

Business and the Environment

By Hideo Sugiura

The nations of the free world have achieved unprecedented economic development since the end of World War II thanks to vigorous entrepreneurship, technological innovation and free competition. Since the late 1980s, however, the world economic environment has changed dramatically. The socialist model of centralized economic planning has collapsed, triggering a landslide toward market economies in Eastern Europe and the Soviet Union. On the other hand, environmental problems have arisen on a global scale, posing entirely new challenges to industrialists in both the developed and developing countries.

These environmental problems stem in part from the high level of economic activity in the industrialized world and in part from the vicious circle of population growth and poverty in the developing world. Both mean a rapid exploitation of natural resources that threatens to destroy the global environment. It is a grave problem that cries out for an effective response; the very future of mankind is at stake.

As an industrialist, I have a number of strong beliefs about environmental problems. First, I am convinced that lack of scientific evidence should not be used as an excuse for delaying action. Steady efforts should be made to achieve effective results, gradually, through rational and realistic measures.

Second, it is unrealistic to seek to lower the level of economic activity or slow the pace of economic expansion in an overzealous pursuit of environmental protection. Third, it is essential to make world economic development compatible with global environmental protection. To this end, many technological problems must be overcome and a system of methods for achieving the desired technological breakthroughs must be devised.

Fourth, in order to develop such a system, it is necessary to establish a framework of rules for the reassessment,

mutual transfer and utilization of technologies that have already been developed, applied and integrated by individual countries in response to their respective needs. And fifth and finally, existing social systems, ways of thinking and lifestyles must be altered to enable the effective use of these technologies.

Now, how should we deal with environmental problems given these guidelines? I would suggest four approaches.

The first approach is related to the problem of global warming. We should strive to maximize efficiency in our use of fossil fuels and other resources. The oil crises of the 1970s touched off a worldwide drive for energy conservation. In recent years, however, these efforts seem to have lost much of their momentum. This may be attributable in part to the progress already achieved in energy conservation by manufacturing industries, and to temporary declines in world oil prices. Nonetheless, conservation efforts should be accelerated at all levels of national life to enable economic growth with minimum energy consumption.

Changing consumption

Obviously, this will be impossible without changing our consumption structure and lifestyles. Efforts to improve efficiency are needed on many levels. For instance, corporate-level conservation should be promoted in a way that leads to cost reductions. On the community level, cogeneration systems should be introduced for multistage energy utilization.

The second approach is the establishment of a comprehensive interdisciplinary research system. Over time, such a system should be developed into an organization for international cooperation managed outside the traditional framework of science and technology. Such an institution would analyze global environmental mechanisms, set priorities for environmental measures and promote technological development. Such an in-

ternational agency is essential to ensure prompt and effective action for environmental protection around the world.

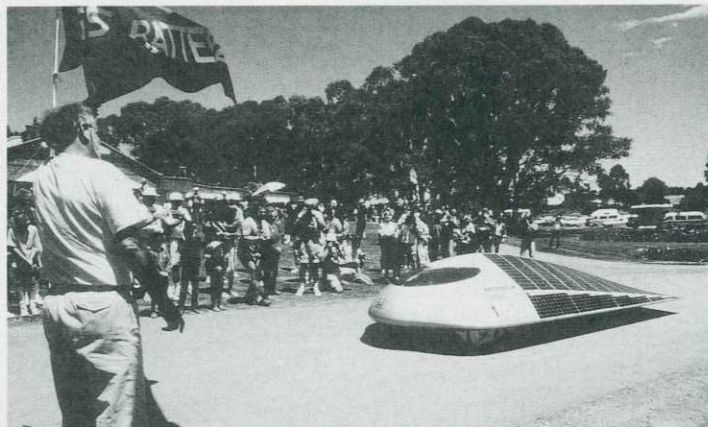
Third, we must address the question of how developed countries can best help developing countries cope with their own environmental problems. Such assistance must be aimed at supporting self-help efforts by the developing world to strike a balance between economic development and environmental protection. However, developing countries are expected to have difficulties dealing with these problems—difficulties that may be more serious than those encountered by industrial nations. It is essential that environment-related aid be included in economic assistance and industrialization support. Equally important, environmental aid projects should be executed in such a way that they produce substantive results.

Fourth and last, corporations must play a role in national efforts for environmental protection. The basic principle of corporate involvement should be to minimize the negative impact of their products on the environment through environmentally friendly activity, thereby helping the public establish higher ethical standards concerning the environment.

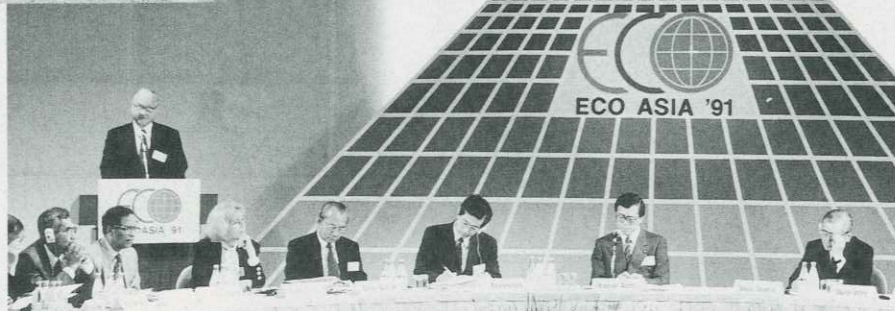
On the basis of these four approaches, let us examine the relationship between business and the environment. Motor vehicles are a classic example. According to 1989 statistics, conveyances accounted for about 22% of Japan's energy consumption for that year. Of this total, 63% was consumed by private passenger cars, carrying only 40% of the total load; 3% by buses (5%) and 9% by railways (31%). One thing is painfully clear—public transport is more energy-efficient than cars, and should be used more extensively. To its credit, the automotive industry has at least made ceaseless efforts to increase fuel efficiency, achieving a 20% improvement over the last decade.

Under the present circumstances, however, attempts to further increase fuel ef-

Photo: Honda Motor Co.



Under increased pressure regarding environmental protection and alternate fuels, manufacturers are hard at work developing new means of transportation like this solar-energy car.



Developing countries must be helped to balance economic development with environmental protection. This conference, cosponsored by the Environment Agency and the Tokyo Metropolitan Government, was attended by representatives from 22 countries and 11 international organizations.

Photo: Nihon Keizai Shimbun

iciency are blocked by new problems that cannot be solved on the corporate and industry levels alone. Traffic congestion, for instance, cannot be alleviated unless something is done at the public level to facilitate urban traffic flows.

The development of cars using non-oil-based fuels, such as methanol, liquefied natural gas, hydrogen, electricity or liquid propane gas, is an issue for the future. An electric car may generate no carbon dioxide, but the process leading up to its production is said to generate 90% as much CO₂ gas as a gasoline-powered car.

Exhaust emissions, a problem directly related to the producer's technology, is clearly a critical factor. Yet it is also necessary to take into account emissions levels in the entire process of energy production, consumption and discharge. It is also essential to consider problems intrinsic to different lifestyles and social systems.

Higher standards

Thus we find the establishment of higher standards of environmental ethics to be a question of crucial importance to business. It well behooves individual corporations to try to persuade customers to

change their values. Seeking such change through daily corporate activity may take more time than any of the other effort discussed here, but it will be close to impossible to achieve true resource and energy conservation without a change of consciousness on the part of users.

Technology can help people change their mental attitudes, but it cannot impose change by itself. Thus far, technology has focused on improving the amenities of life, yet now some of these achievements may have to be sacrificed for the sake of the global environment. To stay with our example of cars, smaller and slower models may have to take the place of spacious and faster vehicles with their greater negative impact on the environment.

There is no doubt that, in today's market, any carmaker selling less comfortable products would be risking its very survival. Instead of producers moving prematurely to take the initiative, users themselves must first change their mindset in favor of environment-oriented products. Of course, manufacturers must work unstintingly to gain customer acceptance, no matter how long it takes.

The same can be said of changes in the perception of people of developing coun-

tries. It will be one of the objectives of environment protection efforts of companies of industrialized countries to help people of developing countries think of environmental problems as their own problems. It will be a time-consuming task, but it must be done.

Modern corporations have embraced the principles of cooperation and competition in an era of global corporate activities. However, their actions continue to reflect a self-centered focus on the maximization of profit and the attainment of ever higher sales growth. In the future, corporations will not find it so easy to ignore environmental and other global concerns. Upholding traditional free-market principles, while necessary, is no longer enough.

The question for corporations is what they can do for the sake of coexistence and coprosperity. Their survival rests on how the global community evaluates their possibilities and achievements. It is in this context, and only this context, that profit maximization and free-market principles can be justified.

Hideo Sugiura is full-time statutory auditor at Yamatane Corporation. He was an adviser to Honda Motor Co. Ltd. until May 1991.