

Prime Minister
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Dinner Speech

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First of all, I am very pleased to be with you here in Rotterdam, the largest maritime port of Norway. No, that was no slip of the tongue. 3000 Norwegian ships call at Rotterdam every year. Countless number of Norwegians have, over the last hundred years, considered this global trading place to be their second home.

It is significant that WICEM has been convened here in Rotterdam, an epicenter of the economic revolution of the 20th century. I see WICEM as being extremely important. You are the people whose decisions determine the balance sheets of your respective companies. These same decisions, however, will also to a great extent determine the state of the global environment and the conditions for life on earth in the next century. There is no escape from that kind of responsibility.

Speaking in a church about worldly issues reminds me of Erasmus of Rotterdam, a man of clergy, who brought Christian ideas and ethics forward, explained them, and contributed to the unwritten code of ethical conduct which today is part of our common cultural heritage.

When I spoke at WICEM I in 1984, I said that we needed to break out of the compartmentalized perspectives which permeated so much of industrial activity. We needed an integrated view. We could no longer treat environmental concerns as an add-on or an afterthought. The environment would have to be made a forethought of all activities. The penalty of neglect is to undermine the very growth that we seek to accomplish.

Where do we stand seven years later?

By the end of the 1980s the concept of sustainable development as defined by the World Commission on Environment and Development has become firmly anchored on the international agenda.

We have made some progress in solving regional and local environmental problems such as air pollution, water and waste management. Globally, the agreements to protect the ozone layer and the start of negotiations of a world climate convention are significant signs of progress.

But these encouraging developments have not been strong enough to offset the general trend towards global environmental deterioration. Greenhouse gases continue to accumulate in the world's atmosphere. Acidification is increasingly becoming also a Third World problem. Living species are disappearing fast. Deforestation, desertification, and soil degradation continue at alarming rates.

And as if this were not enough, we see clear symptoms that the world may be hit by a development disaster before reaching more critical levels of global warming. Third World debt and massive transfer of financial resources from the poor to the rich should not be the terms that we offer to the majority of humankind.

Hunger, famine and infant mortality are again on the rise, causing pressures which lead to internal conflicts and social breakdowns. Today we are witnessing the tragedy of the Kurds. This is the tip of an iceberg comprising millions of destitute people. Unless we are able to offer more hope for the future, we will face new millions of migrating people driven by the environment and development crisis.

Sustainable development is the only viable strategy for global change - an imperative to save our common future. It means that we must aim at nothing less than a shift in the overall direction of the world economy. It means creating a new kind of growth and that we must change the way economic decisions are made.

The responsibility of industry

During the 1980s, we have experienced increased deregulation in industrialized countries and a collapse of centrally planned economies.

With greater freedom for the market comes greater responsibility. Those who live by the market, must face the challenge of ensuring that we do not all die by the market. A quest for growth and profit alone is no longer enough, economic activities must also become sustainable to justify their existence in the global market place of the 21st century.

Business should not wait for governments to act. The more industry realizes its own responsibilities, the less governments will have to intervene. Large corporations, operating on an international level, to a great extent control or influence all parts of the chain of production, from primary production - often in developing countries - through research and development to manufacturing and marketing. Corporations are increasingly active in recycling or demanufacturing. True environmental responsibility must be applied to all parts of this chain - from cradle to grave.

Industry is responsible for reducing harmful wastes and for curbing emissions of greenhouse gases. Unless industry itself is able to initiate more radical changes, the whole concept of market based strategies could be at stake. The extra cost of reducing harmful waste may often be acceptable to consumers.

Industry is sometimes very conservative in its short-term concentration on market competition.

Government and industry should work together to develop international standards of environmental performance, for example through the International Standardization Organization. Industry should commit itself to applying the same environmental criteria abroad as at home.

The private sector often finds itself squeezed between the need to respond to environmental demands and short term profit objectives. You may be facing shareholders impatient to register their quarterly earnings. Politicians are facing electorates eager to see short-term improvements in many fields. It is our common challenge to convince our constituencies that short-term gains may have to be sacrificed for longer term benefits.

For industry, the urge to maintain a competitive edge often works against the environment in an international economy where competitors may benefit from more lenient requirements. Consequently, the ground rules for economic operators must apply in a broader geographical context.

To achieve the transition to sustainable development, we must focus on the positive incentives for change. We need to find the right mix between government regulations, government incentives, and industry's self-control and corporate strategies. And that makes more use of economic instruments.

Governments must establish the framework conditions which can accelerate the development and dissemination of environmentally benign technology. The market mechanisms must be adjusted so that prices reflect the true environmental costs of what we do and how we consume. The Norwegian Government is about to introduce a tax reform which moves in that direction. The idea is not to change total public revenues, but to have a taxation systems which incorporates the environment as a priority concern.

More active use of economic instruments to benefit the environment will also require the international harmonization of rules. We must avoid distortions of international trade relationships. Closer international cooperation is necessary to establish standardized charges.

A new generation of agreements

During this transition period, we must aim at a future where one basic principle is common to all environmental measures: maximum environmental benefit at minimum cost. We will all benefit if we can reduce emissions where reduction will cost the least. This must be the primary objective of the new generation of environmental agreements.

Unless we can develop new approaches based on cost-effectiveness and tradeable emission quotas, we risk stagnation in the process of reducing the burden on our natural resources. The strategy of the past has favoured uniform percentage reductions of emissions

from each country. This approach has produced smaller reductions than we would have achieved if the best available technology had been used to a greater extent.

In Europe, we now have a unique opportunity to improve results through a more cost-effective, regional approach. If we assist the new democracies of Central and Eastern Europe in modernizing their production systems, we will improve local environments, reducing their contributions to the global environment at less cost. We will also help their economies to become more modern and more competitive, thus creating new demand, expanded markets and new capacity for growth.

We should take great care to avoid raising unintended barriers to the use of more environmentally friendly energy forms, such as natural gas.

For exporters such as Norway, the exploitation and transportation of gas will lead to a marginal increase in CO2 emissions. For buyers, a substitution of coal-based systems with natural gas will lead to large reductions in these emissions. As a result of one recent contract between a Norwegian seller and a Dutch buyer, the annual savings in CO2 emissions in the Netherlands will be around 5 million ton pr. year compared to a coal-based alternative, whereas Norway will experience increased emissions of roughly 0.1 million tonnes. The net savings of 4.9 million tons will be a truly global benefit.

A new international regime to combat global warming must have as its first and overriding objective to reduce the total load of climate gases on the world's atmosphere. A regime which hinders trading arrangements which could promote significant global reductions, would clearly be a step in the wrong direction.

The role of energy

Energy is at the core of most environmental problems. A doubled world population, which may be a reality some time in the next century, will require more energy. Today we are wasting it. The prices of energy are generally misleading. They do not reflect environmental costs, nor do they reflect scarcity of resources.

This situation is slowing down technological innovation and permits escalating environmental damage. Let us look at road transportation which has increased by over 80 percent in OECD countries over the past 20 years.

World industry can produce cars that use half of the energy compared to most cars currently in use. Progress is definitely being made, but we have to expand cooperation through broad research and development programmes of the kind that the European Community has already organized in certain fields.

The big question is: How can we speed up the development and dissemination of energy-saving technology when present prices encourage business as usual? We may be successful in OECD countries, but how do we include the Soviet Union and the new

democracies in Europe? How do we include the Third World which face such enormous investment challenges and such immense energy needs in the future?

In a wider European context the initiative of Prime Minister Lubbers of the Netherlands on an all-European energy charter has the potential for breaking new ground. Its main idea is to give private enterprise a stronger motivation for engaging in the energy sector in Central and Eastern Europe, to secure framework conditions which are common, predictable and stable and which ensure profit repatriation. It is also designed to assist the Soviet Union and countries of Eastern and Central Europe in accelerating their transition towards market economies.

The Energy Charter idea is particularly promising because it is based on a real commonality of interests. It will make full use of market forces and can generate investments of a scale and magnitude which public programs alone will not be able to achieve.

The Charter would help to promote increased trade, access to capital and expertise, and would open new markets and encourage growth both in the East and in the West.

In Eastern Europe there are great untapped energy reserves, low energy efficiency and considerable waste. Access to capital, technology and expertise is inadequate. There are severe pollution problems connected with energy production, transportation and consumption.

Western Europe is a large energy market with a long-term interest in a stable and secure energy supply. The expertise, capital and technology which can upgrade the energy sector in Eastern Europe are available.

There are many reasons why environmental objectives can effectively be dealt with in the context of the Energy Charter: It would operate in a region which shares many environmental problems linked to energy. Acidification in Europe originates mainly in Europe. Solutions must be found in Europe. The structure of the energy sector in Europe will determine much of the state of the European environment in the next century.

The greatest challenge, however, is a truly global dissemination of the energy technology of the future. As the World Commission on Environment and Development concluded in 1987, this is a key area. We need research and development on a scale and magnitude comparable only to the great space programmes and the harnessing of nuclear energy in the past. How can this be achieved?

One solution which WICEM could explore is the adoption of a EUREKA-type programme to provide funds for research and transfer of sustainable energy forms. The EUREKA formula provides for joint participation from industry and governments with a minimum of bureaucracy. However, in contrast to EUREKA, such a programme should have a global scope. Special emphasis should be placed on

developing, transferring and financing the advanced technologies that developing countries will need to be able to sign and comply with international conventions. And they will come, I assure you.

The intergovernmental response.

The nations of the world are now engaged in the important process of preparing for the 1992 United Nations Conference on Environment and Development.

We must develop new legal instruments and programmes of action. Key objectives of the conference should be a new world climate convention, a convention on biological diversity, and a forceful Agenda for the 21st century.

We should make it clear to the developing world that we are ready to cooperate to share technology and to provide financial compensation for their efforts to respond to the new global threats. We have used the world's atmosphere, oceans and soil as a free wastebasket for much too long. This waste-basket is now almost full, and we have no chance - not in reality and not morally, to tell the developing world that it must stop using that basket because we have already filled it up. The world may be divided, but no curtain, whether of iron or of border controls can shelter us from the reality of economic stagnation in the South.

We need to establish stronger international authority to ensure more effective implementation and monitoring of environmental legislation and regulations. And we need a stronger United Nations.

It is clear that the transition which must take place will require a high rate of replacement of capital stocks. The private sector, trade unions and governments should all recognize the great opportunities for investments and employment created by this need for change. Generally speaking, we need an atmosphere of innovation where environmental pioneers come out ahead, globally and on their own balance sheets.

Our generation has a unique responsibility and opportunity to manage global change, and to do it in time. Our success will depend on an ambitious, creative and socially responsible business community.