

Partnership for Change and Progress

Anand Panyarachun

Chairman, BCSD Geneva

Chairman, Council of Trustees, Thailand Environment Institute

**Presented at
The East Asia Pacific Parliamentarian
Conference on
Environment and Development (EAPPCED II)**

**Thursday, 21st April 1994
Phuket, Thailand**

PARTNERSHIP FOR CHANGE AND PROGRESS

During the next three days, this conference will discuss in some detail a number of issues of great importance to this region, and beyond.

I believe I can best serve you this morning by mainly focusing on one area: partnership between government and the private sector – which in my judgement, is of fundamental importance to the way we approach those issues, and others.

Government of course includes you as Parliamentarians, as well as Ministers and officials. And I single out the private sector – business – as a partner because it has a critical role to play in achieving a successful marriage between development and the environment.

Business after all is the driving force behind economic growth, and the increasing prosperity that much of East Asia and the Pacific area is enjoying.

Yet, as we all know, we have been paying a price for this economic success.

For example, you will have seen the recent World Bank report on the state of the environment in Asia. It is a cause for dis-satisfaction.

- The levels of sulfur dioxide, nitrogen dioxide and total suspended particulates in the air – three especially dangerous industrial pollutants – have increased disturbingly: by a factor of five in Indonesia, eight in the Philippines and ten here in Thailand.
- Five of the seven cities in the World with the worse air pollution are here in Asia.
- At current rates, Asian countries will be producing more sulfur dioxide than Europe and America together by the year 2005.

I am not attaching blame. But I feel it an encumbrance on me to apportion responsibility for addressing this urgent situation – because in the developing countries and emerging economies we can afford no longer to have economic progress at the expense of a safe, healthy environment.

As legislators, you most certainly have a contribution – a major contribution – to make.

But clearly the primary responsibility will – and must – rest with business: which faces the challenge of reducing the levels of pollution dramatically, but without harming our industrial and economic performance.

Business however cannot do it alone.

Partnership must be the cornerstone for achieving our common objectives.

Partnership between you in government and we in business to work out an agreed agenda, and partnership to work to that agenda through developing common policies and deciding our respective roles for implementing the actions we have resolved to take.

It is happening – for example in the ASEAN region, through the establishment of joint public – private consultative committees, chaired by the Prime Minister of the country, and attended by leading CEOs in that country.

This is a promising beginning. But we need to accelerate matters, and bring business more closely into the policymaking process.

Your particular contribution – indeed the responsibility that has been entrusted to you – is to set the standards for environmental performance. And I say very firmly that you should not flinch from setting high standards, tough ones.

Tough, demanding standards are important to improving the well-being of the communities you serve – and they will be the stimulus for improving business performance. They are not an obstacle for business to cross or worse, to circumvent – they are an opportunity which business should grasp.

Many of you I trust have heard of the motion of Eco-efficiency.

It is a concept developed by the Business Council for Sustainable Development in its report '*Changing Course*' to Rio. The BSCD is a group of business leaders from around the World, and I am privileged to be its current Chairman.

An Eco-efficient company is one that adds value to its products and services, while using raw materials and energy more efficiently and aiming towards – and ultimately succeeding in – eliminating pollution from its processes and products.

This approach goes beyond the traditional end-of-pipe mentality, to one of striving to prevent pollution in the first place. Rather than wait until the part is broken before fixing it, the objective from the outset is to prevent breakages occurring.

Eco-efficiency is the proper corporate response to the global goal of sustainable development. It is also the right response to the particular situation we in this region face at this stage in our development – and it should become the benchmark by which business sets out to measure itself, and be measured by, in the future.

There is much that we in business can do ourselves – and should be doing – to move our process and products further and faster towards that goal.

But as I stated, no-one at this conference should assume that it is down to business to do it alone. On the contrary, government – including Parliamentarians like yourselves – must support, and work with business to promote and step up the process of change.

I said that high environmental standards are the key. They are, Tougher standards will drive companies faster down the road towards Eco-efficiency by requiring them to look for new processes, technologies and even new products – in short, to find new and improved ways of doing things.

But the manner in which government – you – lay down those standards will be crucial to their effect, and to their effectiveness.

Most businesses – wherever they are in the World, and this region is certainly no exception – operate within both a set of laws and an economic framework laid down by government.

You can impose new laws, and the means to enforce them. They will serve their purpose – to a point.

But by themselves, new regulations will not be enough to reap the economic and environmental dividends that are possible.

We need to reform business behaviour so that it reflects environmental truths. But we must also see that society's behaviour reflects those truths too.

For example, if we want business to include environmental costs in its balance sheet – and we should want this – society must accept the consequences. There will be a price to pay – literally – as environmental costs are allocated to processes and products, and therefore we must make changes to our economic system to take account of that reality.

We are in danger of overlooking the fact that at Rio, the heads of state and government signed off on an economic, not an environmental agenda. The changes they endorsed were economic – not environmental – in scope.

The emphasis in the Agenda 21 program – indeed in every major document approved in Rio – on the role of economic instruments (taxes, charges, permits and so on), and their importance to internalizing costs illustrates the point.

Economic instruments are – as their name says – an economic measure, not an environmental weapon. The benefits will be both environmental and economic; moving us away from the present wasteful use, over-consumption and depletion of resources to a system that values, encourages and rewards conservation, pollution avoidance and efficient resource use.

That will be to the immense benefit of every citizen – and it will also be good for business.

Traditional command-and-control regulations will continue to play a role. But increasingly – as Rio tacitly acknowledged – economic instruments will prove a more effective means of improving corporate environmental performance, and the environment generally.

I also urge you to take this into account when you come to consider new, higher environmental standards.

I also urge you to work with business – and other groups with a direct stake in these issues – to implement a common agenda: an agenda which should include:

- ***Simplicity***
We should be aiming to simplify regulations, rather than add new complexities to the regulatory regime.
- ***regulatory reform***
Government should accompany any measures to introduce economic instruments with reforms of existing regulations to make the market work better.
- ***Fiscal reform***
Existing fiscal systems should be reviewed with the aim of shifting the tax burden from income, value added and investment towards resource use and pollution.
- ***subsidies***
Removing perverse subsidies should be a priority.
- ***timetable***
We need to agree and lay out a clear timetable for the gradual internalization of costs, so that business has a stable platform for investment.

Such an agenda will enable us to meet our common objective – which is to make the markets work for sustainable development. The markets have treated us well from an economic standpoint: now we must ensure they work as successfully for our environment.

Plenary Session III on Saturday will deal with trade and environment. I think it appropriate for me to address this topic.

Open, competitive global markets are essential on both economic and environmental grounds – and the successful completion of the Uruguay Round is clearly a milestone towards a further opening of markets, and to increasing competition.

However, as you know, we are now moving into a next phase – with GATT and its successor, the World Trade Organization due to embark on a two-year work program designed to make trade and environment policies mutually supportive. That program will embrace some difficult areas, and I fear that some of the tensions apparent during the Uruguay Round negotiations are likely to resurface.

The issue of competitiveness will, I believe, assume an even higher profile on the agenda – especially as countries move to internalize environmental costs in different ways, and at different speeds.

The particular risk is that governments will perceive a loss of competitive advantage, and will respond by resorting to trade measures against countries with, in their view, lower environmental standards. We are all familiar with the argument that weaker environmental regulations in mainly developing countries give producers there an unfair advantage.

It is a fact that generally speaking, developed countries are internalizing costs faster – and according to the OECD, the gap between them and developing countries is growing.

I repeat my view that we in the developing countries and emerging economies should accelerate our progress towards setting higher environmental standards, preferably through the wider introduction and application of economic measures to internalize costs.

At the same time however, developed countries must be realistic about how rapidly we can act. And certainly any attempt, through trade measures, to coerce us into action faster, will prove counter-productive.

The issue of trade and environment, and competitiveness are also related directly to the harmonization of environmental standards.

Certainly, this is needed in some key areas – climate change, ozone layer depletion, endangered species, biodiversity, acid rain and cross-border pollution – and there are in fact some 15 International environmental agreements in place.

But let us remember two things:

1. It takes time to reach an International consensus on issues. And if governments expect International standards to be agreed, they may use this as an excuse to delay implementing their own domestic policies meanwhile, I sincerely hope you will avoid that trap.
2. International harmonization may be a desirable goal. But we must keep in mind the national, sometimes regional, differences in ecological carrying capacities, climate conditions, natural resource endowments and environmental priorities – which are all sources of a country's or region's competitive advantage, and which we will be loathe to relinquish without proper safeguards.

Indeed, competitiveness is an amalgam of many factors – resources, labor costs, cultural preferences, government regulation, technological development, effective educational systems and so on – not simply of differing environmental standards.

Harmonization is desirable as a long-term objective. But the majority of environmental problems are local, and in my view are best treated at that level. And we should not be sidetracked from the urgency of our task here – which is to raise our environmental standards throughout East Asia and the Pacific.

I would also like to mention the issue of Joint Implementation – as a specific example of what the private sector can do to strengthen collaboration between developed and developing countries.

As you know. The Climate Change Treaty which came into force on March 21 for those countries which ratified the Rio Convention, includes the principle of Joint Implementation.

This allows countries to partially meet their commitments under the Treaty to reduce their greenhouse gas commitments by investing in emission reduction in other countries. Most of the World's greenhouse gas emissions come from developed countries – and the expectation is that Joint Implementation will mainly involve agreements with developing countries. For example, a North American coal-burning electric utility could earn credits by lowering CO2 buildup through increasing the efficiency of coal-based power production in China.

There are a number of concerns, especially among developing countries, about Joint Implementation. One is the fear that it may absolve the North of changing its behaviour while adding burdens on developing countries. Another is it may cause traditional sources of foreign aid to dry up. Joint Implementation has even been called a form of 'eco-colonialism'.

I understand those concerns – but personally, I do not share them.

In my view, Joint Implementation is an important example of how the private sector can play a critical role in providing significant, tangible sustainable development benefits – important new resources to developing countries – through Eco-efficiency and Technology Cooperation.

And the role of the private sector is particularly critical because it is clear that available government financial resources to reduce greenhouse gas emissions will be inadequate – and private sector capital will be needed.

I am pleased to say that the BCSD has a task force examining this whole issue. One of its tasks is to provide the business perspective to the debate, and to raise awareness of Joint Implementation and its benefits.

In conclusion, let me say that in East Asia and the Pacific, we face a considerable challenge.

We need to redress the damage already done, to make our cities liveable, to make the lives of millions of our peoples bearable. And, as we develop our economics further, to sustain our competitive presence in the World, we have to avoid compounding the waste and pollution that already besets us.

But with that challenge comes an opportunity to show to the rest of the World that it can be done: that we can achieve significant rewards – for the environment, and for today's and tomorrow's generations of our peoples.

I have no doubt that together we can prove ourselves to be more than equal to the moment.