

Sustainable Business: a Golden Opportunity for Latin America

Karla Alfaro, Universidad de San Andrés

Latin America has navigated through the 2008-2009 world financial and economic crisis almost unscathed. It is a region with vast natural resources very much needed for world development. This paper briefly deals with the opportunity that its countries have to make a difference in this century. This opportunity is sustainable business.

Sustainability has become a pressing matter in a global context. More and more people are concerned with the consequences of our actions and its effects on future generations. Given economic uncertainty, the fragility of the ecosystem and our direct impact on it, the increasingly expensive resources, and our misuse of Earth's natural resources along with its risk of depletion and/or permanent damage, it is imperative that countries change their methods of harvesting and obtaining resources from all the basic levels—economic, social and environmental—and take an innovative approach towards satisfying its needs based on the principles of sustainability. Furthermore, business strategies must focus on long-term goals rather than short term ones in order to ensure their future standing and success.

Latin America cannot afford the bliss of ignorance or indifference toward what has gone from the growing trend of sustainability to its increasing demand and to world needs. Consumers' concern is growing at a fast pace. In the wake of the financial crisis, consumers want to be reassured that the company works towards their best interest and care. Consumers are more alert and attentive to the actions of a business and what effects those will have in the future. Societies are increasing their expectations, demanding that companies take responsibility for the lasting effects of their actions. And consumers are ready to pay a premium on products that contemplate their concerns. Therefore, what is becoming a potential threat is also providing an opportunity for regional development in Latin America. Governments and private business must understand that sustainable business is one of the keys of the future. Latin America is in an optimal position to become a leader in sustainable business given its abundance of natural resources, many of which are still underdeveloped.

However, in order to achieve the goal of developing sustainability across the continent governments should coordinate their efforts and provide a common or compatible regulatory framework which would foster private sector enterprises, whether it be local or foreign, that accomplish said goal. What is needed is a collective effort among all Latin American countries. In order to achieve the desired result certain conditions must be met:

1. It cannot be an isolated country effort but a joint one. Sustainable policies could only be effective if they are coordinated worldwide. In spite of the recent crisis we are still in a global market and this is going to continue to be the conditions worldwide in the short-term future

2. Incentives and subsidies cannot be given individually by each country without coordinating the same among the relevant countries

3. Transparency shall be part of the effort in its broadest sense.

4. Governments shall provide the conditions for the different productions and industries to develop but shall leave these companies to survive on their own

5. Excessive protectionism shall be avoided

6. Progressive reduction of subsidies and fiscal benefits shall be secured after the business has set a strong foot in their market.

Latin America must base its sustainability development approach on two principles that have become the focal point of today's economy: transparency and accountability. This focal point will have a great impact on all countries and hopefully spur a growth in economic activity in this continent. Otherwise, any development will not be on solid grounds. The absence of such principles will not only cause a collapse or failure in the short term but will create negative effects in other parts of the world. Both foreign and local investors as well as consumers demand for said principles. If Latin America wants to be a global player and as the G20 get to provide more input, all countries involved will

need to be more transparent and have higher standards of accountability. Another key to success in any program to be implemented is that business must see the benefits involved in creating sustainable enterprises. Some of these benefits are that products that comply with sustainable development standards:

1. Enjoy a valuable marketing tool advantage
2. Build trust and loyalty from consumers
3. Allow long-term strategies
4. Generally have a premium price through tax incentives or subsidies

Lastly, successful development of sustainable business provides security and stability of the economy in the future due to increasing exports and satisfaction in the domestic market.

What kind of role should the government play? Government should aid in providing a vision of or setting a goal for the future. After communicating this new, clear vision within its sector and key players such as investors and stakeholders, governments should help foster development and promote initiatives in other sectors of the economy by providing policies and programs that will help framework. Policies in areas like agriculture, trade, investment, migration and others have a profound impact on developing countries. But there is a need for policy coherence. To ensure success there must be a synergy of aid through policies and programs that will set up a framework adequate for sustainable development. Isolated initiatives will not produce the desired effect. Governments should create the secure and permanent technical and business environment needed for the effort to be successful.

Furthermore, sustainable business is necessary for Latin America because as other countries continue to develop sustainable business and place greater emphasis on it, Latin America will be left behind and will be at competitive disadvantage if it does not keep up to speed by implementing sustainable business processes. In order to do this, there needs to be collaboration between the government and the private businesses to emphasize and develop sustain-

able business practices. Also, they need to create greater consumer awareness since sustainability affects everyone and requires everyone's help. In order for businesses to want to implement sustainable business practices they need to see some value in doing so. This is where the government can help by providing tax cuts or other incentives that make sustainable business more valuable to private enterprises. Also, the government can institute policies that make the playing field even for all companies and helps push companies to be more sustainable.

The private sector cannot ignore this opportunity. It is in their best interest but they need to be sure that the political and macro-economic environment is there to help. However, this help should be only temporary in order to create a business fit to compete worldwide. "In its recent analysis of The Business Case for Sustainable Development, the WBCSD (World Business Council for Sustainable Development -- a coalition of approximately 150 international companies united by a shared vision of achieving sustainable development through the simultaneous advancement of economic growth, environmental protection and social equality) concludes that "pursuing a mission of sustainable development can make our firms more competitive, more resilient to shocks, nimbler in a fast-changing world, more unified in purpose, more likely to attract and hold customers and the best employees, and more at ease with regulators, banks, insurers, and financial markets."

"The achievement of sustainability will mean billions of dollars in products, services, and technologies that barely exist today. Whereas yesterday's businesses were often oblivious to their negative impact on the environment and today's responsible businesses strive for zero impact, tomorrow's businesses must learn to make a positive impact. Increasingly, companies will be selling solutions to the world's environmental problems."

But in my belief one of the most powerful ways government can encourage sustainability innovation from the private sector is through the creation of conditions that reward such behavior. According to Stephen Barg, "A country that encourages innovation through its regulations and fiscal policies and refuses to subsidize non-sustainable practices and declining industries is more likely to gain a leadership position in the industries of the future, whatever they may be."

Politicians have an opportunity to provide leadership through a clear and credible view of the future that can be articulated to help identify economic, social,

environmental and regional priorities by implementing policies that support an effective and competitive economic and business environment that is flexible and responsive to changes both in the world and in Latin America.

Accepting these challenges and opportunities of sustainability is an imperative that goes beyond domestic agendas.

In summary, promoting sustainable business in Latin America will simultaneously create economic, social and environmental value while avoiding or minimizing damage to economic, social, or natural capital. It will not only place Latin America in a better position vis a vis other regions of the world but most importantly will integrate Latin America with the rest of the world ensuring economic growth and political stability for the future.