment bank to quickly find a match for Tossico.

The bank already knew of Treeton Chemical's eagereness to expand in Italy and thus contacted Treeton's European Division President with news of the Tossina family's desires. Tossico had already been placed on Treeton's short list of attractive takeover targets by the firm's European strategic acquisition task force. The fit appeared to be a very good one. In exchange for cash, technology and Northern European market access, Treeton would acquire a market position in Italy, access to fast-growing Mediterranean basin markets, some promising R & D potential, low labor costs, manufacturing capacity, and European-wide sales synergies in high margin specialty chemicals.

With the approval of Treeton head office management in New York, the European Division bought in its own investment banker to negotiate the deal. Given Tossina family paranoia about Bagnelli intentions, the bargainers worked furiously for four days and nights to hammer out terms of the agreement. Valuation was a difficult process, given the private nature of Tossico, outstanding tax liabilities and indebtedness, and variations between Tossico's private books versus reported to Italian tax authorities. (Taxation in Italy at the time remained a negotiated process.) Relying on some of the best financial and industry consultants available in Italy, and using a variety of valuation methods (*e.g.* discounted cash flow, p/e ration, breakup value) the company was finally valued at 10 times current earnings, or $580 million. The Tossina family was willing to sell 55% of its ownership for immediate cash, with Treeton having no difficulty in coming up with the required $319 million. Because Treeton didn't have the time to conduct a fall environmental risk assessment of Tossico's operations, the contract included a standard indemnity provision making the seller responsible for any residual environmental liabilities (*e.g* costs of cleaning up hazardous waste sites, *etc.*). Treeton;s advisers had concluded that because Tossico had stated that it was using independent waste brokers to deal with its hazardous wastes, there was little likelihood of hidden liabilities of this nature.

Structure of Treeton-Tossico
The deal was concluded on October 1, 1987 with the name of the enterprise becoming "Treeton-Tossico" (T-T). The Tossinas had insisted on the retention of the Tossico name in the corporate logo. The management of T-T would be jointly led by Italian-born Massimo Trippetti (formerly a Senior V.P. for Treeton Europe based in Brussels) as President and Franco Tossina as Manging Director. The two managers (Trippetti and Tossian) would be guided by a detailed business plan to be negotiated by a Board of Directors that would require a 65% majority for major decisions. The former president of Tossco, Vincenzo Tanassi (not related to the Tossina family) was terminated at year end 1987, as he had resisted the takeover, was very disgruntled, and refused to be reassigned.

T-T's senior mangers had concluded that it might take 9 to 12 months to develop a comprehensive strategic business plan. Internal strengths and weaknesses as well as external opportunities and threats had to be assessed. Production, marketing, and R & D programs had to be reviewed. Human resources had to be appraised. Sales and manufacturing integration and rationalization options had to be evaluated. And Treeton's management and financial control systems would take time to put into place. The natural consequence, agreed to by the Board of Directors was that during the transition year of 1988, T-T would operate in a decentralized, autonomous way, continuing Tossico's prior approach to strategy and operations. It would take time for Trippetti and Treeton to fully understand the company and the requirements for commercial success in Italy.

Public affairs and governmental relations during the transition would also be handled in a decentralized, country0centered manner. Treeton, given "Europe 1992," was attempting to create a formal, highly coordinated and proactive approach to public affairs through all of its EEC operations. But until Treeton's management and cultural systems were fully implanted in the Italian venture, it would be difficult to achieve such coordination. In any case, many of Treeton Europe's public affairs staff based in Brussels considered Italy a particularly unpredictable and deceptive country. As noted by Luigi Barzini in his book **The Italians**, Italy's regulatory structure was a "tropical tangle of statutes, rules, norms, regulations, customs, some hundreds of years old, some voted last week by Parliament and signed this very morning by the President." So "When in Rome, do as the Romans do" would have to be the motto, at least during the transition process. This meant maintaining public affairs in the new venture largely in the hands of its plant managers (where it had traditionally been focused, given the strength of local authorities in Italy) and in a small staff group dealing with media and governmental relations in T-T's national head office in Milan.

GREENING OF POLITICS IN 1988

Euro-Greening

1988 was the year in which green parties began to significantly alter political landscapes throughout Europe, by gaining in elections at all levels. The EEC Commission appointed Mr. Luigi di Leana, a 60-year-old Italian Socialist, to handle the EEC's environmental portfolio. With a series of bold moves and ambitious statements, he quickly gained an accord on protecting the ozone layer, proposed the creation of a European Environmental Agency, and announced plans to place strict liability on waste producers, espousing the principle that the polluter must pay. All of this pleased the rapidly strengthening "Entente Europeenne pour l'Environnement" (EEE), the environmentalist coalition in the European Parliament.

Environmental groups launched new campaigns during 1988. One of the most prominent was the Europe-wide "Toxic Waste Campaign" orchestrated by Eco-Action. Its goals were captured in the operating slogan "STOP THE SPREAD OF TOXICS – STOP IT AT THE SOURCE." Rather than disposing of better managing toxic waste, Eco-Action believed that the best solution to the problem of hazardous wastes was to reduce the quantity and toxicity of these wastes at their source. The group called for a global ban on international movements of toxic waste and schemes by which European and American waste brokers were bribing African officials to gain permission to dump wastes at unsafe sites along Africa's coastline. The Organization of African Unity had labeled this practice "toxic terrorism" and "an attack on Africa's dignity."

Using direct and non-violent action (*e.g.*, plugging pipes, scaling smokestacks, squaring off against poison-laden ships at sea), Eco-Action aimed to expose, confront and stop waste producers and exporters. The campaign focused on the often unscrupulous waste brokers, but more importantly on the original generators of the waste. To have real impact, the campaign would require some high profile "sacrificial corporate lambs" clearly guilty of negligence in toxic waste disposal. Working with a coalition of environmental groups, consumer groups and green politicians in the European Parliament, Eco-Action orchestrated a joint agreement to create a "Corporate Toxic Enemies List: and coordinate nonviolent protest. Massive campaigns directed at the listed firms would instill "constructive" fear into other corporations.

Italian Greening

In heaven, the old joke goes, the police are British, the cooks French, the lovers Italians – and it's all organized by the Germans. In hell, the police are French, the cooks British, the lovers German – and it's all organized by the Italians! As noted by Luigi di Leana, "Italy represents a laboratory where you can see what happens in a total absence of rules." The country had established a national environment ministry only in 1986, and vast inadequacies in basic environmental laws led local authorities to establish their own environmental initiatives. As a result, there was no uniformity in regulation and significant local bureaucratic discretion.

Weak laws and lax enforcement led local citizens and ecology groups to pursue local referenda. in November 1987, for example, Montedison had to shut down its pesticide plant at Massa Carrara when the mayor withdrew operating licenses following a local referendum decision against the plant. It took two months to get the mayor's ruling overturned as illegal and the plant restarted. Ecology groups in 1988 targeted a dozen plants for local referenda, including others of Montedison and units belonging to Hoechst, Solvay and Enichem. Montedison's Director of Health, Safety and Environment declared that the nation was "suffering from referendum fever." The Chairman of Enichem described Italy's environmental awakening as a "new religion," observing that "when you start a new religion there are always excesses."

Shocked by severe smog problems, algae proliferation in the Adriatic, and a massive river pollution crisis in the north of the country that left whole provinces without drinking water, Italy witnessed an astonishing upsurge of green concern in 1988. When the fragile 5-party national coalition government collapsed (for the 47th time in 43 years), the green party garnered enough votes to appoint one national senator and 14 deputies. In order to form a new government, the Christian Democrats and Socialists were forced to take in the green party representatives. As had happened in France, a former head of one of Italy's largest environmental groups was awarded the position of Environment Minister (to cries of sellout from some ex-comrades). With youthful, firebrand intensity, the new minister in his acceptance speech proclaimed that "Italy will stop doing the dirtiest work for all the dirtiest industries in Europe…Italy will no longer be a dumping ground for the world's multinationals…we're going to make polluting companies pay for their sins."

THE NIGERIAN WASTE EXPORT AFFAIR

The Episode

Shortly after the Minister was installed in April 1988, Italy experienced an embarrassing international environmental affair. Nigeria, with the support of other African nations and assisted by African and European environmental organizations such as Eco-Action, disclosed that Italian waste brokers had improperly dumped 4,000 tons of industrial waste, in the form of 8,000 leaking drums, in an open air builder's yard near an elementary school in the remote port village of Koko. The wastes included 150 tons of polychlorinated biphenyls. Workers wearing things and shorts had unloaded the barrels for $2.50 a day and had not been told of their contents. The waste had entered under an import permit for "nonexplosive, nonradioactive and non-self combusting chemicals." Mr. Sunday Nana, owner of a small construction firm, was paid about $100 a month for renting his yard to Mr. Gianfranco Raffaelli, Italian owner of a waste brokerage firm called Ecomar. His firm had worked with Jelly Wax, another Italian firm, which sent the 8,000 leaking drums in five shiploads to Koko from Pisa.

Nigeria demanded that the case and the whole issue of toxic waste exporting be debated at the current session of the U.N. General Assembly, with the Third Secretary of its mission to the U.N. declaring that "international dumping is the equivalent of declaring war on the people of a country." The Nigerian government arrested an Italian partner in the disposal effort, placing him in jail in Lagos. The military government also threatened to prescribe execution by firing squad for individuals convicted of importing toxic waste. After vociferous protests in Italy by Nigerian officials and environmental groups, the Italian government ordered that the wastes be picked up and then properly disposed in Europe. Under Organization for Economic Cooperation and Development (OECD) rules, the Italian government was deemed responsible for the waste.

The government chartered the West German ship “Karin B” to bring back half of the waste to the U.K for analysis and safe disposal. But the ship was not allowed to dock in the U.K. after environmental protests by Eco-Action and other groups. The “ship of shame” thus began a 9-week odyssey during which five other European nations (Spain, France, the Netherlands, West Germany and Belgium) refused to let it dock. It finally received permission to land in Livorno, Italy. Under the intense glare of media publicity and environmental protest, the words Italy and toxic waste became virtually synonymous to many Europeans. The national embarrassment spurred the Environment Minister to present a draft bill in June 1988 banning the export of toxic waste to the Third World. The Italian Parliament readily accepted.

The Undercover Investigation
The Nigerian affair gave Eco0Action and its Italian affiliate groups a perfect opportunity to tar and feather a “Corporate Toxic Enemy.” It also gave the Environment Minister a chance to demonstrate his resolve to clean up Italian industry. Immediate legal actions were publicly brought against the waste brokers involved, but as would be expected, they turned out to be “fly-by-night” operations without visible corporate assets. The Italian chemical industry concluded that this was the end of the affair and got on with their business. But without the industry’s knowledge, undercover investigations were launched in an effort to pinpoint the ultimate sources of the wastes that the waste brokers had exported. Through interrogations of the brokers, customs officials and port authorities, the Environment Ministry learned that the wastes had originated in Italy and four other European nations. Almost all of it, however, was simply untraceable, as the toxic drums had changed hands numerous times via a series of clandestine transactions among dozens of waste brokers and transporters, many probably related to organized crime. It was likely that hundreds of plants were involved, scattered across Switzerland, Germany, France, Belgium and Italy. Unraveling the case would take years and cost millions. The Minister thus called off the search. Eco-Action also concluded that this affair was not likely to produce a desired high profile “Corporate Toxic Enemy.”

Whistleblower Comes Forward
A few weeks later the Environment Minister received a call from Mr. Vincenzo Tanassi, who identified himself as the former President of Tossico Chemical. Tanassi let it be kown that he could provide the Minister with important information about the recent Nigerian waste export affair. A meeting was arranged for the next afternoon at an out-of-the-way restaurant in Rome.

The meeting began with some small talk over glasses of red wine. Then Tanassi cautiously began his story, almost breaking down at various points. “I’ve suffered throughout this waste affair – Italy’s agony became my agony. Nigeria’s pain became my pain. I found religion and meaning during those terrible weeks that our ship of shame roamed from dock to dock around Europe. Now, I know nothing about the first four shiploads of waste that jelly Wax sent from Pisa to Koko. But I know a lot about the fifth and last shipment that left Italy during December of 1987 and that came back first aboard the Karin B."

The Minister then broke in with "Vincenzo, before you go any further, do you understand the risks that you yourself may run by disclosing such information?" Vincenzo nodded and revealed that he had already talked this over with his priest and understood the personal consequences, but needed to settle his conscience.

"The story goes like this. Back when the Tossina family was feuding over what to do about the Bagnelli offer to purchase the company, I got very worried about my future. TO cover myself I began taping all phone calls from family members and documenting every move I made. Right before they hired the investment banker to find a partner, I got a call from old man Franco Tossina, which I have on tape. He instructed me to get rid of all the assorted toxic waste lying around in storage lots at our facilities. I was to get it done as quickly and quietly as possible. Given limited waste treatment facilities in Italy (it's a two-year wait to get anything incinerated), I had no choice but to call upon Ecomar and Jelly Wax, who had done some especially toxic disposal work for us a few years back. I taped these calls too. Jelly Wax, working through some subcontractors, quickly solved my problem, removing about 650 tons of toxic waste (*e.g.*, PCBs, cyanide, toxic metals, solvents) in the early hour of the morning from my six production sites in early October 1987. I alerted my plant managers that the waste was being gathered for analysis and incineration, and that all of the work for safety reasons had been subcontracted. They were happy about this and did not want to know anything more.

"I was the only one in the company (by that time it had become Treeton-Tossico) who knew that the waste was destined for quick export to somewhere in Africa. But you've got to remember, Mr. Minister, that at the time it was not illegal under Italian law to export toxic waste. Italy had never transformed EEC directives on proper waste export notification into law. Jelly Wax did find it necessary, of course, to use *busteralla* (envelopes stuffed with lira notes) – which I paid for from secret bank accounts – to have port and customs officials in Pisa look the other way while false documentation and improper labeling of the containers helped get the cargo on board.

"That's it," said Vincenzo, as he passed over the tapes and records of the affair. "Oh, I forgot…there are a few more things you might be interested in. I strongly suspect serious groundwater contamination problems at the company storage sites where all those drums had rusted for so many years. Those sites are going to be expensive to clean up. The emergency preparedness procedures at all six of the plants are also a joke. I could go on and on, but you and I both understand why such conditions exist. I could spend days detailing the payments we've made over the years to local level officials for them to close their eyes. I could also document the many secret off-the-books political payments that the Tossinas have made to political parties. But let's stop here." The Minister thanked Tanassi for his story and arrangements were made for further meetings of a legal nature.

That night the young Minister played the tape recordings of Tanassi speaking with Franco Tossina and the sleazy waste brokers over and over. The more he listened, the more enraged he became. Italy had become the laughingstock of Europe, the government had shelled out over $75 million to bring back and process the waste, innocent Nigerians had been exploited, Italian-African relations had been damaged, and neighbors of Treeton-Tossico plants were probably dying of cancer. Yet these callous chemical makers and disposers didn't give a damn. He picked up the phone and dialed his old friend who headed the Italian branch of Eco-Action. "Tony, I think we've got a prime candidate for you 'Corporate Toxic Enemies List.' Get your colleagues from Rome, Milan, Strasbourg, London and Brussels assembled here for a meeting tomorrow night in preparation for a surprise press conference on August 1."

The Rome Press Conference

The Environment Minister's press secretary did a marvelous job assembling 70 journalists, both foreign and local, representing print, radio, and television, for the morning press conference, with a pitch that they would get some dramatic front page stuff on Italy's environmental future.

The Minister began by noting that what he was about to do was highly unusual, that he might lose his job because of it, but nonetheless had to proceed. With that, he read a terse statement: "My Ministry has uncovered a primary industrial source of the toxic waste which was improperly, irresponsibly and recklessly dumped in Nigeria earlier this year and had to be brought back to Italy in such an embarrassing and expensive manner. It is the U.S.-majority owned chemical producer Treeton-Tossico. Within hours my legal division will begin proceedings seeking compensation from this enterprise to cover all governmental costs associated with that transport, clean up and disposal of this waste, estimated at $75 million. We also plan to file on behalf of the government of Nigeria for any residual damages not already paid for by Italy. I should also inform you that we plan to prosecute a number of the firm's senior executives, particularly its Managing Director and local plant managers, under various Italian statutes, with culpable negligence in creating a hazard. Finally, my inspectors will be moving onto Treeton-Tossico's plant sites today to inspect for toxic groundwater contamination and for illegal production of hazardous materials without a license. IF any contamination is found, we will legally compel the firm to clean up those sites, whatever the costs. Thank you and, although I may get fired for this, I'd like to turn the podium over to some other folks."

First, a green member of the European Parliament announced that the Treeton-Tossico affair would be employed to bring about an EEC resolution banning all transboundary movements and disposal of hazardous waste. For short, it would be entitled the "Treeton Directive." A Nigerian representative to the U.N. Food and Agricultural Organization based in Rome then applauded the Minister's speech and stressed that the horror story of Treeton-Tossico would be raised constantly by African delegations during forthcoming meetings of 110 countries to construct a U.N. sponsored toxic waste export treaty. The head of Lega Ambiente, one of Italy's leading environmental groups, then announced that the case would be used to ensure that Italy stops being the "dumping ground of the MNCs." Treeton-Tossico's plants would be added to the group's local referendum campaign to close toxic producing facilities.

The final speaker of the meeting was the Director of Eco-Action's Toxic Waste Campaign, speaking on behalf of a coalition of over 100 green action and consumer groups across

Europe. He deemed the Treeton-Tossico case the "corporate environmental crime of the century." The parent company, Treeton, would assume the first position on the coalition's "Corporate Toxic Enemies List" and be subjected to the full range of consumer boycotts (especially of the firm's pharmaceutical and household products), shareholder resolutions, and other pressure tactics throughout Western Europe. The campaign would continue until the Italian and Nigerian governments, along with the coalition, were satisfied that Treeton had made full amends. Finally, the Director noted that the pressure campaign would be extended to the United States via the Eco-Action network, church groups, socially oriented fund managers, and congressional representatives who would soon consider legislation to ban toxic waste exportation from the United States.

The Corporate Reaction

Massimo Trippetti, the President of Treeton-Tossico, was alerted to the content of the press conference before it had ended. With his head and heart pounding, he placed a call to his European Division President in Brussels (9:30am) who then had the painful task of waking up Treeton's President in New York (3:45am). After some assorted curse words, the President instructed the Division President to immediately assemble his management team to develop a response plan. The President would gather up Treeton's Chairman, the corporate head of public affairs, and one or two outside members of the Board of Directors and fly to Brussels as soon as possible. They would expect a full briefing upon their arrival. In the meantime, the President was to be kept fully informed of further developments. The Division President quickly called an emergency meeting to start in a few minutes. Those who would attend included:

- **Division President (Treeton Europe).**
- **President of Treeton-Tossico, (who would remain in Milan but attend the meeting through video conferencing).**
- **Director of Public Affairs, Treeton-Tossico, (also to remain in Milan but videoconference).**
- **Divisional Vice President for Corporate Public Affairs (Treeton Europe).**
- **Divisional General Chief Counsel (Treeton Europe)**.
- **Divisional Vice President for Finance (Treeton Europe)**.
- **Divisional Vice President for Environment, Health and Safety (Treeton Europe).**