



Bertelsmann Stiftung, The Globalist (eds.)

In Search of a Sustainable Future

Reflections on Economic Growth, Social Equity
and Global Governance

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Foreword

Liz Mohn

Global challenges require global solutions. Even if globalization has long been a reality in both economic and technological terms, policies for shaping it are only beginning to emerge. To help address this challenge, the Bertelsmann Stiftung has been holding the Salzburg Trilogue since 2004. The annual conference gathers decision makers and opinion leaders from the political, business and cultural spheres to discuss global issues impacting the world's future. The Trilogue promotes an interdisciplinary and intercultural exchange of views regarding global trends and the challenges resulting from those trends. Originally initiated by Dr. Wolfgang Schüssel, member of the Bertelsmann Stiftung Supervisory Board and former Austrian chancellor, the Salzburg Trilogue has been jointly organized by the Bertelsmann Stiftung and the Austrian Ministry for European and International Affairs from 2007 to 2012.

The Salzburg Trilogue conferences in 2011 and 2012 focused on the key challenges of economic growth, sustainable development and global governance. In 2011, participants addressed the normative foundations of the global economy and the need to adapt global governance to the new realities of the 21st century. Building on these discussions, the Trilogue in 2012 reflected on how economic growth can be balanced with social equity and environmental responsibility.

These topics are more relevant than ever. The world has already paid a severe price for systematically transgressing fiscal and ecological boundaries and for maintaining global governance structures that were designed in the last century, but which appear inadequate for the

globalized world. Our complacency toward poverty and increasing debt levels, as well as the unrestrained destruction of natural resources so vital to human survival, suggest that a systemic failure of unprecedented magnitude is underway. The unlimited pursuit of self-interest by nation-states coupled with their dominance in global governance means that the pursuit of the public good is increasingly neglected. Future generations will be left with vast and perhaps crippling financial, social and ecological debts.

In view of the financial and economic crisis, the issue of growth has become a much more complex one in recent years: Growth is no longer about quantity, but also and especially about quality. We need solutions for how growth can be achieved in a responsible, sustainable way. For this to succeed, we must be prepared not only for selective reforms, but for real, fundamental change. We must also bear in mind that no one is capable of solving the challenges of a networked world single-handedly.

Returning to business as usual and failing to adapt economic governance to the realities of a globalized world would constitute a generational abdication of responsibility. Yet the window of opportunity to draw the right lessons is closing. Although several calls for a fundamental reform of the global economic governance system were put forward at the peak of the recent economic and financial crises, none of these calls has to date been put into practice. As soon as the economic recovery began, the political will to reform dissipated. Efforts to build consensus on and implement meaningful changes at the global level have failed.

Against this background, the continuing search for sustainable policies and innovative approaches to the unresolved global challenges is important and timely. The essays in this book seek to advance this discussion. They are based on statements of participants in the Salzburg Trilogue conferences in 2011 and 2012. Their authors share the conviction that current economic models are not sustainable over the long term, and they argue that economic growth and ecological sustainability are actually reconcilable. How to achieve this goal remains a matter of debate and requires further thinking. I very much

hope that the ideas put forward in this book will add to this ongoing debate about how to shape a more sustainable future. Given the magnitude of the challenges before us, such a debate is more important than ever.

I would like express my gratitude to the team of distinguished authors that contributed to this publication. I would also like to thank The Globalist and its editor for curating the collection. Last but not least, I am grateful to all those who took part in the Salzburg Trilogue conferences in 2011 and 2012 for sharing their unique insights.

Introduction

Stephan Richter, Peter Walkenhorst

Humanity is at a crossroads. The choice is between the continuation of present modes of economic growth, with potentially catastrophic results, and the transition to a new development model that reduces poverty, and enhances sustainability and social equity. The choice is ours to make. It is nerve-racking and anything but easy, and the outcome is profoundly uncertain.

The cumulative pressure the human species is putting on the planet is sapping its resources and resilience. The combination of population growth and economic growth (including changes in lifestyle and consumption patterns as wealth increases) places excess demands on the environment. We are using more resources than the earth can provide, exceeding its capacity to sustain us and, unless we change course radically, the consequences will be severe, affecting the habitability for life on earth, including humans.

This inconvenient truth is by now well established, scientifically validated and globally acknowledged. Yet we continue to live as if we had an extra planet at our disposal. As Chandran Nair, founder of the Global Institute for Tomorrow in Hong Kong, writes in his essay in this book, the world community is in denial and refuses to face the harsh realities of constraints and limits to growth.

The reasons for this denial are manifold. One key factor is the unbowed belief in the prevailing “growth paradigm,” i.e., the notion that economic growth, fueled by technological innovation, free markets and finance will solve all global challenges, including ecological sustainability and resource scarcity. Economic growth continues to be

seen as indispensable for ensuring political and social stability. In the wake of the global financial and economic crisis that commenced in 2008, restoring the global economy to robust growth has again become the key priority in almost all countries, including the eurozone, which is struggling with its sovereign debt crisis.

At the same time, the traditional growth paradigm offers false comfort. An increasing number of citizens in all parts of the world are demanding improved environmental conditions, including fresh water, food security and more quality of life in general. Concerns about climate change and environmental degradation are now global – as is the realization that no country can act on these problems alone.

The idea that we need a more sustainable model of economic development is not new. It, too, can offer false comfort. Scientists and activists have long since established what needs to be done: Emissions have to be radically reduced, and ways of production and life must change, with sustainability becoming the chief principle of human action. But do we have the will to implement the required changes, including changes in attitude and lifestyle?

As Lydia Powell of the Observer Research Foundation in New Delhi points out, “the question that needs to be asked is not whether a new model is needed, but why the models that have been proposed are failing to make even a marginal impact on the current growth model.”

The essays collected in this book seek to address this question and to advance the debate on achieving a sustainable future. Authors presented here argue that part of the problem is the complexity and interdependence of the challenges at stake. Economic prosperity and environmental sustainability are indissolubly linked to the question of social justice and equity. We are living in an era of global “triple unsustainability – economic, social and environmental,” as Andreas Illy, the chairman and CEO of illycaffè, puts it. Consequently, sustainable development – understood as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” – has to address not only environ-

mental concerns, but also issues of social and economic sustainability.¹

The authors of this book also share the conviction that, as new possibilities are identified to balance economic growth objectives with social concerns and environmental considerations, industrialized countries cannot use environmental concerns as a reason for preventing developing and emerging economies from making use of their natural resources, such as oil and gas. Instead, the United States, European Union member states and other developed nations need to help less advanced countries – those in Africa, for example – deploy their energy resources efficiently.

Against this backdrop, the essays call for a switch from a growth-centered mindset to one that focuses on developing in a way that gives greatest priority to combating poverty and promoting education, while ensuring access to clean energy. This will require a new approach in the political sphere. What is needed are laws that provide an incentive to conserve natural resources, such as energy supplies and water, along with technologies that recycle those resources. In addition, several authors note that concrete time frames and standards must be put into place on a global scale if specific goals are to be achieved at all, since the differences in culture and economic development among countries are considerable, making it difficult to develop a common agenda for addressing challenges.

According to many of the essays compiled in this book, existing international institutions and fora have proven unable to produce collective action to effectively address the challenges of sustainable development. There is a broad consensus that more effective and inclusive forms of global governance – broadly defined as the collective management of common problems at the international and transnational level – are needed. Yet diverging interests as well as different perspectives on how to approach these problems have encouraged the pursuit of national interests and led to greater fragmentation in international politics.

1 United Nations. *Report of the World Commission on Environment and Development: "Our Common Future."* Geneva 1987: 54.

At the heart of the problem of global governance, as Seán Cleary, founder of the FutureWorld Foundation, argues, is the fact that political leaders are accountable to national electorates, while many threats are transnational, even global. The “Westphalian system” of international politics, Pascal Lamy, director-general of the World Trade Organization concurs, “allows all nations to dismiss any requirements coming from the global system to safeguard humanity’s long-term survival as acts of interference in their internal, national affairs.”

As a result, the prospects for effective global governance are deteriorating. Yet there are no local or national solutions to global problems, as Beatrice Weder die Mauro, Professor of International Macroeconomics at the Johannes-Gutenberg-University in Mainz, Germany, emphasizes. We must overcome the current deadlock and create new forms of global governance that are able to take a long-term view. Hence, she calls for “a new era of building international institutions.”

In the meantime, progress can only be achieved through increased collaboration among governments, business and civil society. We need the creation of “coalitions of the willing” consisting of government agencies, corporations and civil society organizations that can show the way, bringing their vision and experience to bear on a political level. In the absence of an overarching approach to global governance, collaborative efforts by those coalitions have to provide the framework for addressing the issues of economic growth, environmental sustainability and social equity.

In order to overcome resistance to the necessary sweeping reforms, it is essential to provide more information and raise awareness. In concrete terms, it is important to unveil reasons for the gap between civil society’s disclosed expectations about a new development model and political interests that prevent these changes from being implemented. Ways and means on how this gap can be addressed have to be further explored and revealed to the public in order to spark desire for action.

We hope that the essays compiled in this publication will add to these efforts. They were adapted from statements and presentations given by their authors at the Salzburg Trilogue conferences in 2011

and 2012, hosted by the Bertelsmann Stiftung and the Austrian Ministry for European and International Affairs.² Most of them have been previously published at the online magazine The Globalist (www.theglobalist.com/salzburg-trilogue/index.shtml). All essays present the opinions of the respective authors. They do not necessarily reflect the views of the Bertelsmann Stiftung or The Globalist. The editors wish to express their gratitude to the distinguished authors who contributed to this book as well as to all participants of the Salzburg Trilogue for their comments and insights and hope that the results are both enlightening and challenging and will make for a robust debate on our common future.

- 2 The Salzburg Trilogue facilitates international dialogue by bringing together recognized public figures and thought leaders from politics, business, civil society and the arts to consider matters of current importance. The topic in 2011 was “New Foundations for the World Economy and Global Governance” and, in 2012, “Tackling the Global Gordian Knot: Can economic growth be socially inclusive and environmentally sustainable?”

Global Governance

Averting a Tragedy of the Global Commons

Seán Cleary

Medieval villages risked a “tragedy of the commons” when farmers – individually pursuing their economic self-interest – depleted a shared natural resource by collectively overgrazing it. Seán Cleary, founder of the Future World Foundation, explains that in the hyperconnected world of today, we risk a tragedy of the “global commons.”

In this economically and technologically hyperconnected world, too many political challenges fall through the global institutional cracks, causing short-term harm and risking a tragedy of the “global commons” – those planetary resources, like the oceans and the atmosphere, on which all human life depends.

Because the global commons are not in private or national ownership, there is a core imperative for effective *global governance* of the global commons. We need to change our policy and governance paradigms, so as to live successfully in the nonlinear, partly adaptive ecological systems in which we are embedded and to manage, to our collective advantage, the nonlinear socioeconomic systems we have created.

Most governments see the cost and benefits of every significant action differently, except in times of crisis.

The first challenge of global governance is that almost all actors – and most governments – see the cost and benefits of every significant action differently, except in times of crisis. So, when all backs were to the wall in April 2009, just over six months after the collapse

of Lehman Brothers, the leaders at the G20 summit in London were able to take a strong unified stance.

Just over a year later, in June 2010, when the sense of crisis had abated, Reuters described the Toronto Summit as “sound[ing] increasingly like a line from the Frank Sinatra signature song, ‘My Way.’” By the Seoul Summit in November 2010, Nouriel Roubini and Ian Bremmer were speaking of “the collapse of the G20 into the G0!”

Likewise, the path from Kyoto to Copenhagen, Cancún, Durban and Doha was frustrating despite the EU’s bold policy stance, China’s domestic determination to extend its use of alternative energy, the Obama administration’s willingness to engage more constructively than previous U.S. administrations and several well-organized civil society campaigns. Few hold out great hopes for a substantive agreement at a future meeting, despite our collective efforts.

Information clutter

Developing sound policy at the global, and even national, level is made more difficult by the deluge of information and opinion.

The second problem is information clutter. The task of developing sound policy at the global, and even national, level is made more difficult by the deluge of information and opinion, which confuses most citizens and many politicians. This continuous flow of – and demands imposed by – e-mails, digital calls and instant messaging make reserving time for thinking difficult, while the complexity of the issues we must address in a highly connected world demands deep insight.

We should also be concerned about the vulgarization of democratic expression through Twitter and Facebook. They displace analysis, privilege emotion and pose new challenges to even the best-intentioned policymakers.

The moral and political authority of most institutions has been weakened. Many democratic governments have been led by opinion

polls in the past two decades, abdicating considered judgment and crafting policies to suit the whims of shifting majorities. Not surprisingly, greed and fear has come to dominate the landscape, and populism is on the rise.

At the heart of the problem of global governance, however, is the fact that political leaders are accountable to national electorates, while many threats are transnational, even global. Future threats can only be warded off by actions taken (and costs incurred) in the present, while their putative benefits will accrue (if at all) in the future. No wonder we often fail to act effectively to avert recurrent tragedies, or the threat of a collective tragedy of the commons.

The problem is exacerbated by disciplinary specialization in the academic realm – which requires deep but narrow expertise – and its corollary, the specialized but fragmented focus of national government departments and multilateral agencies.

Material advances over the past three decades have caused us to prioritize consumption and display over conservation. We have lost sight of the need for balance between individual rights and freedoms, social obligation and respect for the ecosystem on which we depend for survival.

Excess has become the norm both in most developed societies and among those in emerging economies who have escaped poverty and feel the need to demonstrate their success. Industry – and the media and advertising services that support it – drive rising demand and encourage a sense of perpetual want.

We must check our hubris, recognize the reality of (still poorly defined) planetary boundaries and restore balance – before we trigger systemic inflection points that may unleash consequences from which we cannot recover.

Devising effective governance

To address the challenge of sustainable development – development that meets the needs of the present without compromising the ability

of future generations to meet their needs – and devise effective systems of national and global governance, we must overcome the constraints of disciplinary specialization and focus on five integrated challenges. They comprise an imperative “global agenda” and an essential paradigm for governance:

1. Delivering environmentally and socially sustainable economic growth – for without this, we shall not be able to achieve anything else;
2. Reducing poverty and improving equity – because exceptional prosperity for the few at the expense of the many is neither morally justifiable nor politically sustainable;
3. Addressing the sources of global, national and human vulnerability and promoting security – for security underpins both community and progress;
4. Sharing the norms and values that enable global coexistence, and working to reconcile cultural differences – because respect for core human values and universal norms allows us to live in harmony, while appreciation of cultural diversity enriches our understanding; and
5. Improving the quality of global governance and our global institutions – for most of the important challenges we face in a highly connected world cannot be resolved in any other way.

Political leaders are accountable to national electorates, while many threats are transnational, even global.

In tackling this global agenda, we need to recognize that we do not all share the same interests or prioritize the same values with respect to these overarching goals. We have to agree on a certain number of binding norms that will be applied by all states in their dealings with one another if we are to address the challenges we face. The diffusion of power from West to East and North to South means that the norms will have to be negotiated, as they can no longer be imposed by using economic or military might.

Rethinking and understanding the obstacles to better governance of global challenges is the first step to improving our performance.

Demonstrating the humility and political will to address them collaboratively is the second.