



# Europe in 1996

## Business and the environment in 1996

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### General context

Between now and 1996 the world population will have grown by 450 million people, mostly in developing countries. About one and a half time the size of the population of Western Europe will have been added to the planet. This shocking fact is not new, we are growing at about 85 million per year for some time, but by 1996 the impact has manifested itself through some major calamities in developing areas such as India and Asia, in cities and crowded areas. Newly industrialized countries (NIC's) such as Taiwan, Hongkong, Thailand and South Korea have vastly surpassed the limits of environmental tolerance and face a sharp decline in living standards.

The number of court cases, condemning all participants involved in natural resource damage through irresponsible environmental conduct, has risen sharply, both in the U.S. and Europe. Banks are directly and indirectly involved in liabilities for costs to restore environmental damage.

### Consequences in Western-Europe

Due to the vastly increased public concern over environmental degradation of the planet, enhanced by the impact and the publicity of the UN conference on Development and Environment in Rio de Janeiro in 1992, ecologically responsible management has permanently reached the top of the agenda of the boards of all industrial, commercial and service enterprises, including the banks. The multidisciplinary aspect of the ecological dimension has been accepted by management, because the reality of the pressure coming from various direction cannot be denied any more.

- With regard to the government, regardless of all the efforts of EC Brussels and the EC nations, the establishment of environmental regulations has completely stranded in a mountain of paperwork and lack of personnel and professional expertise, let alone the absence of even the shadow of an efficient control body. Also the attempts to harmonise EC environmental legislation have failed. The government involvement has completely turned to the use of market forces through self-regulation and the application of economic measures such as levies and taxes.
- The consumers have, through general awareness and public education by professional pressure groups, the press and business itself, developed a level of sophistication that effectively influences not only the consumers industry, but also the whole chain from suppliers to end product destination.
- With respect to investors, corporate financing, mergers and acquisitions, the liability factor now plays a major and permanent role in judging credibility, performance and asset evaluations. Pension funds and other investment funds, give preference

to shares in companies who excel in environmental performance and who turn the environmental threat into an opportunity by supplying clean technologies and services.

- With regard to employees, the last five years have shown a trend into favouring to work for environmentally responsible companies, even if the salary would be lower. Several cases of public protest and strikes by workers of environmentally irresponsible managed companies, have led to management dismissal and criminal convictions.
- Due to heavy taxes and levies of up to 50%, economic and technological measures by larger corporations and smaller enterprise are in 1996 resulting in new technologies and savings beyond imagination in 1991.
- To the surprise of management, many of these innovations would have been economical also without levies or taxes, but the ecological dimension had never entered the economy-technology model before.

- From 1991 to 1996 emissions and waste levels, in Western-Europe went down by as much as 25%, better than anticipated in 1991, when very little progress had been made yet, despite the setting of targets.
- With regard to employment, by 1996 the decrease in the military defence expenditures is on the way of being compensated by the growing environmental defence industry. For the first time environment defence expenditures as % of GNP surpass military defence expenditures in Europe in 1996.

In summary in 1996 the enhanced awareness of disastrous consequences of environmentally irresponsible management of our planet is paralleled by the first signs in Western-Europe that a turnaround in the economy-ecology imbalance is achievable. Obviously this trend is encouraging for Eastern-Europe where in the last 5 years only the groundwork for such a turnaround has been developed with vast amounts of money and the introductions of basic cleaner technologies. In 1996 this groundwork has laid the foundation for the kind of ecologically responsible management policies and practices that are emerging in the West. This is also the time that this experience is being exported to the developing countries through a concerted effort of European industry and the international banking system, including World Bank and IMF.