

**Making Profits, Saving Earth:
Corporate Responsibility for Environmental Performance in Asia and the Pacific
Asian Environment Outlook 2005**

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Panelists: Peter King, David Annandale, Albert Fry, David McCauley

Moderator: Jan van Heeswijk

Peter: Good morning ladies and gentlemen. My name is Peter King from the Asian Development Bank. I'd like to welcome you to this session. As you will see, we have a nice catchy title for our forthcoming Asian Environment Outlook in 2005, "Making Profits, Saving Earth". And you have heard from our director-general, earlier today, some of the thought processes that have gone behind the early work that we've put in on the Asian Environment Outlook. The purpose of today's workshop—and it is a workshop—is to seek your feedback, suggestions and discussion on what should go into the Asian Environment Outlook 2005, which deals with the issue of corporate responsibility for environmental performance in Asia and the Pacific. We have two of the three key authors of that report with us today, Dr. David Annandale and Mr. Al Fry and they will be giving a brief presentation on the work that we've done to date, then we will seek your feedback directly, and we will field as many questions, suggestions and other feedback from the audience as we can squeeze in before lunch.

For those of you who don't have the opportunity though to get in a burning question or a really important suggestion, we have provided a work sheet, which is being handed out to you. If you could fill those in, we will have a written record of your own personal suggestions. We don't expect you to answer everyone of those questions—it's more like a very long exam paper, but it is intended to give you enough space to respond to some of the key issues that we're trying to address in the Asian Environment Outlook publication. ...So with no further ado, I would now like to turn over to Jan van Heeswijk Director General of the Regional and Sustainable Development Department of ADB as our moderator for the day.

Jan: Good morning ladies and gentlemen, for the second time. As Peter outlined what will be happening this morning, I think for me, what is left at this stage is to briefly introduce the speakers, as well as the panel members so that we can go ahead. We will start off with Albert Fry, who will discuss "What Emerging Opportunities Does the Environment Offer Asia's Corporations." Al Fry is a program manager with the World Business Council for Sustainable Development. He has had an illustrious career, including Director of Policy Planning with the US Environmental Protection Agency, with the US Business Roundtable Environment, Product Liability Taskforces, the International Environmental Bureau in Geneva, and he has been with the World Business Council for Sustainable Development since 1996.

Our second speaker today is, as was mentioned, David Annandale. He will speak about "Why Should Asia's Corporations Improve their Environmental Performance?" David manages an international environmental and social issues consulting business and he holds the appointment of Head of School and Senior Lecturer in environmental assessment and policy at Murdoch University in Perth, Western Australia. He's a specialist in many fields, and let me just mention a few because the list is quite long.

Among others, environmental impact assessment, social impact assessment, public participation, and analysis of business environmental linkages, environmental conflict resolutions, environmental institutional strengths and so on.

We also have, following the two presentations, a panel discussion followed by an open discussion. The two other panelists include Peter King, who joined ADB in 1991 as an environmental specialist in the office of environment. He also worked in the agriculture and social sector departments in the latter part of the 1990s, and has been responsible for a large number of loans and technical assistance processing as well as implementation. He earned a Doctor of Philosophy in Environmental Science in 1998, with a thesis on Integrated Economic and Environmental Planning at the Sub-national Level in Asia. He was appointed as Director of Pacific Operations more recently and is currently an adviser in the Department of Regional and Sustainable Development. And he is primarily responsible for the Asian Environmental Outlook 2005.

We also have in the panel, David McCauley. He is a senior environmental economist also in the Regional and Sustainable Development Department. David McCauley has a long and varied experience in the Asia-Pacific region. His work includes tracking environmental trends in Asia, and encouraging innovative public and private policies and programs and policy program responses. He supports ADB's work in global environmental challenges and building environmental considerations into ADB's country level and regional assistance programs. He has had quite an illustrious career prior to ADB. He was an adjunct senior fellow at the East West Center in Hawaii; he also had long-term positions in Indonesia, Sri Lanka, Washington D.C. among others, USAID, Ford Foundation, Harvard University, etc.

Let me stop with this introduction and ask Al Fry to start with the first presentation. Al, the floor is yours.

Al: Good morning. First, it's a great pleasure to be here in Hong Kong and I would like to thank the ADB and the people from GIN for inviting us. We really believe that there are huge opportunities for the business community and it's always, sort of a bit of a mystery, as to why these opportunities are there and why so many in the business community fail to pick up on those opportunities.

The other day, one of our participants, Trudy, who is in the audience here, talked about the 15 percent and the 70 percent of businesses. In effect, only 15 percent, according to Trudy's analysis, are companies that are already committed to the process of sustainable development. Actually, physically working towards it, and in effect becoming the competitive companies that perhaps are going to capture the future. Another 15 percent are completely ignoring the environment, and the other 70 percent more or less fall into the category of taking a wait and see attitude.

We start by saying, that there is an economic miracle taking place in Asia. And as we've heard today, this morning, from some of our speakers, that this is really the beginning of the Asian century and there is a huge, burgeoning growth rate taking place in Asia. As a result of that growth, there is a rise of a middle class consumer oriented society and it also implies that a lot of people are beginning a process of working their way out of poverty. That is a process that in effect, gets in the way of that ability of people to work their way out of poverty and to sort of begin to share in that process. The problem of course is that if we do that development process, the economic growth process, in a

manner in which we ignore the environment, we run the risk of killing the economic miracle or choking it off because we have not addressed the environmental aspects. And so therefore, the entire business community needs to be alerted. Not just the 15 percent that are already committed, but also the other 85 percent, to the economic growth and opportunities. There is significant FDI as multinational corporations seek access to the huge Asia and Pacific markets but if we do have all this economic growth, as you see the bottom line here, can the planet earth cope with four more Americas? If we do wind up with everybody in Asia having an automobile and a lifestyle that mimics either Europe or North America, which is the worse case, then what happens to the quality of the environment? What happens to the ability of our natural ecosystems to sustain all of the economic system and the unwanted side effects of our economic growth?

We think there are some globalization opportunities and, in effect, there is some huge debate raging now since the battle for Seattle about whether globalization is a race to the top or a race to the bottom. The pessimist looks at it and simply says, "Aha, it's a race to the bottom, the lowest common denominator. People are leaving America, leaving Europe and looking for pollution havens."

The empirical evidence does not seem to bear that out, because when multinational corporations make investments, not just in Asia but all around the world, it seems that they bring with them their first world standards, their first world technology, their first world programs. So we believe inherently that the process of globalization is more of a race to the top than a race to the bottom.

Now that doesn't mean there are no problems, but the problems are different and that is, if the multinational corporations and their partners, their domestic partners, are improving the way in which they produce their goods and services, if they are adopting the state of the art or best available technology, then the per unit environmental degradation associated with each unit of economic output, is in effect declining. Now that's not in absolute terms, and again this is the problem. If you suddenly have a billion people in China, a billion people in India, all moving towards an economic system in which consumption level is rising, even if you have factor four, or factor ten efficiency improvement, by that, for the cognoscenti, that simply means we are able to reduce the environmental output, reduce the weight of the product, reduce all the unwanted side effects, by a factor of four or a factor of ten, these production standards, these consumption standards could overwhelm the natural carrying capacity. So the question then is, is there an opportunity for leapfrogging into the 21st century over outdated and dirty technologies? Is access to OECD markets a driver for quality products, and for PPM, quality production and process methodologies? We argue that it is, but we argue also that this needs to be carried and deepened down to those people who are supplying the domestic markets in Asia, as well as the international markets.

Then we talk about the power of environmental management systems (EMS), which are inherently built into ISO 14000, ISO 9000 for quality control, and the power of SA 8000, the beginning of the social indicators, the social and human rights issues, that are now underway of being codified and trying to integrate those into the day to day management systems within corporations.

I learned yesterday, in an afternoon session, that quite often, small and medium sized companies are overwhelmed by the challenge of full blown environmental management systems. Overwhelmed by the technicality and the detail of ISO 14000 and 9000. But

that should not stop them, in effect, from picking and choosing. And so we learned some very interesting things in our workshop yesterday afternoon about the possibility of creating EMAs, creating a menu from which small and medium sized companies can pick and choose to begin the process of upgrading their environmental control, their environmental management systems and going through, in effect, making incremental steps towards 14000. You don't have to rush ahead, enter into full 14000 or full EMS. You can, in effect, make small incremental steps towards this.

And then there's this question of, will there be a transformation from state-owned enterprises into modern organizational forms? We think this process is happening, we think it's the right thing to happen, and the question is, what can be done to accelerate the process, to encourage the national corporations, former state-owned corporations to adopt the management controls, and the management technologies that will, in effect, make them able to compete with, maybe even exceed, those that come from the multinational corporations.

And then, how important is environmental auditing and reporting to induce socially responsible investment? This is a huge area that's outstanding. There are tremendous opportunities, and again, one of the things that has always mystified me, as I look at these problems for these past 15 years, is why, when you do study after study after study, you can demonstrate that company after company is throwing profits onto the floor of the shop, or up the stack, or into the water or into the waste bin. And you go in, you can do very quick and dirty environmental audits in most companies and you can immediately find where people are just wasting product.

For me, one of the classic cases was always the tanning industry. The tanners use chromium. Chromium is something they have to buy, it's an expensive product. They use it on a once-only cycle, then they dump it into the river where it becomes a toxic waste, where it becomes a major pollutant. Then they have to buy more chromium. So in effect, if you can convince the tanners that by using technology, you can recycle your waste material and recapture the chromium. You reduce your cost of doing business and pay for the pollution control very rapidly, and protect the environment at the same time.

And so, I always talk about the low-hanging fruit case. That is, things that can be done with virtually no investment, things that can be done simply by more intelligent management of how you operate and run your day-to-day business. There are huge opportunities in just about every company, once you begin to look in a systematic way. There are huge returns for relatively low investments. Now, the bottom line here of course is, that it's investment, and research and development, so looking for new efficiencies is something that is probably beyond the scope of the existing small and medium sized companies. But there are huge opportunities for new startup companies, and perhaps these are where most innovative people are looking at the situation and creating new companies with new products, with new technologies, new design capability to enter the market. New startups—small and medium sized companies—are an engine for growth and also an engine for helping the multinationals improve their performance.

But the big question then is, will the national and SME firms who are producing exclusively for the domestic markets, take advantage of these opportunities? Will they see this as an opportunity? Will they follow the lead of what's taking place in the global market? Will middle class customers demand environmental quality from SMEs and

others? Empirical evidence indicates that when people are very poor, they don't demand anything except "give me some bread," "give me some basic services," "help me just get by the next day." But as people become more affluent, immediately their aspirations change and they want more than bread and basic minimum services, they want quality of life. How quickly will that middle class, that emerging affluent middle class, demand of all corporations, and of all companies, MNCs, national companies, SMEs, how quickly will they demand these quality products? Will boycotts be effective? Will SMEs emulate firms producing for the export and high quality import competitors? Will SMEs voluntarily adopt, if not full EMS, at least partial emergent environmental management systems or will they take a wait-and-see attitude? I think the danger and the threat to the economic miracle to the growth and to the environment, is if too many in the business community take a wait-and-see attitude. Hence, this report that ADB is writing is attempting to be addressed primarily to the business community to encourage them to seize the opportunity and do the right thing for themselves and for the environment.

And in doing this, we see enormous environmental opportunities for new goods and services, new infrastructure, huge markets for environmental goods and services plus environmentally responsible procurement. Perhaps \$20-50 billion per year in the Asia-Pacific market alone. Now there will need to be huge capital investment and there should be new employment opportunities. Many years ago, when I was at EPA one of the big problems was that as EPA began in the 1970s, to promulgate its command and control regulation, was that every industry sector where EPA wrote the regulations, the industry would come in to say "we're going to lose jobs," and in some cases the analysis indicated that was correct. Some sectors were going to lose jobs, because as they modernized, to meet the new standards, they, in effect, did automate, they did use new technology and quite often that new technology was less labor intensive than previously. What happened in the macro-economy, was that the new environmental requirements created spin-off opportunities for environmental auditing firms, for environmental accounting firms, for environmental management firms, for consulting operations, for technology, for architectural engineering and design firms. And so from a macroeconomic point of view, environmental regulation, in effect, after a short lag period, had a positive effect on employment, and a positive effect on net growth.

Then there is going to be a complete section of our report, which is going to be talking about technological opportunities. Bill Halal from University of George Washington is writing this section of the report, and he is an expert on looking at, and forecasting the introduction of new technology. Now there are some fascinating things happening in this field of new technology, and one of the big challenges of course will be, when we buy into new technology, are we buying the next environmental disaster? And we have to be very careful as to how we go, and how we proceed. Therefore there needs to be a very close and careful environmental impact assessment, but as I always say, if we had EIAs in place—in 1908 when Henry Ford, one of the builders of the first car factory, we would have cancelled the automobile industry before it got started. Imagine, sort of saying, "oh well as the byproduct, we are going to have 50,000 deaths per year associated with automobiles. Well, stop that we're going to stick with the horse".

I think we have to do some sophisticated analysis and do some balancing here. Will the new technologies make old, environmental concerns obsolete? I don't think so. I don't think there's a magic bullet out there, but I think there are huge opportunities to improve the performance, to begin to move towards what I call factor four, factor ten operations. And these efficiency gains provide huge opportunities to reduce the environmental

footprint of every new increment of industrial and economic growth. However, we have to recognize there are downsides. And ultimately, it comes down to the basic question, even if we do manage to meet some of the traditional pollution control problems, even if we manage to control sulfur dioxide, nitrogen oxides, and others of the traditional pollutants, BOD and COD from water processes, will we still wind up as a result of increasing affluence, of turning 2 billion people who are currently at the bottom of the pyramid and moving them up to the top of the pyramid where they will producing, rather, consuming goods and services at a rate equal to, say, Europe.

What will be the effect on natural ecosystems? If you recall the earlier limits to growth argument, back in the 1960s was that “Oh my God, because of economic growth we’re running out of all natural resources”. Basically, it turned out it wasn’t true, we aren’t running out of natural resources, but we’re running out of cheap natural resources. And now we have a new model of the limits to growth, which says, it’s not the resources that’s the problem, it’s the ecosystems that are the problem. And in effect, are we doing things either without recognizing it or thinking it through, where we are overwhelming natural ecosystems and destroying the very thing upon which all life, including economic activity, is based. So there is an optimistic view that customer demand and proactive business leaders will take action, now and continue in a process of continuous improvement to protect the environment. That’s the optimistic point of view. The pessimistic point of view, is that society, both consumers and producers will have to wait until there are a series of environmental disasters that will cause a blatant and costly call to action—possibly too late to avert global disasters. This is the negative and pessimistic opportunity. And as somebody who studied history, I suspect where we will be is somewhere in the middle, we will wind up muddling through, but it would be nicer if we could get more people to sort of, fall into the first category, demand better environmental performance, demand better environmental products, demand business take action and if we find proactive business leaders the more that we can find that taking place, the better off the society will be. So we will not reach nirvana, it will not be an immediate success, but the more we can move towards the optimistic scenario, the better off we are in all of society.

So here are the questions that we raise to ourselves, and now to you. How can the business community in Asia Pacific sustain environmental quality that supports the economic miracle? The economic growth that we see taking place in India, in China and soon, throughout Asia Pacific. Are there first movers strategic advantages for innovative companies? Are the companies that innovate, that find new ways to using cleaner technology delivering better products and services? Do they have a competitive and strategic advantage? And are the rest of the companies that fail to do that, are they the dinosaurs? Are they the companies that are going to go out of business because they will no longer have a social license to operate? That is, if governments will put them out of business, or will consumers, in effect, turn away from their products and boycott their products. Would better environmental regulations in Asia Pacific nations encourage competitiveness? The so-called Porter model from Professor Porter of Harvard and others has indicated that whenever there has been relatively strong, intelligent regulation, the net effect of that overtime, has been to make those nations, those industrial sectors more competitive, not less competitive. Are voluntary initiatives preferable to mandatory regulations and standards? There are many within the environmental community who are extremely distrustful of volunteerism. They say that’s an excuse for allowing industry to do whatever it wants, and not take action. They want the old-fashioned command and control because for them it’s certain. But if you look at

results that have come from rigid command and control, too often, what happens is we lock ourselves in, to 1975 technology or 1985 technology. And what we need is a process which doesn't lock you in to 2005 technology, but in a sense, every year there's going to be an improvement so that in 2010, your oil refinery is cleaner, better, more efficient than the one you built in 2005. It is a process of continuous improvement.

How best to appeal to Asia Pacific business leaders. Will they perceive this as an opportunity or a threat? Is requiring ISO 14000 and 9000 effective? What about reporting, audits and other sustainability tools? What other _____ can MNCs do in business in the Asia Pacific wheel? Is there a danger that this will be perceived as neo-colonialism? Big companies like Shell, in effect I find it fascinating, that the very people who argues that they mistrust large multinational corporations, distrust the power of corporations, were the first to argue that Shell should have intervened in Nigeria, and sort of try to overthrow the military government, in order to protect local domestic people. And the Shell people backed away, saying look we are not in the business of overthrowing governments. That's something that goes back to the 19th century, so please, your views. We need to know what works and what doesn't work. Thank you very much.

Jan: Thank you very much AI for the presentation on looking at the opportunities which are available and also I think for the focus needed on the 85 percent of businesses without ___ particularly SMEs, state-owned companies and for the questions in which we do hope to get some of your views later.

Let's move to the second presentation, which is by David Annandale, "Why Should Asia's Corporations Improve Their Environmental Performance". David, the floor is yours.

David: Thank you, Jan. I noticed that my colleague AI Fry was introduced as having an illustrious career, I think I wasn't introduced the same way because I'm not as old as he. I think you have to be old, to be illustrious.

Anyway, we're running out of time and we're very keen to get your inputs. So I'm going to be very quick with you now. I want to just look very quickly again at this question of why, it might be necessary for Asia's corporations to improve their environmental performance. This report that the bank is producing, the Asian Environmental Outlook 2005, is the second of a series of Asian Environmental Outlooks. It's one of the first times that the bank stepped out and looked at the private sector directly and its impact on the environment so it's quite a new approach to the bank which deals predominantly with governments, as most multilaterals do. So we're very interested in talking through this issue of private responsibility for environmental management. There's basically three very quick reasons that we've already covered to some extent, that I want to talk through with you. The situation would involve ecosystem limits, the idea that the private sector actually being the solution, at least the big part of the solution to the problem, and also the issue of licenses to operate, that I'll just briefly mention. I want to talk you through those three areas quickly, and I want to finish up by leading into the conclusions to our report. We've been working for a couple of months now, we're starting to get a feel for where our recommendations might go and we'll finish off by taking a quick look at that area and then get your feedback.

We've heard some of the figures already this morning, and we think it's worth reinforcing the extraordinary pressure that the environment is going to feel in Asia in over the next 20 or 30 years if growth continues at current rates especially in China. While growth has been extremely welcome in poor countries in Asia, it has a tremendous impact on increasing disposable income, it also has potential of course to, erode the natural capital burst and our concern is that if we go too far along those lines, we'll actually lead to the collapse of the economic system itself. And I reinforce again that it's the bank's view that the environmental future of the planet lies in this region.

Another theme that we're playing with in the report is the idea that it's time for the private sector to share and take some responsibility for environmental management. Most of the attention over the last 30 odd years from, at the level of multilateral banks like the ADB and national governments has been on improving regulatory systems, and making national policy work better. We've had to do that work, I think. It's been necessary. I think it's also fair to say that it hasn't necessarily led to a significant improvement across the board in the environment in the Asia Pacific Region.

More and more, it seems that the solution actually rests with the private sector. It's corporations that use natural resources that make products that generate waste and pollution, it's not necessarily governments that do that. Though to some extent it is, I suppose. But it is clear that if we are to continue to make economic progress, and have an environment that works for us, then there needs to be more shared responsibility for environmental management, and a shared authority over the problem.

The final reason why we believe that Asian corporations need to take more responsibility for environmental management is this idea of licenses to operate. The old concept used to be that if you had a far more regulatory license, that's all you needed as a private organization to work. It's become clear in recent times, in the developed world and more increasingly in Asia that you can't operate as a corporation if you don't also have an economic license to operate, in other words, an ability to make profit and pay shareholders dividends and also a social license from communities as well. This is a well understood concept in the developed world and it's rapidly becoming understood in Asia as well.

This is my final slide where we're working in a report towards a conclusion now, that basically says a few things. And this is its early stages so we're exploring this at the moment. First is that, from the presentation you've seen so far, we think that the market has an ability in and of itself to lead to opportunities in the environmental area. So market pull will exert its own influence for environmental good as long as externalities are controlled by governments, with a lot of work to be done in that area. But there's a lot of positive aspects to growth in environmental goods and services that will happen as a natural consequence of market activity.

But there are two other areas where multilateral banks and national governments can do things, make improvements. One is in incentives, and there are a range of incentives that most of you would be familiar with, that governments can use to encourage private corporations to do a better job, from an environmental point of view. But there are also regulation reforms, reconfiguring regulation ideas that we'll be pursuing in our report. Based on the idea that the old command and control approaches that Al mentioned are, to a fair degree, obsolete. But where they've worked, and been successful, then clearly that's being a good thing. But in many respects, it's fair to say that they haven't been as

flexible and useful from an environmental point of view as a lot of people would have liked when they first thought about environmental regulation 20 or 30 years ago.

There needs to be a recognition that regulation needs to be designed very carefully, and crafted specifically for different jurisdictions. And inside jurisdictions were different levels of hierarchy of operations that can only happen at a national level. If there's a theme at all, it's the idea that we would like to pursue more core regulation, where government sets targets and industry implements them. And there are range of initiatives that we're talking about in elaborate detail in our report, and I'm sure most of you would know about so-called self regulation tools, voluntary partnership tools. And we'll be writing about how those can be made to work by regulators, so effectively, how can you regulate self-regulation is one of the aspects of this final part of our work. I think I'll finish here so that we can get some input from you. Thank you very much.

Jan: With this overview on what private sector responsibilities can be particularly also on what incentives the governments would have to give in terms of getting the private sector to buy into the environmental aspects. Let's move on now to the panel and the open discussion. I think we have about 40 minutes for that so if you have any questions or comments of use, which you would like, please now is the time. I would appreciate it if you could state your name and organization for that purpose.

Participant 1: Yes my name is _____, thank you very much, from the Netherlands. I think that was a very good overview and quite convincing that something is going on. But if I look at the figures, among others from the World Bank, about actual investments in a number of environmental sectors, like particularly water energies, somewhat better than these investments from the private sector go down in the last ten years, on a global scale.

And of course the question is, aside from talking, how to get the trend to reverse into the positive figure. And as far as some discussion has been done on that, and as far as the number of people looking into, at least in this area of water, let's say two key issues appear on the stage, that you hardly touched.

One is the problem of uncertainty. If you invest, let's say, in the water treatment plant, let alone electric power plant, it will swallow your money let's say 50 years or even more, and the question is what will happen, let's say next 10 years, let alone the next 20 years. So somehow, our policy problem is how to assure that things are implemented in a way that is agreed. It's a difficult one, I agree but crucial. The second is, that international bankers like ADB, World Bank, and so on, African banks, deal essential with the national authorities, with the governments. That is exactly where the money is lacking, but there is money for this kind of investment, private money, money from the authorities, on the regional level. So on the regional level, let's say Hongkong, Shanghai, or Bombay in India. There is money for investments for water management and so on, but there is a very difficult process—how to match the local or regional availability of capacities with this international finance.

Now there are quite a few examples, there are not many examples how to deal with that, but I would strongly suggest to look how the EU does it. For example with indirect projects, where essentially the regions from a number of countries cooperate with each other and sponsor on international level, but they are sponsored directly towards the regions. In my view, this kind of mechanism, at least should be looked into whether it is

possible. So two issues, one on certainty—how to guarantee long-term investments, the second, how to cross the international level towards the regional local level where the actual investment must be done.

Jan: Thank you very much. Let's take a few more questions or comments so that we can now have the panel in the front.

Participant 2: My name is Michael Wong. And I am with IFTE Asia. My question would be, based on _____, from having to follow regulation or even being overwhelmed by regulation, I trust that they would need information from which they could work with us and my question would be, where would be the best information that we could get to communicate to businesses of how they can begin to start working with ISO regulation or things such as opportunities where they could look upon instead of being threatened. By regulation they could start looking at this whole phenomena, at the new opportunity, or new space for them to explore and I think that might ease the transition, from the paradigm of being threatened to a paradigm of opportunity. I'd like to know where that opportunity and the information will come from. Thank you.

Jan: Thank you. Any...? Over there in the middle of the room

Participant 3: My name is _____ and I'm from King Fahd University, Saudi Arabia. My question is that many western companies and also here in Asia Pacific, they have achieved an economic progress that they can afford to improve their technology, they are on a role of improving their technology, making a sustainable development. But the companies in the poorer world like many countries in Asia, South America and Africa they do not possess the capital because as someone mentioned, sustainable development is not a choice, we have to do it and for that we need information technology. Now they do not possess financial resources to make technological advances to achieve that sustainable development. Right now they are in a condition that they have to start from scratch. Their technology, they have to replace the whole technology and for that they need capital, the economic resources which local industries usually do not possess in the poorer countries. So what are the recommendations for the companies in those parts of the world to make financial growth, and also make environmental protection, as part of the business? Thank you.

Jan: Thank you. Let's take one more question before we have the lady over there.

Participant 4: I'm _____ from Turkey. My question is, perhaps _____, it seems, and I certainly agree, that business _____ would really, somebody, somewhat, have to be forced to obey to the sustainable development _____. But it can't be just done by legalization, so it's _____ some kind of standards perhaps, some sort of, criteria that would be enforced by peer, community pressure. So could business associations like world business council for sustainable development initiate some sort of, like total quality management, some sort of standard for sustainable development so that there will be a criteria that companies would somehow try to match and

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Jan:uncertainty, and the effect of maybe moving into regional level government. Anybody who would like to comment or respond to that?

Peter: I think that the question of uncertainty is a major issue in this part of the world, where a lot of the foreign direct investment that is needed to generate the kind of investment in infrastructure, is not going into those countries where there is an unstable government, where there are problems of concern about expropriation. Where there are concerns about, not only do you have to bribe once to get your project approved but as soon as the government changes, you have to bribe a whole new set of officials. So all of those elements of uncertainty do exist in this part of the world. And one of the reasons that you see a very large part of the foreign direct investment going into China is partly because of the certainty that is attached to that. Which is not the case in some of our other large developing countries. So an organization like ADB has to work very carefully with governments through policy dialogue, through our assistance programs to tackle these issues of uncertainty, to create the necessary governance environment in which funds will come into the country. And that's certainly true about crossing from the international financial system, into the regional markets. The other area of course is financial reform, and financial liberalization in Asia-Pacific still has a long way to go, in terms of creating innovative approaches in financing which are available in other parts of the world. Bond markets, for example, are still very poorly developed in Asia. And this is another area where ADB is helping with the creation of samurai bonds, and other Asian currency bonds to develop secondary markets in the bond area to create new forms of financing. So I think both of those points were very pertinent and certainly we need to address both of them in the report. Thank you.

AI: I think you were also referring to what I would call, public sector investment in waste-water treatment plants or water supply, which are things that could be provided by the private sector under certain circumstances. The problem is that those circumstances are usually not present, therefore there is total underinvestment. And I cite the following thing: it is clear that when it comes to safe drinking water, and public sanitation, only governments can provide the regulatory authority. Now when it comes to economic regulation about pricing and quasi-monopoly situations, it's very clear that everyone understands that economic regulation by competent government authorities is there to prevent price gouging because you have a monopoly situation. The other side of the coin is poorly understood, and that is, the economic regulator not only has to prevent price gouging but he has to assure that the private sector investment is returned. And that means there has to be a price for the service, price not for water, but for water service. Not for pollution, but for cleaning up the water. Once the government regulatory mechanism is there, and there is a certainty that there is no shortage of capital, people would be delighted to invest in water supply, and waste water treatment. What's missing is environmental regulation system that protects the consumer, on the one hand, but protects the investor on the other. If you get that balance, there's no shortage of money.

David M.: Now these are just good points, and we're certainly taking note. I think the EU model that was mentioned, we want to look at that, and as well as, we're going to the next please...

Jan: Thanks. The next question was, where do you find the information if you were the company? Who would like to take that question?

David A.: I could say a few things about that. Just generally, in relation to Mr. Wong's point, one of the things we didn't talk about but we're looking at it really carefully is how information is being used as a new regulatory tool generally in Asia. So there's a lot of very positive aspect of new regulation that relates to things like the communities' right to know and ability to use new information technology as a tool for civil activism for example. So to extend that, one point is that multilateral partners of smaller Asian firms can be the providers of information. There's lot of good evidence that ISO 14000 is being implemented by Asian corporations and the supply chain that have a link back to developed country firms. But more specifically, I think we need to take note of, if your implied suggestion that we look at establishing some kind of information source for small firms that might not have those developed country linkages. So they can find out about some of these self-regulation tools that we're talking about. That's an initiative we can take on board.

AI: Could I just add a comment? My experience has been, over a long period of time, is that there is a plethora of information. It's available, it's out there, it's getting it off the shelf and getting it in the hands of people who need it. If you just take a look at my organization alone, we now have a full library of documentation that has been developed over the past eight to 10 years. And every publication we make is available free on the internet. And it's not just that we are one but there are hundreds of organizations where there's all kinds of information. I think quite often, what happens to an individual company or a small NGO, is they're overwhelmed. I call it the snowflake theory. You're given so much information, that it's hard to determine which document do I look at. Where do I begin, and I think that's part of the problem. It's very easy to find information, but it's hard to find it, saying, sort of, this is the right path. No single guideline that one size fits all.

Participant 2: [Inaudible]

Peter: Not yet, but if you finally develop it Mr. Wong, then you'll become a rich person.

AI: You're an upstart corporation.

David M.: Take advantage of the opportunity.

Jan: If we move to the next question, which is, if you are a company and you want to shift to a more environmentally responsive process, if no capital is available, what are the recommendations? Any of the panel members?

David A.: Again, there's quite a bit of evidence in Asia that's growing now that the small firms that have supply connections to developed countries can get access to development capital and to soft tech capital like trainings for example. There's a lot of good examples where multinational corporations are now training their suppliers in the use of environmental management systems, for example. In terms of finance itself, access to development money, I suppose one option there, one development there, is that the environmental banks, there are a growing number of in developed countries should probably start concentrating at the smaller, the level of smaller firms in Asia. So I'm not sure what the ADB can do about that kind of thing but there's obviously a niche for environmental banks that are developed country-based to look at financing smaller activity in the developing world.

David M.: Yes, not as much in east and southeast Asia but in central Asia and the former Soviet Union, you see these environmental funds, and there have been some experiments with these, basically the use of revenues generated from environmental fines and fee systems going back into funds that are then used to subsidize investments in ocean control and other measures. And this is one, at least one institutional mechanism that still needs a lot of work, I think. The ironic part of it is that establishing these sorts of earmarked funds for revenues generated by environmental fees and fines often runs head strong into other macroeconomic reforms pushed by the international monetary fund and others who are trying to get rid of these off-budget accounts and have all of these revenues go to the treasury. And so, because of concerns about corruption and overall management of fiscal resources, so there are challenges there and this is one approach that, I think, still deserves a lot of attention. There may be some opportunities for other innovations with groups of industry associations and so forth. UNIDO has tried, on a very small scale, to push that in terms of promoting cleaner production. But I think there's quite a bit more to be done in that area. Thanks for that question.

Jan: Thanks David.

Al: Can I make a brief comment, and this is a personal observation, not an ADB observation at all is the due diligence requirements. When you make a loan to a small business for 3 million or 4 million or 5 million, it requires almost the same amount of due diligence as when you make a hundred million dollar loan or a five hundred million dollar loan. Therefore, there is, sort of, an inherent difficulty in making small loans. Because the bank has a requirement that's logical and reasonable but the due diligence requirements sometimes in effect, drive up the cost, per unit cost of smaller loans, so that, sort of, excellent projects don't get financed because of the due diligence requirements. I don't know how to break that impasse but it exists.

Jan: Thanks. The last question of the first batch, how do you realize the shift, peer pressures, standards?

Peter: Well, I think one of the really important things that we're trying to come to grips with, and I think this is an audience that can give us some advice on this. It's relatively easy to get the message out to the larger multinational corporations and through them to small and medium enterprises that form part of their supply chains. One of the real difficulties we have is how do you get through to the SMEs, the mom and pop operations, and really small businesses out there and some of the TVEs in China for example, that don't have any access to that international linkage. They don't have access to the Internet, they can't read English, or access the documents where much of this material is published. And I think we have a real issue in terms of how do you reach out and provide the kind of information that all those very large number of firms who are the major polluters throughout the region, that we simply have no access to.

David A.: I think one of the few models, just to extend what Peter was saying, that may be worth looking at in that regard is in agriculture where agricultural extensions often work really well around the world and developed countries as well, where farmers educate other farmers. In Australia, we have a well known policy for dealing with salinity in agricultural areas where basically farmers are being encouraged by the government to teach other farmers how to deal with the problem. It seems to me that's the only obvious way to move forward in relation to environmental performance and we don't do that,

really around the world. We don't have any equivalent to agriculture extension related to environmental performances, very small organizations. I think that's probably one of the things we should look at.

Jan: Any further...? Ah, okay. Let's go first to the lady at the back there.

Participant 5: Hello, Diane Holt from UK. I wanted to pick up on a couple of points that the panel has made, particularly related to the supply chain. And the first has to do with the issue of power that I think you need to bring that into the report that you write. The presumption is, particularly with the multinational supply chains initiatives, is that the SME is at the base of this supply chain and is therefore in the least powerful, so this is the supply chain's most powerful position. I think, perhaps that's a flawed assumption and that you may need to look at, mapping at the kinds of supply chains that are typical in Asia to see how dependent the success of those is going to be the effect weakest link, which is going to be the least powerful player in the supply chain. The experience of TQM implementation in Asia, I think is also quite interesting and its evidence suggests that companies that accredited to ISO 14000 and one having had bad experiences from failing to implement TQM standards and losing businesses as results and it might be interesting to see whether or not companies in Asia are crediting to environmental management standards because they think they should do or because of the experience of the past with TQM. Also, within the idea of measurement, you talked about discussion questions. I want to make a quick point on the idea of the use of such environmental management standards. Some of the work that I've been looking at suggests that companies in supply chain management are not actually using the accreditation to EMS as the standard to select suppliers but the lowest common denominator which is typically having an environmental policy and such policies are not necessarily really representative of a great step for environmental behavior and you might want to look at that within the discussion of the things you're doing and final point to pick up on what was just said about domestic SMEs. I agree totally that that's real area of concern that's very difficult to reach especially through the power of the supply chain, but I think you shouldn't underestimate the power of informal environmental education. You talked about the example in Australia where there's obviously transfer of skills. But if you look at the developed world context, we've had a very well developed program of environmental education in our schools since the 1970s. What that seems to be suggesting in some of the work that I've seen is that companies who, or individuals have a certain developing level of societal expectation in terms of environmental behavior that has not come through, green business clubs or information received, but has actually come through with informal exposure through the children, and what the children are learning in school, through the media and that sort of thing. And perhaps within the Asian context, it might be important to think about how well imbedded environmental education is in the formalized schooling system. So that's my point.

Jan: Thank you.

Participant 6: Thanks, my name is Ralph _____. I'd like to raise the issue of NGO capacity building in the whole region. That is, I'd like to raise the question about the role that NGOs are playing and will play in the future in terms of educating the public, educating policy makers, undertaking projects themselves, acting as partners with corporations, because it's clear that the capital, the technology, the organizational skills and so forth, will only come primarily from the private sector, in the kind of development scenario that we're contemplating here. And so capacity building is important, the whole

development of civil society but the question I'd like to raise really is, from my point of view, there's a problem in all of this in that where I teach, and advise students, this school for international training in the United States, and almost all of our graduates go into NGO careers, civil society careers. We're graduating about a 100 to a 150 people a year now. From the masters' level, with concentrations on things like sustainable development, peace building, social justice, intercultural relations and so forth. And as a result, we have graduates, a third of them from, two thirds from the United States and about a third are from other countries. They are scattered all over this region in particular. They are in China. They're in Cambodia. They're in Bhutan, working for organizations like BRAC in Bangladesh, working in the Philippines. Whether they're Asians or westerners, they are the people who are now moving into those types of careers, and in particular, they are the cross-cultural people. They are unlike the engineering graduates and the MBA graduates, which I'm an example of both. These people are the people who as American or European high school students learn or do, or learn Tagalog or learn Mandarin just out of pure interest, they love that kind of work. And so off they go into this type of career. And my point here, for this panel which I think is very well equipped to address it is, if they're profoundly anti-corporate, they want to have absolutely nothing to do with corporations, they go into NGO careers, they want to do good, they spend a lot of their time abroad in the field, they work with local partners, local government, people, other NGOs, and they really want to have nothing to do with corporations. And I just wondered what comments you might have about innovations really in the future, in the way that the business community works with civil society and tries to get beyond this impasse.

Jan: Thank you. (Inaudible)

Participant 1: I would like to embark on what the lady mentioned about education. Because, again, from the experience of the EU, in fact, the papa and mamas corporation has been reached at the moment when the environmental education could address lower and higher technical people who work in this kind of companies. So my question is, whether in your report, not only let's say the university and technical university education is addressed, but whether also the lower education level in the field of environment is included because that could be the key for these SMEs. Thank you.

Jan: Somebody at the back, I think.

Participant 7: I'm from Helsinki School of Economics in Finland. My question or comment is mainly provoked by Mr. Fry's talk and it is because I somehow felt that the underlying message was more related to gradual improvements than innovation, and in this context I would especially refer to the EMS comments that you made, and I would just like to question whether environmental management systems rather sustain the old, lock us into the existing systems and give us only small improvements and in that way, actually, maybe prevent innovation in some ways and if we promote environmental management systems, very strongly, is that the right approach especially to this, let's say, new continent in terms of the environmental work Asia which we want to sort of, leap over some of the phases we've seen in Europe and in the US. So do we really want to recommend EMS strongly for the Asian companies? And is that really the best way to invest the resources for environmental work that we have here in Asia? Thanks.

Participant 8: I'm Zenaida ___ from United Nations University. This question is also for Mr. Fry. You mentioned that there seems there's a realization in the Asian Development

Bank that the problem is not really shortage of resources but the ecosystems and their conditions so my question is this realization have any consequences for the activities of Asian Development Bank because in framing of problem, shortage of resources versus ecosystem conditions and ecosystem services has very, very dramatic implications for governments and also for the businesses so from the point of ADB, what's change this realization? Thank you.

Jan: Thank you. What I would like to do is to have a brief response from the panel and we still have 15 minutes so no doubt that those who still have questions will get their turn. Could I ask the panel to be brief so that we can use the remaining 15 minutes efficiently? The first question very much on terms of supply chain, weakest link, TQM, accreditation, EMS, informal education. Any of the responses from panel members? Al please?

Al: I agree that there is a power problem and in effect whenever there's any negotiation with MNCs, whether it's NGOs or with people down the supply chain, there is a power imbalance. And quite often, I know we get feedback that the big, brutal MNCs are just in effect, squeezing the small suppliers to do two things: lower cost, constantly lower cost, meet the quality standards and adopt the environmental standards all at the same time. So sometimes, these people in the supply chain do feel that they're being squeezed and threatened by these things and in effect, Ford Motor Company simply says you do it this way or we'll find somebody else who will do it for you. And, I don't know how to address that imbalance but in the longer scale, in effect, it does create competitiveness amongst those people in the supply chain. It's a pretty ruthless process, but it does tend to, over time, sort out winners and losers. Now, historically in the negotiation process, there's been some kinds of government assistance, to both NGOs and to smaller people in the negotiation, smaller companies in the negotiation process to sort of level the playing ground, the playing field in this process. But I'm not quite sure how to get that to happen.

David A.: I think one solution is one that we mentioned earlier, and that is an ethical MNCs, one that assists its suppliers to come up to speed environmentally through the training and other activities so that actually physically supports them to do a better job, it just doesn't tell them to ...

Peter: Just perhaps take a slightly different angle on this. We had a similar workshop to this in Amsterdam about a week ago, and with a lot of European companies and one of the views that they had on this supply chain relationship was that they wanted to level the playing field, by imposing environmental standards on their supply chain so that they wouldn't have a competitive advantage against the European companies. Which I thought was an interesting different perspective on this. And one further comment is, in relation to the educational suggestions, there is a lot of evidence emerging that many of the CEOs around the world, put in place environmental practices in their companies because of their teenage daughters.

David A.: We have to encourage people to have female children.

Participant 5: (Inaudible) power issue, supply chain program, most powerful player, SMEs can actually, ...

Jan: We move to the second point, I think we touched on the first and the second question. Let's move over to the NGO issue raised as being NGOs being anti-corporation, and the need for capacity building. Who would like to take the question?

David M.: Maybe I'll just take a first stab. It's clearly true that there is a very strong moral ethic within the NGO community that is strongly anti-corporate as you said. But by the same token, I think that there maybe more attrition than you're acknowledging. Certainly, we see as the job market within corporate social and environmental sustainability units and other related units in the larger corporations expands, we see an increasing number of those who were originally trained within that group moving over. Because they're familiar with these issues and they can, on the one side, some of them are going into communications and public relation sides so that these companies can understand really the forces that they're dealing with. But others are really coming more from the problem solving, and corporate philanthropy arms are increasingly taking advantage of those kinds of skills and others. There is a joke of course in the NGO community about people who fall into that category having gone over to the dark side. But I think that it's still quite positive, frankly, that kind of cross fertilization. It doesn't get to your point as to public policy, and in terms of implications for the way Asian Development Bank does business, I agree we need to think about that carefully.

Al: I had a question in there and that is, could you tell me why, in effect, after coming out of your school these people are anti-corporate? Why? What is it that makes them anti-corporate?

Participant 6: I think many of them go in, I mean they're only in campus for about a year. They come in with a lot of preconceived notions. And I'm one of the organizational management faculty and initially, a lot of them look at me as an apologist for the corporate world, and they're very suspicious of me. I don't know but they do come in with attitudes from before, which seem to get strengthened in that environment.

David A.: I think one thing to say about that is the extraordinary explosion of public-private partnerships between NGOs and private firms might start breaking that down. I mean even Greenpeace now has quite elaborate partnerships with the private sector in Europe. And you might see that kind of antagonism that's breaking down through these partnerships.

Jan: I think that's a very valid point. Even from ADB has recently had some of these private partnerships with NGOs to support this. Let's move on to the last few ones, which is gradual improvement versus innovation.

Al: We obviously, we want step changes, we would like big changes. We would like to see enormous changes and moving ahead. But in reality, when you start talking about small and medium-sized companies, it's getting them to take the first step to sort of even recognize that there's a low hanging fruit to pick up. So in effect, what we say is, we are strong advocates, we WBCSD, of eco-efficiency. But we recognize that eco-efficiency is not a total solution to the problem. It's only a partial solution. It's the beginning of a process. It's sort of looking for the easy things you can do, right now to stop wasting resources, to start recycling, to start doing things where you have to make very little investment and you can get some immediate payback both to the bottom line and to the environmental quality. And inculcate a concept of continuous improvement. That's the other element. And what we found with the large multinational corporations who are our

members, and we work with them, is they start with eco-efficiency and after having plowed into the eco-efficiency field, have their environmental and health safety people really go through the corporation, begin to put EMS in place. They begin to discover all sorts of opportunities to do things and then, they start making these big changes, and they also start moving towards corporate social responsibility. If you go into a small and medium sized company, with the new corporate social responsibility, the eyes glaze over, you have to get them to start with the, sort of, easy things first. Show them by doing that there are some wonderful things that can be an improvement both to the environment and to their bottom line then in effect, you've got them hooked. And then, you sort of, get them to step up. Obviously we would like to see big changes, and sort of, radical changes to move away from 19th century or middle 20th century technology. But that's more difficult, especially for the SMEs.

David A.: Jan, I would like to address the question about EMS. I think that's a very good point and there's a lot of concern in the academic literature anyway about whether EMS is worth a cracker or as we'd say in Australia, whether it's worth anything at all. Does it actually lead to improvement and there's only some very recent work that's begun to look at whether EMS has a direct impact on environmental improvement. And clearly, EMS has very low-level safeguard, if you like, it's not nearly strong as EMS European standard was. To some extent, maybe a good analogy though, the situation with the Kyoto Protocol and a lot of people would say well, that's virtually useless because it's not going anywhere near far enough. Supporters would say, along with Al's point, you have to start somewhere. It's a symbolic act, in a sense, to make a start then you have to improve from there and I think it's just a reality of modern economy, that you can only work incrementally. So my hope is that EMS shows firms where they can actually make some improvements through looking at impacts and aspects and reporting where they realize that there are things that they can do that they weren't doing before and maybe they can start to take further steps beyond that.

Participant 7: ... but I also know, that especially for SMEs, building up and documenting and keeping up the environmental management systems can be so costly effort that they no longer have the time or financial resources to jump over that. So many just get stuck in keeping up the documentation, and gets a very frustrating process, and doesn't lead to innovation in the end, as you recommend. So I would agree with your, if having an optimistic sense, but at the same time I would say that it's not enough and I would say that the level of how the documentation should be and how heavy the system should be, should be much less for SMEs.

David A.: ... there's been some recent work being done on designing EMS systems for SMEs. It's a new, I mean it would be nice to see ISO actually address that issue specifically. A lot of the customization work that I've seen discussed is being in specific countries trying to get a system that will work for smaller organizations there needs to be more effort in that regard I think.

Jan: Thank you. I think we still have a last question here can you be very brief on that, as we're running a bit overtime and we still have to get at least two or three questions in.

David M.: There was a question regarding the implications of the ecosystem limits being the ultimate constraint here. And I think that's a good point we can be rearranging the chairs on the Titanic, if we're not careful. But there are implications for the way international organizations like Asian Development Bank operates and also for our

partner governments, as well as all the partners and stakeholders. As far as ADB is concerned, there is a growing recognition of this and an increased emphasis on building environmental considerations into the very fabric of our country level programming, in terms of the diagnostics of the economic and poverty situation and environmental situation in the country and making sure that it's fully incorporated. And backing up a bit and not looking at things simply project by project. And that goes beyond the use of techniques like strategic environmental assessment, but it's something along those lines, that is backing up and looking at the bigger picture. And of course, some of these issues go beyond the boundaries of single countries, so that it requires a more strategic perspective and a broader region-wide perspective on things like air, water, land management and ecosystems management ultimately, including biodiversity conservation. So it's a very good point and it's something that we're looking at very carefully now. Next week, we'll be participating in the IUCN World Conservation Congress focusing on issues of ecosystem sustainability, and I'm sure that this will be a recurring theme.

Jan: Thank you. I would like to give... two or three questions, there are two ladies here, sorry three ladies then. But please be brief.

Participant 8: _____ from _____ University in Perth. I just wanted to ask a question, just a quick comment on standardization for the bank. And I made some comments yesterday about this point, but just to perhaps reiterate, a lot of our research, one research in particular suggest that very strongly, keeps hitting me in the face, that standardized programs don't work because they don't resonate with the needs of the activities and the culture of organizations. They don't work in terms of ongoing improvements, so before you think about advocating standardized programs, please think too about how you incorporate flexibility into them to be able to really resonate with needs, culture and activities. But my question really is about something else which is the business-consumer relationship. I'd like to think of sustainability as involving three things: the businesses, consumers and government. And I think of the metaphor of business and consumer as a pair of lovers with the yappy little dog being government or NGOs at their feet, and all the lovers are interested in doing is throwing some bonds and scraps to the dog so that it doesn't bother them while they get on with the stuff they're really interested in. I guess my question is, how do we perhaps address this essentially sacrosanct relationship between business and consumers because that's kind of where we're going with this massive shift of movement into middle class. And is there something that you can incorporate in terms of your suggestions that might deal with this? For example, a small little regulation that requires every corporate to use, say 5 percent of their advertising budget to advertise and promote environmentally sustainable products and services which would be a little tweak but would get some significant movement happening.

Jan: Thank you. Yes, please.

Participant 9: My name is Sophie LeClue, independent consultant here in Hong Kong. Have a few comments really. Regarding SMEs, there's actually a talk here this afternoon on a program called project _____ which is looking at breaking down the environmental management to stages for SMEs... Certainly doesn't have to be certified so that they could address each element as they saw fit. So people may be interested at looking at that. Regarding reaching SMEs, the Hong Kong government has been fairly successful in reaching SMEs in the welfare sector through investment funds it has. It has one called

community investment inclusion fund and they use NGOs to access SMEs and they've been very successful. It does presuppose that you have income which the Hong Kong government does have. But it doesn't mean that you can't reach SMEs and okay, it's welfare, but the same principle or model can be applied also to the environmental area and finally, we got a partnership. The government here is also undertaking some detailed research on tripartite partnerships in terms of government, third sector, NGO sector and the corporate sector. And it's really not the case of the NGOs not trusting the corporate sector, but the corporate sector doesn't know how to partner with the NGOs. And so the whole range of issues there and policies are to be researched which the Hong Kong government is actually doing at the moment, which I think is actually quite positive.

Jan: Thank you. The last question over there. The lady...

Participant 10: I'm Trudy Heller from the USA. This is a very short question. I was struck by David Annandale's comment that the survival of the planet lies in this Asia region. And some of the data he supported that with. And it seems to me that where I live we get news of the economic developments in Asia but we're not getting the news of the environmental consequences. And I wonder what the panelists' thoughts are about how to spread that news.

Jan: Thank you. Who would like to take up the business-consumer relationship issue?

David M: Now if it hadn't been put in that metaphor, maybe we might be braver about taking it. I don't think that relationship is sacrosanct. I don't think it can be in the new realities that we've been discussing frankly. But how we move forward in terms of getting governments to the point where they can intervene other than as yapping dogs is still to be seen. But I think a lot of the work on private and public partnerships is breaking down those barriers. But the others, there's still a lot to be done.

Al: Just a quick comment. We did a study on this, essentially we did a report. And essentially we sort of said that business feels very comfortable with educating consumers, providing consumers with all sorts of information about the impacts of the product and the use of the product. They feel comfortable doing that. But the minute you start talking about reducing consumption, the companies sort of back away and say, "wait a minute, now you're down to my core business and you're trying to tell me I can't sell as much soap as I used to sell? No, no, no. I don't want to deal with that."

David A.: Just quickly. I think the only way around that issue is the eco-efficiency or the idea that you can still consume, that you have to consume things that are dematerialized and reduced by environmental footprint and impact so I think you can address the consumption issue with business by talking...

[start of tape 3]

Peter: ... to industry, to own the products but sell the services. And so, not everybody has to have one of every kind of appliance or car or consumer item or 3 or 4 or 5, my next door neighbor has 20 cars in his garage. But you know, I think that if we can start moving away from the relationship being one of selling products to selling services, then you have some chance of reducing the footprint.

David M.: It's worth noting too that many companies still are quite wary of this notion of dealing with consumption. I mean, that's their business and the Asia Pacific Roundtable for Cleaner Production recently changed its name as some of you may know to Asia Pacific Roundtable for Sustainable Production and Consumption. And some of its corporate members dropped out, as a result, because this notion of messing with production, "okay we know that but we're not gonna try to limit consumption." So there's a lot that needs to be done here, on that front yet. A lot of it, educational but also institutional and organizational.

Jan: Thanks all for responding to the question now...

David M.: Without dealing with the metaphor.

Jan: Let's quickly move to the other two, which is the one on reaching out to the NGOs, corporate partnering with NGOs, anybody would like to take that up very briefly?

Peter: I just think they're excellent suggestions. And clearly what the Hong Kong government is doing I think is an interesting model to take a look at. And perhaps, combining with David's suggestion on using an extension type approach, that this is something that governments in the region perhaps should start taking a look at. As how do they create an extension service to reach SMEs, not just on environmental issues but on a whole bunch of other issues of concern, labor laws and safety issues.

Jan: And the last question is, why does economic news get out to the world, economic news on Asia and why does the environmental news doesn't reach most of the rest of the world?

David: That is interesting, that question. When I turn on the TV here, I actually see that question addressed all the time, here. But why it doesn't make it to the developed world, I'm really not sure. And not being a media person, I really don't feel competent to answer that one. But it clearly needs to, but this sort of, issue needs to make its way into the developed country media, I think.

Jan: Al, last words.

Al: Ok, that makes it even more difficult. The title here is, we're trying to influence business, we're trying to get businesses' attention and I have wrestled with, along with everybody else on the panel, with this issue of how do you attract the attention of the business community, how do you get them to seriously take action? Do you do it by, in effect, showing them that the gloom and doom scenario, the world is coming to an end? Or do you do it by showing them the opportunities? Now I happen to come down on the side that what will attract the business community is profit and an opportunity to do win-win situations. That's kind of interesting and attractive. When you start telling business that in the year 2050, the world is coming to an end, or some other terrible thing is going to happen, the eyes tend to glaze over. Now again, we're talking about different audiences. If you're talking about the media, if you're talking about the publics, and others then that's a different question. And I don't know why, the media hasn't carried this message, they love to carry gloom and doom stories. I don't know why they're not carrying them.

Jan: Thanks Al, I think we've come to the end of this session. I think it has been very interesting. Obviously, I think the way to which the 85 percent of the businesses of which we are concerned isn't that easy as we have heard I think most from the questions, comments both from the floor as well as the panel members. I think there is a big task ahead, I think for the people behind the table and here, to come up with practical and good recommendations of how to make corporate responsibility improved. Obviously, it is not just reaching the businesses, governments but the role of civil society, the role of NGOs, the need for regulation, for standards, etc. are all very important.

I would like to conclude this by thanking the audience very much for the questions, comments. They have been very productive and I think very useful for further work on the ADB's Asian Environmental Outlook 2005. And I would also very much like to thank the four panel members for their responses to not always easy questions. And I would request a strong applause for them, thank you very much.