

BOOK REVIEWS

Transnational Corporations and Environmental Management in Selected Asian and Pacific Developing Countries. ESCAP/UNCTC Publication Series B, No. 13. Bangkok: ESCAP, 1988.

In recent years environmental protection has become a subject of increasing international concern. This reflects a growing awareness of the degradation of the environment which has been occurring at an accelerating pace as a by-product of industrialization and economic development, and which has led to a recognition of the need for what has come to be called "sustainable development". There is also a growing awareness of the transnational, and even global nature of the problem of the environment, the threats of global warming and of the depletion of the ozone layer being only the most dramatic reminders of the global nature of the problem.

At the regional level the issue is therefore one that deserves, and is indeed receiving, increasing attention, and it is in this context that this volume of studies published by ESCAP jointly with UNCTC is to be welcomed. As the title indicates, the volume focuses on the environmental impact of the activities of transnational corporations (TNCs) in selected Asian and Pacific developing countries, and is based on studies undertaken in seven such countries by individual consultants. The volume itself contains six of the country studies as well as a regional overview prepared by the ESCAP/UNCTC Joint Unit on Transnational

Corporations. The country studies include some of the fastest growing Asian countries (Republic of Korea, Malaysia, Singapore, Thailand), as well as India and the Philippines. The studies should therefore provide useful material for a better understanding of the problem of environmental management in the process of economic development. The fact that in several of these countries, particularly among the fastest growing, TNCs play an important role also gives this volume a special relevance in contributing to our understanding of the environmental impact (actual and potential) of TNCs in developing countries.

The regional overview provides a broad picture of the importance of TNCs in Asian and Pacific economies and a useful discussion of the rationale for focusing on the environmental impact of TNCs. Thus it is not surprising to learn that foreign direct investment in the region is concentrated in a relatively small number of countries, with most of such investment going to seven Southeast and East Asian countries, and that in these countries the TNCs account for a large proportion of value added in important sectors. In Malaysia, the Philippines, and Singapore TNCs play a particularly important role in the manufacturing sector. Of particular relevance in the present context is the tendency for TNCs to be concentrated in environmentally sensitive sectors such as minerals, oil and gas development, agri-business, and pollution-prone manufacturing industries, particularly chemicals, a tendency well documented in these studies. Indeed TNCs have been accused of relocating pollution-intensive

manufacturing activities towards developing countries, and it is suggested that a number of Japanese investments to Indonesia, Republic of Korea, Malaysia, the Philippines, and Thailand have been of this nature. Concern is also expressed about the export by TNCs of environmentally hazardous products to developing countries in Asia and the Pacific, and a number of examples are provided. TNCs are also accused of failing to eliminate environmental hazards in the workplace, and a number of examples are cited, particularly the electronics industry where TNCs have set up a large number of factories in Asia and the Pacific. TNCs have also been accused of maintaining different environmental standards and practices in their home and host countries.

While there are well-documented examples to support these various accusations against TNCs in their operations in the developing countries of Asia and the Pacific, the authors caution against any attempt to place the blame for the major environmental problems in the region largely on TNCs, and they suggest that the host governments and local enterprises, especially small enterprises, are at least equally to blame for the deterioration of the environment. Thus, while most governments in the region have comprehensive legislation and regulations on environmental protection, these are often not strictly enforced, and the supporting institutional infrastructure is generally weak, facts brought out in the individual country studies. In some cases state undertakings and small enterprises are even exempt from these regulations. And a number of examples of heavy pollution caused by the activities of smaller enterprises are given. The authors also draw attention to evidence which tends to rebut the "pollution-haven" argument, and give reasons to explain why a large flow of transnational corporate investment in response to intercountry variations in environmental standards has apparently not yet materialized.

Turning full circle, there is also a discussion of the positive role of TNCs in environmental management. Thus, it is argued, TNCs have

relatively more specific policies on environmental management, are better organized and generally have more resources to deal with environmental problems. They are a major source of technology, including environmental technology, and being more aware of the latest developments and innovations, are more able to incorporate up-to-date environmental technology into their facilities. TNCs, it is argued, also diffuse their technology to local enterprises and can sometimes play a demonstration or leadership role in environmental management practice.

The overview also contains a discussion of national measures for improved environmental protection, and warns developing countries, in their eagerness to attract foreign direct investments, against compromising on minimum environmental standards. Developing countries in the ESCAP region are urged to consider providing assistance, including fiscal incentives, to assist and encourage all enterprises to observe the required environmental standards and practices, and it is suggested that ESCAP developing countries consider extending increased tax relief on research and development and operating expenditures to enhance work on pollution control. The need is also recognized for greater public environmental awareness and education.

While the overview is based largely on the results of the individual country studies, these latter have been published in detail and provide important additional insights into the problems of environmental management in developing countries and of the role of TNCs in this regard. It is clearly not possible to give a detailed review here of all these studies, with the wealth of information they contain. The attempt can only be made to give a flavour of the scope of these studies and to highlight some of the significant findings and observations.

As mentioned earlier, the six country studies were prepared by individual consultants. They are based, in principle, on a common methodology, drawing on information obtained from governmental and non-governmental

agencies and various secondary sources and, in particular, on an interview-cum-questionnaire survey of firms in each country. With some significant variations, the studies all contain a discussion of the state of the environment in the country, the role of TNCs in the economy, the legal and institutional framework in each country for environmental protection, and an analysis of the results of the interview-cum-questionnaire of the environmental management practices and policies of TNCs. In addition, there is usually some discussion concerning suggestions or proposals for improving environmental management practices.

Although in all the countries studied legislation dealing with issues having relevance to environmental protection had for a long time been on the books (for example relating to health, labour, exploitation of natural resources, etc.), purposeful and comprehensive environmental legislation is only of relatively recent origin (going back only to 1970 in all but one of them). It is nonetheless remarkable the extent to which these countries now have highly developed legislation and (on paper at least) institutional arrangements dealing with environmental protection. Thus in India, Water and Air (Prevention and Control of Pollution) Acts were enacted in 1974, followed by more comprehensive legislation in the form of the Environment Protection Act of 1986. In Malaysia the Environment Quality Act of 1974 was the basic point of departure for purposeful legislative involvement in environmental protection. In the Philippines it was Presidential Decree 1151 of 1977. In the Republic of Korea it was the Environment Preservation Law of December 1977, and in Thailand the Improvement and Conservation of National Environmental Quality Act of 1980. In Singapore the Environmental Public Health Act was passed in 1970, but this was preceded by a vigorous and effective "Keep Singapore Clean" campaign going back to the early 1960s.

But while adequate legislation is in place

in most of these countries, implementation is often weak, reflecting weaknesses both in institutional arrangements and in the will to implement as well as shortcomings in the technical infrastructure needed to give effect to the legislative objectives. This raises the question of the commitment of many of these countries to environmental protection in the face of their underlying preoccupation with promoting economic development. The issue was posed bluntly in a Malaysian newspaper editorial expressing the view that "as a developing country, Malaysia cannot afford to allow environmental concerns to automatically take precedence over the economic viability of projects" (p. 62). In this regard, it is significant that only in the Fifth Malaysia Plan 1986-90 was a chapter devoted to environment, and here a careful balance is struck between ensuring on the one hand that "the resulting environmental damage will not negate the benefits gained through development" and on the other that "the environmental standards to be adhered to will be made consistent with development goals of the country rather than the high environmental standards of the industrialized countries" (p. 66).

The Philippine study is particularly illustrative of a case of serious weaknesses in implementation undermining the effectiveness of otherwise good legislation. The problem here again seems to be one of keeping a proper balance between the immediate benefits of development projects and the environmental damage which may ultimately ensue.

On the other hand, one should not fail to mention the case of Singapore, where implementation is quite effective, backed up by adequate monitoring and enforcement measures.

An important part of these studies is the survey of firms based on their responses to a questionnaire and to follow-up interviews. Given the approach, it is clear that the survey data represent the perceptions of the TNCs themselves. Also, since in each case the sample reflects the willingness of individual TNCs to

co-operate in the undertaking, the samples are likely to be more representative of TNCs which are more environment conscious and tend to comply more with governmental rules and negotiations than of the TNC population as a whole.

It is difficult to give any kind of summary of the diverse and sometimes disparate findings based on these surveys undertaken in the six countries studied. There is also the question of how useful many of these findings are for promoting understanding of the actual impact of TNCs, bearing in mind the points made in the previous paragraph. To illustrate, take for example the following extract from the study on Malaysia: "In addition to the questions asked on environmental concerns and measures taken, the TNCs were also asked to assess the adequacy of the measures they had taken. All except two of the TNCs and one local firm felt that they were adequately protective of the Malaysian environment. They claimed to have taken adequate anti-pollution measures for those aspects of the environment that were relevant to their operations" (p. 110), or the following extract from the study on the Philippines: "Regarding the plans of TNCs on how to deal with emergencies, it was the perception of the majority of the firms that their plans were comprehensive (84 per cent)." These findings are clearly only of limited usefulness in contributing to our understanding of the objective state of affairs.

More interesting are the responses in the Philippines study to the request for suggestions to further improve the environment in the Philippines. They were unanimous in suggesting stricter government control and enforcement! Also interesting are the findings from the Malaysian survey that TNCs had no specific programmes for monitoring workers exposed to occupational carcinogens such as electronics, asbestos and plastics. Also of interest is the finding in the Thailand study that many chemical factories either store toxic wastes on factory premises, simply discharge

wastes into public drainage systems or hire contractors to dump the waste in unknown places, the existing laws being ineffective partly because of a lack of approved dumping sites.

This review gives a taste of the wide-ranging and extensive material put together in this volume by the ESCAP/UNCTC Joint Unit on TNCs and by the authors of the individual country studies. The material will be of special interest to those wishing a better understanding of the problems of environmental management in developing countries, particularly in those experiencing rapid industrialization. The detailed review and discussion of environmental legislation in these countries and of the related problems of implementation and enforcement will be of particular interest in this respect. The volume also provides some useful insights into the role of TNCs in this context, and while the methodology used limits somewhat the usefulness of the results, it does provide a good beginning for future studies bearing on this issue. All in all, the authors are to be commended for a very useful contribution to an important subject.

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Philippines: Environment and Natural Resource Management Study. World Bank Country Study. Washington D.C.: World Bank, 1989.

The last years of the 1980s brought great transformations in international affairs. First, there was profound change in the Soviet Union and Central Europe. Second, there was growing understanding that population growth and massive demand for energy and other materials