The contrarian

Chiquita counts the cost of honesty

The banana giant has unfairly paid for its own transparency, says Jon Entine

Successful harvest, ethical dilemmas

It is a tale of two companies. One defies the law, paying extortion money to right-wing arms and cocaine smugglers to keep its profitable export business humming; the other, an agricultural firm, risks a shutdown of its environmentally sustainable operations and ultimately accepts losses of tens of millions of dollars to protect its employees from kidnapping, beatings, rape, torture and even murder.

These corporations may seem like ethical polar opposites, but they are actually one and the same: Chiquita Brands International, the $4.5 billion banana grower, which was caught between the proverbial rock and hard place in struggling to "do the right thing" at its Colombian subsidiary, Banadex.

Chiquita has agreed to pay a $25 million fine to the US Department of Justice for funnelling $825,000 to the United Self-Defense Forces of Colombia (AUC), a terrorist organisation, between 2001, when the US made such payments illegal, and 2004.

Chiquita clearly broke US law, but did it act unethically?

Corporations in many foreign locales often operate in virtual civil war zones, where government security is non-existent or ineffectual. Underscoring the grey reality of corporate responsibility, Chiquita had to decide whether to defy the law and pay what it calls "protection money" to safeguard its workers.

"It's certainly a common understanding that in order to do business in Colombia, payments have to be made for at best security, or at worst extortion," says Ron Oswald, general secretary of the International Union of Foodworkers, which represents 11,000 Chiquita workers in several Latin American countries.

Risky business

Workers and executives alike are at risk. "US employees had to have bodyguards and armoured cars when travelling in Colombia," says Michelle Hafford, a former human resources manager for an international telecoms group with operations throughout South America.

Chiquita is hardly alone in making payments to Latin America rebel groups accused of collectively massacring tens of thousands of people.

Occidental Petroleum reportedly paid millions of dollars to a Marxist rebel group while working on the Cano Limon pipeline, and Chiquita admits it paid leftist guerrillas when they were in ascendancy in the mid-1990s. Paul Collier of the World Bank says: "Multinational companies, especially those from Europe, have paid $1 billion ransom and extortion payments to armed groups over the past 20 years."

It is a war tax on multinationals. What distinguishes Chiquita is that it is the only company that voluntarily has turned itself in. It took a huge financial hit for its transparency, and ultimately decided it had no choice but to sell its Columbian business to a local company in 2004, incurring a $9 million loss in the deal.

The sale puts its former workers at peril. "We had been employing 4,000 people in a region where there are few other viable employment opportunities," says Michael Mitchell, a Chiquita spokesman.

But another sting is ethical. Chiquita has spent the past 15 years living down its century-old reputation as the ruthless puppeteer manipulating corrupt Latin American "banana republics". Once known as United Fruit, the company has remade itself into a model food distributor, operating with high ethical and environmental standards in countries with dysfunctional governments and rampant poverty.

The turnaround began in the early 1990s, when it broke ranks with other multinationals and partnered with the Rainforest Alliance on sustainability and labour standards – what came to be known as the Better Banana certification project.

Chiquita began publishing corporate responsibility reports that are now considered state-of-the-art. In 2001, it signed a historic labour agreement to guarantee the rights of its unionised workforce, which enjoys much higher standards of living than those of many other companies.

These initiatives led Social Accountability in 2003 to give Chiquita its Corporate Conscience Award, which cleared the way for it to be listed on ethical investment lists, including the Dow Jones Sustainability Index and the Domini Social Index.

Ron Oswald is disdainful of what he deems the naïve criticism from some non-governmental organisations that resurrect the ghost of United Fruit to condemn Chiquita. "The alternative, of course, is not to do business in Colombia," he says sadly, which is exactly what has happened. He emphasises the greater risks the workers at the locally owned operation now face.

The Chiquita case should prompt a revamping of foreign practice legislation in the US. Under current guidelines, corporations cannot even pay to obtain security information without risking a federal prosecution, while multinationals from Europe, Asia and elsewhere operate freely.

Considering the consequences of the US law – forcing the dismantling of profitable overseas enterprises and putting workers at risk – the real scandal here is that a transparent and well-intentioned corporation like Chiquita has to pay this fine at all. ■

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