

# Business and the economy essay



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ANALYSISDISCUSSION Not all Countries in the World have the ability or the technology to safely dispose of chemical waste such as polychlorinated biphenyls (PCBs). It may be argued that it is more desirable and safer to move the waste to another country for disposal.

The alternative of storing the waste for long periods of time may result in serious problems and consequently cause pollution affecting living organisms beyond the host countries borders. There has been instances where one countrys pollution problems in turn pollute neighbouring countries such as Mercury used in manufacturing process eventually leaking into river systems (This happened between Canada and the United States). Another example is acid rain caused by burning fossil fuels without capturing or burning off the chemicals that cause acid rain, for example, UKs industrial plants affecting the forests of Germany and Scandinavia. Chemical pollution has no boundaries, dumping chemical in the North Sea by the northern European countries not only destroys the food chain in that area, but, with tidal and ocean currents, this pollution can affect organisms and eventually human beings on the other side of the globe. Pros:- of firms like Rechem importing & disposing chemical waste: 1.

Helps the environment because it discourages landfills. 2. It breaks chemicals down at high temperatures not a low normal temperatures which can be dangerous. 3. It can break down PCBs which are extremely dangerous. 4.

Brings money into the British economy. 5. Supplies jobs for workers. 6. Licences for this type of disposal is limited and helps the environmental

factor of other countries that do not have this process and have to resort to landfills or burning the waste at dangerously low temperatures like, America and Germany.

7. In the eighties many articles on “ green” companies and industries featured Rechem<sup>8</sup>. Rechem were praised by the Minister for the Environment at the time as “ true friends of the earth” 9. Rechem were acknowledged as a world leader in the safe incineration of dangerous chemicals. Cons:- of firms like Rechem importing & disposing chemical waste: 1. Britain is taking other countries and disposing of it for them and the sub product of the incineration product is released into British air.

2. The research to test if it is fully liable is limited and seems to be on a trial and error basis. 3. Profit and shareprices seem more important than environmental issues. 4. The world is more environmentally aware.

5. Bad press as stories circulated about babies being born with eye malformations and also diseased cattle near Rechem plants. 6. The Daily Telegraph reported that tests on foliage samples near the South Wales Rechem plant showed PVBs to be 50-100 times the pollution inspectorates advisory limit.

7. A Welsh Water Authority document stated that the Pontypool plant had discharged up to 82 times the permitted levels of lead, copper, zinc and nickel into the sewers. 8. Trouble of removing bad press scars about the safety of disposing chemicals without discharging polluted air and that it can dispose of the ash and residue without contaminating the locality. 9.

PCBs are highly dangerous and are believed to cause cancer and damage to the liver. 10. Contaminated cargoes of PCB would have to be transported to the treatment plant on the road sea and air, any accidents in these situations would be disastrous and puts the British people and wildlife in a precarious situation. 11.

Dock workers and employees refused to handle PCBs from Canada. 12. Most of Britains larger ports refused to handle PCB material. Economics of Importation of Chemical Waste Rechem have been fortunate in the market of disposal of chemical waste due to booming demand for this service where capacity could not be increased quickly due to planning permission restrictions at home and abroad.

By year end March 1988, Rechem made a profit of 4.5M out of a turnover of 13.4M, which equals a 33.5% profit, the first years profit on a turnover of 19.5M was 45% at 8.

8M. We can conclude that there are huge profits to be made in this area.

Rechem have completed a floatation on the stock market selling 2.6m shares therefore increasing their exposure to external pressure groups.

Another factor to consider is Balancing internal and external expectations.

Internally, a business usually needs to make a profit for shareholders, managers and other stakeholders. Externally, the business has to contend with selling products in the face of competition and the regulatory influences exerted by governments. It also has to take into consideration the interests of external stakeholders and the pressures from a variety of other independent factors. Failing to take heed of organised pressure groups such

as Friends of the Earth, the National Anti-Vivisection Society and Greenpeace may lead to the worst possible outcome – a consumer boycott, perhaps on an international scale.

Banks and Investment Bodies like Pension Funds and individuals (public) are now paying more attention to their exposure to environmental risk and investors are starting to show concern about risks posed by companies with poor environmental records. Task – 2 Not all pressure group activity is as highly publicised as that of Greenpeace. What other forms does it take and what is its purpose. ANALYSIS A pressure group is really an agent of activity representing an interest group. Interest groups would, in the main, like to influence the Government, rather than to become the Government.

Clearly this can change, as with the emergence of green interest groups who have fought elections on environmental and other issues. However, the majority of interest groups do not make this transition, concentrating instead on putting pressure on Government on particular issues, or carrying out other activities. The Confederation of British Industry (CBI) acts as an interest and pressure group, but also carries out work in research and training. Forms of Pressure Groups 1. Greenpeace 2.

Friends of the Earth 3. National Trust 4. Royal Society for Nature Conservation 5. Civic Trust 6.

The Media (Newspapers, Television, etc.) 7. Wildlife Trusts (RSPB, etc.) 8. The local community (Residents, Farmers, etc.)

9. Government/National & Local council/government  
10. Trade Unions (represent Employees, and other aspects, Dock Workers.)  
11. Professional Associations  
12.

Consumer Groups  
13. Businesses  
14. Anti-Incineration Campaigners - Communities Against Toxics (CATs), UK and Norwegian and British Green Parties fighting with waste incinerators  
Purpose of listed Forms of Pressure Groups  
The Media - To present the concerning public with fact based stories on economy and environmental issues and anything that is endangering the environment or the British public and analyse the activities of possible "dangerous" companies or industries.  
Wildlife Trusts - Look into anything that could upset the environmental balance and effect the surrounding wildlife, to make sure waters are not being polluted that will kill fish and animals that food source is in the rivers and thus affects the whole food cycle.  
Local Community - They live in the area and have to beware of any aspects that can affect their standard of living, drop in house values because its undersiable to live there, health aspects young children and the effects pollution could have.

Local farmers have maintain the quality of their livestock and pollution could affect the food sources like crops and land, any bad environmental factors could mean loss in investment and will effect their quality of life and livelihood.  
National Government - Brings in Codes of Practice and in some cases Legislation such as Environmental Protection Act 1990 and Waste-Management legislation (SEE APPENDIX B)  
Local Council/government - Their job is to serve the local residents and maintain a number of aspects of the local community like the streets, land, houses and make the town/city a  
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desirable place for tourists and people to live and not have a stained reputation of being an unsafe place to live. Trade Unions - To represent all workers in a particular industry right from the start process right through to end product. They will be wary of the dangerous situations employees could be put in and make sure they are treated fairly and represented.

Organise strikes if needed to prevent companies and industries from taking advantage. Professional Associations - Associations of accountants, marketers, engineers, etc. Promote good practice and adopt advisory roles. Consumer Groups - Promotes the needs of consumers for safer products and better labelling and (Consumer Association) has extended its interest to environmental issues.

Businesses - From the CBI to the Trade Association keep a watch on developments and often lobby the government to institute changes, particularly at the time when the national budget is drafted. Anti-Incineration Campaigners - Anti use of chemicals and the incineration of such chemicals. Friends of the earth - A green party like Greenpeace lobbying to keep the Earth in its natural state. National Trust - An organisation existing in order to maintain and protect the Nations heritage whether in buildings, land, habitat or natural environments.

Task - 3Should private sector firms be allowed to make money out of hazardous " muck" or should the disposal of dangerous waste be nationalised. Health and safety is an area that has come to the forefront of company policies over recent years. Accidents at a chemical plant in the North Sea can permanently tarnish an organisations image. At the same

time organisations have become increasingly aware of the adverse effects of their products can have on the health and safety of consumers. Ethical and environmental perspectives need to be built into corporate strategy.

The new tools of environmental management will include: Environmental impact assessment (EIA) – Carrying out an assessment of the likely impact of major capital projects. Environmental audits (or eco-audits) – Carrying out an audit of current activities to create a snapshot of the environmental impact of these activities. Product life-cycle analysis – Looking at the environmental impact of a product throughout its life-cycle. Such an analysis would examine what happens to a product from the sourcing of raw materials to the ultimate disposal of waste. Environmental accounting – Accurately recording the value of environmental assets and their depreciations, as well as the true size of environmental liabilities and pollution costs. An Environmental Management Programme needs to be developed which will translate the policy into clearly understood responsibilities, requirements and procedures.

A key factor attracting German chemical companies to the UK seems to be the more flexible and less prescriptive approach to environmental control. David Culpin of the UK Chemical Industries Association comments: "We're no less rigorous than the Germans, but where legislation lays down maximum quantities of an effluent that may be emitted, the British approach is more qualitative and goal-orientated". He believes that this leaves companies with more scope for innovation and that the Germans find this a more sensible regime to work in. Recent surveys reveal that more consumers are demanding information on the composition and manufacture of products – to

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help them make suitable choices between , for example, furniture made of wood from sustainable forest programmes and that which is using up timber without a thought to its replacement.

The major groups of environmental laws cover the following areas of operation: Development control. Control of emissions. Disposal of waste. Protection of species, habitats, landscapes and heritage. Impact of the environment on peoples health and safety. Environmental Policy  
The Mission Statement – A commitment to the environment and other corporate responsibility issues implies a fresh look at the mission statement and a re-evaluation of corporate objectives and the needs of the stakeholders.

Creating a greener mission and objectives might include sustainable growth, obligations towards staff, and even promoting larger timeframe over which the company plans its activities.(see Appendix C for a sample of companys Environmental Policy)

The move towards environmental excellence will require a step-by-step approach, summarised by John Elkington in his book *The Green Capitalist* as follows: Develop and publish an environmental policy. Prepare an action programme. Arrange the organisation and staffing of the company, including board-level representation.

Allocate adequate resources. Invest in environmental science and technology. Educate and train. Monitor, audit and report.

Monitor the evaluation of the green agenda. Contribute to environmental programmes. Help to build bridges between the various interested groups.

When organisations observe the growing European and UK legislation, the creation of various inspectorates to reinforce compliance, the most active involvement of pressure groups such as Friends of the Earth, and a more litigious approach to penalise companies and organisations who flout the law, they should consider it to be good management practice to start on the adaptive process before they find themselves the subject of a hefty fine and with the expense of rectifying problems they have created.

If the disposal of dangerous waste was Nationalised it could cause great problems as many countries do not have the technology and expertise in this area as Britain has and they would have to resort to old methods of landfills, dumping in the North Sea or burning the waste at dangerously low temperatures, so many countries depend on the UK for disposal and incineration. Pressure groups like Greenpeace argue that PCBs are so hazardous that the industries that produce this waste should have, by law, the responsibility of disposing of it. They should do so safely, as close to their factory as possible, and in the country of origin. Somebody has to take care of disposal and make a profit to enable further inward investment - Law, Codes of practice and regulations such as Environmental protection Act 1990, BS7750/ISO14001 and Waste-management legislation.

Nationalisation - many countries cannot or have not the technology or expertise in this area and depend on countries like the UK for disposal and incineration

Task - 4 What have been the social and financial costs of the pollution incident in Indonesia in August - October 1997. Social Costs It is the worlds largest and most deadly " pea-souper", a dense, acid fog has blanketed not just whole cities , as happened in London in the 1950s, but a

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huge swathe of south-East Asia. From the fleshpot beaches of Phuket in Thailand to the southern Philippines, the islands surrounding the Java Sea and even Papua New Guinea, the poisonous smog envelops an area home to more than 70 million people. The tourist guides describe the Rainforests of south Sumatra and Kalimantan as the “lungs of the Earth”.

But those lungs are now aflame and spewing out clouds of smoke, choking and frightening the young and old, frail and healthy as it spreads across the map. Everywhere symptoms are the same; watering eyes, a heavy, shortness of breath, itchy skin, a tickle in the throat and the feeling of being about to choke.

The bitter smell of smoke pervades everything. The lack of sunlight – one wakes to a morning mist that never clears-oppresses the spirit. Soot cakes the furniture indoors, covers clothes in grime and flavours the food. Drinking water has an unpleasant aftertaste.

One can wash, but the dirt soon returns. People stay indoors, windows and doors are shut tight. The streets are deserted. As one householder explained, at the beginning of the week they could see the houses on the other side of the road.

Then only the road was visible. Finally, the road disappeared. Pollution-related illness are believed to have already killed hundreds of people. But the smog appears to have played a major indirect role in the loss of many other lives. Two ships collided in the Straits of Malacca with the loss of 29 crewmen; an Indonesian jet crashed in northern Sumatra, killing all 234 passengers. In a region whose self-confidence has been severely shaken in

recent weeks, the smog has been interpreted in the region as another symbol of disaster.

The long term impact on the health of the countries in the grip of the haze-Indonesia, Malaysia, Thailand, the Philippines, Singapore, Papua New Guinea and Thailand – is impossible to gauge. City-dwellers in South-East Asia have long been used to breathing a noxious cocktail of car-exhaust fumes and industrial pollutants. Those with existing respiratory illnesses, eye and skin irritations and heart complaints will now find their conditions severely aggravated. But those free of such disease may start developing them.

There seems little that the authorities can do.

One Malaysian minister suggested that two million people should be moved out of harms way, but this idea was dismissed as being impractical. Another proposal was to sprinkle water from the skyscrapers to dissolve the soot. Ordinary people have resorted to the few countermeasures available to them. They lock themselves indoors whenever possible and the price of surgical masks has more than doubled since the smog descended.

An official said fires continued to burn in Indonesia. For this reason, the haze was not expected to clear at least until the north-east monsoon in November.

More than 1, 000 Malaysian fire-fighters have been deployed in Sumatra to help Indonesia battle the blazes, which has caused the blanket of smog over Indonesia.

Other problems have happened to Malaysia since the smog caused by forest fires in Indonesia like the collapsing stock market, free-falling currency and the subsequent cancelling of several government backed mega-projects like, the Commonwealth Games, which promised to be the biggest in its 68-year history. Financial Costs Currency crises and slumps on the stock markets in several countries showed that the “Asian Tigers”, some of the worlds fastest-growing economies, are no longer roaring. The skyscrapers in the Malaysian capital Kuala Lumpur, symbols of the regions wealth, were barely visible and the Petronas Twin Towers, the worlds tallest building, was just a ghostly form in the mist.

And with factories throughout the region having to scale down activity, the world economy could also be hit, with prices rising in the electronics industry, which the region dominates.

Tour operators are offering alternative holidays and refunds to hundreds of holidaymakers who were due to travel to South-East Asia, which was still blanketed in smog caused by the forest fires in Indonesia. The tourist industry would be severely damaged as people would be declined to visited a country so heavily polluted and this will mean less foreign income and could result in unemployment and unrest.

The Malaysian ringgit and Indonesian rupiah hit an all time low in September as currency dealers began to fear the economic consequences for the regions of the forest fires in Indonesia which have covered much of South-East Asia in a noxious smog.

The Ringgit had fallen 20% since July, closed at 3. 1800, down from 3. 1300 against the dollar. The rupiah fell from 3, 100 to 3, 220. The fires have affected tourism as well as investor sentiment, which was already low, Peter Von Maydell, currency economist at investment bank UBS, said, " But the economic fundamentals in these countries remain extremely poor in any case" Intemperate remarks by the Malaysian foreign minister, Adbuliah Ahmad Badwi, did not help the currencies.

He said the regional economic crisis " was precipitated by currency speculators.. driven by sheer greed". The only positive aspect in the region was the Thai baht remained steady at 35. 50 to the dollar after the Bangkok parliament approved reforms to the constitution on which the \$17 billion IMF loan package to the country is independent.

In November 1997 Thailand's squabbling and discredited parliament produced its fifth prime minister in as many years.

While this was happening Chuanpis Charoenigam was selling one of her nine Mercedes-Benz at a flea market in Bangkok. The former property broker was unimpressed by this attempt to prevent Thailand - once the world's fastest-growing economy from becoming Asia's biggest economic embarrassment. A former banker was selling two Mercedes: " Buy both for \$100, 000 (60, 000 pounds) and get this small passenger plane for free!". Another dispossessed estate agent was selling off his wine cellar.

Bottles of Chateau Lafite 1981, one of the best vintages of the century, were going for 30 pounds each. These luxuries are the casualties of an economic crisis which has seen the baht devalued by 50 per cent.

Factories close, tens of thousands of people lose their jobs and the International Monetary Fund spends more than 10 million pounds on an aid package that has not worked. The turmoil is a far cry from the brash confidence of what was Asia's slickest Tiger economy. Previously the country was taking annual growth of eight per cent for granted, a new Mercedes showroom was opening every other week and skyscrapers rose like souffls out of the polluted logjam. Now the souffl has collapsed with vengeance, and Thailand, a country without state welfare, is bracing itself for full-blown recession.

President Suharto of Indonesia shut 16 banks in an attempt to convince the IMF that it is serious about cleaning up its economy and especially its corrupt banking sector. Prime minister Chavalit Yongchaiyudh presided over a borrowing binge which produced a domino-effect of bad loans. Billions of dollars, provided at cheap rates by western banks eager to cash in on the Thai economic miracle, have been pumped into finance companies controlled by the friends of those in power. Most of the money had gone into costly but unnecessary construction projects. The cheap easy loans failed to take into account that Thailand's economic fundamentals had become fundamentally unsound. It is that that caused the disastrous run on the baht in June and triggered the currency crisis in South-East Asia.