

Keeping Sustainable Development in Balance

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THE concept of 'sustainable development' gained worldwide recognition following the 1987 publication of the Brundtland Report *Our Common Future*. The Australian Mining Industry Council, as it then was, was quick to realize the importance of Brundtland by inviting the lead author, Jim MacNeill, to come to Australia and brief the industry and other participants in the debate on its implications.

The fundamental premise of the Brundtland Report was that the aspirations which the developing countries had for sustained economic growth, and for Western levels of prosperity, were legitimate aspirations and could not be set aside. At the same time, the environmental aspirations of the peoples of the developed world were also legitimate, and had to be encompassed within our thinking and economic life. The measuring stick that was proposed was the requirement that we pass onto our descendants a world which was at least as productive and resourceful as the world we ourselves inherited.

This idea might easily have been taken from Edmund Burke who, in 1790, wrote

Society is indeed a contract. ... It is a partnership in all science, a partnership in all art, a partnership in every virtue, and in all perfection. As the ends of such a partnership cannot be obtained in many generations it becomes a partnership not only between those who are living, but between those who are living, those who are dead, and those who are to be born.

Optimism and caution, therefore, were balanced throughout the Brundtland text. Development was both necessary and realisable, particularly for the Third World; prudence in the use and management of our resources was also necessary, particularly in the developed world.

The Brundtland report was a staging post in an on-going debate. On the one side of that debate is the Malthu-

sian position that the world is running out of resources and wilderness, and that sooner or later a massive depopulation of the world will have to take place, if not through population control measures, then through exogenous forces.

On the other side of that debate is the more optimistic view that men and women are capable of extraordinary creativity; that the problems which arise from the existence of many billions of people will be overcome in the future, just as they have in the past; and that

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while prudence is always desirable, our experience to date justifies an optimistic view of the future, not a pessimistic one. The best known optimist was Julian Simon, who won US\$1000-or-so from Paul Ehrlich in a wager concerning the prices, ten years down the track, of a list of commodities that were selected by Ehrlich.

Sustainable development has now emerged as a key concept in the Northern Hemisphere. In our globalized economy, sustainable development considerations critically influence public and private decision-making.

Business leaders not only have to meet their fiduciary obligations to their shareholders. They must also deal with the expectations of a broad range of interest groups on social justice and equity issues. And because the legitimacy

of business will depend upon successfully meeting these new challenges, it is likely that those companies which adapt successfully to the cultural and political changes that have taken place in Europe and North America will be the ones most likely to prosper in the next millennium.

Corporate social responsibility increasingly extends to issues associated with human rights, indigenous peoples, consumer protection rules, labour rights and corporate philanthropy. Any consideration of the international pressures reaching out across the oceans and impacting on Australia should begin with a restatement of our geopolitical situation.

Australia is a large country geographically (7.7 million square kilometres or 3 million square miles) with a small population—19 millions. It is an English-speaking nation with Western institutions and a Westminster system of parliamentary democracy. It is, however, far away from the metropolitan centres of Western political power—Washington, Brussels, London, Berlin, Rome and Paris—and so our attention is necessarily focused on Tokyo, Beijing, Bangkok, Singapore, and other Asian capitals.

For geopolitical and cultural reasons it is therefore not surprising that we find ourselves reacting and responding to developments and pressures originating in the metropolitan centres of Europe and America, rather than leading political and cultural debates. The tyranny of distance is a double-edged sword; it not only provides a degree of protection from outside influences, but it also makes it difficult for us to get involved in the early stages of events. We are almost always reacting and responding.

One important exception to this general rule is our leadership position within the Cairns Group. The Cairns Group is arguably the most successful example of an international grouping which transcends the North-South divide. And since the North-South divide is a very important fault line in the on-

going debates over sustainable development, Australia is well positioned to contribute to a resolution of the tensions which drive these debates.

It is a matter of record that we are not strangers to sustainable development as a concept for integrating the goals of economic development and environmental stewardship.

For more than a decade, business and community groups from both the environment and social arenas, together with representatives from State and Federal governments, came together to seek to forge a consensus on sustainable development, aimed at ensuring—in the Burkean spirit—that we leave a better Australia for our children and grandchildren than the Australia we inherited.

At times, this was a difficult process. But the seemingly endless hours taken up in working through the issues, in such programmes as the Hawke Government's Ecologically Sustainable Development process, have delivered benefits; not the least among them a greater understanding among all parties of each other's viewpoints.

This understanding of ecologically sustainable development was endorsed by the Council of Australian Government's (COAG) meeting in 1992 and the text is as follows:

The principles of ecologically sustainable development consist of:

- (a) the following core objectives:
 - (i) to enhance individual and community well-being and welfare by following a path of economic development that safeguards the welfare of future generations;
 - (ii) to provide for equity within and between generations;
 - (iii) to protect biological diversity and maintain essential ecological processes and life-support systems;
- (b) the following guiding principles
 - (i) decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations;
 - (ii) if there are threats of serious or irreversible environmental damage, lack of scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation;
 - (iii) the global dimension of environmental impacts of actions and policy should be recognised and considered;

(iv) the need to develop a strong, growing and diversified economy that can enhance the capacity for environmental protection should be recognised;

(v) the need to maintain and enhance international competitiveness in an environmentally sound manner should be recognised;

(vi) cost effective and flexible measures should be adopted;

(vii) decisions and actions should provide for broad community involvement on issues which affect the community.

We have here a balance, a consensus, reached after years of debate, which provided a framework for moving forward with the ongoing development of Australia's resources, together with the stewardship of our environment. These words were repeated in full in the 1997 *Natural Heritage Trust of Australia Act*. They also appeared in full in the penultimate draft of the *Environment Protection and Biodiversity Conservation (EP&BC) Bill*, this draft resulting from the negotiations extending over many months, prior to its first introduction into the Senate.

During the 1980s there was much discussion of the various tax carts which were being built and ridden into tax

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summits and other events. The point about these various tax carts was the internal coherence and intellectual integrity of the different designs. The wheels, the axle, the frame, the side walls etc, all made a coherent whole. The same concepts apply to the sustainable development cart which also evolved during the eighties and early nineties and which I have just described.

The structural integrity of the Sustainable Development Cart has been put at risk by political developments that

took place during the brief period of 20-22 June this year. These developments show that, since 1992, the Australian business community, and its leaders, have failed to keep ahead of this debate.

During those days, very significant amendments were made to the EP&BC Bill. There were 500-or-so amendments in total which were put into the Bill during political negotiations between the Government and the Australian Democrats. The COAG understanding of ESD was deleted from the Bill, and replaced with a version of ESD which is seriously unbalanced. The political fact is that during those two days, business groups were not consulted about these changes. The text of the new version of ESD is as follows:

3A Principles of ecologically sustainable development

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- (a) decision making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations;
- (b) if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation;
- (c) the principle of inter-generational equity—that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations;
- (d) the conservation of a biological diversity and ecological integrity should be a fundamental consideration in decision-making;
- (e) improved valuation, pricing and incentive mechanisms should be promoted .

If we compare the two texts we see a very great change in the balance. Economic considerations have almost vanished from the text. Biodiversity conservation and ecological integrity now become 'fundamental' in decision-making. No one could argue against the conservation of biodiversity, but at the same time we would like to think that no one could argue against the maintenance of 'international competitiveness' and 'a strong, growing and diversified economy'. As a result of these very rapid negotiations, we no longer see this bal-

ance reflected in the Act. In the final draft of the Bill, now an Act, environmental concerns have become almost incommensurable.

There are two issues arising from this event: the issue of process and the issue of substance. It has long been customary in Australia for those sectors of the Australian community that will carry the major impact of new legislation to be consulted at length, and in depth, about what the Government intends. This is a custom which has deep historical roots. Prior to the introduction of the Bill, this consultation had taken place and industry representatives—whatever concerns they might have had about the content of the legislation—had few complaints about the process.

Abandonment of this process, and the sudden introduction of major changes in the legislation, have created new expectations about the way in which legislation can be brought to the Parliament. Unless a political crisis is at hand, Parliament does not have the time to consider Bills of this kind in any detail. This Act has 500 pages. The language of the Act is replete with legal abstractions. The small number of people from business organizations who have been studying this Act do not claim to understand the full implications of its contents. This is a precedent which should ring alarm bells within the business community.

These events show that Australian business leaders (and I include myself) who are responsible to their shareholders for the security of the assets entrusted to them, and who are also responsible for the new investments which will keep this country competitive and prosperous, have not been as vigilant about the future levels of sovereign risk in Australia as they ought to have been. In order to understand how we got to these events, we have to go back a decade or more, and work through the processes and the debates which have brought us to this present situation.

In *The Prince*, Machiavelli reflects upon the extent to which Fortune governs the course of events, and whether there is any point in seeking to influence, at the early stages of developments, the future progress of affairs. Machiavelli writes

I compare this to a swollen river, which in its fury overflows the plains, tears up the trees and buildings, and sweeps the earth from one place and deposits it in another. Everyone flies before the flood, and yields to its fury, unable to resist it; and not with-

standing this state of things, men do not, when the river is in its ordinary condition, provide against its overflow by dykes and walls, so that when it rises it may flow either in the channel thus provided for, or that at any rate its violence may not be entirely unchecked, nor its effects prove so injurious. It is the same with Fortune, who displays her power where there is no organised valour to resist her, and where she knows that there are no dykes or walls to control her.

Using Machiavelli's metaphor, the important task is building dykes and channels, at times when it would seem quite unnecessary to do so.

From a substantive point of view the changes made to the EP&BC legislation arouse considerable foreboding. The Commonwealth Environment Minister

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now has very great powers with respect to granting approvals for new projects, and it is difficult to think of any part of Australia which would not, given the wide scope of the word 'biodiversity', come under the Minister's aegis. The changes to the Act significantly constrain, however, the range of his discretion to approve a new project. Saying 'no' is easy. Saying 'yes' is risky. When this fact is pointed out, the assurance is given that decision-making by the Minister will be balanced and pragmatic. This is fairly described as the 'trust me' response.

If sustainable development means anything at all, it means development which embodies the best environmental practices in the world. It means continuing progress, continuing research, and continuing improvement. But sustainable development does not mean an end to development. I do not say that we in Australia have the very best industrial and business environmental

record in the world. But we have one of the best and we have the capacity to continue to improve. A domestic regime which creates additional and difficult hurdles in the path of new projects here will not promote sustainable development, either in the Australian context, or in the global context.

The Brundtland Committee recognized that the peoples of the developing world are not going to accept as a permanent arrangement, a standard of living which condemns them in perpetuity to, for example, per capita energy consumption levels that are 5 per cent or less of the levels we take for granted in Australia and in other developed countries.

During the last century the world has changed greatly, and for the better, because of technological and scientific innovation. It is arguable that this process could come suddenly to a halt, but it is difficult to see how that could happen. It is much more likely that the next century will see even greater scientific discoveries and technological changes than the last century has seen. And thus our capacity to respond successfully to, for example, unpredicted changes in the Earth's climate, be they warming, or cooling, or greater variability, will be correspondingly enhanced.

The consequences, such as a regime of enforced carbon withdrawal, flowing from the revised concept of sustainable development outlined above does not travel easily, if at all, in the Sustainable Development Cart which was so painstakingly put together some years ago. That cart was a vehicle in which we could all travel together towards a clean environment and a standard of living for all the world's peoples, commensurate with what we take for granted as civilized in Australia.

This does not mean that we abandon energy conservation and other environmental protection measures. But it does mean that we should not foreclose on Australia's future.

In Australia, we do have to respond to the political, cultural and technological changes which originate in other parts of the world. But we can also make our own contribution and continue to play an important role in mediating and shaping those changes.

Hugh Morgan is Managing Director of WMC. This is an edited extract from a speech given at joint BCA-WBSCD Forum on future directions for business and the environment on Monday 19 July 1999, in Sydney.

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