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Could enterprise zones help us achieve the Global Goals?



Written by

Jem Bendell, Founding Director, The Institute for Leadership and Sustainability

Monday 14 December 2015

In September, member states of the United Nations adopted [17 new Global Goals for sustainable development](#). These goals include recognition that industrialisation and international trade need to be brought into line with sustainable development outcomes. Social and environmental concerns are mainstream investment policy rather than being treated as an add-on after economic concerns are addressed. Given the mixed record of business labour and environmental issues, it will be a huge challenge to shift commerce into a more sustainable path. But we have to start somewhere.

“Starting somewhere” is the idea behind the rise of enterprise zones around the world. The idea is that in specific locations, a government and private investors invest in creating the infrastructure and services needed for efficient business. There are now thousands of such zones around the world, some of which are Export Processing Zones (EPZs) due to their emphasis on business development for international trade. Some countries, including India, have seen the promotion of special zones as a cornerstone of their economic strategy. In 2015, enthusiasm for special zones spread everywhere, with announcements even in Cuba and Myanmar.

THE GLOBAL GOALS

For Sustainable Development



Source: [Jakob Trollbäck](#)

One problem with this zonal enthusiasm is that many have offered tax breaks for companies that may be illegal under World Trade Organisation (WTO) export subsidies. Exemptions for some developing countries come to an end at the close of 2015. Zones urgently need to innovate new means of

What's the answer? Some investment promotion agencies have been arguing for governments to relax regulations on labour or environmental issues to attract more business. That is triggering strong criticism of zones among trade unions and environmentalists. A strategy of relaxed regulations might be given that international businesses increasingly seek suppliers that meet good environmental and labour standards. Factory collapses and fires, and pollution-related industrial tragedies in developing countries remind us of the need for high standards of environmental and worker protection around the world and for multinational enterprises (MNEs) to exercise corporate social responsibility (CSR) throughout their supply chains. It is true that business leaders seek hassle-free commerce, but poor labour and environmental conditions create hassle for modern enterprise, which seeks to excel in quality, agility, and innovation, not by cutting corners on the basics.

Reducing protections for citizens or the environment would seem an odd way to implement the new Global Goals. Instead, we could learn from the zones that are leading the way in providing services for their firms to achieve social and environmental excellence. In a survey of 100 zones by UNCTAD, zones were found to be developing services for cost-effective performance on social and environmental aspects of business, potentially securing a competitive advantage. In Uruguay, the 'Zona America' provides training on business ethics and has programmes for effluent treatment and reducing the consumption of natural resources. Several zones around the world have been certified to the ISO 14001 environmental management system standard, including those in Mexico and India. The zone authority of Kenya has a strategic plan to achieve [ISO 14001 certification](#) for all zones in its territory. One zone in India goes further by encouraging all companies operating within the zone to become ISO 14001 certified.

The UNCTAD report is published today, ahead of its [official launch](#) on 17 December at the 'Free Zones of the Future' session at the [WTO ministerial meeting](#). The report examines the experience of eco-industrial parks in China, identifying commercial benefits that can arise from zones helping firms use each other's products as resources. As a Global Managing Director with Accenture, Peter Lacy, explains: "Zone agencies have the opportunity to curate a circuit of products among firms that operate in their zone. Firms can benefit from cost savings on waste, cheaper inputs, and a higher sustainability profile in markets that pay for, environmental quality."

Despite these examples, UNCTAD's survey of 100 zones found that the majority of zone management agencies were not sharing information on their practices to provide to support firm compliance with national or international standards on labour, environment or anti-corruption issues. The report therefore concludes that there is more that zones can do to develop this new basis for competitiveness. To help zone agencies and their stakeholders the report puts forward a 'Framework for Sustainable Economic Zones.'

The coordinator of the research at UNCTAD, Anthony Miller, says: "this research and advice on zones seeks to assist member States' in their implementation of the Global Goals." He reports that "this work fits within the broader context of UNCTAD's Investment Policy Framework for Sustainable Development and the new generation of investment policies where inclusive growth and sustainable development are at the heart of efforts to attract investment." Miller concludes that "zones have the potential – with the right policies in place – to become centres of excellence in corporate sustainability, attracting investment in ways that

contribute to the new Global Goals. Instead of being areas of concern for social and environmental issues, zones could become model Sustainable Zones and show the way forward for the rest of an economy.”

In light of the Global Goals to improve people’s lives in harmony with the environment, this work from UNCTAD sends a powerful message: we can somewhere. Both the commercial and ethical arguments are clear: it is time for Enterprise Zones to play their part in achieving the Global Goals.

You can download the report [here](#).

Author: Dr Jem Bendell is co-author of the UNCTAD report “Enhancing the Contribution of Export Processing Zones to the Sustainable Development Goals.” Professor of Sustainability Leadership at the [University of Cumbria](#), Non-Executive Director with [Trimantium Capital](#) and a [Young Global Leader](#).

Image: An aerial view shows workers at the Alltex export processing zone (EPZ) factory in Athi River, near the Kenyan capital Nairobi, July 31, 2009. REUTERS/Thomas Mukoya

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The views expressed in this article are those of the author alone and not the World Economic Forum.

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