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I see the manifesto before the present Congress as a confirmation of our commitment to change and renewal. In turbulent times such as ours we can and must present a new direction to the people of Europe. We can convince our people that governance is important and that the present internationalization presents challenges that social democrats are ready to accept.

The threats to the environment illustrate more clearly than other issues that we must develop new means of governance, means that are transboundary in nature such as nature itself. The challenge before us, as we approach the end of a century are truly daunting, but we have the conviction that we can take charge of our own destiny.

What is the challenge?: Over the past century industrial production has multiplied fifty-fold. We may project a future world economy multiplying first five-fold, and then tenfold. We may project a world population doubling or tripling some time in the next century. But we will never reach such a stage because the carrying capacity of the earth will have been exceeded. This is why we are compelled to manage a transition more important than the agricultural and industrial revolutions.

Sustainable development is not merely a pollution problem, but a challenge to the present inadequate way in which our countries and the world are organized and governed. Exponential growth achieved by multiplying the present level of technology and use of finite natural resources will inevitably lead to disaster. By means of example, with a two-digit coal-fired economic growth in China, dwindling food production in Africa, competition for water in the Middle East, our earth will come uninhabitable.

Europe is in a better situation than many regions since we have come a long way in abating the first generation of environmental problems. But we, too, are haunted by the problems created in the past. 80 per cent of European cities with more than 500 000 inhabitants experience air pollution in excess of WHO guidelines. SO₂ problems, ozone and black smoke seriously affect more than 100 million Europeans. Annual maintenance cost due to air pollution add up to 10 billion ECU, drinking water contamination cause diseases in countries such as the UK, France and in Scandinavia. Lead is posing severe health risks in several European regions.

The gravest environmental problem in my country is acidification caused by emissions in other countries such as the UK, Germany and Poland. Europe will face an annual roundwood deficit of some 40 million M³ per year by 2010 and the figure could well be 3 times higher unless corrective action is taken.

The World Commission on Environment and Development, which I had the honour to chair, defined sustainable development as a concept for social change. It must be quite clear that a situation where a large part of the population is out of work is not sustainable. Sustainable development is a question first and foremost about people, about how the present generation must be able to satisfy their own needs and about how we must leave enough environmental space for future generations to be able to satisfy theirs. The equation comprises the whole of the global community. It requires solidarity across borders, continents and generations. There is today no limit to the number of generations whose interests we must recognise and heed.

Likewise, we can accept no limitations to our own capacity to act as an engine of change and renewal. Profound changes are needed in the ways our economies work. But our standards of living does not need to be reduced. Our economies need growth, yes, but it must be a new kind of growth, a growth that enhances the environment and the resource base instead of reducing it. A growth that increases the quality of life for all instead of leading to congestions, more pollution and overuse of resources. A radical shift in our economies can only be accomplished in cooperation with labour unions and with those who fear marginalization and who may fear change itself. Only the social democratic parties can work out the social consensus needed to support such change.

Rich countries must become more frugal in their extravagant use of natural resources. But such statements must also take account of the fact that many people here in Europe don't feel that the label "rich" aptly describes their life situation. They pay their mortgages, they hope to retain their jobs, they hope to be able to support their children through school and to a decent start in life. Increasingly many are unemployed, - 22 million only in European OECD countries.

Thus "development" is not something for the third world alone. Indeed the European countries are also developing countries since their path of development is based on patterns of production and consumption that are unsustainable, and since we are facing increasing difficulties in putting more people to work, even though there is so much that needs to be done. We are obviously on a wrong track when Europe spends 100 billion ECU on unemployment compensation and far less on active measures for reemployment.

Compared to the competing economies of USA and Japan, we are presently in a disadvantaged situation. Unemployment is much higher in Europe. Long term unemployment is more severe, tax revenues from the working population is relatively smaller making unemployment in all its aspects a much bigger burden for Europe than for Japan and the US.

Thus we are compelled to address both unemployment and the necessary transition towards less environmentally destructive practices as one combined operation. A shift

in transfers away from households and businesses to active labour market measures, to investment in human and physical capital and in high priority services will have a positive impact on total employment, and - if used correctly, also on the state of the environment. According to calculations made in Norway a balanced switch from transfers to households and businesses towards public infrastructure investment and public consumption amounting to 1 per cent of GDP may increase employment by around 1,25 per cent in the short to medium term.

In Europe, have still not explored the positive yield of shifting some of the burden of taxation from resources which we use too little, such as labour to resources of which we use too much, such as finite natural resources.

However, if "green fees" are introduced unilaterally, by one or some European countries, there is a risk that this will lead to loss of competitiveness and to more unemployment. In Norway we have introduced carbon taxes which are the highest in the world. In fact they were so much higher than in other countries that we were forced to take one small step backwards since other countries were so reluctant to impose similar measures.

Technological breakthroughs will be needed in a number of areas on the road towards sustainable development. The difficulty in the case of environmental technology is that this "need" is not a private need, but a public need. Markets mechanisms if let alone, will not define or promote the public needs. Only people, acting politically can define them and give direction to the renewal and change which we need.

Economic growth in our societies has historically involved the production of more and more goods using more and more natural resources and placing increasing strain on an already fragile environment. These aspects cannot be imitated uncritically on a global scale. However, recent research have taught us that the negative aspects of economic growth are not necessary for continued growth of prosperity. Growth does not mean more goods. it means also better goods, and prosperity and welfare should be seen as wider aspirations toward all-encompassing well-being. In Scandinavia, prosperity and welfare is viewed not only as growth and material welfare, but as an

inclusive concept covering employment, environment, gender equality and a meaningful life.

Increasingly we should focus on knowledge as the ultimate resource and as an engine of growth and change. It is not natural resources themselves that give us wealth, but the way we utilise these resources. If resources alone made us wealthy, we would have reached our standard of living millions of years ago.

The best prospect for our future seems to be the inexhaustible potential of the human mind. Although investment in physical capital may experience decreasing returns, there is no reason to believe that investment in new knowledge is subject to such limitations.

Knowledge cannot be kept as any company's exclusive property, despite efforts towards secrecy, patents etc. Individual knowledge will always spread and become common knowledge. Our mission must be to take responsibility for making knowledge accessible to all people. Knowledge is indeed an unfinite resource. There is enough for everybody.

Increased financing of research and education does not by itself produce growth and development. Success requires quality as well as quantity. Developing and using knowledge is first of all teamwork. Competition is important as a stimulator, but co-operation is necessary for success. Rather than talking about the competitive advantage of nations we should speak about the "co-operative advantage of nations"

Working in teams requires trust and recognition of the mutual interest. I can think of no other creation in modern times that holds a greater potential for knowledge-based breakthrough that can dramatically improve the environment and other living conditions than the European Communities and what is now called the European Union. Europe has been a cradle of innovation for more than 2000 years, also with regard to political organisation, and has set standards for global co-operation.

Fair and transparent competition rules, joint efforts in the field of research and education, openness and cooperative efforts in the relations to the outside world are

conditions conducive to change and renewal in which we may repose so much hope for the future.

The process of change is in itself a dynamic restructuring process which requires economic activity at a high level. We will see the need to replace capital stock at a high rate to promote energy efficient technology. We will see investments in infrastructure required to meet an entirely new model of future activity. Consequently, the private sector, trade unions as well as governments should see the great opportunity for investments, and for employment, created by the need for change.

To move forward, we need co-ordinated policies, direct environmental rules setting out standards and minimum requirements. We need new generations of environmental agreements. The present negotiations on a new SO₂ protocol is one such modern agreement which builds on the recognition that the carrying capacity of the soil and forests are different in various countries, that obligations to reduce emissions should be cost effective and that emission levels that can be tolerated in one part of Europe cannot be tolerated in other parts.

The prospects of being part of future European efforts to achieve sustainable development is one of the main reasons why Norway has applied for membership in the Communities, - now the European Union, and the presence of our party here today is a token that we are welcomed by our party colleagues in the EC.

The problem in Europe is not too much co-operation but the fact that co-operation so far has been too weak. Now that sustainable development is placed solidly on the agenda of the PES, we can look to the future with greater expectation Europe will lead and not trail in the quest for a more secure tomorrow and become the engine for renewal and change which our time needs so deparately.