

December 2006

“GLOBALISATION & THE ENVIROMENT”

BIAC appreciates the opportunity to submit comments on future work by the OECD Environment Directorate on globalisation and environment and is pleased to offer the following suggestions.

As a general remark and in view of the global nature of many environmental challenges, BIAC appreciates increased OECD outreach to key non-member countries and the focus on BRICs countries in the new OECD Environmental Outlook. We believe that this is a major step in the right direction. We also welcome the inclusion of key non-member countries in the Environmental Performance Review programme and look forward to the conclusions from the China review. Non-member countries should also be actively involved in the new programme of work on globalisation and the environment.

We appreciate that the new OECD environmental outlook will include a chapter on globalisation, which is intended to analyze the environmental effects of globalisation, including how globalisation could affect the distribution of environmental pressures across sectors and industries. In this context, we encourage OECD not only to focus on the negatives of globalisation, but to give due attention to the positive impacts and aim at providing a balanced picture.

With regard to positive effects, due attention should be given to the role of multinational enterprises (MNEs) bringing with them environmentally beneficial technology and environmental management practices. Many companies operate according to a company-wide policy or set of principles world-wide and can therefore have a strong beneficial impact on environmental management in the countries in which they operate. International practices of large multinationals can spread good environmental management practices to joint venture partners, suppliers and contractors in different parts of the world.

Successful and competitive businesses have learned that good environmental management is good business. However, there is still much to be done. The special situation and role of small and medium-sized enterprises, in particular in developing countries, must be given particular attention. Clearly, different parts of the business community face different challenges, and partnerships within the business community, particularly involving SMEs, will be crucial to raising environmental standards in developing countries.

The globalisation chapter mentions that it will depend in great part on the environmental policy framework whether globalisation impacts are positive or negative. The institutional

structure and capacity in developing countries should be given particular attention, e.g. while China has an environmental regulatory framework in place, enforcement needs to be improved. OECD could play an important role by sharing best practice on how the institutional framework can be improved.

In designing its work programme, we recommend that OECD take a forward-looking and solution-oriented approach. One important factor is to look at how the overall innovation framework can be enhanced to address environmental challenges and how the spread of environmentally friendly technologies to the rest of the world can be facilitated. Innovation policy approaches need to look for creative ways to enhance co-operation across sectors, from R&D to commercialisation, as well as public-private partnerships to meet particular research challenges. In this context, BIAAC follows with interest work by the Directorate for Science, Technology and Industry on the globalisation of R&D and related work in the Environment Directorate.

With regard to the work items mentioned in the background paper, we would like to offer the following comments:

We appreciate that competitiveness is included in the title and we recommend that this theme should remain a central focus of the programme. The paper refers to studies carried out in the past, namely studies on competitiveness impacts of environmentally related taxes in different sectors. These studies should be complemented by additional studies addressing competitiveness impacts, but also the environmental impacts in case competitiveness impacts are not addressed.

For example, the steel industry, in its recent comments on their chapter in the environmental outlook underlined that an increase in tax on steelmaking will not automatically lead to a change of production process, i.e. a switch from steelmaking based on smelting of iron to steelmaking based on re-melting of scrap. However, in view of strong demand, an increase in tax could cause a shift of steel production to countries where energy efficiencies are lower, resulting in an increase in global CO₂ emissions. Possible global implications should be taken into account.

In this context and in view of the fact that some energy intensive sectors grow more quickly in non-OECD countries, OECD could address what environmental improvements could be made if best available technology were introduced. This could be done through a case study approach.

On the issue of investment and environment and the reference to the Policy Framework for Investment, we would like to note that BIAAC has supported and has been actively involved in the development of the PFI, the objective of which is to foster both foreign and domestic investment. Any additional chapters must keep this overall objective in mind. Any additions on environment, for example, would need to make clear what the contributions of environmental policies are related to the promotion of investment.

As mentioned above, R&D, innovation and technology should be a prominent part of this programme. The spread of technology should be given due attention bearing in mind that the main vehicle for this has been and will continue to be the private sector, through its day-to-day business activities of technology development, foreign direct investment and technology sales and dissemination. How to maximise the role of the private sector by

setting enabling legal, fiscal, economic and social framework conditions for private investment and technology co-operation should be given due attention.

In summary, we hope that this new OECD project will treat globalisation in a balanced way and will be supportive of the overall OECD message that open markets matter. Both business and government will continue to play vital roles in expanded economic integration. Governments should seek environmental improvement in the development of national requirements that are most effective at least cost and should resist protectionist or discriminatory actions that will hamper positive trends. Business plays a major role in the area of capacity building and the diffusion of managerial, technological and financial resources. BIAC looks forward to remaining actively involved in this project.