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CAPE '92

Consortium for Action to Protect the Earth

Working together for U.S. leadership at the United Nations Conference on Environment and Development, Brazil, 1992

February 5,1991

The Honorable David C. Mulford
Under Secretary for International Affairs
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Mulford,

We write to inform you about our serious concerns regarding a future Governance structure for the Global Environment Facility (GEF). As you may know, Governments participating in the GEF will meet on February 14, 1992 in Geneva to discuss options for a GEF Governance mechanism.

This will be a pivotal meeting not only for the future of the GEF, but also for the U.N. Conference on Environment and Development (UNCED) and for negotiations toward multilateral conventions on climate change and biodiversity. As you know, the provision of financial resources to developing countries is a central issue in each of these fora. Some countries have endorsed a restructured GEF as a mechanism to administer additional resources. Given the importance of next week's GEF meeting, we are deeply concerned that it will be closed to public participation. The U.S. should strongly urge the GEF to allow non-governmental observers to attend this and future participants meetings. If the GEF is not willing to make such a provision, we strongly request that the U.S. delegation include a representative of CAPE '92. CAPE '92 is deeply involved in the larger issues that governance of the GEF may impact; we have attended the UNCED Preparatory Committee meetings as a member of the U.S. delegation and the climate and biodiveristy negotiations as observers.

The World Bank has prepared a document outlining three options for a future Governance structure of which only one (Option II) is described in depth. The discussion of Option I (leave the GEF as it is) gives very short shrift to an arrangement patterned on the Montreal Protocol, and the continuance of existing arrangements has already been rejected by the Participants. Option III is far removed into the future (end of this decade). This leaves Option II, which calls for vastly increased funding but fails effectively to address any of the major governance problems of the present structure. This option lacks mechanisms for quality control of projects, transparency, public participation and accountability.

In addition, the GEF and the various conventions under negotiation are only weakly linked under Option II. This calls into question the degree to which GEF administered funds can be clearly targeted to the goals of each convention and subject to legally effective guidance by the Parties to these agreements.

We only received the January 24 GEF "Issues and Options" paper this week. We hope to provide you with a detailed analysis of it early next week. Our basic position, however, is stated clearly in the attached NGO document addressed to the Participants at the upcoming Geneva meeting, which is currently circulating among NGOs worldwide. We strongly feel that the U.S. should promote the principles it enunciates as well as the establishment of a GEF Governance Body separate from the implementing agencies. This will ensure independent monitoring of what its proponents want to see evolve into the planet's main multilateral instrument to address global environmental issues. Also, if the climate change convention is to be successfully concluded, it is vital that the U.S. position on the GEF accommodate a funding mechanism that adequately addresses the interests of Parties to the convention to identify their own funding priorities and that provides incentives for states to sign it.

We thank you for your attention.

Sincerely,

Korinna Horta
Staff Economist

Scott A. Hajost
International Counsel

on behalf of:

Fran Spivy-Weber
International Program
Audubon

Jim Barnes, Director
International Programs
Friends of the Earth

Jacob Scherr, Director
International Program
Natural Resourses Defense Council

Barbara Bramble, Director
International Program
National Wildlife Federation

Larry Williams, Director
International Program
Sierra Club

Alden Meyer
CAN-US Director
Union of Concerned Scientists

cc:

Treasury: George Folsom
World Bank: E. Patrick Coady
State: Buff Bohlen, Bob Reinstein, Bob Ryan
EPA: Tim Atkeson, Dan Esty
CEQ: Patricia Bliss-Guest
OMB: Bob Grady
NSC: Eric Melby

NGO-Statement to the GEF Participants' Meeting on GEF Governance to be held in Geneva on February 14,1992.

The Participants at the Geneva Meeting are faced with an historic opportunity to set in motion a process that could lead to more effective protection of the Earth's atmosphere, its waters and its biological wealth. It is an opportunity that the planet cannot afford to miss.

The 1987 Report by the World Commission on Environment and Development (WCED), also known as the Brundtland Report, has spelled out with great clarity that environment and development are inexorably linked and that inequality within and between nations is a root cause of both ecological degradation and failed development. Among the key recommendations of the Report are efforts to secure effective citizen participation in decisions affecting their lives and greater democracy in international decision-making.

The GEF implementing agencies are promoting the evolution of the GEF from pilot-project to the world's main multilateral mechanism to finance and manage future international environmental agreements. In view of this, the value and appropriateness of the GEF are increasingly put in question by unresolved issues of governance.

To address the world's environmental challenges the GEF must give citizens and communities a decisive voice in decisions about the use of natural resources. The present GEF Governance structure is inadequate to do so. The following example is striking: The plight of Indigenous Peoples has become a matter of worldwide concern and the United Nations has dedicated the year 1993 to Indigenous Peoples. Yet the GEF, which has allocated 50% of all GEF project funds in Tranche 1 and 2 to the protection of biodiversity, does not have a policy or guidelines on Indigenous Peoples and ignores the rights and central role of Indigenous Peoples in any strategy to conserve biodiversity. The Scientific and Technical Advisory Panel (STAP) does not include social scientists, nor are any social scientists included in the Roster of over 250 experts (November 1991) available for consultation on the GEF.

Whatever the specific arrangements for a GEF Governance structure may be, there is a set of underlying principles that this structure must embody if the GEF's mandate of addressing global environmental problems is to succeed. They can be summarized as consisting of transparency, a participatory decision-making process and public accountability.

While there is a certain consensus on these principles on a merely theoretical and rhetorical level, the challenge for the GEF Participants will be to devise a GEF Governance structure that will apply them in practice. Should this not be accomplished, the GEF will not be an appropriate vehicle to manage the financial resources for a climate change convention, to support actions agreed to in UNCED's "Agenda 21" or to implement other environment related projects.

Principles and Recommendations for the Future GEF Governance Structure

1. GEF projects must respond directly to the needs and priorities of local communities directly affected by projects.

2. Complete GEF project documentation should be made available to the public in appropriate languages and throughout the project cycle.

3. In case of GEF projects associated with other projects and loans, full documentation on these projects should be disclosed early in the project cycle.This means that institutions such as the World Bank will have to modify their information disclosure policy to accommodate this principle.

4. The GEF's scarce resources will be wasted unless the GEF serves as a catalyst to promote environmental reform in existing development programs:

(a) GEF implementation agencies must be committed to ensuring that their other development activities, projects and loans do not undermine the goals of the GEF (for example through environmentally unsound lending in the forestry and energy sectors);

(b) Only those countries should qualify for GEF funding which have in place or are developing policy and institutional frameworks that promote the goals of the GEF.

5. Specific guidelines for GEF projects in each issue area need to be established by a broad range of scientists and specialists, including a significant share of social scientists, in consultation with potentially affected population groups, e.g. Indigenous Peoples' representatives in the area of biodiversity protection.

6. NGO representatives should have observer status at all GEF participants meetings with suitable opportunities to provide information, documents and other analyses to the government representatives and to address meetings.

7. Quality control, monitoring and evaluation of the GEF should be separate from the implementing agencies and should be vested in an independent governance body with representation of developed and developing countries as well as of NGOs and popular organizations. This governance body would also have the authority to hear petitions and complaints from affected individuals and communities.

Muller file w/ UNCED 8748 - Business Council

Business Council For Sustainable Development

List of Chairmen/Chief Executive Officers
who have confirmed their participation in the
'Business Council for Sustainable Development' (BCSD)
as of February 13th, 1991

Stephan **Schmidheiny** Chairman of the BCSD UNOTEC	Zurich
Torvild **Aakvaag** Norsk Hydro	Oslo
Roberto **de Andraca** CAP Compania de Acero del Pacifico	Santiago de Chile
Percy **Barnevik** ABB Asea Brown Boveri	Zurich
Eliezer **Batista** Rio Doce International	Rio de Janeiro
Ignacio **Bayon** Espassa Calpe	Madrid
Gabriele **Cagliari** ENI Ente Nazionale Idrocarburi	Rome
Eugenio **Clariond Reyes** Grupo IMSA, S.A.	Monterrey
Kenneth T. **Derr** Chevron Corporation	San Francisco
Carl **Hahn** Volkswagen	Wolfsburg
Charles M. **Harper** ConAgra, Inc.	Omaha
Kazuo **Inamori** Kyocera Corp.	Kyoto
Allen F. **Jacobson** 3M, Minnesota, Mining & Manufacturing Co.	St. Paul

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Mrs. Antonia Ax:son **Johnson** Axel Johnson AB	Stockholm
Mr. Saburo **Kawai** Keizai Doiukai	Tokyo
Jiro **Kawake** Oji Paper Manufacturing Co.	Tokyo
Alex **Krauer** Ciba-Geigy	Basle
(Chief) Mrs. Bola **Kuforiji-Olubi** BEWAC Nigeria Ltd.	Lagos
Yutaka **Kume** Nissan Motor Co. Ltd.	Tokyo
JMK Martin **Laing** John Laing Plc	London
Erling S. **Lorentzen** Aracruz Celulose	Rio de Janeiro
Ken F. **McCready** TransAlta Utilitites Corporation	Calgary
Eugenio **Mendoza** Mendoza Group of Enterprises	Caracas
Akira **Miki** Nippon Steel Corp.	Tokyo
Jérôme **Monod** Lyonnaise des Eaux	Paris
Shinroku **Morohashi** Mitsubishi Corp.	Tokyo
Philip **Ndegwa** First Chartered Securities	Nairobi
James **Onobiono** La Compagnie Financière et Industrielle	Douala
Anand **Panyarachun** Saha Union Corp. Ltd.	Bangkok
Frank **Popoff** Dow Chemical Company	Midland

William D. **Ruckelshaus** Browning-Ferries Industries	Houston
Mrs. Elisabeth **Salina Amorini** SGS Société Générale de Surveillance	Geneva
Helmut **Sihler** Henkel	Duesseldorf
Ratan **Tata** Tata Industries Ltd.	Bombay
Lodewijk Christian **Van Wachem** Royal Dutch Shell	The Hague
Edgar S. **Woolard** E.I. Du Pont de Nemours	Wilmington
Toshiaki **Yamaguchi** Tosoh Corp.	Tokyo
Federico **Zorraquin** Grupo Zorraquin	Buenos Aires

INSTITUT UNIVERSITAIRE DE HAUTES ÉTUDES INTERNATIONALES

PROGRAMME D'ÉTUDES STRATÉGIQUES ET DE SÉCURITÉ INTERNATIONALE

Les Conférences de Genève 1990-1991

THE ECOLOGICAL DIMENSION OF INTERNATIONAL SECURITY

Dr. Stephan SCHMIDHEINY

Chairman, UNOTEC

Principal Adviser for Business and Industry, ECO '92

on

«Environment and Development: A Global Challenge for Industry»

Thursday, December 13th, 1990, at 18:15

Auditorium of the Graduate Institute of International Studies - 132, rue de Lausanne - 1211 Geneva 21

Open to the public

ENVIRONMENT AND DEVELOPMENT - A GLOBAL CHALLENGE FOR BUSINESS

In a liberal economy it is the entrepreneur's mission and responsibility to direct business. Mission and responsibility: a very close link has to be established between the two. But this linkage is not always self-evident in our industrialized world where deregulation and privatization are among today's main political trends. These are bringing a higher degree of freedom for market forces to steer demand and supply for goods and services; they leave more room for private sector initiative; they reduce government interference and state activities.

Businessmen around the world have long advocated such a development. In the countries where they enjoy entrepreneurial freedom they have given ample evidence for the efficiency of free markets. Within no time, they find new ways of meeting consumer demands and generating wealth. Businessmen, however, have generally not been as fast in recognizing and assuming new responsibilities, resulting from the liberalization of the marketplace. One area where business has a particular responsibility, is to help in the creation of an environmentally sustainable economy.

The fundamental problem lies in the fact that most market prices for energy and raw materials only reflect their direct cost - or even less if they are subsidized. Prices do not reflect ecological costs in terms of damage to the environment; they do not reflect the depletion of natural capital when a non-renewable resource is beeing used.

Businessmen who make decisions based on such incomplete price signals act rationally within the existing rules. But they act irresponsibly in view of the increasing degradation of the global environment.

Until a few years ago, environmental protection was basically a defensive concept. The aim of government action was to tackle problems as they arose, implementing so-called 'end of pipe' controls on pollution. Environmentalists called for a halt to the wastefulness of society, some even demanding zero growth, since any increase in economic activity was seen as leading to the destruction of nature.

Such a defensive concept was bound to clash with a business culture based on incentive and enterprise. No wonder that environmentalists and industrialists became each other's opponents. Recently, however, each side has begun to learn from the other.

On the one hand, environmental destruction has become ever-more visible and menacing. Urgent change is now essential to avoid irreparable damage to the global environment. On the other hand, it has become evident that a halt to growth was economically and morally indefensible, particularly for the developing countries and in the former Eastern Bloc.

At least a billion people live in poverty in the Third World, according to the 1990 World Bank Report, and these cannot be denied the benefits of growth. Furthermore, the reconstruction of Eastern Europe and the Soviet Union will require huge amounts of capital.

In both cases, if the West fails to generate sufficient growth, there are risks of massive population displacement. Already there are tens and hundreds of millions who flee poverty, especially in the Third World. According to estimates by the United Nations High Commissioner for Refugees, we can expect up to six million people to leave the Soviet Union once its borders are open.

Not only is Third World poverty morally unjustified, it is environmentally destructive. One of the major threats to the global environment is caused by people living in poverty, who have virtually no real choice but to burn their forests and to overuse their land and their resources just to secure a livelihood. Unfortunately, much of the conventional development process in the Third World is also a danger to nature, with the almost unchecked growth of many pollution-intensive industries.

We now face an exciting challenge: How to combine growth and conservation? The mutual learning process undertaken by environmentalists and industrialists is leading to a very important understanding of the ecological situation on the finite planet Earth. The result has been what I consider to be the most important progress so far in the interaction between man and nature: the concept of sustainable development. This concept calls for economic and social development to meet the needs of those living today without compromising the ability of future generations to meet their own needs.

This concept of sustainable development has far-reaching implications for the industrialist. Unlike the traditional defensive approach taken by environmental protection regulations, which puts a host of restrictions on industry, sustainable development offers a positive challenge to business. The challenge is to devise ways of economic development that can allow growth to continue over time without destroying the natural resource base. In straightforward business terms, it means generating the maximum income from a given stock of assets without depleting the capital base.

Looking back at the famous Limits to Growth report, published in 1972, it is interesting to note that the limits at that time were mainly seen in terms of the supplies of raw materials and energy. Since then, tremendous gains have been made both in improving resource and energy efficiency and finding subsitutes to naturally scarce materials. One kilogramme of sand now transmits as much electronic information through fibre-optics as 300 tons of copper wiring did a mere ten years ago.

However, there is growing evidence that we are beginning to reach the limits to traditional patterns of growth in terms of disposing of waste from the production and consumption process. As long as the air and water were relatively clean, abundant and cheap, little attention was given to this issue. Now the increasing quantity of waste, particularly toxic substances, makes it imperative to minimize the amount of waste produced, to recycle and re-use discarded materials where possible, and finally, in the last resort, to find safe methods of disposal for the residue. What has been considered as waste in the past will have to serve as raw material tomorrow.

But society is still far from being sustainable, largely because - as I mentionned earlier - the full value of the environment is still not reflected in the prices on which businessmen and consumers make their choices in the marketplace. The question is not who is going to pay for sustainable development - that is a question reflecting the old defensive mentality of environment protection - but how can businesses fully integrate the value of the environment into their operations and thereby conserve the natural world for future generations?

An industrial enterprise constitutes a rather complex cybernetic system which interacts with its surroundings in many different ways. It receives inputs from different sources which guide and influence its course of development. In my opinion, the main obstacle in the way of sustainable development lies in the fact that these guiding inputs are not compatible with one another and are therefore giving conflicting signals. The challenge for society is to make these inputs harmonious with the goals of sustainable development.

I have identified at least *seven key inputs* guiding businesses performance on the environment.

First of all, we have to take into account the *laws, rules and regulations* constituting the formal framework within which the enterprise has to devise its strategies and policies. Since the beginning of environmental protection, the legal framework has been largely restrictive. Rules and bans of all kinds, implemented by a costly and inefficient bureaucracy have been introduced to limit and repair the environmental damage caused by industrial activity. While these regulations have helped to reduce pollution, they rarely tackle the source of the problem. Furthermore, business has mostly fought against the introduction of new laws because they make its operations more expensive and cumbersome.

With the new concept of sustainable development, government must no longer concentrate on restrictive regulations alone. Instead it must develop a legal framework which changes the rules of the market to give financial incentives to sustainable industrial activity. In simple terms, the government must ensure that ecologically sound business behavior pays whereas depleting resources and polluting the environment costs money.

It is in the self-interest of business to assist governments in the construction of a market based approach to sustainable development. The interaction between government and business at an early stage of the regulatory process will help to ensure that the solutions are practical and efficient in their implementation. Entrepreneurs, therefore, should adopt a pro-active and creative attitude towards environmental legislation to make sure that the results offer a growth-oriented challenge and not a restrictive burden.

Adopting a market-based approach will not be easy: many companies and some whole industry sectors will be made redundant by charging the full price for environmental goods and services. But a market-based approach will also ensure that new innovative companies and industries which meet the criteria for sustainable development can grow and profit.

A second and very strong guiding input is *public opinion.* Whereas up to a few years ago, environmental concerns were the focus of only a limited number of "green" individuals and organisations, public opinion at large has now become very sensitive to the issue. But behind the mounting awareness lies a danger: Today, all political parties, groups and personalities have included the ecological issue in their programmes and speeches. The problems have been trivialised, and the real concrete efforts rarely correspond to the rhetorical intentions. Everybody now knows about the damage inflicted on the environment, but the remedies proposed or applied are often rather cosmetic.

Not surprisingly, public opinion is dissatisfied with the deteriorating environmental situation. Industry has a special and important role to play in proposing practical solutions to environmental problems, independent of government regulation, and proving by its actions that it is committed and able to make them work.

Another guiding input for business is the *capital market*. Up to now financial analysts and investors have usually been very critical of ecological demands which were suspected of squeezing profits. This is a direct result of the failure to incorporate environmental costs into the financial decision-making process. However, investors are now learning that sustainable development means sustaining long-term profit potential. Each enterprise will now have to make greater efforts to convince analysts and investors of its ability to transform itself into a sustainably profitable company.

The labour market and employees' attitudes towards the corporation constitute a very strong source of guiding inputs. The best people, those who are able to think beyond the end of the day and worry about the longer term future are interested in the ecological behaviour of their employer. They will see better chances with a corporation that promises to adopt and to implement sustainable development.

One of the most important inputs guiding a business's development comes from *consumers*. Their decisions and their preferences constitute the main factor determining whether a product has a chance to be produced and sold at a certain price. Consumers decisions, in turn, are affected by a variety of aspects, ranging from the price/performance ratio of the product to the influence of advertisements.

More and more, however, awareness of ecological problems is affecting consumer markets in industrialized countries. People are asking for a better qualiaty of life and environmental protection is part of it. But this ecological consciousness remains, for the moment, mostly latent and seems to have only a limited impact on consumer behaviour. An industrial enterprise should, therefore, give ample *information* about the environmental performance of its production processes and its products. In sales promotions, consumers must be reminded that their purchases could represent a vote in favour of sustainable development. I think that in future the ecological issue will become one of the most important sales arguments - indeed as prices begin to reflect environmental realities, it will become fully integrated into the final cost price of the product.

Last, but not least, *competition* gives important signals influencing the development of a business corporation. But very often, these signals may be the most difficult to deal with for an entrepreneur who endeavours to introduce sustainable development into his operations. As long as depleting resources and polluting the environment are legally allowed and not discredited by consumer and society, a competitor who wants to save the costs and efforts of a transformation process will have a clear advantage, at least in the short term.

This brings us back to the first of the guiding inputs I mentionned, laws and regulations. These must be modified to produce general economic conditions that ensure that competition between companies does not inhibit ecological progress. Laws and regulations must rather enhance sustainable solutions by rewarding the industrialist who introduces them faster and in a more efficient way. In essence, this means imposing costs on raw material depletion and environmental pollution. At the same time, incentives should be given for ecologically sound processes and products. These penalties and incentives should of course be defined in such a way that the overall tax burden is not increased. In fact, in future we can look forward to a taxation system, based not on earnings and successful enterprise - things which society values - but on resource use and pollutions, which society wants to minimize.

Time is running short and the risks of irreversible damage to nature are progressively increasing. Action must be taken now to tackle the environmental challenge and start the process of sustainable development. Of course the necessary changes in consumer habits and industry structures will take decades to complete. It will also require complex and often controversial political decisions which have to go beyond the traditional spheres of domestic interests. Global cooperation will be an essential component.

In fact - as I emphasized a few minutes ago - global ecological problems can only be effectively addressed by assisting the process of sustainable development in the Third World. In industrialized nations, improving the quality of the natural environment is perceived as a way of improving the quality of life. Industrialized nations also have democratic mechanisms to change government policies and have the necessary resources at their disposal to act systematically. Too often in developing countries, quality of life is primarily a question of having enough food and basic shelter.

There can be no doubt that, in global terms, those who are in a better economic situation will have to make a relatively larger contribution to resolving common problems. This notion has long ago been introduced and broadly accepted within national boundaries. No citizen of a European country would seriously dispute the fact that someone who has a bigger income must pay more taxes - taxes which are spent, among other things, for the preservation of the natural environment. Following the well accepted principle of national solidarity, we have to establish a new base for international solidarity with the less developed parts of the world.

I am certainly not advocating the creation of a "global environment tax" to benefit Third World countries. Such a tax would inevitably lead to new inefficient bureaucracies and to a new Third World dependence on the richer nations. But I am positively proposing to reexamine the current pattern of global capital flows which has such a devastating effect on Third World countries: at the end of 1989, developing country debts totalled \$ 1165 billion, and during 1989, interest payments on this debt represented a net transfer of \$ 50 billion from South to North. Many of these debts have lost their economic basis. A substantial part of the money has been wasted or syphoned off overseas by elites.

As a result of the debt burden, Third World countries are now forced to deplete more and more of their resources and to sell them at decreasing world market prices. This vicious circle determines the general conditions under which a rapidly growing population pursues its legitimate objective of raising its standard of living. But the developing countries are not able to escape their fate by their own efforts. It is, therefore, our obligation in the richer parts of the world to create a new vision of global solidarity by which we will actively contribute to sustainable development in the Third World, and help provide the basis for better lives for their and our children.

Conclusion

The natural environment is a highly complex system. It has been exposed to interference with another complex system called human civilization. We have developed patterns of economic activity which are incompatible with the natural world. If this process continues, there will be a gradual weakening of the regenerative powers of nature until our civilization destroys the very basis upon which it is built. Natural laws cannot be changed. But human beings are full of ingenuity and enterprise, and we have the ability to adapt our civilization so that it can develop in harmony with nature. The solution lies in the concept of sustainable development.

The industrial entrepreneur has an important part to play in the transition to a sustainable economy. In particular, there are *four key roles for business:*

- first, to establish a convincing concept for sustainable industrial development, and then to make a formal commitment to implementing this on a global scale,

- second, to communicate actively with governments and political parties, with environmental organizations, employees, consumers, financial analysts and the public at large. This is necessary both to explain the company's environmental performance and also to lay the foundations for partnership between different interests in society to achieve the common task of sustainable development,

- third, to participate actively in the regulatory processes at all levels, including in international organizations, with the aim of finding practicable market-oriented solutions to environmental problems,

- and fourth, to seek out new business opportunities for sustainable products and processes.

Business and industry will have to recognize that there is no alternative but to compete for the best and fastest implementation of sustainable development.

OUR COMMON ENTERPRISE

DW
SBS
NSK

PREAMBLE

The following text is a draft of the opening section of the BCSD's overview book that will establish the principles that must be implemented in order to start moving the world's economic system in the direction of sustainable development.

The Business Council for Sustainable Development (BCSD) is a group of business leaders who represent a broad range of different enterprises, nations and cultures. We have different backgrounds and experiences, different values, views and attitudes.

Yet we share a common concern about the development of modern civilisation and its impacts upon the natural environment and the stock of resources available for future generations. We see Nature and its carrying capacity threatened both in the more industrialised nations, with their high levels of consumption and pollution, and in the less industrialised nations, where inappropriate development leads to mass poverty which leads to the reckless use of resources.

We believe therefore that there is an urgent need for changes towards more sustainable forms of progress. But we are not calling for a revolution; we note instead that revolutionary changes have already begun. Reactions to present environmental and developmental degradation are altering the ways in which governments are organised, as environmental concerns begin to pervade all sectors; the ways in which nations relate to one another, as international law becomes more binding; the ways in which "security" is defined, as environmental threats are perceived more clearly; and the ways in which both governments and ordinary people judge the conduct and the products of business and industry.

The business community must play a leading role in guiding those changes, which will involve alternations in technology, production patterns, trade and finance - all of which are areas of business concern and competence. It will be more profitable for both the human race and for business itself if the business community helps to guide, rather than merely reacts to, the current revolution.

We have analysed the challenges presented by the concept of sustainable development from a global business perspective. We have attempted to determine its implications on the way we do business as well as on the political and legal frameworks that must be established to enhance our efforts towards sustainability.

Sustainable development was defined by the World Commission on Environment and Development as development or progress which "meets the needs of the present without compromising the ability of future generations to meet their needs". This concern for future generations presents the deepest challenge. Future generations do not participate in our political systems; they do not participate in our markets. Thus the goal of sustainability raises not only practical, scientific and economic problems; it also raises problems of ethical, moral and spiritual commitment. Are those of us alive today willing to change our habits to preserve environmental systems and resources for the benefit of our more numerous progeny?

This is a question for all. So while our report is addressed first to business and political leaders, it is also addressed to all voters, all workers, all consumers - to everyone concerned for the future of our species. It is as much about the future of civilisation as it is about the future of business.

We agree with the World Commission's conclusion that sustainable development will require economic growth. It is inconceivable that the needs of a world population at least twice the present size can be met without such growth. This i especially true of the poorer nations, where nine-tenths of future population increase will occur. It is crucial for the well-being of both the poorest people and the entire planet that progress in this part of the globe raises the living standards of the poor by mens which avoid the overuse of resources and the pollution which marked the earlier industrial revolution in the North.

Experience shows that economic growth can provide ways and means of protecting the environment. It also shows that environmental degradation can dampen growth.

The World Commission concluded that there were no inherent limits to growth; limits stem from social organisation and from the state of technology. Seeing that the benefits of growth are fairly spread throughout society is a job for all. But industry and business will be a major force in guaranteeing that technology advances in the direction of sustainability.

Sustainable development offers a convincing, clear vision. But practical steps in this process are less clear, and will doubtless be different in different cultures and societies, even for specific sectors within business and industry. As much as we should like to - as much as some might expect it of us - we are not in a position to present a blueprint for "sustainable business". We offer instead our own business perspective of, and our own commitment to, ways by which human progress may be set on a more sustainable path. We are addressing a long term process of change.

But our conclusions are not merely theoretical. We have collected case studies which offer concrete examples of real enterprises - among them some of the best and most profitable - moving in this direction. These practical lessons, from all over the planet, should benefit others who intend to make similar efforts and should convert those who think that business sustainability is only an abstract ideal.

Sustainable development will require the efficient use of resources of all kinds. History has shown that market-driven economies are more efficient that centrally-planned economies at minimising resource use, at creating wealth, and at protecting the environment. But the market is not a perfect system. It too must evolve with the necessary evolution of civilisation.

In a market economy, prices are determined largely by supply and demand. As long as natural resources - water, air, topsoil, and plant and animal species - were abundant relative to human needs, they had little or no price. so they were often used inefficiently, carelessly and wastefully.

We know and we accept that this must change. The benefits of efficiency offered by the market economy can be maintained only if natural resources can be assigned proper values reflected in that market place. This does not mean that all of Nature is put up for sale; it instead alerts us to which resources and which environmental services are too valuable to be degraded or destroyed for short-term gains. It guides all in the sustainable use of resources.

Such an evaluation is not an easy process. We lack conclusive scientific evidence for many such assessments. We shall have to make democratic decisions with very far-reaching consequences based on no more than probabilities and plausibilities. Facing dangerous uncertainties, we would be wise to err on the side of caution.

International harmonisation if such decisions will be required to avoid disruptions in trade. Delicate questions of international equity will have to be faced and answered - not merely on moral or ethical grounds but in the practical interests of the human species.

The market economy offers the most effective framework for reacting to the needs and demands of people which can be expressed as consumer preferences. Its advantages include swift, flexible and effective responses. But its disadvantage is a short time horizon. The market does not intrinsically respect the needs of future generations.

Sustainability requires a long-term view. Current capital markets, on the other hand, tend to prefer short payback periods. Sustainability may require that we find means of measuring business success in terms of capital appreciation - including the appreciation of natural capital - in addition to cash flows.

The World Commission listed as a prerequisite for sustainable development "a technological system that can search continuously for new solutions". This search achieves best results where education and capital are both available. But new technologies are required most desperately in poorer nations. We must find new ways and means for all parts of the world to cooperate in finding and applying the most environmentally friendly technologies. Transnational enterprises can and should play a part in this process. Indeed, as part of their ordinary conduct of business, they are already one of the most innovative developers and effective disseminators of technologies and the training to use them. Yet they will need proper incentives and reasonably stable economic and political conditions as a basis for investment decisions which spur the spread of desirable technologies.

Business benefits from the worldwide trend toward deregulation and globalisation of markets. We believe that this trend can contribute to the sustainable progress of all societies. Deregulation and globalisation of markets. We believe that this trend can contribute to the sustainable progress of all societies. Deregulation means more freedom of action for business, more creativity, faster and more efficient innovation.

But freedom always implies responsibility. It is the responsibility of the business community to engage in the quest for constant progress towards more sustainable forms of development, both within the enterprises we lead and in political processes, by helping to shape a market economy which will account for damages and benefits to Nature caused by economic activities.

The findings and proposals we present are not revolutionary. It is business leaders' day-to-day pursuit of sustainability through their business, political and personal decisions, which is revolutionary and will form the fourth industrial revolution.

Our programme is not yet a mass movement. Awareness of environmental degradation is increasing; a sense of urgency is mounting. But we must accept the fact that those willing to work for the necessary change in direction are still a minority - in business, as well as in politics and in the general public. Thus our first objective is to contribute to the greater understanding of environmental and developmental issues and to build a consensus on the need for sustainable development. One often hears complaints that the time for talk has passed; action is now required. We agree with the latter, but dispute the former. The message must be spread to those who have not yet heard it, understood it or taken it seriously. In particular, more business people must speak up in public and contribute their own specific experiences to the general debate on sustainable development.

We do not expect to please everyone with our conclusions and recommendations. Some green activists may feel our report is too conservative. Many of our fellow business people around the world will feel that our views are unduly progressive, that we are adding to the difficulties of doing business. People from poorer countries may feel that we have not been supportive enough of their efforts to progress economically, while those from wealthier nations may feel no obligation t accept a heavier part of the burden of solving global problems.

We accept, and actually see, criticism, in hopes of encouraging a lively debate. We are at the beginning of an arduous path. We all must learn and exchange experiences as we go along. We all must listen with open minds and genuine interest to those who offer sensible and practical proposals. We must be sceptical about those who feel they have the final answers.

Business certainly does not have the final answers. But according to the World Commission, sustainable development will require an economic system able to generate surpluses and technical knowledge on a self-reliant and sustained basis; a production system which respects the obligation to preserve the ecological base for development; a technological system that can search continuously for new solutions; and an international system that fosters sustainable patterns of trade and finance. These prerequisites can be put in place only with the leadership of business and industry, already so active in all of these systems.