



Business Council For Sustainable Development

Stephan Schmidheiny, Chairman

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A D D R E S S

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Mr President, excellencies, ladies and gentlemen:

It is a pleasure and an honour to speak to you here today. Two years ago Maurice Strong asked me to be his principal adviser for business and industry. It was a daunting task; but Maurice Strong has handed out many daunting tasks in the course of the preparations for this conference. Then he has gone on to set an example for us all by his own personal vision, drive and optimism - as well as by working far harder than anyone else.

It is also a great personal pleasure for me to be in Rio, where I began my business career on the night shift in a factory in 1969. No city, no country, has such a visible wealth of human and natural resources. And I commend the government of Brazil on the excellent organisation of this conference.

I also speak to you today as chairman of the Business Council for Sustainable Development. We are 48 men and women who run companies on all continents, and who joined together to offer this conference a business perspective. As a businessman, I have spent more than half my time over the past 20 months preparing for Rio. I regard this work not as a sacrifice, but as a sound investment in my children's future, including their business future.

The Business Council has produced a report, called Changing Course, for the Earth Summit. It is comprehensive, global, and is available here as a book in six languages. Please read it and criticise it. I shall not read from it today.

Its conclusions are encouraging. We found that the concept of efficiency offers a natural link between business excellence, environmental excellence, and forms of economic development which eliminate poverty and restrain population growth. We coined the term "eco-efficiency" to describe those companies - and those nations - which are able to add maximum value with minimum resource use and minimum pollution. Countries and companies which cannot do this are inefficient both environmentally and economically, and will soon lose competitive advantage to their more eco-efficient rivals. I myself am convinced that this is already happening.

Over the course of our deliberations, we noted several trends in industrial nations, which, taken all together, suggest a coming environmental shake-out for business and industry. Customers are demanding cleaner products. The media is looking ever more closely into business activities. Banks are more willing to lend to companies which prevent pollution rather than pay for clean-up. Insurance companies are more amenable to covering clean companies. Employees prefer to work for environmentally responsible corporations. Environmental regulations are getting tougher. New economic instruments - taxes, charges and tradeable permits - are rewarding clean companies.

All these trends, which will accelerate as science offers more evidence of environmental damage, mean that investments in eco-efficiency will help, rather than hurt, competitiveness. Capital markets already value those companies which invest in the future by investing in research. And they are beginning also to value highly those companies which invest in their futures by investing in sound resource and environmental management.

We urge developing nations to let efficiency and transparency be their guides in establishing new enabling conditions to create open competitive domestic markets and to attract investment. Yet international markets must also be free and open. Trade is the basis of effective economic development, which in turn can make possible effective resource management and environmental protection.

The market is generally not thought of as implying moral values. But it does encourage efficiency, and efficiency has its ethical and moral dimensions. It eliminates waste, turns resources into development and opportunity, and offers hope for meeting the needs of future generations. Making it possible for small businesses to maximise their efficiency accelerates economic growth and promotes equity of opportunity. Giving businessmen, including farmers, clear title to their land and property is the best way of guaranteeing that both are used efficiently. Too often the term "informal sector" is only a euphemism for "illegal sector". We must develop a process to turn those in the huge informal sector into full, recognised members of their societies and their economies.

Mr President:

The BCSD has participated in preparations for the Earth Summit both to call for and at the same time to practice a bold new partnership between business and governments. Business must move beyond the traditional approach of backdoor lobbying; governments must move beyond traditional over-reliance on command-and-control regulations.

Such a partnership is needed in developing countries to establish the enabling conditions of which I spoke. Open negotiations between business and governments are also essential to achieve the optimal mix of economic instruments, regulations and self-regulation required to make markets reflect environmental as well as economic truth. We urge governments to make greater use of economic instruments which continue to reward those companies which continue to improve. We urge our fellow business executives to make greater use of systematic, transparent self-regulation, as the most cost-effective approach for both business and society.

We paid a great deal of attention to the businesses of farming and forestry, because they sustain the livelihoods of almost half this planet's people and because of their obvious environmental impacts. Both are often influenced by market signals working against efficient resource use - and thus against the environment. As a first step, distorting subsidies should be removed, to reflect the full costs of environmental resources. New partnerships are needed here as well, to create the right market signals and regulations to enable business to be a more effective manager of forests, including the genetic resources and the environmental and social services of forests.

And a working business-government partnership will be crucial for technology cooperation - moving and using technology so as to integrate economic development and environmental protection in developing countries. Technology must be moved from those who developed it and know how to train others to use it, to those who see a need for it and are committed to its effective use. This means business, company-to-company transactions, and of course increased investment.

Governments in both industrial and developing countries must work together to establish the required legal, social and economic frameworks to facilitate this process of technical cooperation. It requires of both business and government a long-term commitment to business development, training of the people involved, upgrading the technology to remain competitive, and introducing new management systems.

Do not misunderstand me. I am not in any instance arguing for a "leave it to business" approach. But I do believe we have yet to define what business does best and what governments do best. And I do believe that the present environment and development crisis demands that we do so urgently, and then get on with cooperating in this business of sustainable development.

Mr President:

Many outside of government represent single-issue constituencies. Many of you in government emphasise objectives. We in business emphasise process. We speak of business and economics, of turning needs into markets, of the main driving forces for change for all constituencies. We have laid out a new course for business. It does not matter that the destination is not clear. There are no final destinations in business; nor in politics; nor in sustainable development. But directions are clear.

Rio must start us in those directions. It cannot be allowed to achieve less than its best. We in this chamber must not have proved against us by our children the charge that we delayed doing the obvious, and thereby squandered their options.