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SUSTAINING THE GLOBAL ENVIRONMENT

Address by

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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.

History is full of examples of how human ingenuity can be wonderfully creative, but also incredibly destructive. We have no other option than to change, to change profoundly, and to make change our friend, as the president said - and not our enemy.

The policy platform of the new administration includes American leadership on global environmental issues. This means dealing with big issues, controversial issues, complex issues, - issues we cannot afford to ignore. This is also why I am so pleased to have this opportunity to speak here today, only a week after the presidential inauguration.

The Start II agreement, the chemical weapons agreement, and all the other major breakthroughs in disarmament which have made this world a safer place for ourselves and our children must be followed by equally bold steps that will safeguard the future of our planet. Today, despite the problems in places such as the former Yugoslavia, Iraq, Somalia or Cambodia, the gravest threats to our future come not so much from military aggression as from our own way of living, from tacit acceptance that poverty and destitution are facts of life in the South, and from extravagant use of natural resources in the North.

This means that we must deal with environment and development not merely as a pollution problem, but as a challenge to the present inadequate way in which our countries and the world are organized and governed. Exponential growth in our use of finite natural resources will inevitably come to a full stop. 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. We must chart a new course for global development, and soon, before it is too late.

The rich world has had a firm grip on the Third World for hundreds of years. We are now in a situation where that picture may change because we in the North have become increasingly dependent on developments in the Third World.

If the Third World sees no option but to follow unsustainable development policies, we too will become the victims of a shrinking ozone layer, global warming, loss of biodiversity and contamination of food chains - all global problems that cannot be stopped by border controls.

At the Rio Conference on Environment and Development, the developing countries presented their demands for equity and justice. They were right to point out that it is the industrialized world which is placing the greatest burden on the global environment.

They were reluctant to accept new requirements for self-restraint and pointed to how the rich world has been developing for decades without concern for the environment or finite natural resources. They rightly stated that poor and underdeveloped countries could not be asked forego development because the rich countries have used up environmental space.

The World Commission on Environment and Development, which I had the honour to chair, worked to find common ground between the North and the South. Our report, "Our Common Future", which was issued in 1987, focused on underdevelopment and poverty as a main cause and effect of environmental problems in the South. It focused on a different kind of underdevelopment, - the overuse of natural resources - as a main cause of environmental problems in the North.

Poor people and poor countries have few options but to overexploit their environment in order to survive. Poverty and uncertainty about the future serve as incentives for people to have more children since in many countries, children become an economic asset to the family when only 10 years old. When the population grows faster than the economy, if the latter grows at all, poverty becomes endemic. Rising numbers of poor, uneducated people who lack health services, safe water and energy will inevitably undermine their own environment and deplete the resources on which future generations depend.

The world population is now about 5.5 billion and it is growing exponentially. The World Bank stipulates that it might stabilize at some 12.5 billion by the middle of the next century. But where precisely it stabilizes in the range between 8 and 14 billions will depend on policy decisions. This is why it is so important that President Clinton has argued for the resumption of US funding for the United Nations population activities. Sound population policies must include far more than family planning alone. Raising the status of women, rising incomes for families, improved health and education are equally important.

The situation in Haiti serves a warning of what may happen if the downward spiral of poverty, population growth and environmental degradation is allowed to continue unchecked. The country's environment is being destroyed more rapidly than anywhere else in the world. The boat people making their way towards Florida may be only a tiny prelude to the global upheavals we will face. To avoid a proliferation of Haitis and Somalias we must assist developing countries in making a new start, gradually taking on the rights and obligations of equal partners.

If we should fail, our predicament can be variously described. Steady deterioration of the quality of life, traumatic for the rich, catastrophic for the poor, is perhaps the least dramatic way of describing humanity's future.

There is aid fatigue in the world today, not least as a result of domestic problems in many industrialized countries. Still we must operate on two fronts. We cannot afford to postpone international problems during our own healing period. I am often asked by friends in the Third World to emphasize Norwegian aid performance which for many years have remained in excess of 1 per cent of our GDP, - the highest in the world, and three times higher than the average for OECD countries.

Norwegian aid is poverty-oriented, and has focused on health, basic needs, women, children, education, family planning, and increasingly on the environment.

Yet, aid alone is not sufficient solve the poverty problem. Aid must be designed to help in building sound national economies and in implementing policies of social reform.

We must launch a full-scale, committed offensive against poverty and underdevelopment in the Third World. It will not be succesful unless the US is willing to take a leading role. If we provide comfort and restore hope, then we can avoid much more costly operations.

Now that communism is no longer a threat to our free societies, containment should no longer be a major motive for foreign aid. We must realize that it is in our own interest to assist the poor countries to achieve sustainable growth and to

integrate them firmly into the global economy. This will require that we relieve their suffocating debt burden, improve the quality and quantity of our foreign aid while we require that sound domestic social and economic policies are implemented. Even more importantly, we must remove our barriers to trade with the Third World as we must among ourselves. The conclusion of the Uruguay Round is now long overdue.

Energy consumption has grown by a factor of 20 over the past 150 years. Energy use is the key to any development strategy. The triple Es: energy, environment and economy are inextricably linked. Unless we find more prudent ways of using energy, this exponential increase in our energy use will continue. The problem will be further aggravated by the increasing needs for energy in the South where more than 90 per cent of the population growth will occur.

Much of today's environmental problems are caused by energy production and consumption. It leads to acid rain, deforestation, flooded valleys, polluted rivers, erosion of our architectural heritage and specific disasters such as Chernobyl and Exxon Valdez.

The World Commission on Environment and Development called attention to the need to improve energy efficiency and to shift towards a more sustainable energy mix. The Commission also pointed to the need to avoid extreme fluctuations of oil prices. We emphasized the difficulty of developing alternative energy sources as long as oil prices remain low and we recommended that new mechanisms for dialogue between producers and consumers be explored.

It would be highly irresponsible to continue to rely on the Doris Day doctrine in global energy relations. While exiting in some human relations, "que sera, sera" is not a principle that can guide our energy future.

We should treasure energy resources more, price them properly rather than subsidize them and keep more of them available for future generations.

At Rio, we adopted a watered down climate convention. It fails to set firm targets, but it is a new beginning and it requires that we start to implement climate policies immediately. Moreover, it is the first of a new generation of international environmental agreements as it laid down the fundamental principle that solutions must be cost effective.

The essence of this central principle is that we should aim at achieving maximum environmental benefit for the minimum cost. It is obvious that it will take longer - and that we all will lose -if we squander our resources on the most costly problems.

We should not request all countries to reduce their emissions

by an equal percentage. Clearly the marginal costs of reducing emissions by for example one ton will vary from country to country as well as between different sources within each country.

In a globalized economy, private companies often find themselves caught in a squeeze between the need to respond to national environmental demands on the one side and short term profit objectives on the other. They may also be facing foreign competitors who may be subject to less stringent requirements.

Let me use the example of acid rain to illustrate this problem: Acid rain is a serious problem for Norway. Ninety per cent of this pollution comes with the wind from other countries. The problem must therefore be dealt with at the regional level. Further reductions in Norway's own low SO<sub>2</sub> emissions would cost ten times as much as similar reductions in Poland. We could improve the environment far more quickly and cost effectively by promoting investment in clean-up operations in Poland rather than in Norway.

Norway contributes only about 0.2 per cent of global CO<sub>2</sub> emissions and can therefore only make a marginal contribution to solving the problem. Nevertheless, we have introduced high carbon taxes. Furthermore the tax is linked to the transfer of financial resources to developing countries as a means of helping them to curb their own emissions.

The US contributes 25 per cent of global CO<sub>2</sub> emissions. More important however, are the per capita figures. US emissions amount to 5,8 tons of CO<sub>2</sub> per person yearly, whereas the figure for Norway is only one-third of this. One of the reasons for our low figures is our abundance of hydro-power. France has a similar situation since their nuclear energy influences the statistics.

Although many people - including Mark Twain - have commented on the dubious truth of statistics - it seems irrefutable that the US could provide a major share of the answer to this global problem. To a non-American, it seems that this could be done by means of measures that would be sensible for a number of reasons, such as reducing the country's dependence on the resources in the Gulf and promoting development of renewable sources of energy.

Europeans have a hard time understanding how controversial the issue of taxing oil and gasoline is in the US. To us, very low gasoline prices seem such an obvious source of revenue which could provide at least a part of a solution to a deficit problem. Even when adjusted for inflation, the prices in the US after Iraq's invasion of Kuwait were far below those that sent the nation into fury in 1979 and 1980. Still, the price here is only one-fourth of that in Norway or in Italy.

About one-fourth of the price you pay here is tax, while the

picture is opposite in Europe where up to 3/4 of the price is tax. So American gasoline is in fact one of the "best buys" there is in any industrialized country, and such prices seem to offer little incentive for energy conservation. I am sure you will continue to debate this issue.

Speaking of incentives, the idea of "green-taxes" has increasingly become a subject of debate. Given the high level of unemployment in OECD countries, it is no wonder that new taxes are unpopular if they increase the burdens on private enterprise. "Green-taxes" could therefore be compensated by lowering other taxes.

In Norway, an official "green-tax Commission" has studied ways of pricing the environment more properly. In my opinion, sustainable development requires both a high level of employment and an improved environment. This cannot be achieved without changes in our economic policies. We must consider whether to lower taxes on the "good" things, such as work and investment and raise taxes on the "bad" things such as pollution and depletion of natural resources.

A report issued by the Washington based World Resources Institute indicates that tax increases generally spell trouble by discouraging work and savings and that they may trigger the flight of labour and capital outside tax jurisdictions.

However, a revenue neutral shift in taxation should be quite possible. If applied properly, such a shift could harness market forces in support of environmental improvements by inspiring companies and households to act innovatively and efficiently.

If applied successfully, such a shift would lead to additional net savings since damage to the environment and to public health would be reduced, as would the costs of incremental environmental protection measures.

Such a change would be more likely to succeed if it involved dialogue and cooperation between the private and public sectors. Environmental protection need not be anti-growth. On the contrary, it must fuel growth. Some companies may of course face short-term adjustment problems. We should not be euphoric and pretend that there will be no problems, but we should have faith in our innovative capacity. Look at what we accomplished with ozone-depleting substances. They are on the verge of being faced out completely because knowledge and skill were put into action to find alternatives once there was a prospect of regulation.

There is tremendous talent available in the US. There is no reason at all why both the economic and environmental performance of the US should not be the best in the world. I am convinced that millions of non-Americans felt that the President was right when he said in his inaugural speech : "There is nothing wrong with America which cannot be cured by

what is right with America."

I believe that all countries, rich and poor, are well advised to invest more in the skills of people. An increasingly well educated population must be the core of a new supply side agenda for the 1990s and beyond.

The US, Japan and Europe must be the engines of change. But technological advances in the North will only provide partial solutions unless technology is also disseminated to the Third World. This does not mean that we must weaken the protection that patents provide, in fact effective patent systems are necessary to promote technology dissemination and transfer, ensuring a proper return on research and development.

Patent protection has sometimes been regarded as a major barrier to the use of technology. However, studies commissioned in preparation for the Rio Conference raise doubts about this. The evidence indicates rather that lack of capital, lack of skills, lack of markets and the weakness of infrastructure are the major barriers to the diffusion of environmentally sound technology.

It is difficult to see how the Third World can become a reliable new market for high-tech products if the knowledge base is too thin. It would therefore be a good international industrial policy for governments to support companies to work with Third World companies in the fields of technology, research and development.

The ten largest companies in the US spend more on research and development than the entire Third World including China. Clearly, technology cooperation should become a natural part of forward-looking foreign policies.

The World Resources Institute has found that research and development funding has largely been devoted to fields of little relevance to environmental quality. The heart of the matter seems to be that in many countries, the need for new technology to solve environmental problems has been inadequately recognized, and that the role of governments in encouraging such technologies is poorly defined.

One problem is that technology is seldom widely spread when it is based on "technology push". "Need pull" is what is needed instead. The difficulty in the case of environmental technology is that this "need" is not a private need, but a public need. This is a serious problem as our economic systems do not sufficiently take into account harm done to people's welfare or the environment. A part of the solution must therefore be to make economic agents act in harmony with the need of society today and in the future.

Environmental and other public needs argue convincingly in favour of policies to support environmentally benign technologies. We need industrial policies with targets and

purposes that only democratic governments can set.

The 1990s will be a decade of destiny, in which we must summon all our human resources, our knowledge, and our moral conviction to seriously face the real challenge of the future. The forces of technology, of finance and of electronic communications must not be allowed to take over power which was vested in democracy to shape our future.

Therefore, the challenge of the 1990s is to deepen and widen the forces of democracy and to lift democratic decision-making also to the international level. Even the most powerful nation state, is too small for addressing global challenges.

If we maintain the illusion that each nation can act in isolation we risk postponement of critical decisions which will only be made effective when states act in cooperation: We also risk an increase in the current skepticism and lack of confidence in democracy, politics and politicians. People do not believe in politicians when they promise to do what is in reality beyond the reach of their present powers.

People are used to holding politicians accountable and to measure the results and how they are able to improve the quality of life. If the results do not meet people's expectations, they are quick to turn against politicians and the political system itself.

If this alienation is allowed to continue, we risk a gradual disintegration of our traditional political institutions. The anti-political establishment mood in many countries is one such sign. The increasing racism and xenophobia in many European countries is a frightening reminder of dark chapters in European history.

All our efforts to solve the new global threats must be unperpinned by true internationalism. There will be competition, clearly, but such competition between companies and countries must be governed by fair, open, agreed and enforceable rules.

In the final analysis the problems of environment and development depend on the global dissemination of the ideas of democracy. The unveiling of the environmental ecocide in Eastern Europe, committed under totalitarian rule, clearly show that only people who are allowed to participate in public life without fear will be able to build community purpose, instill social responsibility, and assert the larger vision only people can have of a just and sustainable future.

The resource of human minds and our ability to organize our communities, and community of countries, are what we must rely on in a major transition period towards a sustainable relationship between people and the Earth. If I had not believed that people would have the capacity to govern and to reconcile the two, I would have felt less inspiration working



politically to integrate environmental issues into policy making as I have been doing for nearly two decades.

We need a global democracy. This will only be possible if Europe and North America can lead, and, in the words of Winston Churchill who spoke here 50 years ago, "for their own safety and for the good of all walk together in majesty, in justice and in peace".