

# Wal-Mart's Sustainability Initiative: A Civil Society **CRITIQUE**

## *With Contributions by:*

ActionAid International USA  
Agribusiness Accountability Initiative  
American Independent Business Alliance  
American Rights at Work  
Center for Health, Environment and Justice  
Centro de Investigación Laboral y Asesoría Sindical (CILAS)  
Cornucopia Institute  
Corporate Ethics International  
Dogwood Alliance  
Environmental Investigation Agency  
Food and Water Watch  
Friends of the Earth  
Good Jobs First  
Global Exchange  
Gulf Restoration Network  
Institute for Policy Studies  
International Labor Rights Forum  
Mangrove Action Project  
STITCH  
WakeUpWalMart.com  
Wal-Mart Alliance for Reform Now (WARN)  
Washington State Jobs with Justice

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# ABOUT THIS REPORT



This report was coordinated by the Big Box Collaborative, which brings together representatives from labor, environmental and public health groups, consumer advocates, shareholder activists, international trade and labor rights groups, faith-based organizations, communities, and others from around the world in a collaborative approach to transforming the Big Box Retail Industry and, in particular, Wal-Mart.

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# EXECUTIVE SUMMARY

Nearly two years ago, Wal-Mart CEO H. Lee Scott announced a bold initiative to turn the world's largest company green. A long-anticipated first progress report on these sustainability goals is expected to be released soon. In advance of the company's report, 23 environmental, farm, labor, and other civil society groups have offered their own critiques of Wal-Mart's approach to sustainability.

Some of these critiques focus on specific Wal-Mart commitments and offer recommendations for change. Others argue that even if Wal-Mart achieved all of its stated goals, the company's business model makes it inherently unsustainable. All of them remind us of what's at stake by demonstrating Wal-Mart's huge and often devastating impacts on real people and places in the United States and around the world.

## KEY FINDINGS

### CRITIQUES OF WAL-MART'S SUSTAINABILITY COMMITMENTS

**Organics:** Although the company announced plans to expand organic products, the Cornucopia Institute has documented incidents of Wal-Mart misrepresenting conventional food products as organics and charges that the company has attempted to drive down organic prices by using factory farm products of questionable quality, including some from China and other countries where regulations are weak.

**Sustainable Seafood:** Wal-Mart has committed to selling only sustainable seafood in North America. However, according to Food and Water Watch, the certification program that Wal-Mart is using, the Marine Stewardship Council, has a record of accrediting fisheries with poor environmental records. Moreover, Food and Water Watch questions whether it is even possible to source seafood sustainably on the massive scale required by the world's largest retailer.

**Shrimp:** Wal-Mart has committed to selling only sustainably farmed imported shrimp. The certification process will rely on weak standards developed without input from communities affected by the industry's destruction of mangroves and other wetlands. Moreover, according to the Mangrove Action Project, enforcement is likely to be weak because third party reviewers are not truly independent.

**Illegal Logging:** Wal-Mart claims that it will remove illegal wood products from its supply chain. But the Environmental Investigation Agency charges that the company has failed to monitor its suppliers adequately. Moreover, Wal-Mart's constant demand of decreased prices from its suppliers drives illegal logging, and some 47 percent of Wal-Mart's wood-containing products are manufactured in China, which sources from countries known to have major problems with illegal logging.

**Paper and Paper Packaging:** Wal-Mart has committed to reduce its paper packaging, but has not taken important steps forward like endorsing the Forest Stewardship Council (FSC) certification. Due to the major environmental impact of logging and paper production, it is important for Wal-Mart to establish stringent standards for its suppliers.

**Cypress Mulch:** Wal-Mart is fueling the destruction of cypress forests, the Gulf Coast's best natural storm and flooding protection, by distributing cypress mulch throughout the

## **EXECUTIVE SUMMARY** *continued*

country. Wal-Mart was proud of their relief work after Hurricane Katrina, but now the company is endangering coastal communities and important wildlife along the Gulf of Mexico. The Gulf Restoration Network and the Save Our Cypress Coalition are working to convince Wal-Mart to drop this unsustainable product.

**Toxic Toys:** Wal-Mart has committed to phasing out PVC plastic in packaging and some products and last year announced plans to restrict some of the most toxic chemicals from their products. However, according to the Center for Health, Environment and Justice, the company has not committed to eliminating toys made with phthalates and PVC plastic, despite the availability of safer alternatives.

### **CRITIQUES OF WAL-MART'S UNSUSTAINABLE MODEL**

**Global Warming:** Wal-Mart's goals for reducing global warming pollution leave many sources of greenhouse gases off the table. According to the Institute for Policy Studies and Friends of the Earth, the company's supply chain creates more than 40 times the emissions the firm says it is aiming to eliminate. Combined with emissions from its retail operations, Wal-Mart's greenhouse gases are the equivalent of about half the amount produced annually by France. Wal-Mart's "cheap" imports are not cheap if you consider the estimated 2 million tons of annual carbon emissions associated with shipping from China to U.S. ports, pollution from inefficient non-U.S. trucking fleets, and the health impacts of port pollution on local communities. Wal-Mart's contribution to sprawl has increased shopping travel to the point where traffic associated with its stores produces more carbon dioxide than all of its other U.S. greenhouse gas emissions combined.

**Slashing Costs to the Bone:** Wal-Mart's CEO claims his vision for sustainability goes beyond green products to "people who live sustainable lives." In reality, the company continues to squeeze workers and suppliers in a global "race to the bottom" in wages, benefits and working conditions. WakeUpWalMart.com charges that that no company has done more to feed our nation's health care crisis, while American Rights at Work exposes the company's aggressive interference with worker rights to form unions. On the international front, the International Labor Rights Forum, STITCH, ActionAid International USA, and Agribusiness Accountability Initiative document how Wal-Mart has used its market power to cut costs at the expense of workers and producers in the developing world. Food and Water Watch discuss the impacts on consumer safety as a byproduct of an unchecked food supply.

**Undermining Communities:** Wal-Mart's massive scale undermines the independent businesses that form the fabric of healthy, sustainable communities. And despite the company's claims to the contrary, numerous studies indicate that Wal-Mart destroys more jobs than it creates. Global Exchange and Centro de Investigación Laboral y Asesoría Sindical (CILAS) look at how the company has hurt communities, jobs and the environment in Mexico, where it is also the leading retailer. Jobs with Justice and the American Independent Business Alliance share first-hand accounts of community impacts and resistance, while Good Jobs First documents how Wal-Mart has strained communities by pocketing massive subsidies – at least \$1.2 billion to date.

**Distorting Democracy:** Wal-Mart has used its massive political clout to support an anti-sustainability agenda in the U.S. Congress. According to Corporate Ethics International, two-thirds of the company PAC's campaign contributions in the last election went to candidates who earned failing grades from the League of Conservation Voters.

# INTRODUCTION

By Colin Fiske, Wal-Mart Alliance for Reform Now

Melissa Kelly-Ortega takes air pollution very seriously. Since moving to Merced, California, in 1990, Melissa has witnessed first-hand the impacts of poor air quality. Merced has some of the very worst air pollution in the country, and Melissa knows what that means for local residents. Melissa's oldest daughter was born with diminished lung capacity and continues to suffer from breathing difficulties, while her three-year old was recently prescribed a daily dose of asthma medication to stop a persistent cough. When she taught at a local elementary school for several years, many of her students had air pollution-related health problems ranging from migraines to asthma. So for Melissa, reducing air pollution in Merced is an urgent priority, a matter of choosing health over illness, even life over death.

That's why Melissa left teaching to get a job at the Merced/Mariposa County Asthma Coalition—so she could spend more time and energy working to help kids by reducing air pollution. It's also why she was shocked and appalled when she found out that a massive Wal-Mart distribution center, whose trucks will spew tons of toxic pollution into the air, is being planned for southeast Merced—right next to a residential neighborhood and an elementary school. Why, she wondered, would someone be trying to develop a facility which would expose more kids to air pollution, making a bad situation so much worse? More specifically, why would that someone be Wal-Mart, a company whose spokespersons around the world are currently touting its efforts to be more environmentally and community friendly?



In a February 2007 speech, Wal-Mart CEO Lee Scott noted that “[w]e all have an opportunity to be more sustainable. But even more, we have a responsibility.”<sup>1</sup> The company has said it will try to live up to this responsibility in part by focusing on initiatives to reduce its greenhouse gas emissions. Yet those emissions, Wal-Mart admits, continue to increase, and the company continues to support political candidates who actively work to block any federal efforts to curb global warming. Similarly, Mr. Scott has claimed that the company is committed to working with communities, saying that locating in a community is a “privilege.”<sup>2</sup> Yet the company's aggressive efforts to develop in communities where it is not wanted continue unfettered. When it comes to their own employees, company spokespeople continue to say that the average wage paid to full-time hourly workers is over \$10. Yet the company's own wage data paint a very different picture.<sup>3</sup>

Knowing the truth about Wal-Mart's practices is important, because they affect more than just the company's public image and bottom line; they affect the lives of millions of real people like Melissa Kelly-Ortega and her family every day. For example, the extent of pesticide use in the production of food sold at Wal-Mart, and the use of toxics in products sold at Wal-Mart, both

directly affect the health of workers in the fields and factories and consumers in stores and homes.

The fisheries management and timber harvesting standards which Wal-Mart requires (or doesn't require) from its seafood and wood products suppliers have a huge impact on the livelihoods of workers in these industries and on the quality and availability of the products for consumers, both now and in the future.

The human rights and labor standards to which Wal-Mart holds its vendors, and the way it treats its own employees, can mean the difference between desperate poverty and a middle-class lifestyle for millions of workers worldwide. The choice of which politicians and causes will receive Wal-Mart's lavish political donations helps decide the future of local and national democracies. And, of course, the extent of Wal-Mart's sincerity in its efforts to reduce its huge contribution to global greenhouse gas emissions will help determine the very future of life on this planet.

This report highlights the massive impacts Wal-Mart continues to have on the environment, on communities, and on workers. It shows what these impacts mean for people and places close to home and around the globe. And it begs a critical question: If Wal-Mart is truly committed to reducing these impacts, why is it failing to take so many of the most obvious and concrete steps toward accomplishing that goal? It is a question Melissa Kelly-Ortega and many others ask themselves each day, and one to which Wal-Mart has yet to provide a satisfactory answer.

# ***CRITIQUES OF WAL-MART'S SUSTAINABILITY COMMITMENTS***

Beginning with CEO Lee Scott's landmark "21st Century Leadership" speech in October 2005, Wal-Mart has made detailed commitments to achieve sustainability goals in many areas of its operations (see box below). This section offers critiques and recommendations related to seven product areas: organics, seafood and shrimp, forest products, cypress mulch, product packaging, and toxic chemicals.

## ***Key Wal-Mart Sustainability Commitments***

Wal-Mart created 14 sustainable value networks that bring together executives, suppliers, environmentalists, and regulators to share ideas, set goals and monitor progress in a wide range of areas: facilities, internal operations, logistics, alternative fuels, packaging, chemicals, food and agriculture, electronics, textiles, forest products, jewelry, seafood, climate change, and China.

### **Among their major goals:<sup>4</sup>**

#### ***1. To be supplied 100% by renewable energy***

- increase truck fleet fuel efficiency by 25% over 3 years and by double within 10 years
  - eliminate 30% of energy used in stores
- reduce greenhouse gases at stores by 20% over 7 years

#### ***2. To create zero waste***

- reduce solid waste from U.S. stores by 25% in 3 years
  - reduce overall packaging by 5 percent by 2013

#### ***3. To sell sustainable products***

- use only sustainable timber and pulp-based products in their brands
- sell 100 million compact fluorescent light bulbs by the end of 2007
  - increase organic products
- certify seafood according to environmental and socio-economic best practices

# ORGANICS

By Will Fantle, Co-Director, Cornucopia Institute



In early 2006, Wal-Mart – the nation’s biggest grocer – rocked the organic food community with their pronouncement that they were going to dramatically expand organic product offerings while seeking to price them at just a 10 percent mark-up over similar conventional products. The Cornucopia Institute, a Wisconsin-based organic watchdog and advocate for family farmers, launched an investigation to determine the impact on family farmers and organic consumers.

After studying Wal-Mart’s plans, Cornucopia released a white paper, *Wal-Mart Rolls Out Organic Products—Market Expansion or Market Delusion?* The report<sup>5</sup> concluded that Wal-Mart was poised to drive down the price of organic food in the marketplace by inventing a “new” organic—food from corporate agribusiness, factory-farms, and cheap imports of questionable quality from countries like China.

During its investigation, Cornucopia uncovered another problem: Wal-Mart was misrepresenting conventional food products as organic and using in-store signage to encourage those purchases.

The fraud was first spotted in Wal-Mart’s Plano, Texas upscale-market test store. The facility is the company’s test lab for analyzing product marketing. Subsequently, Cornucopia visited many other Wal-Mart stores in the Midwest, documenting similar improprieties in dairy and produce sections.

It was initially thought that this was an inadvertent error that company management would eagerly correct. A registered letter was sent to Wal-Mart CEO Lee Scott in September 2006 alerting him of the problem and urging corrective action. Phone calls were made and emails sent to other corporate officials.

Two months later the problems persisted and no official had responded to Cornucopia’s private communications. Cornucopia then filed a complaint with the U.S. Department of Agriculture—the nation’s organic foods regulator—asking them to investigate allegations of organic fraud. Photographs and other evidence were provided documenting the abuse.<sup>6</sup> The news of this complaint sparked widespread media coverage and was especially embarrassing for Wal-Mart as its organic initiative was part of a corporate makeover designed to woo more affluent shoppers into its stores.

Yet mislabeling problems continued. Four months after alerting CEO Scott, multiple stores in Wisconsin were still displaying and selling nonorganic food as organic. Cornucopia next filed a complaint with Wisconsin regulators in January 2007. In May, both Wisconsin and USDA regulators, in enforcement agreements with the company, announced Wal-Mart had agreed to change in-store signage practices. The regulators stated as part of the agreement they would monitor Wal-Mart’s organic retailing practices more closely in the future.

Consumers choose organics because they are hungry for wholesome food produced with more meaning using environmentally sound agricultural practices—and representing economic-justice for family farmers. The vast majority of all organic farmers and food marketers operate with high organic integrity. Wal-Mart’s interest in cashing in on organic’s stellar reputation—on the cheap—places ethical retailers, their suppliers, and organic farmers at a competitive disadvantage.

“Organic agriculture is just another method of agriculture -- not better, not worse,” Bruce Peterson, Wal-Mart’s head of perishable food, told the *New York Times*. “This is like any other merchandising scheme we have.”

The Cornucopia Institute, organic farmers and organic consumers beg to differ. Wal-Mart should recognize that difference, educate its employees about the meaning of organics, and put in place food procurement policies emphasizing ethics, integrity and expanded domestic family farm production.



## **SUSTAINABLE SEAFOOD**

By Food and Water Watch

In 2006, Wal-Mart announced that it was dedicated to selling only sustainable seafood in North American stores within three to five years.<sup>7</sup> Over 80 percent of seafood consumed in the United States is imported, primarily from countries in the Global South. Of that, approximately 40 percent is farm raised. The top seafood choice in the United States is imported shrimp, of which approximately 80 percent is industrially produced. Industrial aquaculture brings a myriad of problems, such as environmental destruction, water pollution, coastal privatization, unemployment and human rights abuses.<sup>8</sup>

There have been numerous industry attempts to “blue-wash” seafood production through third party certification schemes. These schemes are developed and monitored by the industry itself, jeopardizing their credibility and confusing consumers. One private label, the Marine Stewardship Council, has attracted great attention. In one controversial move, the MSC re-accredited the New Zealand Hoki fishery in 2006 – despite the fact that the Royal Society for the Protection of Birds had raised concerns over seabird and seal by-catch at the fishery. In another case, the MSC certified the Alaskan Pollock fishery, even though a judge had ruled three times that the fishery’s management plan violated the Endangered Species Act. Both Hoki and Pollock are used in frozen fish fingers, which are found in the frozen food sections of most supermarkets.

Despite the weakness of the MSC verification process, Wal-Mart intends to rely entirely on MSC to achieve its commitment on sustainable seafood. Unilever tried to do the same thing, beginning in 1996. However, by 2003, Unilever realized it would not be able to sell only MSC certified seafood – and sold nearly all its seafood interests. Today, the depleted state of the world’s fisheries and destructive industrial aquaculture makes Wal-Mart’s goal an even more impossible feat.

Wal-Mart is willing to pay to meet its goal. The company’s foundation, the Walton Family Foundation, is funding Conservation International,<sup>9</sup> which is collaborating with Wal-Mart and the MSC to develop standards for sustainably sourced seafood. The reality is that it is impossible within the big-box model that Wal-Mart operates. As fish populations plummet and aquaculture becomes more industrial to meet demand, sourcing seafood sustainably on this scale is not feasible. The MSC will continue to certify fishing operations that are not sustainable and Wal-Mart will continue to sell seafood with the blue seal of approval. The environment, healthy ecosystems, coastal communities and potentially consumer health will pay the real price for blue-washing.

Wal-Mart has also failed to ensure country of origin labeling of its seafood. Country of Origin Labeling rules came into effect for seafood on April 1st, 2005, which require disclosure of both the country of origin and whether the fish was farmed or wild-caught. However, COOL rules developed by the USDA fall far short of a comprehensive labeling system. Essentially, 50 percent of seafood sold in the United States is omitted from COOL requirements because it is “processed,” meaning breaded, cooked or tossed in a seafood medley.

Wal-Mart should not engage in third party certifying schemes for seafood, as those schemes only serve to blue-wash destructive practices and confuse consumers. Wal-Mart should only label seafood as “sustainable” or “organic” when the government develops standards through an open, transparent process that allows for public participation and a full enforcement system. In that case, consumers will have more certainty in their seafood choices and coastal communities and the environment will not be jeopardized. In addition, Wal-Mart should take the initiative and ensure that all their seafood is labeled with country of origin so consumers can make their own seafood choices.

# FARM-RAISED SHRIMP

By Alfredo Quarto, Executive Director and Co-Founder, Mangrove Action Project

Rapid expansion of shrimp aquaculture is considered by many scientific experts to be the largest contributing factor to present-day loss of mangrove ecosystems. These sensitive ecosystems protect shorelines from erosion, storms, and tsunami damage through their ability to reduce wave action and wind velocities in coastal areas. They also provide direct food resources and habitat for many forms of fish and wildlife, including many directly harvested by subsistence-based villagers and fisherfolk living in proximity to the mangrove ecosystem, and commercial harvests of fishery resources, including wild-caught shrimp, crabs and fish.

Wal-Mart officials have stated that the company intends to “begin certifying all of their imported farm-raised shrimp to ensure it is grown in a sustainable way, with minimal impacts on the environment.” The certifying organization chosen for third-party review is the Aquaculture Certification Council (ACC), which is utilizing a description of Best Aquaculture Practices (BAP) developed by the Global Aquaculture Alliance (GAA), itself a powerful shrimp industry consortium.

The Mangrove Action Project has studied the BAP standards and similar standards established over the years and has found these to be grossly inadequate in ensuring ecological sustainability and social equity. The Project provided detailed comments to Wal-Mart and GAA about their inadequacy, but this input has been largely ignored.

GAA certification standards were developed without input from those most affected by shrimp aquaculture expansion — the countless subsistence farming and fishing communities in the global South which lie in the path of industrial shrimp aquaculture. These communities have been repeatedly disrupted by this same industry that now makes claims to certify itself via self-set “standards.” These standards do not include local populations in their development or implementation, nor in monitoring to determine their social and environmental impacts on the surrounding communities.

As a result, most of the GAA’s certification standards are technical solutions that aim to better ensure a longer-term production of shrimp, but do not address the many pressing social and environmental concerns raised by the shrimp aquaculture industry.



Take, for example, BAP Standard #4 – Environment – Mangrove Conservation and Biodiversity Protection. This standard advises that wetlands are to be avoided, but also states that shrimp farms SHOULD be located on salt flats, even though these are widely recognized as important, inter-related coastal wetlands.

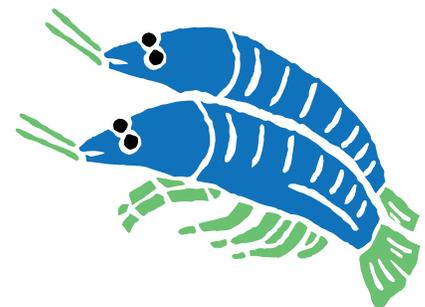
The GAA permits the removal of mangroves for “allowable purposes,” on the simple condition that producers replant areas of mangroves three times the size of areas removed. This, however, is untenable, since the GAA cannot guarantee successful restoration when all one needs to do is plant mangroves regardless if they survive or not.

Moreover, the GAA’s certification scheme provides no satisfactory requirement that those who develop mangrove restoration plans know what they are doing, nor follow-up to ensure successful mangrove restoration occurs.

Finally, the list of approved certifiers is a list of consultants who are paid by farms seeking certification. Without truly independent third-party review, where profit is not a factor, few proposed standards will likely be enforced to any great degree.

Simply put, the Wal-Mart certification scheme will not work, but instead will engender more societal disruption in the affected regions, more loss of mangroves and other wetland areas, and proven unsuccessful methods of restoration will be applied in attempts at wetland mitigation. Based upon its giant size and scale of its economic impact alone, Wal-Mart has the power to have a positive influence on current and future market trends. However, if Wal-Mart backs the faulty standards being promoted now by GAA, it will have a potential disastrous consequence for the mangroves and the communities adversely affected by the shrimp aquaculture industry.

Since 1992, MAP’s global network of associated NGO’s, communities, and scientists have campaigned to convince the shrimp aquaculture industry to operate in socially and ecologically sound ways, attempting to maintain a dialogue with industry leaders, government officials, and inter-governmental organizations, such as the World Bank. One of the subjects of discussion has been third-party certification of shrimp aquaculture operations to ensure these are carried out sustainably, minimizing negative affects on local communities and ecosystems. But shrimp farming cannot coexist with local coastal communities and operate sustainably into the future if its historical footprint of mangrove ecosystem destruction is not repaired, and future impacts eliminated, or substantially mitigated.



# ILLEGAL LOGGING

By David Groves, the Environmental Investigation Agency

As part of its sustainability initiative, Wal-Mart created a working group on forest products and made a number of commitments related to logging, including removing illegal wood from its supply chain.<sup>10</sup>

This is a critical goal, as illegal logging detrimentally affects a range of issues from biodiversity to global warming to organized crime: illegal loggers do not follow forestry management plans; they are not sensitive to stream buffers or endangered species; they often exploit poor indigenous communities and the lands they are dependent on;<sup>11,12</sup> their methods often include intimidation and violence;<sup>13,14</sup> they undermine governance structures in forest-rich developing countries;<sup>15</sup> and they avoid paying taxes, tariffs, and other costs associated with legal harvest, undermining legal timber producers and manufacturers in the United States.<sup>16</sup> In fact, timber syndicates are analogous to illegal drug and arms traffickers in that they develop elaborate, well-financed, multi-national criminal operations to effectively smuggle large volumes of illicit goods.

The profits that justify the risk associated with large-scale illegal activities tend to come from export to the U.S. and other consuming markets, not local domestic sales in developing countries. Pressure by U.S. retailers on suppliers to lower material costs is an important driver for the illegal timber market, because illegal wood tends to be far cheaper than its legal equivalent.<sup>17</sup> And no company has perfected this low-cost model like Wal-Mart.

Although Wal-Mart is not thought of as a wood products retailer, a walk-through survey of a Wal-Mart in Alexandria, Virginia, found 473 different products containing wood. Given Wal-Mart's volume of sales, this makes it one of the largest wood buyers in the world. The survey revealed that 47 percent of Wal-Mart's wood-containing products were manufactured in China. A 2004 study commissioned by the American Forest & Paper Association stated that "China's sources for hardwood log imports reads like a 'Who's Who' of countries with problems with illegal logging,"<sup>18</sup> and China's largest suppliers of raw wood—Russia, Malaysia, Indonesia, Thailand, and Papua New Guinea—are all countries that have had widespread illegal activity in their forest sectors.<sup>19</sup>

Wal-Mart's sole mission of providing its products at the lowest possible price<sup>20</sup> is at the heart of the problem. Wal-Mart demands for repeated price cuts from its suppliers—companies often dependent on Wal-Mart's business for their survival—essentially amount to a direct order for factories to seek the cheapest raw material possible. When these demands fail to be accompanied by any checks on the sourcing of the timber,<sup>21</sup> they amount to a direct incentive to find cheap illegal sources to retain the Wal-Mart contract.

Wal-Mart's reach into its supply chains is virtually unlimited.<sup>22</sup> If the company told its suppliers that it will only sell wood products whose legal sourcing can be verified and actively enforced this policy through audits and paperwork checks, Wal-Mart could alter entire wood products supply streams and encourage responsible wood sourcing for everything from furniture and picture frames to hammer handles and popsicle sticks.



# PAPER AND PAPER PACKAGING

By Andrew M. Goldberg, Director of Corporate Engagement, Dogwood Alliance

Paper packaging is the largest single component of the world's one million tons per day paper appetite. Across the globe, the production and consumption of paper has many negative environmental impacts. The pulp and paper industry is among the world's largest generators of air and water pollutants including greenhouse gases. It is also one of the largest users of raw materials, including forest fiber, fresh water and energy. The forests that are consumed day after day, to make paper are essential for clean air and water, wildlife habitat, climate protection and more. In many places, endangered forests and other ecologically important forest areas are being logged and turned into wood fiber to make paper. In many places, natural forests are being cleared and replaced by unnatural single species tree plantations that have only nominal ecological value and require chemical herbicides and fertilizers to maintain.

The negative environmental impact of large scale industrial logging are clear in the Southern United States, the largest paper producing region in the world, where the number one paper product produced is paper packaging.<sup>23</sup> While these Southern mills produce a wide variety of paper for products ranging from cigarette paper and newsprint to paper cups and swabs, paper packaging accounts for approximately 25% of all of the wood fiber coming from Southern forests. Across the South, dozens of mills owned by large domestic and international companies produce a laundry list of packaging products: corrugated cardboard boxes, heavy bags for holding cement or dog food, ice cream boxes, milk and juice containers, boxes covering bottles of aspirin and perfume or hair gel, and even the paper boxes for music CDs, video game, and DVDs. Because Wal-Mart is the largest retailer for so many of the world's largest packaged consumer goods companies who source from the 96 paper packaging mills located across the region, Wal-Mart's packaging guidelines clearly impact these forests.<sup>24</sup>

We applaud Wal-Mart's commitment reduce its packing by 5% overall by 2013 and 25% within its food packaging by the end of 2008.<sup>25</sup> While we have seen improvements in Wal-Mart's packaging designs, we have not yet seen how the new Packaging Scorecard will address fiber sourcing and how it will drive sustainable packaging down through the retailer to its suppliers and ultimately down to the forests of origin around the world. In addition, Wal-Mart has failed to endorse or incorporate a key tool, Forest Stewardship Council (FSC) certification for using its tremendous purchasing power to shift the market and drive forest protection across the landscape. The FSC uses rigorous principles, criteria, and standards to guide forest management practices.<sup>26</sup> While many other certification schemes exist, only FSC provides a tool strong enough for Wal-Mart to address its sustainability goals and make a difference in Southern Forests. Wal-Mart should continue its sustainable packaging work and eliminate paper packaging products originating in endangered forests, eliminate paper products from suppliers that are contributing to the conversion of natural forests to plantations and work with suppliers to improve forest management practices through increase use of fiber from more sustainably managed sources.

# CYPRESS MULCH

By Dan Favre, Campaign Organizer, Gulf Restoration Network

In October 2005, Wal-Mart CEO Lee Scott focused on Wal-Mart's reaction to Hurricane Katrina in a speech discussing the company's environmental commitment: "We should view the environment as Katrina in slow motion. Environmental loss threatens our health and the health of the natural systems we depend on."<sup>27</sup>

Despite establishing a company-wide goal to sell products that sustain and protect our resources,<sup>28</sup> Wal-Mart is driving the destruction of some Gulf cypress forests, important wildlife habitat and our best natural storm protection, in order to profit from an inherently disposable product, cypress garden mulch. It's time they stopped selling cypress mulch.

Scientists estimate that one mile of cypress forests can reduce storm surge by one foot, and inland cypress swamps absorb flood waters. The trees are highly resistant to wind, acting as a speed bump to hurricanes. The swamps are also some of the most biodiverse areas in the country, supporting over 100 species of fish and crustaceans, migratory birds, and a number of threatened and endangered species.<sup>29</sup>

Sadly, entire swamps are being clear-cut solely to produce cypress mulch. Although the product began as by-product from lumber operations, the growing popularity of cypress mulch<sup>30</sup>, due in part to Wal-Mart's nation-wide distribution, has led to entire trees now being ground up into mulch. Endangered forests fall and end up on sale in Wal-Mart's garden departments for two dollars a bag.

Wal-Mart's suppliers claim that their cypress products are sustainable<sup>31</sup>, but these same suppliers have demonstrated a willingness to obfuscate the source of their product in the past, and no independent, third-party certification system currently exists to verify such claims. Scientists have documented that much of Louisiana's coastal cypress forests will not regenerate once cut. Standards for sustainable logging in wetlands, which currently don't exist in Louisiana, would be insufficient to ensure the protection of these coastal forests.<sup>32</sup>

The Save Our Cypress Coalition has presented Wal-Mart, and their competitors Home Depot, and Lowe's, with extensive evidence of the destruction caused from cypress mulch. Indeed, a team of Wal-Mart's corporate leadership visited Louisiana to tour the coastal forests and view the logging impacts and mulch operations. They have validated our concerns, yet all three companies refuse to stop selling cypress mulch.

Due to the information presented and public outcry, Wal-Mart has recently decided to stop selling cypress mulch from Louisiana. This is certainly a move to be celebrated, but it is insufficient to ensure overall sustainability of cypress forests. Problems of source verification still exist, with many of the bags of mulch coming from Louisiana labeled with addresses in Arkansas or Florida. Also, endangered forests in other areas, like Florida, are not protected and could actually face increased logging pressure.

If the product is not completely abandoned, buying preference for cypress mulch must go only to suppliers that source from proven sustainable areas while adhering to best management practices. And this must be verified as sustainable by a respected, independent, third-party certification program, like the Forest Stewardship Council. These standards should apply to the entire country, not just coastal Louisiana where public scrutiny is greatest.

## **CYPRESS MULCH** *continued*

There is a massive amount of scientific study and institutional development still needed to create the proper standards and certification program, but it can be achieved. An easier route for Wal-Mart is to recognize the product's unsustainability and simply abandon it in favor of sustainable alternatives.

Fortunately, there are truly sustainable alternatives to cypress mulch that Wal-Mart can promote and profit from while actually adhering to one of Mr. Scott's stated sustainability goal: "To sell products that sustain our resources and environment." Pine straw, melaleuca mulch, pine bark, recycled pecan shells, and farmed-eucalyptus are all examples of effective alternatives to cypress.

Lee Scott posed the question, "what would it take for Wal-Mart to be that company – the one we were after Katrina . . . at our best . . . all the time?" To do that, Wal-Mart must consider the larger impact of all their products and practices. The company can start in the very area that was affected by Katrina by ending their contribution to the destruction of the Gulf's best natural storm buffers. Wal-Mart will show it's serious about sustainability when the retailer stops selling cypress mulch.



# TOXIC TOYS

By Michael Schade, PVC Campaign Coordinator,  
Center for Health, Environment and Justice



Over the past two years, Wal-Mart Stores, Inc. has made commitments to phase out toxic PVC plastic in packaging, lunch boxes, baby bibs, and even building materials. These are positive corporate social responsibility initiatives that demonstrate Wal-Mart has the power to shift markets away from unnecessary toxic chemicals throughout their supply chain. Wal-Mart has stated that, “more and more studies show that PVC has toxins that can pose long-term health and environmental risks.” In addition to these hazards, phasing out PVC makes business sense given that safer, cost-effective alternatives are available and that the legal, financial, and reputational risks associated with this poison plastic are growing.

Most recently, in May 2007, Wal-Mart announced a new policy to phase out PVC in baby bibs and children’s products. The New York and Illinois Attorney Generals announced that Wal-Mart will stop selling PVC baby bibs and has committed to support the development of an industry standard to eliminate PVC from all products intended for use by children.

This new commitment to support eliminating PVC children’s products is a significant step forward towards eliminating unnecessary toxic chemicals in children’s products. This could benefit infants and children, parents, workers, and communities around the world. Wal-Mart should build on this effort by partnering with suppliers to phase out all PVC children’s products and phthalates in their stores, while also supporting the development of an industry standard.

Infants and children chewing on or playing with PVC toys and baby products sold at Wal-Mart may be exposed to phthalates. These unnecessary poisonous chemicals have already been banned from use in toys in Europe, but they’re still sold here in the United States. The City of San Francisco recently passed a ban on them, and similar legislation has been introduced in seven U.S. states including New York and California. These chemicals have been linked with many significant adverse health problems including premature birth delivery,<sup>33</sup> early puberty in girls,<sup>34</sup> impaired sperm quality and sperm damage in men,<sup>35,36,37</sup> genital defects and reduced testosterone production in boys.<sup>38,39,40,41,42,43,44,45</sup> Other additives, such as lead, have been documented in children’s toys, lunchboxes, and even baby bibs at Wal-Mart. Short or long-term exposure to lead can harm young children, babies, and even adults. Workers making PVC toys may be exposed to these same toxic chemicals, posing unnecessary and avoidable health risks.

The good news is that safer and healthier alternatives to PVC baby / children’s products and toys are widely available and include products made out of biobased materials, polyethylenes, polypropylenes, thermoplastic elastomers, and ethylene vinyl acetate. A number of baby and children’s toys manufactures such as Brio, Chicco, Evenflo, First Years, Gerber, International Playthings, Lamaze Infant Development, Lego Systems, Sassy, and Tiny Love have committed to phase out all PVC toys. Other toy manufacturers such as Discovery Toys and Manhattan Baby have committed to phase out some PVC toys. Major toy companies, such as Hasbro and Mattel, have already eliminated the worst phthalates from their products.

Last fall, Wal-Mart unveiled a broad new chemicals policy that restricts some of the most toxic chemicals from their products, those that cause cancer, harm the reproductive system, and build up in our bodies and cause debilitating diseases. PVC toys sold at Wal-Mart meet virtually all of these criteria, but to date have not been adopted as part of the chemicals initiative.

Given the growing scientific evidence demonstrating the health hazards these unnecessary dangerous chemicals pose to children, and the company’s existing initiatives on PVC, Wal-Mart should move forward in phasing out toxic PVC toys and baby products.

# CRITIQUES OF WAL-MART'S UNSUSTAINABLE MODEL

Even if Wal-Mart achieved all of its stated sustainability goals, should it be considered a sustainable company? The following sections argue that Wal-Mart would need to overhaul its business model completely if it is to be considered truly sustainable.



# GLOBAL WARMING

By Sarah Anderson, Institute for Policy Studies, and David Waskow, Friends of the Earth

Despite all of Wal-Mart's attention to global warming, its repeated claim that it will reduce its global warming pollution by 25 percent by 2012 leaves so many sources of greenhouse gases off the table that it's starting to sound like just so much hot air.

The company wants to cut what it says are the 20 million tons of greenhouse gases produced annually by its own operations around the globe. So far, so good. But what Wal-Mart fails to remind the public is that it acknowledged in 2006 that the company's supply chain (the whole system of production and transport for the goods sold in Wal-Mart) creates 220 million ton of greenhouse gases every year.<sup>46</sup> **That's more than 40 times the emissions the firm says it would like to eliminate.**

All together, Wal-Mart's own estimate of the emissions from its supply chain, combined with emissions from its own retail operations, puts the company's total at **240 million tons** of carbon dioxide-equivalent greenhouse gases every year. To put this in perspective, Wal-Mart was responsible for greenhouse gases (562 million tons) that are the equivalent of nearly half the amount produced by the entire country of France in 2004.<sup>47</sup>

## IMPORT DEPENDENCE

Much of the company's supply chain is overseas. Yet the company has not addressed the contributions it is making every day to the climate crisis as a result of its dependence on imported products. Wal-Mart imported \$27 billion worth of goods from China alone in 2006, up from \$9.5 billion in 2001.<sup>48</sup> Imports from all countries made up 60 percent of goods sold in U.S. Wal-Mart stores in 2004, a figure that has likely increased along with the surge in the company's imports from China.<sup>49</sup>

The global warming impacts of these goods comes from a wide range of sources, including carbon-intensive electricity use in manufacturing, land-use changes and agrochemicals inputs in agriculture. Meanwhile, transporting goods across thousands of miles, both on land and sea, has tremendous environmental impacts. Wal-Mart uses container ships for most of its imports. And although ship transport is less destructive to the planet than airplanes, the marine freight industry generates considerable environmental costs. In July 2007 the Dutch-based DK Group, a technology company, estimated that commercial ships are pumping 1.2 billion tons of carbon dioxide into the air per year.<sup>50</sup>

In 2006, Wal-Mart was by far the biggest corporate importer of goods on container ships into the United States, accounting for an estimated 715,000 TEUs (twenty-foot equivalent units).<sup>51</sup> The second-largest was Target, with 402,000 TEUs. Based on Wal-Mart's share of global maritime container traffic (417 million TEUs), ships carrying Wal-Mart products into the United States alone contributed more than 2 million tons of carbon dioxide last year.<sup>52</sup> This is a considerable level of greenhouse gas emissions that should not be overlooked when assessing the company's overall ecological footprint. And of course Wal-Mart's trade-related transport is not just between the United States and China, but involves a web of pollution-generating trips around the globe every day.

Greenhouse Gas Emissions	Tons of Carbon Dioxide Equivalent
Wal-Mart retail operations, annual global (including US)	20,800,000
Wal-Mart retail operations, annual US only	15,364,158
Wal-Mart supply chain, annual global	220,000,000
Auto traffic associated with consumer travel to U.S. Wal-Mart stores, annual	15,400,000
Container ship traffic delivering Wal-Mart products to the US, annual	2,057,554
Wal-Mart's goal for emissions reductions in existing stores, by 2013	2,500,000
New stores built in 2007 alone, annual	1,000,000

**Sources:** Wal-Mart and Wal-Mart suppliers: official Wal-Mart sources. U.S. auto traffic, goal for 2013 and estimate of emissions by new stores: Stacy Mitchell, Institute for Local Self-Reliance, article in *Grist*, March 28, 2007. Container ship traffic: Calculated by the Institute for Policy Studies based on Journal of Commerce data on Wal-Mart imports, U.S. Department of Transportation figures on total marine traffic and DK Group Netherlands estimates of ship carbon emissions.

Wal-Mart has also failed to address the environmental impacts of the trucks in other countries that deliver Wal-Mart products to ports, stores and distribution centers. While Wal-Mart has touted its progress in increasing the fuel efficiency of its U.S. trucking fleet, the costs associated with foreign trucks have not been addressed. These concerns are perhaps most serious in developing countries, where safety and environmental standards related to trucking tend to be lower than in the United States.

Wal-Mart's import dependence also contributes to environmental problems affecting communities near U.S. port facilities. These mainly low-income communities often face high levels of congestion, noise, and pollution. According to the Pacific Institute, which has tracked health costs associated with these problems, Wal-Mart could fund the cost of cleaning up California's freight industry, including modernizing port equipment and replacing old diesel port trucks, with less than a penny from every dollar of its California-generated revenues.<sup>53</sup>

So extreme is Wal-Mart's import dependence that it has actually lobbied against Congressional proposals to increase port security. The company fears lost profits from potential delays caused by increased scanning for weapons or bomb-making materials. According to Representative Jerrold Nadler (D-NJ), "one Wal-Mart container enters this country every 45 seconds. Every 45 seconds, there's another chance that a terrorist has smuggled in nuclear materials or the ingredients to create a biological or chemical weapon."<sup>54</sup>

## SPRAWL

Wal-Mart's calculations of its own operations' impacts also leave out some critical elements, especially any data on the impacts of siting and building new stores. These impacts include the land-use changes needed to accommodate these stores, which can often lead to releases of greenhouse gases. Perhaps most important, the company seems to ignore the environmental costs associated with its contribution to sprawl.

Wal-Mart prefers to locate stores on the outskirts of towns, where land is cheaper and there is more space to accommodate massive Supercenters. Since these stores are accessible mainly by driving, they often result in increased traffic and customers having to travel longer distances for their shopping. As long as the company is based on this model of land use, it cannot be considered sustainable.

In fact, the carbon dioxide produced by customers driving to Wal-Mart stores is more than all of its other U.S. greenhouse gas emissions combined, according to Stacy Mitchell of the Institute for Local Self-Reliance.<sup>55</sup> Based on trends in shopping-related driving and Wal-Mart's share of the retail market, Mitchell estimates that Wal-Mart shoppers are responsible for 15.4 million metric tons of carbon dioxide emissions per year, more than the 15.3 million metric tons that Wal-Mart reported was emitted from its U.S. operations in 2005.

Since virtually all of the retailer's customers need to drive to Wal-Mart, stores are accompanied by massive parking lots. To make way for these massive developments, Wal-Mart has paved over tens of thousands of acres, much of it former fields and forests that once helped mitigate global warming.

Moreover, after heavy rains, runoff from these expansive parking lots often causes erosion, flooding, and pollution from oil, chemicals, bacteria and heavy metals that flow into nearby lakes and streams. According to the Sierra Club, each acre of impermeable parking surface produces runoff of 25,000 gallons of water during a one-inch storm. By contrast, a one-acre undeveloped site would only have runoff of 2,700 gallons during a similar storm.

In addition, Wal-Mart has been the target of various government actions to enforce the Clean Water Act. In May 2004, Wal-Mart paid the largest settlement for storm water violations in EPA history, \$3.1 million in compensation for cases in nine states.<sup>56</sup> Since 2001, Wal-Mart has paid an additional \$5 million in settlement costs and civil penalties related to other storm water cases, according to the Sierra Club.



# THE “WAL-MART HEALTH CARE CRISIS”

By Laura Tatum and Michael Snow, WakeUpWalMart.com

## SLASHING COSTS TO THE BONE

In his famous “Sustainability 360” speech on February 5, 2007, Wal-Mart CEO Lee Scott said that “We need to be sustainable companies and countries made up of people who live sustainable lives.” In reality, the company has done little to improve the lives of its workers the world over. Instead, it has continued a model that is based on squeezing workers and suppliers in a global “race to the bottom” in wages, benefits and working conditions.

Despite \$12 billion in profits, Wal-Mart’s health insurance does not cover almost 735,000 of its workers and their families.<sup>57</sup> In fact, Wal-Mart ranks #1, among all companies in America, with the highest total number of workers without company health care insurance, and could arguably be the #1 abuser of taxpayer funded public health care.<sup>58</sup>

No company has done more to feed our nation’s health care crisis than Wal-Mart.

### Scope of the Wal-Mart Health Care Crisis

Despite Wal-Mart’s recent PR games, it is clear that CEO Lee Scott has not taken a single substantive step to address Wal-Mart’s health care crisis. In fact, it’s only getting worse.

In October 2005, the *New York Times* exposed a shocking internal Wal-Mart memo detailing the company’s plans to cut health care costs at the expense of Wal-Mart’s workers. In the memo, Executive Vice President Susan Chambers admitted that “our coverage is expensive for low-income families, and Wal-Mart has a significant percentage of Associates and their children on public assistance.” But rather than suggesting improvements to Wal-Mart’s health care plans, Chambers recommended that Wal-Mart push out long-term, full-time workers, hire more part-time workers, and design all jobs to include some physical activity in order to “dissuade unhealthy people from coming to work at Wal-Mart.”<sup>59</sup>

In January 2007, Wal-Mart barred new hires from its main low-deductible health care plans. Now, Wal-Mart offers most new employees only two health care options -- catastrophic health care with multiple high deductibles (which Wal-Mart calls the “Value Plan”) and Health Savings Accounts, for which new employees are not immediately eligible. Only some facilities offer an HMO plan, however most do not.<sup>60</sup> Considering the Value Plan’s maximum out-of-pocket expense and yearly premium, a typical full-time worker earning \$18,582 per year would have to pay nearly 30 percent of her total income for health care costs alone. Furthermore, a Wal-Mart worker whose family is insured under the “Value Plan” could pay as much as 58 percent of her total income towards health care costs under Wal-Mart’s most “affordable” health care plan.<sup>61</sup>

In 21 of 22 states, as more data become available, Wal-Mart continues to lead all companies with the greatest number of employees and/or dependents on taxpayer-funded public health care.<sup>62</sup>

### Cost of the Wal-Mart Health Care Crisis

The direct cost to American taxpayers of the Wal-Mart health care crisis is significant and growing. Forty-six percent of Wal-Mart workers’ children are either uninsured or on public health care

## THE “WAL-MART HEALTH CARE CRISIS” *continued*

assistance.<sup>63</sup> Wal-Mart cost taxpayers an estimated \$1.3 billion in 2005 because so many uninsured Wal-Mart workers are forced onto public health care. Given Wal-Mart’s growth trends, the Wal-Mart health care crisis will cost American taxpayers an estimated \$9.1 billion over the next five years.<sup>64</sup>

Wal-Mart’s actions demonstrate a strong commitment to profiting from the exploitation of its workers, the taxpayers, and the public health care system. The Wal-Mart Health Care Crisis needlessly wastes billions of taxpayers’ dollars while workers and their families either go without health care or are forced to depend on a public health care system already in crisis. But the American people will keep up the pressure until Wal-Mart provides high-quality, affordable health care to every single worker and becomes a model of corporate responsibility.

### **Profile: Cynthia Murray**

Cynthia Murray is a Fitting Room Associate at Wal-Mart in Laurel, Maryland. She has been with Wal-Mart for seven years but earns only \$9.87 per hour. Cynthia goes without health insurance of any kind because Wal-Mart’s insurance is too expensive.

Due to an accident several years ago, Cynthia is partially disabled and is unable to stand for long periods of time. Cynthia needs health care to rehabilitate her from her injuries, but she cannot afford it.

Cynthia explains, “I’ve worked at Wal-Mart for seven years, and I still can’t afford their health care. I know many of my co-workers can’t afford it either. I think it’s fair to say a majority of the workers in my Wal-Mart store don’t have Wal-Mart’s health care because they can’t afford it.”

Cynthia is a strong leader in the fight for high-quality, affordable health care for all Wal-Mart workers. Cynthia’s courageous testimony was critical in the Maryland Legislature’s decision to enact Fair Share Health Care Legislation in early 2006.<sup>65</sup> Cynthia speaks regularly at rallies and other events, and she has told her story to reporters around the world. She continues to inspire Wal-Mart associates nationwide to publicly demand affordable health care for all Wal-Mart workers.



# UNDERMINING WORKER RIGHTS

By Erin Johansson, American Rights at Work

Wal-Mart is infamous for its union-free status in the United States. Given the company's low wages, inadequate benefits, and rigid work rules, it is noteworthy that no workers have successfully organized a union at any of the chain's 3,800 stores. Workers do not stand a chance against Wal-Mart's unapologetic and aggressive interference with their legal right to form unions.

Between 1998-2003, the National Labor Relations Board (NLRB) issued at least 94 complaints against Wal-Mart, including 41 charges of illegally firing employees for union activity and 59 charges of spying on workers. These complaints resulted in at least 11 rulings against the company and 12 settlements.

While Wal-Mart apparently has no qualms about violating the law to prevent workers from organizing unions, the company also developed a strategy to quash organizing without technically breaking any laws. For instance, Wal-Mart tracks employees who have grievances with the company to identify potential hotbeds of union activity. It provides managers with tips to identify the types of employees that are more likely to organize, and orders them to call the 'Union Hotline' at the first mention of the word "union" in a store.

In the rare instances when workers attempted to organize, Wal-Mart's response illustrates the great lengths it will go to send a message to its employees that a union will never be welcome. In 2000, meat department employees at the Jacksonville, Texas, store overcame Wal-Mart's anti-union obstacles and voted for union representation. Explained former employee Joe Hendricks: "We had a lot of guts...[Wal-Mart] had everybody scared to death if you even mentioned union." According to a complaint issued by the NLRB, which was later settled, the company used numerous illegal tactics to thwart the effort, including interrogating employees and telling them that they went through their files to determine whether they were for or against the union. Joe and the other meat department employees never got their union. A mere 11 days after the vote, the company announced the elimination of meat cutter positions nationwide, thus preventing the Jacksonville workers from reaching the bargaining table.

No Wal-Mart store in the United States has since voted for union representation, but in 2004, Wal-Mart employees in Jonquière, Quebec managed to form a union. To avoid bargaining with its employees, the company retaliated by shutting down the entire store. The shocking move made headlines far and wide. Few heard the anti-union message more clearly than the company's employees in Loveland, CO, where a majority of tire and lube employees initiated steps to form a union by signing union authorization cards. According to employee Joshua Noble, the news "totally freaked people out. Even the people that had already signed union cards, they wanted to know what they had to do to back out." Two weeks after the Quebec store closing, Loveland employees voted 17 to 1 against union representation.

Through the power of example—backed by unlawful and unethical tactics—Wal-Mart remains union free in the United States. Wal-Mart's interference with its employees' freedom of association is cause for public concern. If employees of the country's largest private employer had the ability to collectively bargain and raise job standards for themselves, the impact could reverberate for workers across the country.



# ***SWEATSHOPS***

By the International Labor Rights Forum

The Oxford English Dictionary divides the term “Sustainable Development” into two types: environmental and economic. However, economic and environmental sustainability are really two sides of the same coin. Environmental degradation cannot be sustainable economically because it destroys the very source of productive capacity. Similarly, economically unsustainable actions that focus on short-term gains instead of long-term viability lead to a system that ignores environmental repercussions. The same business practices that make Wal-Mart unsustainable environmentally also make it unsustainable economically. Pollution and sweatshops are symptoms of the same disease: a voracious appetite for low prices at any cost.

## **The Practice: Unsustainable Pricing**

Wal-Mart’s business model is sinfully simple: Always Low Prices. It has grown to become such an enormous purchaser on the international market that it can virtually dictate the price that it will offer for a product. To achieve this, *Wal-Mart refuses to make long-term commitments to its suppliers*, and instead constantly shifts production to new factories when its pricing demands are not met. The result is that suppliers are forced to accept prices that could not possibly allow an ethical supplier to comply with basic labor laws on issues like minimum wages and maximum hours. The constantly shifting network of suppliers allows Wal-Mart to achieve low prices while shifting the costs onto workers.

## **The Result: Sweatshops**

When factories that produce for Wal-Mart are put in the situation of competing for prices with other factories around the world, cost cutting begins at the workers’ expense. Safety precautions and healthy working environments are neglected, which is compounded by the lack of any system of worker compensation in the producing countries. Furthermore, factories must require lengthy over-time shifts to meet growing production quotas. These workers rights violations have been held in place by busting unions and continually suppressing the worker voice. Unionized factories are systematically let go from the sourcing network, revealing the implicit aims of the pricing and sourcing process.

## **Case Study: Chong Won Fashion, Inc. in the Philippines**

Chong Won Fashion, Inc. (now C. Woo, Inc.) is located in the Cavite Export Processing Zone in the Philippines. This is a factory that produced garments for Wal-Mart’s various private brands such as No Boundaries. In February 2007, the Workers Rights Consortium conducted a study of the working conditions in the factory, and found several egregious violations.<sup>66</sup> First, the company used forced and excessive overtime in the order of 18 to 27 hours per week, sometimes with 24 hour shifts. In addition, the factory paid wages as low as \$3.66 per day, instead of the legal minimum of \$5.53 per day. Shockingly, during the inspection, it was found that all of the first aid boxes in the factory were empty, which is also a violation of local labor safety standards. However, the most insidious violation involved explicit cases of interference, intimidation and retaliation against workers attempting to unionize and bargain collectively. Guards, hired by Chong Won management and the Processing Zone Authority, violently attacked workers participating in a legal strike and protest in front of the factory.

Today, the events at Chong Won have garnered worldwide attention, placing major pressure on Wal-Mart to resolve the problems. But it is important to realize that the violations that occurred at the Chong-Won Factory are not unique. They are a common story told over and over again from Wal-Mart suppliers around the world. Whether in the Philippines, Jordan,<sup>67</sup> China,<sup>68</sup> or any other country where Wal-Mart has a presence, these unsustainable pricing practices implicitly endorse workers rights violations.

# EXPLOITING WOMEN

By Beth Myers, STITCH

Products sold in Wal-Mart stores are made by millions of predominantly young women in developing countries in factories that pay poverty level wages, have forced overtime, routinely cheat workers on pay, continuously increase quotas without pay and create dangerous working environments.<sup>69</sup>

While women are not the only workers impacted, the effects on women can be different and more severe due to biology as well as women's different roles in caring for their families. Wal-Mart's supplier factories do not just happen to be populated by women, in fact many employers target women workers because of their perceived "meekness" and the accepted sexist norms that allow for many companies to pay women less. The desire for low cost goods leads suppliers to create or ignore dangerous conditions for workers, including unventilated workrooms, unsafe workshops, verbal abuse, sexual harassment and abuse, firings for pregnancy, arbitrary dismissals and forced overtime.<sup>70</sup> Women who become pregnant are especially at risk for poor treatment and negative health impacts. Horrendous conditions can cause miscarriages and women are often forced to work far into their pregnancies and are not awarded adequate maternity leave. In a Guatemalan sweatshop that produces for Wal-Mart, women were illegally forced by their bosses to take pregnancy tests prior to and during employment.<sup>71</sup>

Because of the sheer size of Wal-Mart, it has the ability to impact women workers in all sectors, including electronics, consumer goods, and especially in the clothing industry. San Pedro Sula, Honduras is home to several garment factories that produce for Wal-Mart. In order to keep up with Wal-Mart's increasing demands, these companies have had to reduce costs and deliver more production, which takes place on the backs of workers. Currently, these companies produce the same amount of clothing as previous years but with twenty percent fewer workers. For the remaining workers, this translates to earning less and producing more. Women who work in these factories sew sleeves onto shirts at the rate of 1,200 garments a day—two shirts a minute, one sleeve every 15 seconds, for only \$35 a week. From its headquarters in Bentonville, Arkansas, the company has established a network of tens of thousands of suppliers and constantly pressures them to lower their prices. At the same time, Wal-Mart buyers continually search the globe for still-cheaper sources of supply. The competition pits vendor against vendor, country against country.<sup>72</sup> While all of this competition may lead to lower prices, it also leads to lower standards in factories, more labor violations and harsher living and working conditions for women workers and their families.

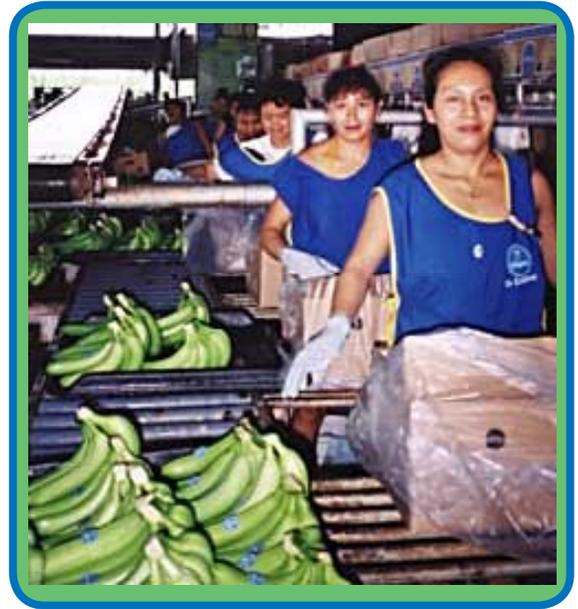
## Case Study: Guatemalan Banana Plantations

The story of women workers at a banana packing plant in Guatemala is just one example of the negative impact Wal-Mart can have on workers. Women workers in packing plants on banana plantations are required by the company to pack a certain amount of bananas into boxes everyday in order to keep their jobs. These requirements are known as production goals. Workers often receive bonuses when they exceed the goals and reprimands—including potential dismissal—when they do not. One plantation in Guatemala received a Wal-Mart contract that required workers to not only clean, weigh, and pack bananas into boxes (the traditional duties of banana packers), but also bag and price them, since their wages are much lower than those of U.S. store employees who had customarily done these jobs. While Wal-Mart demanded these extra steps, they were not willing to pay more per pound of banana, so in turn the banana company refused to pay more to workers for the additional production steps.

## EXPLOITING WOMEN *continued*

The women workers at the plant had to complete these extra steps yet their production goals were not lowered, making it impossible for them to reach their goals. In fact, many women have lost their bonuses (which they count on to increase their salaries to a living wage) and are afraid they will lose their jobs because of the increased production load. Additionally, the increase in work has led to more injuries for the workers and has forced many older women out of the packing plants since they are unable to keep up with their increased workloads.<sup>73</sup> Unions in many banana plantations are challenging these increased production goals, but global pressures like those from Wal-Mart are a powerful obstacle.

Wal-Mart could improve conditions for women workers around the world by paying more for the products it buys. Setting unrealistic prices for suppliers leads to factory owners saving money by allowing factories to fall into dangerous conditions, paying workers less, hiring children to work in the factories, and forcing millions of women to work long hours—often up to 20 hours a day. Wal-Mart should also honor its own supplier code of conduct, especially regarding enforcing standards against gender discrimination in pay and promotion, respecting local and national laws (especially on maternity leave and pay), as well as ensuring workers are not forced to work draconian hours or in horrific conditions.



# ***SQUEEZING FOOD INDUSTRY PRODUCERS AND WORKERS***

By Karen Hansen-Kuhn, ActionAid International USA, and Judith Pojda,  
Agribusiness Accountability Initiative

Wal-Mart's growing presence as a food retailer, while seeming to offer new convenience to shoppers, actually reduces their options – and those of the farmers and farm workers who stock their shelves.

Over the past decade there has been an enormous concentration of ownership and market power among a few food retailers. Almost half of U.S. retail food sales are now controlled by just five firms; in metropolitan areas, this figure jumps to 70 percent.<sup>74</sup> This concentration is growing overseas too; Wal-Mart's website boasts that it now controls some 46 supermarket chains in 14 countries.

While consumers might expect to benefit from lower prices, in fact numerous studies show that retail concentration tends to raise prices. Once it becomes the only store in town (or in some rural areas, for many miles around), supermarkets have little or no incentive to pass on any savings to consumers.<sup>75</sup> Added to the social costs of the closure of local food markets, these low prices seem less and less appealing. It should also be noted that Wal-Mart's ability to force local distributors out of the market is often enhanced by the retail giant's access to public subsidies – another indication that any cost savings consumers might realize at Wal-Mart may be partially given back in their tax bill.<sup>76</sup>

Wal-Mart's growing market power squeezes producers too. Farmers, already forced to deal with market concentration on inputs like fertilizers and seeds, find that they have fewer and fewer buyers for their goods. In many cases, Wal-Mart is able to use its increasing power to dictate prices down through the supply chain to food processors like Del Monte, or even bypassing those firms altogether to purchase food directly from farmers in the United States and overseas.

## **Case Study: Wal-Mart/Asda Pushes Banana Prices Down in Costa Rica<sup>77</sup>**

Wal-Mart's actions to push prices down affect workers throughout the sector. In 2002, Asda, Wal-Mart's UK subsidiary, signed a deal with Del Monte which made it Asda's sole supplier in Costa Rica. That deal was based on what an industry insider called "a ridiculously low price." At the same time, Asda cut its net profit target margins, allowing it to cut prices to consumers by 13 percent. This led to a price war among UK supermarkets, ultimately leading Asda to cut its prices even more. And although consumers benefited by paying a few less pennies for their bananas, they may have felt differently about making their purchases if they had been aware of the human and social costs of the "banana wars."

Supermarkets passed these price cuts on to workers, demanding that they work longer hours for less pay. The price war in the UK led to spiraling demands on Costa Rican producers throughout the sector. A study commissioned by the Banana Link in 2004 found workers typically working 12 hours a day – and in some cases up to 15 hours – to earn the daily legal minimum wage. Suppliers are also shifting to subcontracts and temporary work, and have increased pressure on local trade unions, undermining workers' ability to organize to defend their rights.

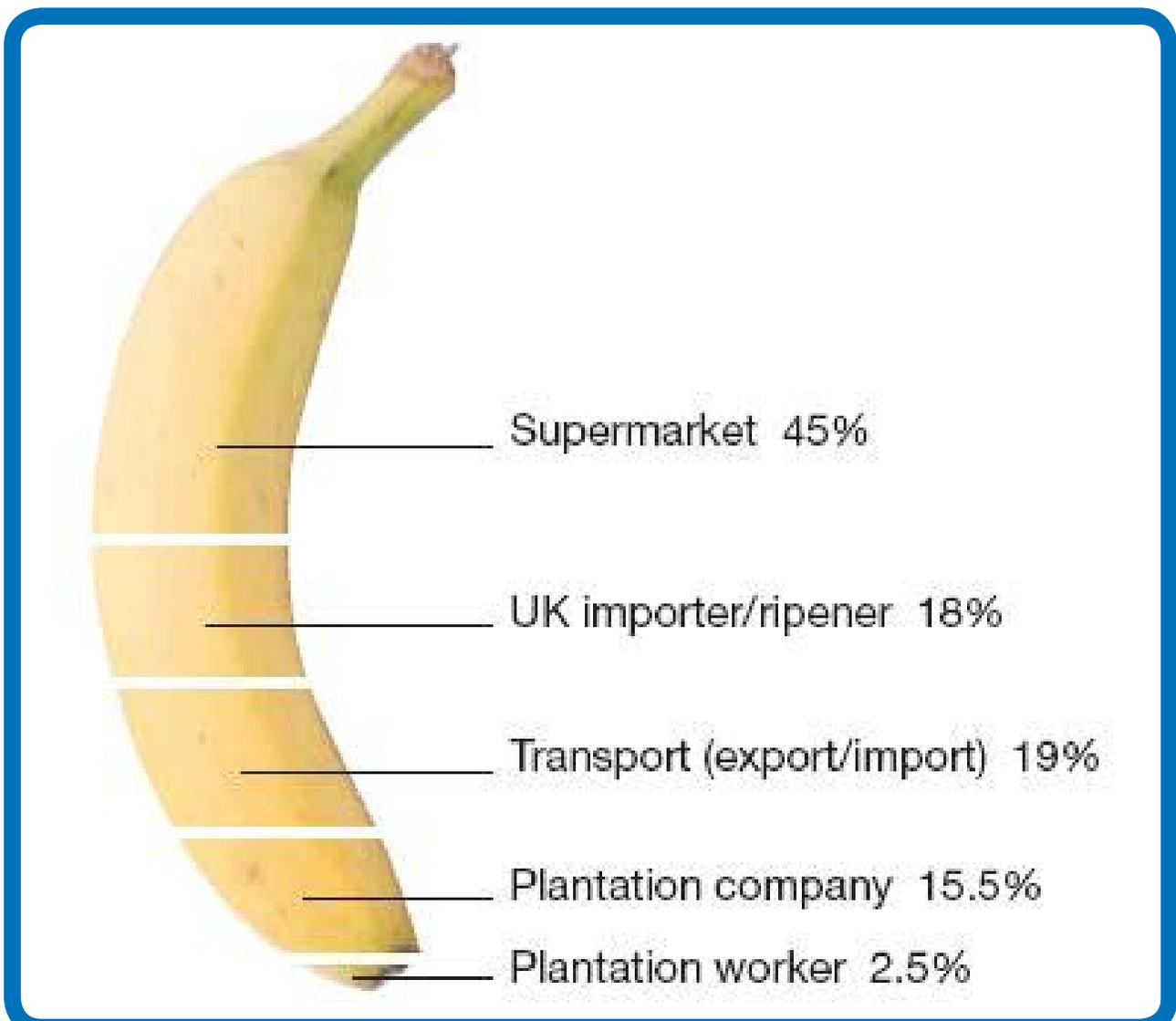
"We work hard month by month, year by year, but we have no tangible results. Millions of boxes of bananas are produced but we end up with nothing. I can't take it much more." -- *Banana worker on a plantation that supplies Asda.*

# ***SQUEEZING FOOD INDUSTRY PRODUCERS AND WORKERS***

*continued*

According to Banana Link, if each banana costs a dollar, plantation workers receive less than 3 cents per banana, while the supermarkets take in 45 cents per banana: that's 15 times more than the plantation workers--and that's just not fair!

## ***Who gets what? The banana split***



**Source:** ActionAid estimate for the distribution of value along the Costa Rica-UK supermarket supply chain for loose bananas. Illustrative only.

# FOOD SAFETY

By Patty Lovera, Associate Director, Food and Water Watch

No matter where they shop, consumers have plenty to worry about when it comes to the safety of their food. E. coli-contaminated spinach and Salmonella-contaminated peanut butter, almost constant meat recalls, and a list of tainted imports ranging from fish to pet food have made it pretty clear that our food safety system is broken.

Lots of our food is imported – over 80 percent of seafood, 40 percent of produce, and a third of processed foods – and imports are growing every year. With the U.S. Department of Agriculture only able to inspect about ten percent of imported meat and the Food and Drug Administration only inspecting one percent of other imports, consumers are essentially on their own when it comes to navigating the risk that comes from an increasingly global food supply. FDA is not much better off when it comes to domestic food producers, with so few inspectors that most food plants are not visited by a government inspector even once a year. And no matter where the food is coming from, neither FDA nor USDA has the legal power to order a recall of a contaminated product. They have to encourage companies to issue the recall, often wasting valuable time while the product is already on store shelves.

Combining this broken food safety system with constant pressure by retailers like Wal-Mart to constantly lower production costs, it's no wonder that food safety problems have become a staple of the daily news.

Ultimately, food retailers like Wal-Mart need to pay producers a fair price for their products so our food supply is not coming entirely from the lowest cost producers in places with lax safety standards and no labor protections. In the meantime, the federal government needs to dramatically increase the amount of inspection at the border of imported foods, go to other countries to inspect the food processing plants that are exporting food to the United States, and increase the number of inspectors for domestic food processors as well.

Finally, consumers need to have enough information to protect themselves. Right now, they don't because companies like Wal-Mart have spent millions lobbying to prevent a law requiring meat and produce to be labeled with its country of origin from going into effect. It's time for Wal-Mart to give consumers basic information about where their products come from and to stop making consumers suffer the food safety consequences of always going for the lowest price.

# UNDERMINING COMMUNITIES

Wal-Mart's massive scale undermines the small, independent businesses that form the fabric of healthy, sustainable communities. And despite the company's claims to the contrary, numerous studies indicate that Wal-Mart destroys more jobs when it comes into a community than it creates. The Public Policy Institute of California found that Wal-Mart stores reduce employment in their local county's retail sector by two to four percent.<sup>78</sup> A widely cited study by Iowa State University documented that rural communities (the focus of Wal-Mart's initial expansion) lost up to 47 percent of their retail trade 10 years after the discount giant's arrival.<sup>79</sup> A University of Illinois study forecast a likely net job decrease in Chicago's West Side if Wal-Mart came in. Studies by the University of California-Irvine and others show that when Wal-Mart enters a region, the area's overall wages tend to decline as higher-paying jobs in competitors are wiped out.<sup>80</sup> This wage depression has been most severe in the southern United States, where Wal-Mart stores are most prevalent.

In June 2007, activists with the Maine Fair Trade Campaign scored a major victory for community rights by successfully pressing the Maine legislature to adopt the nation's first state-level measure requiring big box retailers to pay for impact assessments of proposed developments. The law requires that projects be blocked if the studies find the retailer is likely to cause a quantifiable "undue adverse impact" on municipal services, the environment or local businesses and have a harmful effect on the overall community.<sup>81</sup>

This section begins with a critique of how the retail giant is undermining communities, jobs and the environment in Mexico, where it is also the No. 1 national retailer. It then offers accounts of Wal-Mart's impacts on communities and small businesses in the U.S., followed by a critique of Wal-Mart subsidies that strain communities' fiscal revenues.



# TRAMPLING ON MEXICO'S RAINFOREST AND COMMUNITIES

By Ruben Garcia, Global Exchange, and Luis Bueno Rodriguez, Centro de Investigación Laboral y Asesoría Sindical (CILAS)

Wal-Mart is an international corporation and, as such, its public relations campaign about being a sustainable company also has an international component. On its Wal-Mart China website, the company boasts about funding it provides to solar energy and reforestation projects. In Canada, Wal-Mart recently announced that its suppliers will have to reduce the ecological impact of their packaging.

Although these are worthwhile initiatives, Wal-Mart's actions on the international level speak louder than its words. In its actions, the company has shown that its very model is unsustainable, and that its environmental sensitivity goes out the window when an environmental concern happens to get in the way of Wal-Mart's desire to build a new Supercenter.

Take the case of Mexico as an example. In early July, Wal-Mart announced its "sustainability initiative" for Mexico – an initiative designed to save the environment and improve quality of life for future generations. But at the same time Wal-Mart was promoting itself as a champion of the environment, it was fighting environmentalists in Xalapa, Veracruz who don't want the company to build a Supercenter on close to 40 hectares of protected land in the area known as "La Joyita."

Development in this area would create serious traffic problems on Murillo Vidal and Rebramen Avenues, major Xalapa thoroughfares, disrupting the lives of families living in the area and thousands of commuters who pass through this part of the city every day. But the most serious aspect of this issue is that La Joyita is one of the last remaining areas of rainforest within Xalapa.

La Joyita is home to a forest corridor that also belongs to the state park. Lying beneath this forest corridor is a major source of groundwater, which feeds the Las Ánimas lakes. These lakes serve as a refuge for local migratory birds, help moderate the unstable urban climate, and preserve the water cycle. It is inevitable that this oasis will disappear with the presence of a Wal-Mart Supercenter. But that fact is unlikely to deter Wal-Mart.

Wal-Mart's very business model in Mexico is unsustainable. Its stores are so big that they usually must be built on the peripheries of cities and towns. This means that to get there people are obligated to use their cars to drive long distances each way instead of walking.



## **TRAMPLING ON MEXICO'S RAINFOREST AND COMMUNITIES**

*continued*

This increased use of cars increases emissions of carbon dioxide, a gas that increases global warming.

Additionally, as it does in the United States, in Mexico – and in other countries where its stores are located – Wal-Mart imports its goods from the other side of the world as opposed to buying local products. Not only is this unsustainable for local producers, but it also means that merchandise must travel extremely far distances before it reaches the consumer. For example, in Mexico, Wal-Mart imports garlic from China instead of buying the same produce from farmers in Michoacán. The amount of fuel that is used to transport these products is astronomical.

Finally, there's the aspect of sustainability that's about how Wal-Mart affects people's quality of life. Can a company claim to be "sustainable" when it drives down wages, doesn't pay any wages to some 20,000 minors who work in its Mexican stores, pays unsustainably low prices to its suppliers (which leads to sweatshop conditions), drives local stores and markets out of business, and disregards the wishes of the communities where it establishes its stores?

In Mexico and throughout the world, people are concerned about global warming and the destruction of the world's natural environment. They don't want their countries turned into places with more Supercenter parking lots than local markets and environmentally protected lands. They want real sustainability – respect for local communities and businesses, living wages, and a business model that protects and nurtures our natural environment. "Sustainable" companies don't destroy rainforests.

# COMMUNITY ACTIVISTS FIGHT FOR A SUSTAINABLE BUSINESS MODEL

By Craig Dameron, Co-Chair, Washington State Jobs with Justice

Big box retail often increases traffic, necessitating more frequent road repair and possible road widening, may increase costs for police and firefighters and may cost taxpayers to provide publicly subsidized health care or other public benefits when employers do not provide a living wage or affordable health care.

Unfortunately, if communities make any impact assessments at all of proposed developments, they tend to focus on environmental issues, without looking at the potential impacts on net job loss or creation, the types of jobs created and their wages, the effects on destroying local businesses and whether the money from the development stays mainly in the community or whether it is sent to a large corporation in another part of the country.

Communities need to assess the economic and social impacts of big-box developments and decide whether those developments make good economic sense. And in hundreds of towns and cities across the country, activists have resisted Wal-Mart's expansion and demanded a stronger voice in the economic future of their communities.

## Examples of Community Resistance in Two Washington State Communities

In Bellingham, Washington, activists pressed the City Council to pass a six-month emergency moratorium on development of big-box retail stores of 100,000 square feet or greater after Wal-Mart announced plans to expand their current store into a Supercenter. The purpose of the moratorium was to give city planners time to create standards for the city to prevent the many negative consequences that result from big-box retail developments.

The moratorium was just the start. Whatcom County Jobs with Justice, continued to put pressure on and were successful in getting the Bellingham City Counsel to pass a city ordinance capping big-box stores to 90,000 sq ft.



# **COMMUNITY ACTIVISTS FIGHT FOR A SUSTAINABLE BUSINESS MODEL**

By Craig Dameron, Co-Chair, Washington State Jobs with Justice

Due to Whatcom County JwJ's success in Bellingham, the Whatcom County council asked for their assistance in passing a county moratorium of a 75,000 sq ft cap in unincorporated Whatcom County. The city of Ferndale quickly followed suit by also passing a 6 month moratorium.

Whatcom activists are confident that the Whatcom County moratorium will turn into an ordinance.

When Wal-Mart announced plans to build a Supercenter at the border of the Washington communities of Tacoma, Fircrest, and University Place, Jobs with Justice member organizations worked with the retail workers union and local elected leaders to build an autonomous community-based group called Fircrest Against Wal-Mart (FAW). The campaign developed at least 50 coalition relationships with local civic, business, and religious entities, circulated petitions and plastered the streets with Fircrest Against Wal-Mart signs. Their success in transcending political divisions was evident in the sighting of a truck with a Fircrest Against Wal-Mart bumper sticker next to one for Bush/Cheney '04.

However, the campaign was frustrated by the Fircrest Council members' refusal to speak about the plan or reveal their positions, hiding behind a gag order issued by them selves. Fircrest officials also made it difficult to acquire basic info about the status and Wal-Mart plans for the site. Wal-Mart mailed two postcards and conducted at least one phone poll to local residents to recruit their own "Astroturf" committee. Within 30 days, the FAW website received over 30,000 hits, and as public opposition mounted, Wal-Mart's announced that they were pulling out of Fircrest, and would be abandoning their plans for a Superstore at this location. Community leaders are now working with Pierce County Jobs with Justice and are focusing on a new phase in the Social Responsibility at Wal-Mart campaign.

# SMALL BUSINESS IMPACTS

By Jeff Milchen, Co-founder, American Independent Business Alliance

The rise of big box chains has inflicted tremendous harm on both entrepreneurs and communities across the world. Countless independent businesses, most of which do not enjoy the massive subsidies and tax evasion opportunities exploited by major chains, have been driven out or forced to the margins of local economies. This harms not only those entrepreneurs, but undermines the social fabric and local economy in these communities.

Because the chains centralize most higher-skilled, better-paying jobs at corporate headquarters, communities lose not only wealth, but the opportunities provided by smaller businesses to learn a wide range of entrepreneurial skills. Equally damaging, the casual personal interactions among neighbors in community-serving retail areas are replaced by anonymous and strictly commercial interaction, undermining social cohesiveness and feeling of belonging in a community.<sup>82</sup>

The Wal-Mart Corporation is one among many chains bringing destructive impacts to communities, but it deserves special attention both for its unprecedented size and relentless extraction of wealth from communities -- setting an example that other chains follow.

Retail spending for basic goods is a relatively fixed pie. We do not purchase significantly more toasters, tissue or underwear simply because a new big box store arrives. As a result, about 85 percent of sales at new Wal-Marts come directly from existing area businesses. Because Wal-Mart exports its revenue to corporate headquarters and spends a bare minimum on local services, a host community receives little economic benefit beyond the wages to in-store employees.

In contrast, three times as much of each dollar spent at an independent business ends up being re-spent in a local economy.<sup>83</sup> Those local businesses employ local graphic artists, accountants, web designers, consultants and many others. Local owners spend their money in the community and tend to use more locally-sourced products. When a big box chain drives out local business, that local multiplier effect goes with them, undermining the local economy.

Again, Wal-Mart is the pace-setter among chains in expanding into ever-more business categories to displace entrepreneurs, spending as little as possible in host communities and extracting massive direct and indirect subsidies.

To expect Wal-Mart to change any of its most destructive impacts on communities is unrealistic because the damage done to entrepreneurs and communities is integral to Wal-Mart's business model. Externalizing its costs of doing business onto taxpayers and extracting wealth from communities while centralizing every possible function at corporate headquarters is the very foundation of the corporation's vaunted "efficiency."

More communities are recognizing the damage done by corporate big box chains and are taking charge of their own destiny. Size caps on stores, pro-local business policies, and Independent Business Alliances are taking hold in communities nationwide as they realize that sustainable development must be based on nurturing local entrepreneurialism, not absentee-owned corporations.

Eureka, California, for example, became one of the first communities to fight Wal-Mart at the ballot box and win -- defeating a corporate-created ballot initiative in 1999 which aimed to alter zoning laws to allow a new Supercenter. Despite the victory, locals questioned why a corporation could run its own ballot initiative and force a fight in which "victory" meant merely maintaining the status quo. They also recognized that Wal-Mart could run such a campaign again.

So citizens took charge and shifted to proactive organizing. In 2006, they passed a landmark initiative, Measure T, that forbids non-local corporations and other outside organizations from contributing money to political campaigns within the county.

Democracy Unlimited of Humboldt County, a key group behind that effort, also recognized that independent locally owned businesses were crucial to their community's economic vitality and social cohesion. In 2007, they launched the Humboldt County Independent Business Alliance to begin proactive organizing to sustain the long-term health of community-based business. Locals have been newly energized by the opportunity to advance these pro-community campaigns rather than the usual reactive battles, leading to additional innovation.

# WAL-MART AND LOCAL GOVERNMENTS' FISCAL SUSTAINABILITY

By Philip Mattera, Research Director, Good Jobs First

An issue facing every one of the more than 4,000 U.S. communities in which Wal-Mart operates is the impact of the giant retailer on local government finances. While the company touts the benefits it brings, mainly in the form of sales tax revenues, Good Jobs First has been analyzing the ways Wal-Mart serves to weaken local government fiscal sustainability.

Local governments depend on tax revenues from companies as well as individuals to pay for vital services such as public education, infrastructure and public safety (police, fire, etc.). These services are financed primarily by taxes levied on the value of real estate and, to a lesser extent, on retail sales. According to the U.S. Census Bureau, property taxes account for 46 percent of local government revenue (apart from federal and state funding), and sales/gross receipts taxes account for another 10 percent. Property taxes are especially important for public schools, which get 44 percent of their funding from local sources, and two-thirds of that comes from property taxes.

Rather than recognizing its responsibility to contribute its full share to local government coffers, Wal-Mart frequently seeks not only to reduce its tax bill but also to get local officials to help pay for the company's expansion. Wal-Mart does this by actively seeking economic development subsidies from communities when it is deciding where to locate a new store or distribution center. Wal-Mart is by no means the only company that seeks such subsidies, but its size means it has an exceptionally large fiscal impact throughout the country.

Good Jobs First has been tracking Wal-Mart's subsidies for more than three years. We have found around 300 deals across the country worth more than \$1.2 billion. Data on each of these deals can be found on our *Wal-Mart Subsidy Watch* website at <http://www.walmartsubsidywatch.org/>.

The subsidies, which may be granted by state as well as local agencies, are mainly in the form of property tax abatements, infrastructure assistance, free or reduced-price land, low-interest financing and state income tax credits. Sometimes Wal-Mart receives direct cash payments—either in the form of rebates of sales taxes it has collected from customers or as grants from special economic development funds.

Whatever form the subsidies take, they transfer funds from government coffers to Wal-Mart's bottom line. This puts a strain on the ability of public officials to pay for vital services, some of which are made more costly by the arrival of a Wal-Mart. For example, many communities have had to expand their police budget to patrol the parking lots of 24-hour Wal-Mart stores, given that the company does not spend enough on security.

Wal-Mart could easily remove the strain on local governments by deciding not to seek tax breaks or other subsidies. The company currently does not seek subsidies at all sites, and a corporation with some \$11 billion in profits can easily afford to pay the full cost of its expansion. Alternatively, as has happened in numerous communities, public officials could simply say no to handouts to the world's largest retailer.

# ***DISTORTING DEMOCRACY***

By Corporate Ethics International

While Wal-Mart claims to be trying to “go green,” the company has used its massive political clout to support an anti-sustainability agenda in the U.S. Congress.

During the 2005-2006 election cycle, Wal-Mart’s PAC gave money to more than 30 Members of Congress who scored 0 percent on the League of Conservation Voters National Environment Scorecard for the 109th Congress. Nearly 40 percent of contributions went to members who have scored 10 percent or less, and two-thirds of its contributions went to those who earned a failing grade of less than 50 percent.

Wal-Mart also contributed to 187 members of Congress who voted against improving fuel efficiency standards for cars and light trucks, one of the most basic steps we could take to help curb global warming.

In addition, Wal-Mart contributed to 206 members of Congress who voted for the 2005 Energy Bill in the 109th Congress. This legislation is considered one of the most harmful anti-environmental pieces of legislation in the past decade. Not only did the bill fail to include meaningful solutions to our energy and global warming problems, but it would also turn back the clock by weakening environmental laws and giving away billions in tax breaks and subsidies to oil, gas and coal companies.<sup>84</sup>

How can the company be serious about helping curb global warming when it gives millions of dollars in political contributions to members of Congress and a president who fervently oppose such efforts? How can the company expect to be taken seriously on its environmental commitments when its political actions are so clearly aimed in the opposite direction? And more broadly, how can the company ever expect to be sustainable if its political activities include contributions to candidates who actively work to undermine worker protections and putting forward \$1 million ballot initiatives to locate stores in communities who oppose the siting?

To be truly sustainable, the company must bring its political activity in line with its stated commitments to sustainability. Wal-Mart, through its PAC and as a company, should end political activities and campaign contributions which support candidates and policies that undermine protections for the environment, workers, and communities.

Political influence by corporations fundamentally inhibits the ability of decision makers to make sound public policy, whether to protect the public health and environment, worker and human rights, communities, or otherwise. Ending its political contributions to anti-environmental and anti-worker candidates is a critical first step for Wal-Mart on the road to removing itself from politics altogether.

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