

**Keynote Address on
Business and Environment Challenges Ahead
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Your Royal Highness, distinguished guests, ladies and gentlemen, it is my honour today to welcome you to Bangkok and to participate in "Britain in Thailand" week.

It is indeed a pleasure to welcome such a gathering of British businessmen and experts working in the fields of environment, water management, and health to our Capital City.

The sponsors of this week are undertaking a commendable task in expanding our knowledge of topics which are of obvious and increasing importance for Thailand and the other rapidly industrializing economies of Asia.

As a former student of Cambridge University, I was privileged to gain a clear insight into the educational traditions and strengths in British which have fostered the expertise and technical excellence we see exhibited by many of the British companies taking part in this event.

I wish you well in the week ahead and firmly believe there continues to be great scope for Thai and British companies to work together and to learn from each other in these vital areas.

Economic Dynamism and Environmental Costs

Businessmen visiting Bangkok, and any of the major centres of the region, can easily see and feel the dynamism of the processes of industrialisation and urbanisation at work in this vibrant part of Asia.

The power of the market forces present in Thailand are tangible; the raw energy and entrepreneurial drive underpinning the economy are obvious.

For Thailand and our regional neighbours, significant periods of economic stability combined with openness to foreign investment and an increasing emphasis on investment in people, have combined with the entrepreneurial flair of many talented individuals, to create a situation where at current growth rates, grouped together, the economies of the region coupled with that of China could become as large as Western Europe by 2005.

It is fair to say the markets have treated us well from an economic standpoint and now we must ensure they work equally well for our environment.

Across business and industry in Thailand, awareness is growing that our ability to compete in fast changing International markets is prerequisite for continued prosperity. If we are to maintain the impressive progress of recent years, we will have to maintain strong export growth, to develop new markets, and to adjust to challenges emerging as the forces of Internationalisation take hold.

During the past 20 years, we have seen labour and resource intensive development unleash powerful forces of industrialisation, allowing us to further explore, develop and feed export markets in Europe, North America, Japan and other trading partners with our products and raw materials.

Those forces have sometimes proceeded at break-neck pace. It is an unfortunate truth that the downsides of, at times, explosive growth and industrialisation are also obvious in our cities and manufacturing centres.

Intense traffic congestion, deteriorating air quality, and widespread water pollution are an everyday reality, which are exacting an incalculable cost in terms of productive time lost, health, quality of life, and the natural environment.

Trade and the Environment: A Challenge for Thailand

A complex set of new challenges for Thailand comes with the ever-increasing International emphasis on environment and sustainable development.

As we approach the year 2000, the Thai economy must again go through transition to ensure ongoing International competitiveness. Naturally, we must build on the industrial base created since the mid 1970s. As part of the new transition we must clearly focus our efforts on building up knowledge and high-technology development.

As a separate part of the adjustment, but nonetheless important-to-maintain competitiveness, a much higher emphasis must be given by domestic producers to environmental management in response to the new environmental trade pressures which are emerging in key export markets around the World.

Increasingly, we see that our ability to compete as an exporting nation will be deeply affected by the environmental management performance of Thai industry. It is also well accepted that in the post Uruguay Round era, environment possesses the potential to become one of the most explosive and divisive trade issues, if the developed and newly industrializing countries were allowed to meet head on over it. This must be avoided at all costs.

There is no doubt that the Trade and environment debate throws up many complex and taxing questions for businessmen around the World, particularly for manufacturers in newly industrializing countries. Also, we must acknowledge early on that there is no trade-environment panacea. A clear understanding of the issues and many years of negotiations lie ahead, if

balanced answers are to be achieved for such subjects as environmentally-related product and process standards.

We see that environmental issues in trade are already firmly on the agenda. environment is embedded in International trade agreements such as NAFTA, the various trade initiatives of the European Community and its member states, and there is no doubt environment will come to the fore in the deliberations of the World Trade Organisation (WTO), once that body is firmly established.

I therefore would like to spend some time this morning on the challenging subject of Trade and Environment and look at ways in which Thai and British business people might work together to improve the environment in Thailand.

Simply stated, business in Thailand must change course on its handling of the environment as part of the adjustment required to maintain a competitive International trading position.

Before looking at these issues in some detail, I would like to spend a few minutes telling you about the environmental management changes already underway in Thailand and why I believe the country is now well placed to make the adjustment required for on-going International competitiveness. The country has, in fact, laid the groundwork to put it on the pathway to achieve Sustainable Development.

Thailand Steps Forward

While acknowledging that Thailand is in the early stages of its environmental adjustment process, I would say that since 1992 the country has, in anyone's terms, made impressive legislative and institutional changes and we are now beginning to see greater understanding of the issues in business and industrial circles.

There is growing awareness of the need to utilize economic instruments to internalise environmental costs and, as part of that, the Polluter Pays Principle solidly underpins the country's revised environmental legislation.

The keen interest and efforts of their Majesty's the King and Queen in many environmental projects have mobilised the Thai people in protecting our country's rich natural heritage and environmental health.

In influential sectors of the Thai society, awareness is growing of the need for government, business and communities to work together to address environmental management and natural resource concerns which have arisen as a dark shadow haunting our impressive economic growth. Let me highlight several positive examples:

- Firstly and most recently, the creation in 1993 of two bodies, the Thailand Business Council for Sustainable Development (TBCSD), which includes as its members many of the country's leading industrialists and business figures, and, secondly, the Thailand Environment Institute.

These two bodies provide forums which are energetically exploring and formulating mechanisms for co-operation between business, government, and communities to combat natural resource destruction and industrial environmental concerns.

- Secondly, the early 1990s saw a rigorous overhaul of the country's environmental legislation and we are now seeing the early effects of these changes. Notably, a new National Environment Protection Act was introduced and specifically dovetailed with a strengthened Factories Act, to create a solid foundation to support development of integrated environmental management, now and in the future.
- Thirdly, legislative changes have been made to address specific and pressing problems. For example, the 1992-enacted Promotion of Energy Conservation Act is an innovative piece of legislation to encourage more efficient use of our energy resources in the industrial, residential and commercial sectors. Some may say this act was a visionary step for an industrialising country to take. The acceptance of a Demand Side Management (DSM) plan by the power authorities is also a significant development in the energy sector.
- Lastly, of all the positive developments, I feel it was the restructuring and institutional strengthening of the country's environmental agencies which is of greatest significance. Our former Science and Technology Ministry was reorganised into the Ministry of Science, Technology and Environment and three new departments within that Ministry were created to deal with specific environmental management tasks. Two years later we are seeing a much higher level of activity from a group of energetic officers staffing the new departments.

These are just a few examples of the many positive developments which are creating a firm foundation for much improved environmental management in Thailand.

I firmly believe that it is government's duty to create a strong, transparent and effective regulatory framework, which will allow business to adjust steadily in developing improved environmental practices while maintaining competitiveness.

I cannot emphasise too strongly my view – and this applies not only to Thailand, but to all countries – that business must be brought more closely into the policy-making process. Government cannot do it alone, and neither can business. We need a partnership to work out an agreed agenda, develop common policies and decide our respective roles for implementing the actions we have resolved to take.

Environmental Management Challenges

Returning to the Trade and Environment question, I have said that while adapting to the demands of tougher domestic legislation and enforcement, Thai industry, like others around the World, will be increasingly challenged by higher environmental trade requirements in major export markets.

Already we are seeing a plethora of new environmental trade initiatives and upcoming standards: ISO 14000; the British Standard BS 7750, which I will come back to later; and the European Community's 1993 Eco-Labeling Scheme and its Eco-Management and Audit Regulation (EMAR), to name but a few.

For observers who follow environmental developments closely, this is a challenging time of great change. For business people who fear the impact of environmental pressures, whether domestic or International, on their bottom line, the mass of information and speed of new developments can be intimidating.

Despite the best efforts of various International organisations, it will be some years before we see a true consolidation, creating a clear and Internationally-acceptable norm for environmental trade issues.

There is a likelihood that many of the efforts underway will be viewed by politicians and business people in newly industrializing countries as non-tariff barriers to trade, created by Western countries, to allow unilateral imposition of trade devices to promote their own national environmental objectives.

It is a fact that the International community must guard carefully against the unfair imposition of such trade tools, for nothing will undermine International trade negotiations as destructively, if allowed to develop.

In order to frame an effective response, it is useful to predict the environmental trade pressures which the business community will have to contend with increasingly during the mid to late 1990s.

Firstly, increasing attention will be paid to the appropriate ways in which products and process standards can be fairly integrated into the environmental trade debate. This issue possesses the potential to be the most difficult to resolve. Trade specialists and environmentalists tend to take the opposite view on product and process standards. The former strongly oppose process standards, other than those regulating labour activities, and are keen to promote harmonised product standards .

In contract, environmentalists tend to support minimum product standards, opposing harmonisation, but believe minimum and even harmonised process standards are a necessity to mitigate the impacts of industrial pollution.

Secondly, environmental pressure groups – who, like many in business and government, are only just starting to grapple with the complexity of environmental trade issues – will focus more on the environmental performance of producers in industrialising countries. Some groups have already, and

unfairly, adopted the term “Eco-dumping” to describe the export of goods from countries where the true costs of pollution are not incorporated into the productive process.

Finally, distinguishing genuine national trade measures from environmentally-motivated non-tariff barriers to trade is not a clear cut matter. We see the ongoing processes of structural adjustment in many of the developed nations and, when economies are not rebounding as quickly as governments might wish, the desire to protect domestic industry from fierce and low cost competition, from countries where environmental management lags behind, can become strong. Trade measures are a powerful tool and the forces of protectionism can easily come to the fore if not contained in the debates of International forums.

The issue of competitiveness is a difficult one. Some countries – generally, developed countries – are moving to internalise environmental costs, with the result that the gap between them and newly industrialising countries is growing. I am in no doubt that we in the newly industrialising countries must accelerate our progress towards setting higher standards – preferably through the wider introduction and application of economic measures to internalise costs.

However, developed countries must be realistic about how rapidly we can act. Certainly any attempt, through trade measures, to force us into acting faster will prove counter-productive.

We need the same degree of patience on harmonising standards. International harmonisation is a desirable goal, but we must remember that competitiveness is an amalgam of many factors – resources, labour costs, cultural preferences, government regulations, technological development, educational systems and so on – not simply of differing environmental standards.

What is essential, as I have said, is that global markets remain open and competitive. This is essential on both economic and environmental grounds. I know that Britain and British industry support this position, and will lend its powerful influence to resisting the risen voices of protectionism.

Business Response: Eco-efficiency and Environmental Management Initiatives

It is not a difficult task to predict the general form of the new environment-trade pressures which are emerging but, the key question remains. How should Thai industry, and business globally, respond to these new challenges?

One response, which is starting to gain the genuine support of influential sectors of the International business community, is the move to promote the concept of Eco-efficiency, a term coined by the Business Council for Sustainable Development (BCSD) after the Rio Earth Summit. The concept is a simple one and makes ultimate economic sense: Eco-efficiency is the process by which value is added to products and services, while using raw materials more efficiently and aiming at eliminating pollution.

There are clear imperatives for business to accept the challenge of Eco-efficiency and make it a reality in coming decades. By the year 2025 it is predicted that World population will jump from five to eight billion people, many whose even most basic needs will not be met adequately.

Further, the World Bank forecasts that World Economic output will increase 3.5 times by 2030 reaching approximately US\$69 trillion at 1990 prices.

We should be clear that Eco-efficiency goes beyond the traditional end-of-pipe mentality, to an approach aimed at preventing 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. And changing patterns of production will require a particular focus on innovation – to design and develop new technologies, new processes and new products. Let there be no doubt that Eco-efficiency is the proper corporate response to the global goal of sustainable development.

This is an area which requires cross fertilisation of ideas between business people if the goal of Eco-efficiency is to be realised. As Chairman of the Business Council for Sustainable Development, a body bringing together business leaders from more than 30 nations, I can assure you that the interest of the International business community in Eco-efficiency is growing steadily and the concept is taking root in Thailand.

Indeed, I am pleased to say that the Thai Business Council for Sustainable Development has just adopted a set of business guidelines for sustainable development. They include:

- establishing a definite and achievable corporate environmental policy based on the precautionary principle, a policy that invests in pollution prevention rather than clean-up
- ensuring environmental soundness of products by considering their entire lifecycle implications
- promoting energy conservation and waste minimisation, including recycle of materials and residues, and the use of clean technologies which will generate less waste
- introducing environmental auditing by undertaking environmental impact assessment before initiating a project, and complying with established standards, irrespective of regulatory mechanisms. Business should strive to set its own environmental standards whenever government regulations do not exist

Britain, with its introduction of the standard “BS 7750: Specification for Environmental Management Systems” is taking an early lead in developing the tools which will help business turn the concept of Eco-efficiency into a reality.

Indeed, it is likely that the International Standard Organization (ISO) environmental standard, ISO 14000, currently under development, will be based in part on BS 7750.

The British Standard specifies requirements for the development, implementation and maintenance of environmental management systems, aimed at ensuring compliance with stated environmental policy and objectives.

Recently, Thailand Environment Institute (TEI) completed a project to assess the extent to which a number of Thai companies have adopted environmental management systems, and the British Standard was used as a key bench-mark in the exercise.

Higher standards are essential. They will drive companies faster down the road towards Eco-efficiency, by requiring them to look for the new processes, technologies and products I mentioned – in short, to find new and improved ways of doing things.

There is no doubt in my mind that close co-operation between British environmental specialists and Thai business people, will foster a climate more receptive to the new ideas and challenges of environmental management, and ultimately Eco-efficiency.

That is not to say we should expect business to solve their environmental problems overnight, in Thailand or anywhere else. That is simply not realistic and, if forced too quickly, will only undermine the economic engines, namely entrepreneurial drive, which will ensure on-going prosperity and, hopefully, a much more equitable distribution of the fruits of growth for all.

In conclusion, let me add that there are many antecedents for Thai-British co-operation, as well as a strong history and mutual interests linking our two countries. Indeed, many of our current leaders, in a diverse range of political, business and academic fields were educated at the schools and universities of Britain. There is no finer way of breeding common understanding.

I believe there continues to be great scope for Thai-British co-operation and, might I end by saying, no area holds such an imperative for joint learning and action as do the fields of environmental management and environmental improvement.