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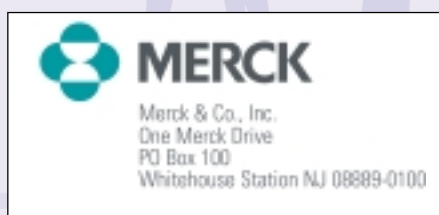
Sustainable Development and the New Economy

FORUM HIGHLIGHTS

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SUPPLEMENT



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OECD FORUM 2001 Building Partnerships for a Sustainable Future		Microsoft Executive Spells out Technology's Role in Cutting Poverty	
<i>Donald J. Johnston</i> , Secretary-General of the OECD	4	Keynote Address – Enhancing Sustainability through Information Technology	31
New Governance for a New Society		Organic Farming not Automatic Best Option for Developing World	
<i>Michel Demazure</i> , President of La Cité des Sciences et de l'Industrie	5	Agriculture and Sustainable Development	33
MAY 14, 2001		Trade and Poverty Reduction in the 21st Century	
Auken Calls for Global Deal on Sustainable Development		Keynote Address – Openness and the Challenge of Poverty Reduction in the 21 st Century	34
Opening Session	7	Governance Key Concern in Electronic Economy	
Decoupling Environment from Economic Growth		Reaping the Full Benefits of ICT in the New Economy	36
The Transition to Sustainable Development: Are We Making Progress in Decoupling Economic Growth from Environmental Degradation?	9	Sustainable Solutions and the Unsustainable Divide	
Cheaper Drugs will not Solve Today's Health Concerns		OECD Environmental Strategy for the 21 st Century	38
Health: Challenges for the 21 st Century	12	Politicians Alone Cannot Change Public Attitudes to Energy	
Newspaper Executive Frames “Storylist” for Sustainable Development		Sustainable Energy: Critical Factors in Energy Policy	40
Conversation with <i>David Ignatius</i> , Executive Editor, International Herald Tribune	13	Diversity is Key to Sustainable Energy	
Turning Information into Knowledge – and Money		Sustainable Energy: Fueling Sustainable Development	42
Fostering Knowledge-Based Enterprises	15	Can Profitability Go Hand-in-hand with Responsibility?	
Looking Beyond the Dot.coms		What is the Contribution of Corporate Responsibility to Sustainable Development?	43
New Economy, New Enterprises and dot.coms	17	Sustainable Development: NGOs Question Global Trade Policies	
Natural Capitalism makes Economic Sense		Trade, Investment and Sustainable Development	45
Keynote Address on “Natural Capitalism”	18	MAY 16, 2001	
Risky Technologies and Old Battle Lines		Economists Cautious About Impact of ICT	
Benefits and Risks of New Technologies	19	Implications of the New Economy	48
Transport Experts gloomy about the Road to Sustainable Development		Transparency is Key to Stability, Trichet Says	
Transport – Are we travelling to Sustainable Development?	21	Keynote Address – Preserving Monetary and Financial Stability in a Globalizing World	49
Harvard Scientist warns Environmental Damage Irreversible		New Trade Round Crucial for Developing World	
Keynote Address - Future of Life	22	Reaping the Full Benefits of Trade for Development	50
MAY 15, 2001		Globally Networked Model for Government over Traditional Hierarchies	
Beyond the Digital Divide		Globalisation and Governance	52
Digital Opportunities and the Digital Divide	25	Carter Challenges Rich Nations to Move Beyond Talk	
Rising Migration: from Public Disquiet to International Oversight		Message from <i>Jimmy Carter</i> , Former U.S. President and Chair of The Carter Center	53
Migration in the 21 st Century	27	Forum Partnership Opportunities	56
New Economy: Online Shopping or Shared Knowledge?			
Sustainable Development in the New Economy	29		

OECD FORUM 2001

Building Partnerships for a Sustainable Future

DONALD J. JOHNSTON, SECRETARY-GENERAL OF THE OECD



Donald J. Johnston

The OECD Forum has become a landmark in the life of the Organisation - an event that brings together leaders from business, labour and civil society to discuss and debate with government ministers and leaders of international organisations. The year 2001 was a special occasion as two cross-cutting OECD studies - on sustainable development and on the sources of economic growth - were at the heart of both the OECD Forum and the Ministerial.

Is the planet on a path of sustainable development? No, not without considerable changes in order to break the link between economic growth and environmental degradation. One highlight of the Forum was a series of round tables on sustainable development - an important initiative of the Danish and French governments - which provided a major input into the OECD Ministers session on sustainable development.

Is there a "new economy"? Yes, but ..., even when countries are awash with new technologies, it takes human skills and talent both

to operate them and to undertake the reorganisation of work and commercial relationships that can improve productivity and lift growth potential. And we must not ignore the risk of a digital divide both within OECD countries and between developing and developed countries.

As I reflect on the challenges of charting a sustainable future, I recall the comment from the late historian Lewis Mumford who said, "I am optimistic about the possibilities, pessimistic about the probabilities!"

For my part, I am optimistic about both, including the probabilities. But success also depends on building strong partnerships between government, business, labour and civil society. Stakeholders must be fully involved in the difficult policy choices almost every modern issue entails if we are to put the planet on a path of sustainable development and reap the full benefits of the "new economy". In this regard, I am very happy that OECD Forum 2001 took place at la Cité des sciences et de l'industrie, an institution devoted to public dialogue and the adventure of learning. ■

New Governance for a New Society

MICHEL DEMAZURE, PRESIDENT OF LA CITÉ DES SCIENCES ET DE L'INDUSTRIE

The rise of the “knowledge society” is not only happening in the economic and professional spheres, but in the public domain as well. The way our fellow citizens look at scientific and technical questions is changing radically. Not that their interest in such questions has been dulled, quite the opposite, but they are now much less interested in simply knowing the facts, phenomena and theories, and much more attracted by shared contemplation of the impact that new knowledge and new technologies are having on their own lives.

Most of the questions people today are concerned about fall into three broad areas: biology, meaning health, food, genetics and so on; the global environment, with questions like climate change and resources; and new technologies, their impact on jobs, quality of work etc. In short, these questions concern people's private and professional lives, as well as their children's future.

Remember that this more questioning attitude derives not only from a general shift in people's minds and in the way they see things, but also from the development of science (techno-science) itself, which is tackling increasingly complex, and hence debatable and uncertain issues. Indeed, within all this, science is now revealing its own uncertainty.

This shift in the relationship between science, technology and society has given rise to a new “profane knowledge”. In the medical field, for example, there is an increasing tendency for illness to be jointly “managed” by patients and their families. It is not all positive, because this shift also implies a certain privatisation of knowledge and a decline in shared knowledge, meaning that the public domain is (paradoxically) shrinking. The way modern media work contributes to the lack of perspective and coherence. A new socio-cultural framework is being created in which all opinions are of equal merit, all interpretations are equally valid and all claims – even contradictory – are justified.

Our usual form of governance in democratic societies is becoming obsolete as a result, particularly where scientific and tech-

nical questions or emotive issues, like energy, waste, the environment and food are concerned. The role of the “experts” is being challenged. Areas of instability are appearing in the triangular relationship between decision-makers, the media and public opinion. Undoubtedly, the major challenge facing our societies, which claim to be both technically advanced, open and democratic, is to sacrifice neither progress nor democracy. And that means constructing a new form of governance for today's new society. A step in this direction is OECD's Forum 2001, in which politicians, the media and civil society from around the world will debate together the question of sustainable development and the new economy. Building a new governance will depend on public dialogues such as this. ■



Michel Demazure

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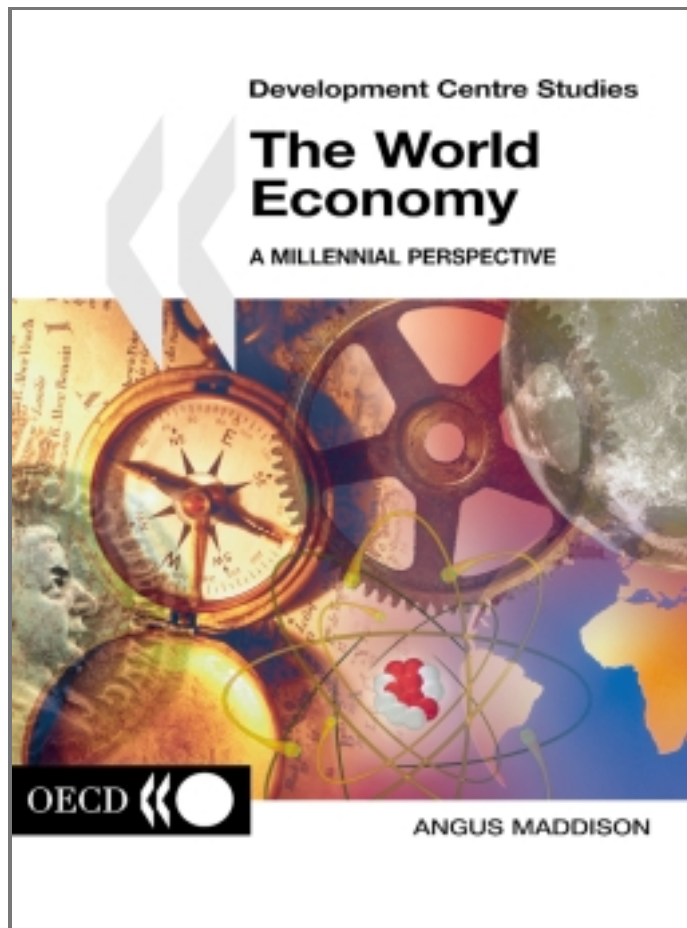
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Auken Calls for Global Deal on Sustainable Development

Opening Session

- **MODERATOR: MICHEL DEMAZURE**, PRESIDENT, CITÉ DES SCIENCES ET DE L'INDUSTRIE, FRANCE
- **SVEND AUKEN**, MINISTER OF ENVIRONMENT AND ENERGY, DENMARK
- **DONALD JOHNSTON**, SECRETARY-GENERAL, OECD

Svend Auken called for a global deal between North and South on sustainable development. OECD countries should take the lead, he said, in the overall objective of “decoupling environmental degradation from economic growth ... within, say, ten years from now.” While OECD countries have carried out some reforms, the record in general was bleak, despite the rhetoric, good intentions and a few successes. It is now time to go beyond fine words and into action.



Donald Johnston and Svend Auken

Mr. Auken's challenge was the first of at least three major elements of a global deal which the Johannesburg World Summit on Sustainable Development next year could pursue. In addition, Mr. Auken said, developed countries should address questions of poverty in developing countries by opening up their markets. Mr. Auken went on



Svend Auken

to urge developing countries to commit themselves to turning the World Trade Organization into a “genuine vehicle for sustainable development”.

One of the main purposes of any global deal would be to ensure that the developing countries can increase standards of living without having to go through the same stages of polluting technologies as the developed countries did, Mr. Auken explained.

He also called on developed countries to live up to their commitments on various international environmental agreements. “We have had sufficient

time to adjust till now,” he added. But on the key question of climate change and the US rejection of the Kyoto protocol, he was blunt: “Non-ratifiers should restrain from obstructing the drafting of the rules... As I said recently to friends in the American Administration: Don't poison the pie you will not eat.”

Mr. Auken noted that new OECD indicators to measure sustainable development as an integral part of its economic reviews could establish a “new way of thinking” about what welfare was about.

Donald Johnston said this year's Forum was “unique” in that for the

May 14, 2001

first time “its discussions will have a direct pipeline to the work of the ministerial meetings which will be held later in the week.” He said **Mr. Auken** would be reporting personally on the outcome of Forum discussions to the ministers and strongly urged Forum participants to intervene as much as possible.

Mr. Johnston described the OECD’s report on “Policies to Enhance Sustainable Development” as a comprehensive strategy for “decoupling” growth from environmental degradation. But he warned that OECD members have fallen “far short” on implementing policy options on sustainable development in the past.



Michel Demazure

“In fairness, we have to admit that the tradeoffs are difficult. They often imply losses for particular sectors at least in the short term,” he said. “And tangible benefits frequently do not

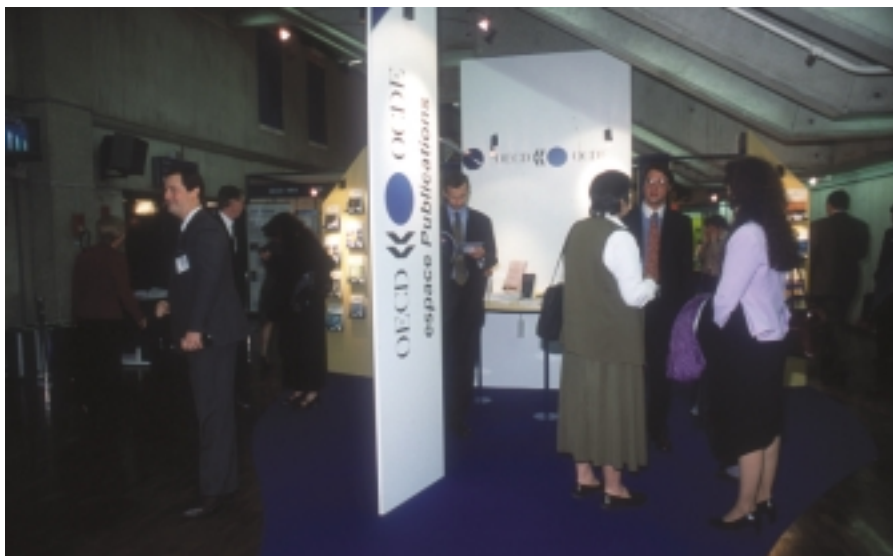
emerge in the course of a normal political cycle.” This was an “important defect in democratic systems...”

Poverty, **Mr. Johnston** said, was one of the major challenges to sustainable development: “The challenge before us now is to develop a real constituency for our shared future and close the gap between our economic, social and environmental policy goals and our actions.”

In this respect, OECD countries must exercise “leadership” especially as they moved towards a new trade round. But **Mr. Johnston** also placed responsibility for progress on sustainable development in the hands of business, consumers, labour, public interest groups and the general public.

It was a point taken up by **Michel Demazure**. He said public opinion had to be mobilised and citizens made aware of the “high stakes” involved if sustainable development was not just to become the preserve of private lobbies.

Mr. Demazure also warned of the negative effects of the “democratisation of science” where experts were increasingly being challenged and social consensus was extremely difficult to achieve in developed countries. ■



OECD stand at the Knowledge fair

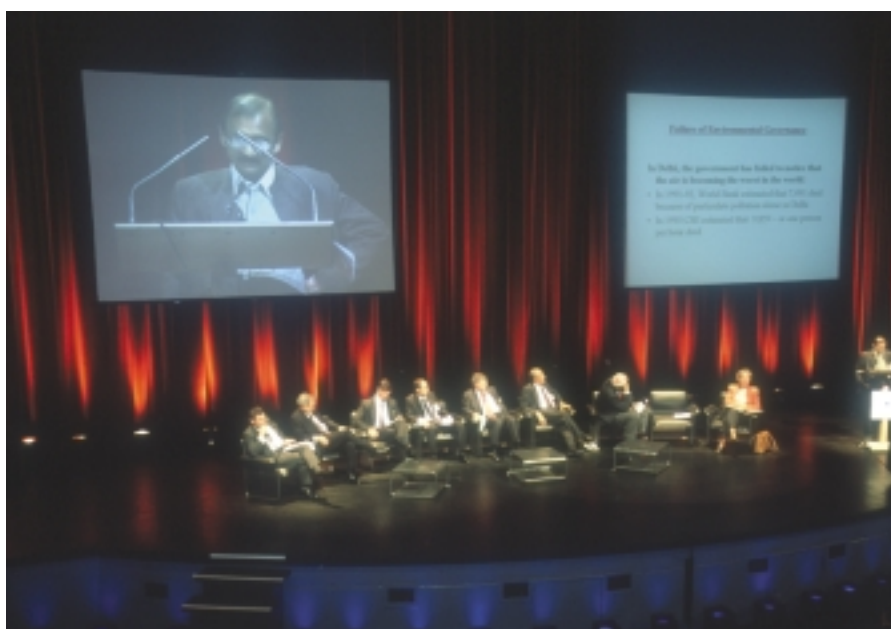
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Decoupling Environment from Economic Growth

The Transition to Sustainable Development: Are We Making Progress in Decoupling Economic Growth from Environmental Degradation?



Members of the panel

- **MODERATOR: CHRISTINE OCKRENT**, FRANCE TÉLÉVISION, FRANCE
- **ANIL AGARWAL**, DIRECTOR, CENTRE FOR SCIENCE AND ENVIRONMENT (CSE), INDIA
- **SVEND AUKEN**, MINISTER OF ENVIRONMENT AND ENERGY, DENMARK
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High hopes of reducing environmental degradation raised at the Rio summit of 1992 have not been borne out, according to **Svend Auken**. “The record doesn’t quite match the good intentions. It’s dismal, in fact. Environmental degradation has continued” since the global summit in Rio in 1992. Speaking from the audience, a delegate from the World Wildlife Fund (WWF) reminded the gathering of business, government, labour and civil society representatives that over the past 20 years total pollution in the industrialised countries, including Japan, Germany and the US, has increased by 28%.

Factors contributing to the failure include continued dependence on fossil fuels, population growth, poverty, political corruption, and ignorance, panel members said. Most frustrating is the fact that many governments and corporations still do not see that sustainable

development can occur without impeding progress. Denmark, for example, has experienced 70% economic growth since the oil shock, yet by switching to new sources of energy has not increased fuel consumption, **Mr. Auken** said. Indeed, by 2005, the country expects to reduce its dependency on fossil fuels by 33% and to reduce chemical emissions by 20%. New sources of energy have created 15,000 new jobs and power is now Denmark’s third largest export. With proof that sustainable development can be cost effective, the biggest cost of decoupling economic growth from environmental degradation is not



Christine Ockrent and Donald Johnston



Thierry Desmarest

economic but political, the Danish minister said.

Thierry Desmarest pointed out that market driven economies are relatively efficient, but was critical of the heavy taxation imposed for instance on gasoline. The industry could point to some notable successes, such as car emissions which between 1990 and 2000 were down by as much as 50% in some cases. It was possible to reduce greenhouse gases by 1.5% per year with normal programmes, and by 3% with crash programmes, but voluntary rather than governmental programmes should be used to reduce emissions. "Looking back, we can see that central governments have been a disaster for the environment", he commented. The fact that Total reduced its own greenhouse gas emissions by 10% between 1990 and 2000 is evidence that a free market can be the answer, Mr. Desmarest said.

Setsuzo Kohsaka supported this point, and cited the response to the 1970s energy crisis as a good example of how to face up to major difficulties. Notwithstanding that there had been a huge growth in emissions, making it essential to link growth to such sources as solar energy. Also there was a need for such policies as "walk to work," he said.

Eric Duvaud said there were two important factors that were a cause of optimism for the future. The new economy, with the enormous boost it could give to developing services, and the beneficial effect of globalisation within a framework of rules would be of great use in the adaptation of the overall economy. However, we should be careful to avoid "selling the same yoghurt worldwide" – in other words be aware of the need to tailor solutions according to local need.



Setsuzo Kohsaka

Anil Agarwal felt that as far as sustainable development was concerned, we should "get rid of" the state altogether. He said he strongly believed in democracy, but that "democracy has an extraordinary ability to produce incompetent politicians". He too saw the importance of small scale projects, exemplified by Indian villages which had taken their environmental regeneration into their own hands with excellent results. "The person who knows most about the village ecosystem is not a Harvard, MIT, Cambridge or even Delhi University professor, but the villager himself", said Mr. Agarwal, citing a formula villagers had used successfully on a water management project.

The continued divide between haves and have-nots is perhaps the greatest

obstacle to sustainable development, and open markets can't provide all the answers. Nitin Desai reported that the poorest nations use 80 Kw/hour of electricity per capita, while prosperous nations use 8,000 Kw/hour. "When we speak of decoupling, we can't continue to live in a world where there is a double order of magnitude between the richest and poorest," said Mr. Desai. "Education is key, many people don't even know what sustainable development means." He outlined the need to link the sustainable development agenda with the emerging agenda on poverty, and stressed that we will not achieve our target of halving poverty without addressing the resource base on which the poor depend.

Mr. Desai also agreed that technology was a major way forward for sustainable development, but pointed out how important it was that R&D focused on the most pressing, not the most financially rewarding issues. In fact, Simon Upton, who had taken on the role of "provocateur" and directed some stimulating questions to panellists and the floor, went on to



Nitin Desai



TotalFinaElf stand



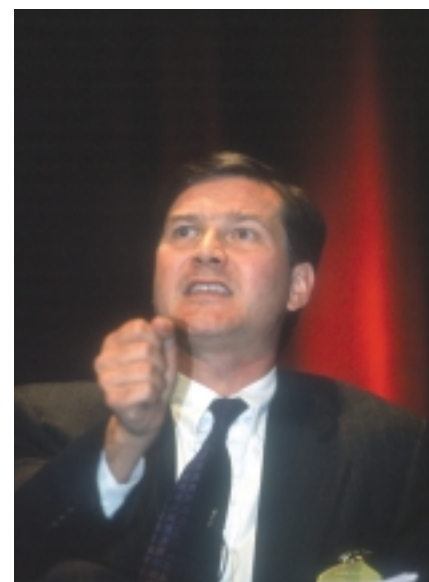
Eric Duvaud

ask the audience whether they thought the sustainable development problem could only be solved by a massive intervention of technology. Only five hands were raised in an audience of more than 700. While several panellists believe that information and technology and open markets will come to our rescue, others voiced a need for wide-scale reforms. **Nitin Desai** felt that, although we do need social and political action, we cannot rely on the

present political structure. Reforms are needed not just in developing countries, but also in the industrialised world. Integration of environmental change into market prices, if done globally, could help change.

Daniel Esty felt that there were two distinct points raised by the panellists. First, the problem of poverty – it is essential that we move beyond the divide between North and South, developed and less developed countries. Secondly, we must harness technology and innovation, and in a way that doesn't necessitate a trade-off. Rather than removing consumption altogether, we must find ways of making consumption less environmentally harmful through substitution. In the US, for example, there was a huge success in encouraging recycling but a failure to stop people driving. Studies showed that the major proportion of the population still using cars consisted of working women who needed their vehicles to juggle their home, childcare and work commitments.

The solution was not of course to force all women to stay at home, but instead to focus on other methods of mobility, **Mr. Esty** said. Technology also provides us with the major force of comparative data, which can be used to measure progress and shame countries into making the change for good. ■



Daniel Esty

Cheaper Drugs will not Solve Today's Health Concerns

Health: Challenges for the 21st Century

- **MODERATOR: DONALD JOHNSTON**, SECRETARY-GENERAL, OECD
- **JEAN-HERVÉ BRADOL**, PRESIDENT, MÉDECINS SANS FRONTIÈRES, FRANCE
- **RAYMOND GILMARTIN**, CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER, MERCK & CO. INC., UNITED STATES
- **BERNARD KOUCHNER**, MINISTER OF HEALTH, MINISTRY OF LABOUR AND SOCIAL AFFAIRS, FRANCE
- **CUNNINGHAM NGCUKANA**, GENERAL SECRETARY, NATIONAL COUNCIL OF TRADE UNIONS (NATCU), SOUTH AFRICA
- **ANDERS OLAUSON**, PRESIDENT, EURORDIS, SWEDEN

“Diseases such as HIV/AIDS are a common global enemy that threaten economic growth and national security,” said **Raymond Gilmartin**. If it continues, warned **Donald Johnston**, the wide gap in health status between developed and developing nations will greatly impede sustainable development.



Raymond Gilmartin

“The nature of the challenge is bigger than any country or company,” said **Mr. Gilmartin**, who suggested a multi-pronged attack – through government, private, and corporate partnerships – to effect real change. He cited Merck’s involvement with the Gates Foundation (established by the founder of Microsoft) and the government of Botswana to address HIV/AIDS, which, thanks to a combined \$100 million donation from the two corporations, has been able to develop its own broad education and disease prevention programme. This now serves as a model for other such programmes.

Mr. Gilmartin called for a global fund for diseases like AIDS, malaria and tuberculosis. But even with such a “modern-day Marshall Plan,” the grave health concerns in developing nations cannot be solved amidst political infighting and civil wars.

“The guns must be silenced,” said **Cunningham Ngcukana**. Conflicts in nations like Somalia, Angola, and Liberia are further exacerbating an already terrible situation by creating a huge refugee problem that in turn fuels huge health problems. **Mr. Ngcukana** questioned whether the West’s response might be different if it were its own people who were affected.

Bernard Kouchner reiterated that disease has no borders. He went on to applaud the World Health Organisation for convincing



Bernard Kouchner

governments of the North to share therapies with poorer countries. “The rich nations must invest in pharmaceutical research so pharmaceutical companies can give the molecules to the poor nations,” he said.

Disease and poverty create a vicious cycle that is increasingly difficult to break. While HIV/AIDS is generally under control in the rich nations, it has reached epidemic proportions in Africa. Of the 34 million people diagnosed with HIV, 24 million live in sub-Saharan Africa, now home to over two-thirds of the world’s HIV population. While whole populations and economies are headed for destruction, many in the West continue to harp on about the costs of these health problems.

“No one raises concerns about communication costs, but they do when the issue is health,” said **Jean-Hervé Bradol**. Mr. Bradol went on to praise the recent efforts by pharmaceutical companies to help out and called on medical associations to do more.

All agreed that raising money to bring treatments to poor nations is but a first step. After all, as Mr. Kouchner pointed out, even if we had an unlimited supply of drugs, we would still need to create infrastructures to provide education to populations, and provide doctors and health care professionals to manage the therapies. Sustainable



Jean-Hervé Bradol

health care practices are now needed. That means going beyond just supplying doctors and drugs. “We actually need something like ‘hospitals without borders,’” Mr. Kouchner explained. ■

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Newspaper Executive Frames “Storylist” for Sustainable Development

Conversation with David Ignatius, Executive Editor, International Herald Tribune

• **MODERATOR: SALLY SHELTON COLBY,**
DEPUTY SECRETARY-GENERAL, OECD

David Ignatius praised the OECD’s efforts in fighting corruption, while criticising his own country (the US) for avoiding the issue of tax evasion. He said the new Bush administration has wrongly pegged global efforts for reform as “malign”. “I find that disappointing,” Mr. Ignatius said. “The issue of corruption is a priority issue of the OECD. And it’s a lonely process, I know.”

Mr. Ignatius praised the OECD’s work in establishing its anti-bribery convention, which came into effect in February 1999. The convention



David Ignatius

makes it a criminal offence to bribe a foreign public official to obtain an international business deal. While

many countries have come out in support of the act, others believe drafting rules on such issues as

money laundering and tax evasion falls outside of the OECD's mandate.

After **Mr. Ignatius'** comments, **Fred Aftalion**, Vice-President of France's Association of Liberal Economists, ALEPS, argued differences in fiscal policy are healthy, allowing countries such as Switzerland to capitalise on foreign currency. **Mr. Aftalion** said he feared tax harmonisation would lead to a global tax burden.

But according to **Sally Shelton-Colby**, the OECD is not advocating tax harmonisation, and has always been in favour of competition. **Ms. Shelton-Colby** told delegates tax evasion amounts to a loss of more than a trillion dollars for national governments, and hampers their ability to reduce taxes. She said the OECD's recent work on problems of corruption has been widely misinterpreted.

"Many non-member countries, such as Brazil and India, believe they're being hurt by money going elsewhere," said **Ms. Shelton-Colby**. "This is not the OECD versus non-member countries."

However, corruption and poor governance were just two of six problems **Mr. Ignatius** outlined in a

"storylist" of issues surrounding sustainable development. Also included in his broad list were the global economy, health, food and the environment.

While **Mr. Ignatius** cited examples of upcoming series planned by his newspaper – including one on world food safety – he admitted it is often hard for journalists to frame stories around the issue of sustainable development. And when asked for his definition of the phrase, **Mr. Ignatius** replied with three questions: "Where do you have market failure? Where do you have destructive outcomes from market failure? And how do you redress that?"

Helen Anderson, Chief Scientific Adviser for New Zealand's Ministry of Research, Science and



Sally Shelton-Colby

Technology, noted several global divides, such as the ones between Europe and the United States, and between multinationals. She asked **Mr. Ignatius** for his thoughts on how to marry values with the ongoing political rhetoric she referred to as the "yak factor."

Mr. Ignatius said it comes down to the good old-fashioned notion of trust. "Globalisation empowers consumers as much as companies," he said. "For example, genetically-modified food needs the trust of consumers, and the most effective blacklist is the withdrawal of the trust factor."

And while trust takes time to develop, **Mr. Ignatius** said governments do not have the luxury of time in moving ahead with their reforms: "Left to itself, the global economy will mow down whatever is in front of it. The traditional process is not working. Like the model used in the Kyoto Protocol, if we wait for treaties [to be ratified] we'll wait too long."

Mr. Ignatius promised his paper would continue to gather the facts, while he challenged the world's governments to use these facts to take concrete action. ■

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Turning Information into Knowledge – and Money

Fostering Knowledge-Based Enterprises

- **MODERATOR: DANIEL FRANKLIN**, EDITORIAL DIRECTOR, ECONOMIST INTELLIGENCE UNIT (EIU), UNITED KINGDOM
- **JOHN BELL**, SENIOR ASSOCIATE, ALLEN CONSULTING GROUP, AUSTRALIA
- **ANDREA BONACCORSI**, ASSOCIATE PROFESSOR, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA; ECONOMIC ADVISER, MINISTRY OF INDUSTRY AND TRADE, ITALY
- **AKIRA GOTO**, PROFESSOR, INSTITUTE OF INNOVATION RESEARCH, HITOTSUBASHI UNIVERSITY, JAPAN
- **DANIÈLE ROUSSEAU**, PRESIDENT, DIRIGEANTES ASSOCIATION, FRANCE
- **ILIYA YUZHANOV**, MINISTER FOR ANTIMONOPOLY POLICY AND SUPPORT OF ENTREPRENEURSHIP, RUSSIAN FEDERATION



Members of the panel

certain extent power. People aren't always willing to share it."

How to move away from resource-generated income towards a more



Daniel Franklin

How to develop a knowledge-based economy in a world of glaring inequalities and self-interest? **Daniel Franklin** summed up the challenge at the beginning of the discussion, saying there were three main reasons why using information and knowledge to generate money "is not as easy as it may sound."

"One is the technology barrier," said **Mr. Franklin**. "Although the Internet creates the opportunity, the systems are often incompatible with one another. The front office and the back office – that can be a barrier."

"Secondly, understanding what knowledge you need is, if you like, an insight barrier... and thirdly, the human barrier. Knowledge is to a

sustainable model based on knowledge and harnessing information and communications technology (ICT) was the core of the problem discussed. The panel addressed the gaps that continue to plague all countries in the global village – including the undisputed leader of the pack, the United States. These include the gender gap in business, the gap between domestic human capital and employment opportunity, and the sizeable gap between ICT creation in the US and in the rest of the world.

Akira Goto argued technological progress requires a less restrictive patent system. The issue is especially pertinent to Japan, **Mr. Goto** noted, with the country facing a rapid decrease in population and its labour force. By 2007, **Mr. Goto** said, capitalising on knowledge will be crucial to his home country's

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economic development. "Knowledge is easy to copy," said Mr. Goto, "but properly managed, it provides incentives to innovate. Under the pro-patent system, scientific knowledge that used to be published in journals and texts, has now become proprietary knowledge. The international community needs to support shared research and ideas."

All the panellists agreed that throughout the 1980s and 1990s, the United States played the patent game best. The country used the system to assert ownership of potentially money-generating ideas; it then established a dedicated court of appeals in Washington to cement internal patent claims.

It is no coincidence that over the 1990s, the United States forged the strongest direct link between scientific research and development and new technology, said **Andrea Bonaccorsi**. Mr. Bonaccorsi pointed out that the United States "made a spectacular increase, with Europe and Japan lagging behind." Meanwhile, his data suggested the Far East, Canada and Australia have poorly translated science into technology. Examples of science and technology at work together, said Mr. Bonaccorsi, are the biotech industry, GMO foods, pharmaceuticals and telecommunications.

But Dr. John Bell argued that a developed ICT sector was not needed to benefit from technology. How to use it was important. Australian farmers, Dr. Bell noted, have used new global positioning tools to allow them to harvest crops 24 hours a day, maximising land area – and minimising labour costs. "Governments need to use the products of knowledge-based enterprises," said Dr. Bell. "And you don't have to be the generator of patents. It is true that the Americans



Andrea Bonaccorsi

have one set of rules and the rest of us try to do something different, but I'm a bit relaxed about it. Some of these patents aren't worth the paper they're printed on."

Danièle Rousseau argued that a healthy knowledge-based economy needs to make use of the resources it has – that is its potential workforce or human capital. "New technologies require new economic agents, and companies don't always make use of women" said Ms. Rousseau. With women entrepreneurs increasing, Ms. Rousseau warned that a waste of women's talent is a waste of assets.

Iliya Yuzhanov said that despite a growth rate of 8% last year, his country remains hungry. "Our growth rate was largely resource-based, and our government wants to move ahead on fostering knowledge-based enterprises," said Mr. Yuzhanov. "That's why our government has begun to subsidise businesses with the potential to make the knowledge-based industry work." ■

Looking Beyond the Dot.coms

New Economy, New Enterprises and dot.coms

- **MODERATOR: RISABURO NEZU**, DIRECTOR FOR SCIENCE, TECHNOLOGY AND INDUSTRY, OECD
- **OSMAN BIRSEN**, CHAIRMAN AND CEO, ISTANBUL STOCK EXCHANGE
- **FRANCES CAIRCROSS**, MANAGEMENT EDITOR, THE ECONOMIST, UNITED KINGDOM
- **VIRGINIA LITTLEJOHN**, CHAIRMAN AND CEO, TRADEBUILDERS, UNITED STATES
- **TAKESHI SHINOHARA**, CHIEF CONSULTANT, NOMURA RESEARCH INSTITUTE, LTD., VISITING PROFESSOR, KYOTO UNIVERSITY, JAPAN

“**D**ot.coms are part of the trouble,” said **Frances Cairncross**, as the excesses of dot.com speculation had served merely to blur predictions of IT’s real impact. The significant future, it was agreed, would be harder to predict, but all those involved in the discussion agreed that long-term outcomes of the new technology currently in use remained somewhat obscure, though their views were seasoned with overall optimism. **Ms. Cairncross** went on to say: “We are not very interested in technological change in its own right. New technologies come and go; the really important ones are the ones that not only fulfill a real human need, but also have an economic effect.” Just as it took 100 years for the real effects of electricity to come out, it could take another 50 years or so for the real benefits of the “new economy” to become apparent. The public sector, she said, will undergo a radical change undoubtedly once it adapts to new information technology.



Frances Cairncross

Virginia Littlejohn presented a vision for “democratising” globalisation through the expansion of international trade — a vision of increasing international trade as shifting the competitive advantage of nations, while admitting that those left out of the globalisation process have become part of a group of “have-not” nations. Recent popular backlash against globalisation, she said, was an “over-reaction,” what she called “the demonisation of globalisation,” which in its sweeping denunciations, is unfair and unjust.” She cited a lack of understanding of the benefits of globalisation as the main basis of these fears, saying that “economic development ... can happen in both developed and developing countries [from] new trade opportunities.” As she mentioned, TradeBuilders has developed technology that enables online “virtual” trade negotiations, which would be considerably cheaper to run than conventional talks, allowing greater access by the smaller businesses that had long been excluded from this process.

Ms. Littlejohn went on to call for a public education campaign to

improve public understanding of the value of globalisation, calling the Seattle and Quebec City protests a result of public misunderstanding of the benefits of globalization. When pressed by an audience member about the possibility that the protests may have highlighted a need for a more flexible system of global government, she called the arguments against globalisation “distorted, and one-sided.” “There is a prime need right



Virginia Littlejohn

now,” she said, “which I hope the OECD will help address, to increase the dialogue by bringing more stakeholders to the table, including ... participants in the dialogue, who right now are battling more at the barricades and in the newspapers rather than in a collaborative problem-solving mode.”

As far as changes made by the new economy are concerned, **Osman Birsén** argued that Europe’s future is bright so long as a renewed effort is made to foster entrepreneurship. Encouraging entrepreneurship with realistic evaluations, he asserted, will allow lagging countries to catch up.

Takeshi Shinohara spoke of cultural influence on the development of technology in Japan, where shopping habits and lifestyles have set the course for supply and product development. The future, he claimed, will see all products and services designed with IT and a “Ubiquitous Network” in mind, one to which all

individuals will be somehow connected. Japan’s model of convenience store-driven electronic commerce with end-users turning up and buying in cash, he emphasised, could serve as a framework for sustainable development that could be easily transferred across borders.

But dot.coms and IT were still just part of the equation. Human capital had to be a key trait of the new economy, which has implications for migration. As **Frances Cairncross** said, “Brains are the real factors of production. We need to realise this and allow for it.” ■

Natural Capitalism makes Economic Sense

Keynote Address on “Natural Capitalism”

- **MODERATOR: JOHN WEST**, HEAD, PUBLIC AFFAIRS DIVISION, OECD
- **AMORY LOVINS**, CHIEF EXECUTIVE OFFICER (RESEARCH) AND TREASURER, ROCKY MOUNTAIN INSTITUTE, UNITED STATES

Capitalism in the 21st century should take account of people and nature as well as the more traditional elements of money and goods, according to **Amory Lovins**. **Lovins** asked “Is there a way we can do business as if nature were valuable?”. The answer is “we had better” if we are to reverse a situation where gathering food from fishing is hampered by “shortages not of nets and of boats, but of fish.”

In the first industrial revolution, the problem of lack of people to produce goods was resolved by using technical innovation to make people 100 times more productive, he said. “In the next industrial revolution, already under way, we have abundant people and scarce nature ... Now it is not people but nature that we need to be using much more productively.”

It is not true that environmentally-neutral solutions are more costly than traditional methods, **Mr. Lovins** said. He cited successful banana growing in mountains where temperatures fell to – 4°C by using an unheated but well-insulated building and the fact that similar insulation for a house would cut the electricity use by 90% and pay for itself in 10 months. For a large building, insulated techniques and no air conditioning would mean 80-90% less energy use, it would take six months less to build and would cost up to 5% less than an air conditioned building, **Mr. Lovins** said.

He also cited the Hypercar project, a hydrogen-fuelled car whose basic design **Mr. Lovins** put into the public domain eight years ago and which could go into production as early as 2005. The car uses a carbon fibre body which is strong but far lighter than traditional metal structures, and its only waste product would be hot water, **Mr. Lovins** said. If the vehicle were to take off, it could replace traditional cars in 20 years, he added.



Amory Lovins

Companies should think in terms of “unsaleable production” rather than “waste and emissions” because “that makes us ask why are we producing this thing if we cannot sell it; let’s design it out.” “International organisations such as the OECD have a responsibility to tackle disruptive commercial flows” and help ensure commitments on environmental and social responsibility which have as much force as other international treaties in areas such as trade, **Mr. Lovins** said. ■

Risky Technologies and Old Battle Lines

Benefits and Risks of New Technologies

- **MODERATOR: MARTIN CAUCHON**, MINISTER OF NATIONAL REVENUE AND SECRETARY OF STATE RESPONSIBLE FOR THE ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC
- **ADOLF BIRKHOFFER**, CHAIR OF REACTOR DYNAMICS AND REACTOR SAFETY, TECHNICAL UNIVERSITY OF MUNICH, GERMANY
- **CHRIS FLAVIN**, PRESIDENT, WORLDWATCH INSTITUTE, UNITED STATES
- **JEAN-DANIEL GARDÈRE**, DIRECTOR GENERAL, CENTRE FRANÇAIS DU COMMERCE EXTÉRIEUR
- **AMORY LOVINS**, CHIEF EXECUTIVE OFFICER (RESEARCH) AND TREASURER, ROCKY MOUNTAIN INSTITUTE, UNITED STATES
- **BJÖRN STIGSON**, PRESIDENT, WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

Energy and new technology dominated this very lively discussion on risk management for sustainable development. Technology has brought humanity

lots of advantages, but it “has put our global eco-systems at risk”, claimed **Chris Flavin**. Take greenhouse gases: they are caused by technologies for extraction and combustion. Rainforest destruction has been permitted by an array of technologies; and so too have organic chemicals constantly building up in our bloodstreams, contributing to cancer and genetically-based diseases. Building an environmentally sustainable economy demands developing a new relationship with technology. The struggle is to control technology while enjoying the many benefits. But we have only partly succeeded because technology races ahead. New technology carries risks and no company introduces a new technology without extensive consultation and close attention to the possibility that there may be problems that are not immediately apparent.

Nuclear energy, which emerged prior to the time of such sophisticated processes, is a case in point. “Lessons

have been learned, both in terms of money and risk, and despite a period of rapid expansion between the 1960s and 1980s, the global nuclear enterprise has essentially ground to a halt now.” Nowadays, transgenic farming, while still expanding, is doing so at a much slower rate as we continue to come to terms with the problems and regulatory aspects. According to **Mr. Flavin**, successful technological introductions in the future will involve large scale public consultation; the fact that the innovation has taken place and there is profit potential will not be enough.

The trouble is that in periods of innovation, new vulnerabilities and indeed, surprises, can emerge, said **Adolf Birkhofer**, a renowned engineer and expert in reactor dynamics and technological risk management. New technologies are different because whereas old technologies are simply introduced and quickly accepted, several new technologies pose a risk of serious accident. They demand serious risk assessment for health and safety and regulatory regimes to prevent accidents from happening throughout a technology’s life cycle, as shown in the energy sector. And as new technology becomes more complex, so these safety regimes become more critical.

Quite apart from being unsafe, nuclear energy is uneconomic to run: this was the plank of the argument put forward by **Amory Lovins**. “Whether nuclear power can beat coal power doesn’t matter, because energy efficiency and renewables,



Martin Cauchon and Adolf Birkhofer

which are also CO₂-free, cost far less than either. This concept of opportunity cost appeared to be missing from energy policy.” According to **Mr. Lovins**, no nuclear manufacturer made money except on repairs. So, rather than argue about nuclear safety, “we should not be wasting time on it at all.” For **Mr. Lovins**, any one of three energy sources - more efficient end-use, more efficient gas use, and windpower - can beat nuclear plants economically.

Luis Echavarri, Director-General,
OECD Nuclear Energy Agency,



Björn Stigson

speaking from the floor, did not agree with **Mr. Lovins'** point of view. He argued that in the United States the capacity of nuclear plants had risen to 90% over the past ten years, and

20% of US electricity comes from nuclear, despite the fact that no new plants have been constructed in 20 years. The operating life of some plants was now being extended. Of course, the well-known risks have not disappeared, notably regarding safety, waste disposal and proliferation, **Mr. Echavarri** acknowledged. On safety, huge strides had been made and the technology was now safe. Waste disposal was a problem, but burial was being tried as a safe option. On proliferation, he recognised the usefulness of the Non-Proliferation Treaty. Improving public perceptions and participation was vital. The energy debate, **Mr. Echavarri** said, would be continued in more detail on the next day.

Meanwhile, new technologies carry other, more abstract risks. Rather than closing digital gaps and bringing societies together, **Jean-Daniel Gardère**, worried that the information society risked reinforcing established powers and dependency relationships. The new industrial revolution was built on tools that were hard to put together efficiently and reliably: competitiveness was based on abstract issues of quality, innovation, image, ethics. The emphasis was on relationships between people and machines, between machines themselves, and between people. Mastering this complexity would give specialists an advantage.

Björn Stigson decried the lack of public understanding about technology and its beneficial uses. Balancing risks and benefits of technology is difficult, in part because there is no accepted process for doing so. Smoking, for instance, carried a direct risk, whereas other, external, risks are more complicated. Moreover, as in the case of nuclear energy, the beneficiaries are often different from those who are exposed to the risk. Therefore, new technology is most often emotively seen as a problem creator, more than a problem resolver, he said, contrasting the Northern hemisphere's ethical GMO debate with the growing demand for this technology in the South. How do we judge acceptable risk? How clean is clean enough and who will be the judge? Scientists and politicians are not the ones people necessarily trust. These doubts call for building processes for balance and trust.

There was some scepticism from the floor that the sustainability debate had moved on in the last 10 years. Some pointed out that wind power for instance had its own environmental problems, but the biggest problem was that the sustainability debate was being held back by old battles, such as between market forces and state, while the institutions for sustainable development had not emerged at all. ■



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Transport Experts gloomy about the Road to Sustainable Development

Transport – Are we travelling to Sustainable Development?

- **MODERATOR: JOHANNE GÉLINAS**, COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT, CANADA
- **JEAN-PAUL BAILLY**, PRESIDENT AND DIRECTOR GENERAL, RÉGIE AUTONOME DES TRANSPORTS PARISIENS (RATP), FRANCE
- **TAGE DRAEBYE**, DRÆBYE CONSULTING AND MANAGEMENT, DENMARK
- **MICHEL FRANCK**, PRESIDENT, PARIS CHAMBER OF COMMERCE AND INDUSTRY
- **ANNE-MARIE IDRAC**, DEPUTY OF YVELINES, NATIONAL ASSEMBLY, FRANCE



Johanne Gélinas

The transport world is clearly not on the road to sustainable development — participants generally agreed that there was a wide gap between the desire for improved air quality and safety, less congestion and the ability or willingness of government, business and the public to deliver.

“The challenges are huge and most of the developments in the transport side are going in the wrong direction,” said TAGE Draebye. “We are not travelling towards sustainable development. The challenges are accepted ... but are extremely difficult to convert into action.”

Michel Franck acknowledged that while cleaner fuel, alternative energy, swapping old cars for new and other solutions promised a lot in terms of sustainable development, he expressed little confidence in the new

economy’s ability to deliver sustainable solutions. He referred to one popular misconception that home deliveries by ordering products on the Internet would help reduce car journeys, which in France amount to 64% of all journeys. But preliminary studies have shown that increased Internet shopping does not necessarily reduce the number of car journeys, while increasing freight trips.

Jean-Claude Bailly said there was greater need to integrate public transportation into urban planning. “New technologies are opening up new opportunities to improve services and infrastructure like automatic ticketing, signalling, driverless trains and the prospect of solving services to outlying areas where demand is weaker than in urban areas,” Mr. Bailly said. But he stressed the new economy would not take over from the old.

Anne-Marie Idrac said pricing, which is a popular mechanism to control transportation habits, was not necessarily a deterrent. The closure of the Mont Blanc tunnel through the Alps has not increased use of the railways, even though going by road is now longer and more expensive, chiefly because of the level of service, she said. “There is a big gap between what people say they want and the reality of what they do,” she said.

Lucien Royer, a senior policy advisor from the Trade Union Advisory Committee to the OECD (TUAC), used his intervention from the floor to underline the need for more partnerships between employers and unions to facilitate sustainable transport. And responding to another question from the floor, Ms. Idrac said it was essential children be educated more about the problems of sustainability in transportation because they often don’t understand the need for change in consumption behaviours. ■



Jean-Claude Bailly

Harvard Scientist warns Environmental Damage Irreversible

Keynote Address - Future of Life

- **MODERATOR: DONALD JOHNSTON**, SECRETARY-GENERAL, OECD
- **EDWARD O. WILSON**, UNIVERSITY RESEARCH PROFESSOR AND HONORARY CURATOR IN ENTOMOLOGY, HARVARD UNIVERSITY, UNITED STATES

Exploitation of the natural environment is growing at an unsustainable rate ultimately risking human survival itself — that was the uncomfortable message of Professor E. O. Wilson.

Economists have long ignored the real cost of environmental degradation, he said, because they do not use the right statistics. The key statistic for measuring sustainability is called the ecological footprint — the average amount of productive land and coastal marine environment appropriated by each person around the world for survival. In the developing world, which has 5 billion of the earth's 6 billion population, that footprint is about 2.5 acres per person. That compares with a footprint of around 24 acres in the United States.

“For every person in the world to reach US levels of consumption with existing technology would require four more planet earths,” Professor Wilson said. With so many technological and scientific advances to celebrate, what humanity is neglecting is “much of the rest of life, environmental security and part of what it is to be human.”

Professor Wilson said that although scientists now know that our biosphere is richer in diversity than ever before realised and it took three billion years to evolve, it is being eroded so fast that the loss will inflict a heavy price on wealth, security and the human spirit. With world population past 6 billion and on its way to 8 billion by mid century before it is likely to drop, the per capita portion of arable land and fresh water available is dropping to levels that resource experts agree are very risky.

Professor Wilson is one of the world's foremost experts on biodiversity and has received numerous environmental awards and two Pulitzer awards. He warned of the mass extinction of eco-systems



Edward O. Wilson



Edward O. Wilson, Denis Lamb and Donald Johnston

and species. “The damage already done cannot be repaired within any meaningful time that has meaning to the human mind,” he said. “The more it's allowed to grow, future generations will suffer for it in ways that are both well understood now and still ... unimaginable. The radical reduction of the world's biodiversity is, I believe, the folly our descendants will be least likely to forgive us.”

One of the tragedies underpinning this destruction is that we still have little idea of just how many animal and plant species there are on the planet. There are, he said, around 1.5-1.8 million known species but countless others that have not ever been described by scientists. “We have just begun to explore the planet.”

On this point, he commended the OECD's “very worthwhile initiative” in creating the Global Biodiversity information facility (GBIF), an international science facility which aims to provide worldwide access, via the Internet, to information about the known 1.8 million species of organisms that inhabit the earth.

The exponential loss of natural habitat and consequent loss of biodiversity is “stunning”,

Professor Wilson said, citing several examples. NASA has calculated that about 5% of the earth's surface is burned every year, much of it to the detriment of the world's tropical forests. He said the Philippines was one of the hardest hit parts of the world but there were other shocking examples including the West Indies, Brazil and Africa.

"A 90% reduction in area ... means extinction of half of the species. (The land) can only sustain half that number of species," he said. "The rate of destruction of tropical rainforest is equal to about half of all

the state of Florida each year."

But Professor Wilson sounded a more optimistic note on the resources being poured into environmental protection. He said NGOs were best placed to spearhead the global environmental protection and the largest of the environmental groups can draw on budgets of between \$50-100 million. "The resources to solve this problem (sustainable development) exist. Those who control those resources have many reasons to achieve that goal, not least their own security," he said in conclusion.

In response to a question by Marsha Johnston of the Sustainable Business Investor Europe magazine, he said that 1.2 million square kilometres of ecologically threatened land could be secured for about \$4 billion. "At the end of the day, however, it may be essentially an ethical decision. A civilisation able to envision God and an afterlife and to embark on the colonisation of space will surely find a way to save the integrity of the magnificent planet and of the life it harbours," Professor Wilson said. ■

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Beyond the Digital Divide

Digital Opportunities and the Digital Divide

- **MODERATOR: HISANORI ISOMURA**, PRESIDENT, THE JAPAN CULTURAL INSTITUTE IN PARIS
- **MICHEL BON**, CHAIRMAN AND CEO, FRANCE TELECOM, FRANCE
- **JOSHUA BRENKEL**, SENIOR VICE PRESIDENT, HEWLETT PACKARD
- **DAE WHAN CHANG**, EXECUTIVE CHAIRMAN, WORLD KNOWLEDGE FORUM COMMITTEE, PRESIDENT AND PUBLISHER, MAEIL BUSINESS NEWSPAPER AND TV, KOREA
- **DAVID DUNN**, CHAIRMAN, IN TOUCH TECHNOLOGIES HOLDINGS, LTD.
- **DENIS GILHOOLY**, DIRECTOR, ICT FOR DEVELOPMENT, UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
- **AMADOU CHEIKH KANOUTÉ**, REGIONAL DIRECTOR FOR AFRICA, CONSUMERS INTERNATIONAL, SENEGAL



Members of the panel

The problem of the digital divide is very real, but the Internet can also help repair social damage and bridge the gap between rich and poor, said



Michel Bon

Michel Bon. That is why France Telecom has launched an initiative to bring free and lower-cost Internet access to lower-income areas in France.

Panelists agreed that both government initiatives and private sector participation would be needed to provide universal Internet access and the improved education necessary to function well in the knowledge economy. In confronting the social and professional challenges of information and communications technology (ICT), Mr. Bon said, it has also become necessary to educate the politicians who initiate programs on a government level.

Joshua Brenkel emphasised the benefits of globalisation in bringing ICT to developing nations.



Joshua Brenkel

“Whenever foreign companies come to the third world, they bring ICT with them,” he said. In order to bring the Internet to everyone, however, infrastructure would have to improve



Dae Whang Chang

while access methods would have to evolve into smaller, more compatible and affordable devices.

Nearly half of Korea's citizens are now online, largely thanks to private and public co-operation, said **Dae Whang Chang**. The government has instituted free Internet access for all students until the 12th grade, and for all involved in the subsequent mandatory two-year military service. There has also been generous government support for programmes to give computers to middle- and lower-income families. Meanwhile, a market-oriented method has allowed for a high level of Internet cafés and an extremely low access cost to users.

David Dunn emphasised the need for a type of "prepaid Internet access," pointing to the rapid growth in telecoms in the third world through prepaid access cards and mobile phones. "Most of the world isn't equipped with a credit card to access the goods and services of the Internet," he said, and a new payment method would allow for

more rapid growth in the developing world.

Denis Gilhooly called for a more international and global effort to combat "not the digital divide, but the same social and economic divide that has always existed between the developed and non-developed world." Faster liberalisation would help bring higher investment in ICT infrastructure in the third world, but efforts in the non-developed world would have to be designed to allow for market failures.

Amadou Cheikh Kanouté agreed with this point, asking for the creation of a super-national body to intervene when markets fail. He said that public-private partnerships and tax incentives were excellent for increasing connectivity, and insisted that while the digital divide was

enormous in Africa, fair access to a more transparent marketplace would encourage participation there.

Mr. Fantini, an Italian delegate from the AEEG student association, asked how developing countries could avoid repeating the errors that had left industrialised countries with "poisoned" food and air and water pollution. **Mr. Kanouté** responded that we must be careful to look at development from a different perspective that is not just figure-oriented.

Neil Anderson from Union Network International said the panellists had not dealt satisfactorily with the question of affordable access to new technology. He said they seemed to be suggesting that third generation mobile phones are the answer, but mobile phones are far more expensive for the user than fixed line phones. ■



Maeil Business Newspaper stand



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Rising Migration: from Public Disquiet to International Oversight

Migration in the 21st Century

- **MODERATOR: JOHN MARTIN**, DIRECTOR FOR EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS, OECD
- **ARTURO D. BRION**, UNDERSECRETARY, DEPARTMENT OF LABOR AND EMPLOYMENT, PHILIPPINES
- **NINO CHKOBADZE**, MINISTER OF ENVIRONMENT AND NATURAL RESOURCES PROTECTION, GEORGIA
- **RICCARDO FAINI**, PROFESSOR OF ECONOMICS, UNIVERSITY OF BRESCIA, EXECUTIVE DIRECTOR, INTERNATIONAL MONETARY FUND (IMF)
- **BRUNSON MCKINLEY**, DIRECTOR GENERAL, INTERNATIONAL ORGANISATION FOR MIGRATION
- **MICHEL CARON**, NATIONAL SECRETARY, CONFÉDÉRATION FRANÇAISE DÉMOCRATIQUE DU TRAVAIL (CFDT)
- **HASSAN ABOUYOUB**, AMBASSADOR OF MOROCCO TO FRANCE AND FORMER MOROCCAN MINISTER OF TRADE



Members of the panel

The image of hungry, sick refugees shipwrecked on the shores of developed nations may be the public's impression of migration, but it represents just a sliver of a deeply complex and worsening problem that has far-reaching economic, social, and environmental implications for the entire planet. How to manage the flows and prevent the kinds of human rights and other abuses that can happen to workers – particularly those who migrate illegally – was a central issue of this panel.

John Martin started off by raising a key challenge — the brain drain. “If OECD countries attract skilled labour

from the South, how does it impact these nations?”

Arturo Brion, whose country has an estimated 7.2m workers distributed around the world, knows this question well. “The experiences of many countries over the years show that while migration issues are difficult to manage, migration has persisted because it addresses real economic needs in receiving countries.” This is particularly true of many Western nations facing ageing populations. For developed countries, immigration can help solve some labour problems, and according to **Mr. Brion**, this may also be true for the sending country, as migration can help ease labour market oversupply.

Developing nations will continue to look to offshore markets to employ their surplus labour and benefit from the remittances they can bring. Worker remittances can be a source of sorely needed capital to developing nations, said **Riccardo Faini**. In 1998, India received \$9.5 million in remittances, Turkey \$5.3 million, and Nigeria \$1.5 million.

But even with these benefits, the social costs of immigration are high, leaving broken family and social networks behind. “Ideally, we should implement development efforts that would generate adequate wage and self-employment opportunities locally as an alternative to overseas employment,” said **Mr. Brion**. In the



Nino Chkbadze

meantime, he said, the focus must be on protecting those people who do leave through bilateral/multilateral agreements with host countries to prescribe protection protocols for migrant workers.

Other countries are overwhelmed by migrants displaced by human rights abuses, armed conflict, and natural disasters. Georgia is a prime example. Nino Chkbadze, reported that the country is now home to 300,000 internally displaced people, including 7,000 who fled armed conflict in Chechnya. "This burden to our natural resources is striking," she said. "We are not in a position to supply the basic material needs, even providing drinking water is a problem."

Ms. Chkbadze believes that more than capital investments, Georgia needs jobs development to stabilise the country. She also appealed to the international community to do its part to prevent military conflict, which has created refugees in practically every nation of the former Soviet Union. A participant from the floor drew attention to a high-level meeting of OECD's Development

Assistance Committee (DAC) in April that approved guidelines on conflict prevention, bringing attention to small arms, a contributing factor in local conflict.

While much of the world's migration happens between developing countries, where more than half of the world's 150 million migrants live, migration is increasingly affecting the entire world. Mr. Martin reported an upturn in migration flows into OECD countries recently, increases that are needed to offset population and labour market declines. But the increased flows are politically thorny, with the perceived threat to locals in host countries fuelling discrimination and fear.

Not surprisingly, public opinion towards migration continues to be unfavourable, reported Mr. Faini. Despite research showing very little correlation between immigration and low wages, and zero correlation between migration and unemployment, when asked if there are too many migrants, roughly half of those polled within OECD countries said, "Yes."



Brunson McKinley

One reason for this, said Michel Caron, is that people often see migrants only as "manpower." This dehumanising perspective, he believes, threatens workers rights everywhere, no matter where they work. "We have to focus on the transferability of rights," he continued, "and need the co-operation of trade unions throughout the world." He cited a recent agreement with ClubMed, a tourism company, on the treatment of seasonal workers, many of whom are Moroccan.

Hassan Abouyoub agreed that while his country loses highly educated people to Northern countries (some 200 Moroccans each year are accepted to France's high-level *grandes écoles*), Moroccan universities train roughly 11,000 non-Moroccan African students annually.

There is little doubt that bilateral, regional and international trade regimes are starting to have an effect on migration. An example of a good policy, said Brunson McKinley, is the EU's evolution of a harmonised

migration regime, as a counterpart to its customs unions. In the future, he said, programmes and policies will need to make special considerations for women (particularly in the context of health and protection), children (unaccompanied minors and trafficking of children), and health (specifically reproductive health and the spread of HIV/AIDS). ■

New Economy: Online Shopping or Shared Knowledge?

Sustainable Development in the New Economy

- **MODERATOR: LIONEL FONTAGNÉ**, DIRECTOR, CENTRE D'ETUDES PROSPECTIVES ET D'INFORMATIONS INTERNATIONALES (CEPII), FRANCE
- **SVEND AUKEN**, MINISTER OF ENVIRONMENT AND ENERGY, DENMARK
- **CECILIA BRIGHI**, INTERNATIONAL DEPARTMENT, ITALIAN CONFEDERATION OF WORKERS UNIONS (CISL), ITALY
- **JOANNE KAUFFMAN**, DEPUTY DIRECTOR, CENTER FOR ENVIRONMENTAL INITIATIVES, MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT), UNITED STATES
- **H. SCOTT MATTHEWS**, RESEARCH DIRECTOR, GREEN DESIGN INITIATIVE, CARNEGIE MELLON UNIVERSITY, UNITED STATES
- **SHALINI VENTURELLI**, PROFESSOR, INTERNATIONAL COMMUNICATION POLICY, AMERICAN UNIVERSITY AND THE INTERNET CITY, UNITED STATES
- **JAMES WILSDON**, SENIOR POLICY ADVISER, FORUM FOR THE FUTURE, UNITED KINGDOM

The digital revolution will not automatically bring benefits for the environment, said **H. Scott Matthews**. "The jury is still out on the question of net benefits from e-shopping". In any case so far it accounts for no more than 1% of total US consumption, according to **Mr. Matthews**. He noted that often e-mail order book purchases led to negative environmental effects, with, for example, popular books being individually shipped to customers using high polluting modes of transport instead of more

ecologically-friendly modes such as bulk shipment. Often, too, consumers did not travel less because they were e-shopping but rather used online purchasing to free them up for traffic-augmenting expeditions elsewhere.

Lionel Fontagné said that new technology is not always an advantage because increased use of



Lionel Fontagné

green products will weaken gains. Governments do not have a clear picture of the right institutional architecture, or of where the debates should take place.

Svend Auken asked "What's so new about the new economy?" He said information technology (IT) was a tool that could not alone change the nature of the economy. IT facilitated research and development, innovation, but also new forms of

organisation, increase of labour force and import of capital.

"The flip side of this has been a certain instability, since many people have invested their pension funds in this unstable capital", said **Auken**. He also warned of the danger of intellectual life being "impaired, because of being commercialised".

However, the IT revolution also provided some positive changes, according to the Danish minister – such as abundance of data, and the possibility of better managing systems for energy consumption. He gave the example of water pumps that can now be operated through digital systems that have decreased power use by 70%.

Joanne Kauffman said notions of sustainable development and the new economy were not givens. The process needed to be managed, because there were many interconnected aspects, and things often did not work out as generally foreseen. She quoted the example of the "paperless office", a widely expected benefit of increased computerisation, which had in fact not come about. On the contrary, in the US, for instance, there had been a substantial increase in the amount of office paper generated.

Ms. Kauffman stressed also that knowledge was not information. It was more accurately a knowledge chain, a new way of thinking with wide

**Cecilia Brighi**

ramifications into such areas as the environment. It would notably help in identifying the drivers of the economy.

Cecilia Brighi thought the question of definition was important. “The knowledge society must be socially-based”, she said, emphasizing the importance of bridging the digital divide that had opened up between advanced societies and the developing world. She recalled a South African court decision aimed at making widely available cheaper AIDS treatment as a reminder that intellectual property issues were really key democratic questions.

In a short intervention from the floor, **Christine Maxwell of the Internet Society** warned of the danger of publishers going into “fortress mode”, while **Mr. Auken** emphasised that the current major problem was to avoid creating new impediments to the free circulation of knowledge and information. “Maybe we need a new index, something that measures the increase in the number of lawyers,” he joked, to the amusement of a full auditorium.

Other comments from the floor included a call from a North American participant to ensure that the new economy produce ‘only winners with no losers’ while **Norwegian trade unionist Bjorn Erikson** called for a return to the situation where governments ensured wide diffusion in the public domain

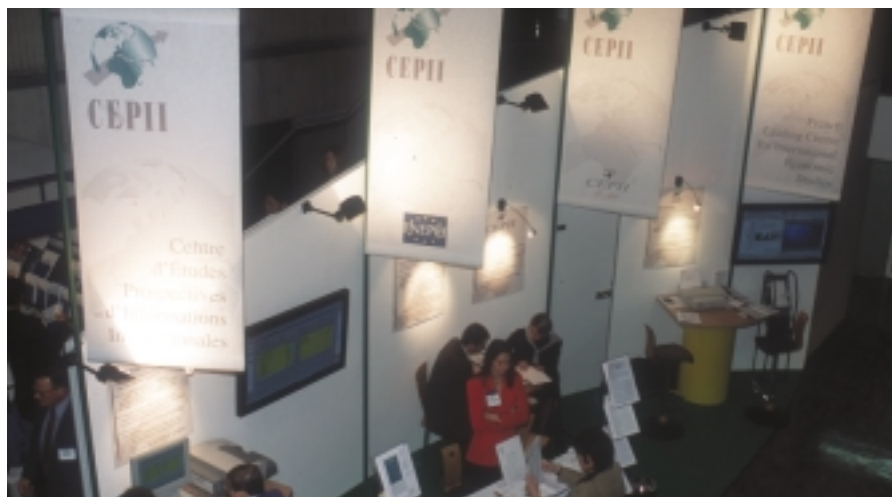
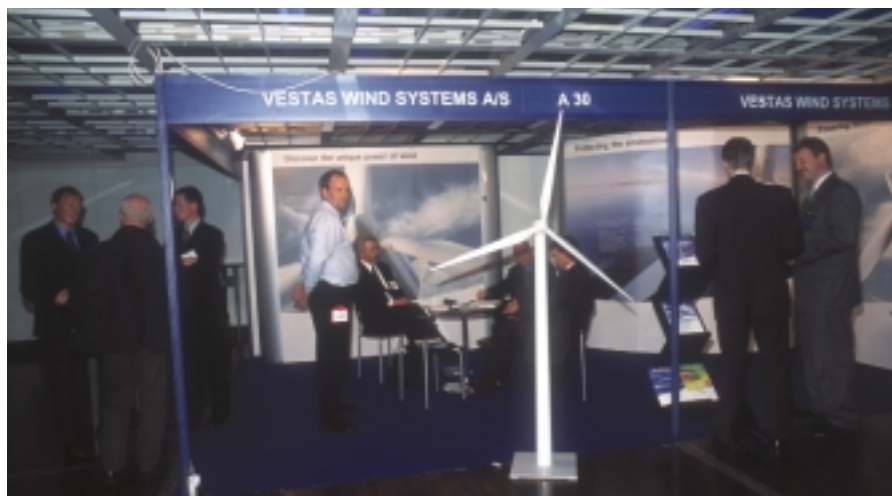
of research that increasingly was being held in private hands.

James Wilsdon said the important thing was to build a bridge between information technology and sustainable development. He produced a list of “Ten Dot commandments” but the point that aroused most interest was the final commandment: a plea for time to think in a digital age where people work harder and harder, yet often lack the time to think about what they are doing.

Shalini Venturelli stressed the importance of knowledge access and underscored the key link of

**Joanna Kauffman**

sustainable development to civil society. “We need to think about ideas more than technology,” she said. “What we are really talking about today is the ideas economy, and the balance between short term and long term concerns is vital.” ■

**CEPII stand****Vestas Wind Systems stand**

Microsoft Executive Spells out Technology's Role in Cutting Poverty

Keynote Address - Enhancing Sustainability through Information Technology

- **MODERATOR: CHRIS BROOKS**, DIRECTOR, PUBLIC AFFAIRS AND COMMUNICATIONS, OECD
- **BERNARD VERGNES**, CHAIRMAN EMERITUS, MICROSOFT EMEA, FRANCE

Information technology (IT) can be a useful tool for development but it is no substitute for good management and cannot in itself be a cure-all for the poorest countries, said **Bernard Vergnes**. IT was playing an increasingly useful role in facilitating existing efforts towards sustainable development, according to **Vergnes**. But he cautioned that IT was just a tool that might help solve many of the world's development problems. "Approaching this challenge we must recognise that technology itself is not a panacea," he said.

But **Mr. Vergnes** stressed that the so-called digital divide "really is a symptom" of existing gaps between the rich and poor, sick and healthy, fed and starving of the world and not a whole new disease. He said nonetheless there were two ways in which IT could help solve these existing problems. First in what he called IT-based development, where information technology was exploited directly as a platform to build sustainable IT industries in developing countries.

India with its \$4 billion software industry, the Philippines, China and



Bernard Vergnes

Mexico were primary examples of successful "outsourcing" of IT manufacturing from the industrialised world, he said. A skills shortage in Europe and the United States is offering enormous opportunities for those developing countries which are able to provide highly-skilled IT workers, he said. And IT skills can be nurtured outside traditional educational milieux to include the disadvantaged and disabled.

But in response to a question from **Bob Middleton of the UK's East Midlands Development Agency**, **Mr. Vergnes** said the lion's share of IT manufacturing and development would continue to come from the United States. It was, he said, only a

distant hope that the balance might change in favour of the developing world.

The second way information technology is helping sustainable development is through "IT-assisted development" - the indirect application of IT to assess development problems and design solutions in countries where poverty and hunger need to be dealt with before any IT development can even be thought of.

Mr. Vergnes pointed to Microsoft's own experiences in using IT technology to solve concrete humanitarian problems - in Kosovo and sub-Saharan Africa. Microsoft employees suggested a computerised registration system that helped the United Nations High Commissioner for Refugees to respond to the desperate need of refugees in Kosovo for food, shelter and clothing. "This system was developed, tested and deployed in less than two months and facilitated everything on the field from distribution to assisting the reunification of families," he said.

Microsoft also designed a hand-held device to gather data on malaria victims in sub-Saharan Africa so that relief teams on the spot were able to relay information for rapid delivery of

medical supplies to afflicted areas. It has also enabled experts to map malaria patterns across the continent for the first time.

“The critical distinction was whether the technology really helped address basic needs or just created a distraction,” he said, stressing that these were examples where IT came into its own in serving practical human needs. But he said one problem was public apathy in developed countries. “The public is not very receptive to problems of north and south,” he said, so disseminating information about



Chris Brooks

what IT can do was difficult. Moderator **Chris Brooks** suggested **Mr. Vergnes** could talk to the Organisation's Development Assistance Committee which every

year compiles a rating of how much countries give in development assistance to developing countries. “That's a very powerful tool of communication which does have financial leverage and also network contacts in developing countries,” **Mr. Brooks** said.

Responding to another question from the floor, **Mr. Vergnes** said it was essential to defend intellectual property rights. “We will fight for intellectual property recognition because we believe it is the only way that innovation will keep on going,” he said. “If everything is free why should people keep on inventing.”

Bjorn Erikson of the Norwegian Confederation of Trade Unions asked what the solution was for a fast-moving, young world of work where people feared finding themselves out of work once they have “worked like hell” for a few years and start getting older. **Mr. Vergnes** said the real point for the future is for people to realise that “the job they want today is a job that will get them educated” because the key for the future is lifelong learning to cope with continual change, he said. ■



Microsoft stand

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Organic Farming not Automatic Best Option for Developing World

Agriculture and Sustainable Development

- **MODERATOR: SOPHIA LAMBERT**, DIRECTOR, WILDLIFE AND COUNTRYSIDE, DEPARTMENT OF ENVIRONMENT TRANSPORT REGIONS (DETR), UNITED KINGDOM
- **JEAN-ROBERT ESTIMÉ**, CHEMONICS INTERNATIONAL, DIRECTOR, PROGRAMME LDI / USAID MADAGASCAR, MADAGASCAR
- **LIZ HOPKINS**, DIRECTOR, INTERNATIONAL UNION FOR CONSERVATION OF NATURE, NETHERLANDS
- **HANS JOEHR**, ASSISTANT VICE PRESIDENT, NESTLÉ S.A., SWITZERLAND
- **SUNG-HOON KIM**, SPECIAL ADVISOR, KOREAN FEDERATION OF FARMERS ORGANIZATIONS, FORMER MINISTER OF AGRICULTURE, KOREA
- **HÉCTOR TORRES**, ARGENTINIAN DELEGATION TO THE WORLD TRADE ORGANISATION

Organic farming is not always the best option to boost agricultural production in developing countries, according to **Jean-Robert Estimé**. "In Madagascar, we have many rural, small farmers who have never used chemicals and some utilisation of chemicals may be necessary for development," said **Estimé**. "Trade liberalisation and market reform is not enough. Farmers must have access to packages including technical assistance, credit and inputs."

Héctor Torres agreed that conventional farming should not be abandoned in the name of sustainable development. However, **Torres** chastised the current policies of



Jean-Robert Estimé and Sophia Lambert

OECD countries, whose subsidies and tariffs, he said, were at least partially to blame for problems and political unrest throughout developing nations. "The OECD has calculated the total support estimate provided by member countries to the agricultural sector was in 1999 more than US \$360 billion. That's more than the African continent's GDP, excluding South Africa," **Torres** said. "And as a result, prices aren't reflective, which harms competition."

Torres said some have suggested the way out is to not reduce, but rather add new subsidies such as so-called green subsidies to encourage more environmentally friendly production. "But this is as foolish as turning on the air-conditioner while keeping the heat on," **Torres** said.

From the floor, **Pete Hardstaff**, a trade policy officer with a U.K. conservation organisation, said he

fully supported **Torres'** call for reform. "Conventional wisdom maintains that the most efficient farming is the cheapest. Yet, as a number of panellists have pointed out," said **Hardstaff**, "it is not efficient to degrade and destroy the natural environment on which agriculture depends. How can truly efficient agriculture be promoted without being undermined?"

Torres said protecting the environment is always opting for the future. "In the short term, it is cost," he said. "It rarely pays. And what producers tell you in developing countries is, 'You must be mad. The long and the medium term are an extravagance. I am just coping to survive.'" **Torres** said if European governments want to compensate farmers for not using pesticides, it can be done with direct and targeted measures - but not with price support.



Sung-Hoon Kim and Hans Joehr

Liz Hopkins said, “We need to develop indicators of monitoring biodiversity. Free trade is not ‘free’ if market prices don’t reflect environmental and social costs.”

Sung-Hoon Kim agreed that sustainable agriculture needs to get on the international agenda. He said he has witnessed a growing number of organic farmers in his country. He pointed to a government survey that found that over the past four years, Korean farmers have cut their pesticide and insecticide use by half, while actually increasing their average income. Kim called on the forthcoming WTO ministerial conference to pay due attention to the growing importance of environmentally friendly agriculture.

Hans Joehr echoed that call and said that his business depends on factors he cannot control. The use of chemicals and genetically modified seeds, he argued, takes away consumer confidence - and what is at stake today is an issue of global concern. Joehr said given the media attention and political treatment recent issues such as BSE and foot and mouth have received, Nestlé does not see something so simple as organic food as an overall solution. “In ancient times, the hunter or the farmer directly shared his food with his family. The producer and the consumer were part of the same family,” said Joehr. “Today, we have a chain ...and things are getting complicated.” ■

Trade and Poverty Reduction in the 21st Century

Keynote Address - Openness and the Challenge of Poverty Reduction in the 21st Century

- MODERATOR: MICHAEL ROESKAU, DIRECTOR, DEVELOPMENT CO-OPERATION, OECD
- MICHEL CAMDESSUS, CHAIR OF THE CENTRE D’ETUDES PROSPECTIVES ET D’INFORMATIONS INTERNATIONALES (CEPII) COUNCIL, FRANCE

Trade and poverty reduction go hand in hand but if further trade liberalisation is to be achieved, countries will need to address also the whole question of global governance, said Mr. Camdessus. If the world’s trading nations are to be any more successful in global talks in Dohar in November

than they were in Seattle in 1999, when they failed to agree on new negotiations, they will have to take this into account, according to Mr. Camdessus.

“The ultimate systemic threat today is poverty,” Mr. Camdessus said, citing former Mexican finance minister Angel Gurría. Openness in trade must be perceived as integral to a growth policy centred on poverty reduction, and only if a new cycle of trade talks is seen as a prerequisite for sustainable development in all developing countries will it have any chance of success.



Michel Camdessus

He noted that World Trade Organisation director general Mike Moore has said that if OECD countries cut barriers to trade in agriculture, services and manufactured goods, it would boost the world economy by \$613 billion (the size of the Canadian economy), while the removal of such barriers would boost growth by nearly \$1.9 trillion (twice the size of the Chinese economy). See article by Mr. Moore in OECD Observer 226/227.

Mr. Camdessus said that, to avoid a repeat of Seattle, all players must realise that issues that go beyond the sphere of trade cannot be resolved by trade ministers – or indeed any other kind of minister – alone, and that the approach to trade negotiations inherited from the General Agreement on Tariffs and Trade (GATT), with its concession bargaining and ‘green room’ restricted discussions has had its day. In addition, the key systemic issues we face cannot be reduced purely to their trade or financial dimensions but must be seen in a social context, while any trade round must be looked at not just from the perspective of trade balances, but also from the viewpoint of a global development policy. And developing countries are now aware that there can be no significant trade agreement without their effective participation and commitment.

“We need to stop talking about a trade round with a focus on development and instead seek a development policy based on open trade,” he said. If a new round is launched it must take the above points into consideration. Developing countries must be in the driving seat and must reassess their politics in the context of sustainable development. It is up to the industrialised countries,



CEPII stand

however, to provide the financial and technological assistance to ensure that the costs do not further disadvantage the developing world.

But this is still not enough. Mr. Camdessus said that we need to look at world governance, often a ‘taboo’ subject. A body is needed to arbitrate between various powerful interests, which is seen as legitimate and fairly representative of all countries, North and South. He stressed that this was totally different from the G7 habit of inviting selected countries to meet with them depending who was fashionable at the time. He also stressed he was not advocating world government, but world governance. A simple way would be for the ministerial meetings of IMF and World Bank members which occur every year to be upgraded to head of state and government level.

The question of global governance also requires rethinking the responsibilities of existing international institutions, Mr. Camdessus said. For instance, the WTO should not be asked to go beyond the remit of its charter to deal with labour standards when that is the work of the International Labour

Organization (ILO). Rather the ILO should be strengthened and take responsibility for implementation of core labour standards. Also, to make the United Nations more credible, we have to strengthen its capacity to act on the environment. And of course, as underlined by a question from the floor, it is essential that people in both developing and industrialised countries are educated so that they can support the political leaders in their call for change.

To conclude, Mr. Camdessus repeated his conviction that trade, development, the environment and world governance are linked. We must continue to develop this link on an institutional level. “Do not forget that it is not just a question of getting more growth from trade liberalisation but more higher quality, fairer growth, governed by a more legitimate decision making process.” In response to questions from the audience, Mr. Camdessus further explained that by fairness he did not mean redistributing skills, but removing existing regulatory settings which act as artificial obstacles to trade, and ensuring that each country’s views are heard, irrespective of its size or geographical location. ■

Governance Key Concern in Electronic Economy

Reaping the Full Benefits of ICT in the New Economy

- **MODERATOR: MARIA CATTUI**, SECRETARY-GENERAL, INTERNATIONAL CHAMBER OF COMMERCE (ICC)
- **DONALD L. EVANS**, SECRETARY, US DEPARTMENT OF COMMERCE
- **GÖRAN HULTIN**, EXECUTIVE DIRECTOR, EMPLOYMENT SECTOR, INTERNATIONAL LABOUR ORGANIZATION (ILO)
- **BRUNO LANVIN**, EXECUTIVE SECRETARY OF DOT FORCE, GLOBAL INFORMATION COMMUNICATION TECHNOLOGY, WORLD BANK
- **CHRISTINE MAXWELL**, TRUSTEE, INTERNET SOCIETY (ISOC), CHAIR OF THE INTERNET SOCIETAL TASK FORCE (ISTF), INTERNET SOCIETY (ISOC)
- **ERKKI ORMALA**, DIRECTOR OF TECHNOLOGY POLICY, NOKIA GROUP, FINLAND
- **MARC ROTENBERG**, EXECUTIVE DIRECTOR, ELECTRONIC PRIVACY INFORMATION CENTER (EPIC), UNITED STATES

How might cross-border electronic trade affect taxes and customs? What implications does an electronically linked workforce have on labour and the workplace? Will people embrace on-line transactions if privacy remains a concern? These issues cannot be left to chance, according to this panel discussion.

Bruno Lanvin asked if we will be able to take care of the question of the standards that will guide the development of the new electronic economy "before it takes care of us?" "Moving from a resource-based economy to a knowledge-based



Maria Cattui and Erkki Ormala

economy will not happen automatically," said Erkki Ormala, "it needs some facilitation." Mr. Ormala advocated an inclusive governance that considers the concerns and needs of a broad range of stakeholders.

One example is the International Corporation for Assigned Names and Numbers (ICANN). Originally part of the US Department of Commerce and eventually privatised, ICANN manages all Internet addresses, protocols and domain names. Though many agree it has some faults, it will most likely serve as a model for future governing bodies. Its detractors say ICANN is not inclusive enough and needs to make provisions for at-large membership; its supporters point to the fact that the board includes only representatives from industry and the public (the

government has no seats on the board).

"This is the first time in world history that government is on the sidelines," said **Wolfgang Kleinwächter**, professor of international communication, University of Aarhus, a speaker from the floor. "It's an interesting innovation: governance without government."

Donald L. Evans agreed that the ICANN model is effective. "In the US, we try to move things to the private sector as fast as possible. We believe that competition and free enterprise works." Indeed, it appears that governance of the new electronic economy will remain in the private sector, with guidance and support from local and international governments.

If “global rules are moving away from government regulations to a new era of self-regulation,” as **Mr. Ormala** suggested, development agencies, NGOs, and other groups will need to be concerned with a variety of issues:

- **Privacy**

“Privacy protection in the electronic age is as critical as the protection of the environment was in the industrial age,” said **Marc Rotenberg**. He praised OECD’s groundbreaking work - starting in 1992 with its Comprehensive Security Guidelines, its 1997 cryptology guidelines, and its 1999 report on e-Commerce - as a strong foundation to build on. He warned that there will be great unrest if we cannot instil trust and confidence in the general public.

- **Training and Education**

The benefits of the electronic economy will not be widespread if people cannot use the technology. We are no longer in an age where early education will suffice for life, and



Donald L. Evans

provisions for vocational training and life-long learning are essential, said both **Göran Hultin** and **Bruno Lanvin**.

- **Inclusiveness**

“When it comes to the Internet, information and ideas must not just be from North to South,” warned

Mr. Lanvin. **Mr. Rotenberg** agreed, saying that “when it comes to decisions in the evolution of the Internet, we must take every opportunity to include the public voice.” The shortage of address space is another serious problem affecting inclusiveness, added **Christine Maxwell**.

“No actor can address these issues alone,” concluded **Mr. Ormala**. He called on governments to invest in technology infrastructure, help foster competitive market conditions, and work toward cost-effective access for their citizens. He went on to challenge development agencies to track best practices, and business to share knowledge more freely.

What is at stake, reminded panel moderator, **Maria Cattai**, is “nothing less than the ability of countries, economies, and companies to not only survive, but to compete in the future.” ■



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Sustainable Solutions and the Unsustainable Divide

OECD Environmental Strategy for the 21st Century

- **MODERATOR: DAVID ANDERSON**, MINISTER OF ENVIRONMENT, CANADA
- **CHRISTOPHER BOYD**, SENIOR VICE PRESIDENT, ENVIRONMENT AND PUBLIC AFFAIRS, LAFARGE, FRANCE
- **ELIAS EFTHYMIPOULOS**, DEPUTY MINISTER FOR THE ENVIRONMENT, PHYSICAL PLANNING AND PUBLIC WORKS, GREECE
- **REG GREEN**, DIRECTOR, HEALTH, SAFETY AND ENVIRONMENT, INTERNATIONAL FEDERATION OF CHEMICAL, ENERGY, MINE AND GENERAL WORKERS' UNIONS (ICEM)
- **JOHN HONTELEZ**, SECRETARY GENERAL, EUROPEAN ENVIRONMENTAL BUREAU (EEB)



David Anderson

OECD governments should do far more to “green” their public procurement practices and support sustainable development by example was the call made by **John Hontelez**, who welcomed the OECD’s new environmental strategy, but found some areas wanting, such as procurement. Sustainable development was seen too much by OECD as being in parallel to growth and trade liberalisation, rather than as an overarching theme, **Mr. Hontelez** said. He challenged the OECD to an ambitious target: To stop the growth in kilometre freight transport by 2010.

Elias Efthymiopoulos focused minds on the energy and transport sectors, which were responsible for a large share of environmental problems in OECD countries. Car ownership was set to nearly double worldwide in the

next ten years, for instance, and this required action. Energy taxation was one approach, but it had complications (possible negative effects on inflation, growth and jobs in the short term at least), and there was no consensus on how to apply it or indeed agreement on whether it would work. In the meantime, energy saving processes could be promoted via tax incentives for instance, while encouraging innovation in new technologies.

This session on the OECD’s environmental strategy for the 21st century produced a deluge of questions from the floor, concerned at slow progress by governments on meeting environmental concerns, and — in the words of one panellist — “outrage” at the Bush administration’s attitude on climate change and its rejection of the Kyoto protocol. **Mr. Hontelez** said other countries

could not accept that the country most responsible for emissions should not be part of the solution. He argued that Americans were hostage to a small elite of powerful industrialists and that US attitudes could change.

Education, leading to heightened individual and community awareness about ecological dangers, was broadly seen as valuable in influencing public opinion. **Reg Green** argued that workplace training was key, since workers’ knowledge is then transposed into the community at large. The worker was an essential part of any sustainable development strategy.

Christopher Boyd agreed — indeed, business was generally supportive of the OECD’s approach on sustainable development, which would help bring sustainable development into the mainstream of government thinking, where it was most lacking up until now.



Christopher Boyd

But as for improved pro-environment measures by business and industry, instruments and incentives were judged to be the best means of bringing about action, he said. BIAC members preferred voluntary guidelines to legislation and coercive measures. The former encouraged a maximum “can-do” co-operative approach, whereas imposed legislation prompted companies to do what was minimum to comply. Why tax energy, for instance, which would penalise intensive energy suppliers like Lafarge, rather than creating incentives by making alternative solutions cheaper? As long as businesses remained unconvinced that green taxes were for more than just raising government revenue, they would be against them.

To a question from the floor, Mr. Boyd said Lafarge was perhaps ahead of the curve on sustainable development but was by no means alone among businesses. Mr. Boyd saw sustainable development as an opportunity, but the market and in particular, innovation, not government heavy-handedness, was the way to make progress. OECD should encourage innovation more. Energy taxes distort prices, while ridiculous subsidies of “unsustainable” industries, had to be reformed.



Radio Classique stand

David Anderson observed that there were three ways to cope with environment issues: through education, coercion and by using incentives. He believed this was also the case with the question of sustainable issues. A Canadian trade unionist from the floor asked for an end to the divisions between Europe and North America over Kyoto. Seen from Europe, Kyoto was a very different agreement and Europeans should look at the more complex US and Canadian situations with a little more discernment. David Anderson agreed, but Mr. Hontelez said that the US, whose large quantity of CO₂ emissions had risen rather than fallen, had to be fully involved.

A participant from the floor could not understand why climate change was barely mentioned in the OECD environment strategy. Mr. Anderson said that climate change would figure in the OECD Environment ministerial the following day. He and other ministers were waiting for the US position to be clarified, which he expected very soon. He reminded the floor that President George Bush agreed openly that climate change was a major world challenge, and while he regretted the US withdrawal from Kyoto, especially as those in the agreement now only accounted for a third or so of global greenhouse emissions, it was a fact of life that just had to be dealt with. ■

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Politicians Alone Cannot Change Public Attitudes to Energy

Sustainable Energy: Critical Factors in Energy Policy

- **OLIVIER DELEUZE**, STATE SECRETARY FOR ENERGY AND SUSTAINABLE DEVELOPMENT, ATTACHED TO THE MINISTER FOR MOBILITY AND TRANSPORT, BELGIUM
- **BILL HARE**, CLIMATE POLICY DIRECTOR, GREENPEACE INTERNATIONAL
- **SHRI SURESH PRABHU**, MINISTER OF POWER, INDIA
- **ROBERT PRIDDLE**, EXECUTIVE DIRECTOR, INTERNATIONAL ENERGY AGENCY (IEA)



Shri Suresh Prabhu

Politicians are proving unable to change people's attitudes to energy use, and non-government organisations need to get involved if energy consumption is to become sustainable, according to **Shri Suresh Prabhu**. India is concerned about a secure energy supply as are the industrial countries. But, he said, the task before India – where the per



Members of the panel

capita consumption of electric power of a unit a day is among the lowest in the world – is somewhat more daunting than that facing OECD countries.

“For us, it's also a quality of life issue,” said **Mr. Prabhu**. “Many people don't have access to electricity. We want to fix that while still preserving a healthy environment. In fact, in this way, it is a global issue,” he said.

All panellists agreed that increasing the use of renewable energy sources, such as wind or solar generated systems, is the best answer to creating sustainable energy supply. But, said **Mr. Prabhu**, “the politicians worldwide are unable to change the mindsets of people by definition, which is crucial, because

governments are not the right agencies to bring about change of this type. That's why I think the non-governmental agencies must get involved.”

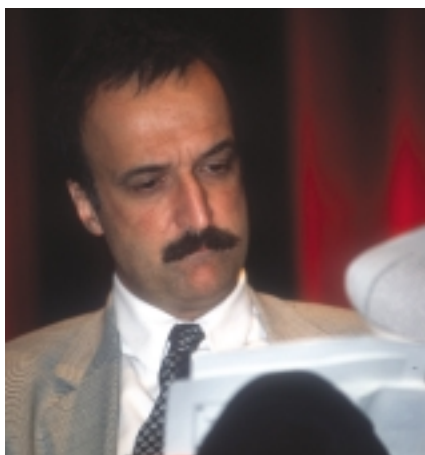
Robert Priddle, who sits on a G8 task force, created last year, that is dedicated to examining renewable energy, said if one of the highest levels of government is willing to look at the issue, the message must be getting through.

“Governments have been confronted, abruptly and rudely in the last 12 months by citizens, saying they have not got the balance right. People want abundant, reasonably-priced energy,” he said. “Demonstrations against rising oil prices throughout OECD countries in the past year

show that citizens are no longer complacent to fluctuating energy levels”, Mr. Priddle said. In particular, Mr. Priddle said that oil supply disruptions lead to economic recession, and that economic and sustainable development go hand in hand.

Mr. Priddle said the following day’s meeting of ministers of IEA countries is crucial to putting energy security back on the international agenda. “Overall, what ministers have to do,” said Mr. Priddle, “is to reconsider the balance of the three Es: energy security, economic development and environmental protection, not forgetting the social pillar of sustainable development.”

Olivier Deleuze said that for many people, climate change often takes a backseat to more immediate issues. “Our citizens want security of supply. And if there is the slightest problem,



Olivier Deleuze

it can lead to problems as occurred in Europe some months ago,” said Mr. Deleuze. “In these moments, our citizens don’t speak of climate change. They say I don’t have oil for my car.”

However, Bill Hare said he gives citizens themselves more credit. “If you look at public opinion polling



Cogema stand

around the world, it is clear that the public in the OECD are aware of the climate change problem,” said Mr. Hare. “In general, majorities and often large majorities want governments to take action. In some cases, including in the US, some opinion polls show that people would be prepared to pay something for tackling climate change. So to my mind a lot of the problems have to do with lack of integration in governments.” ■



Bill Hare

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Diversity is Key to Sustainable Energy

Sustainable Energy: Fueling Sustainable Development

- **MODERATOR: KENNETH LAY**, CHAIRMAN, ENRON, UNITED STATES
- **SVEND AUKEN**, MINISTER OF ENVIRONMENT AND ENERGY, DENMARK
- **LUIS ECHÁVARRI**, DIRECTOR GENERAL, NUCLEAR ENERGY AGENCY (NEA)
- **KURT YEAGER**, CEO, ELECTRIC POWER RESEARCH INSTITUTE (EPRI), UNITED STATES

Not only are fossil fuels still the world's most important energy source, but our dependence on them continues to increase. By 2020, the date set in the latest energy outlook updates, fossil fuels will constitute 90% of world energy. This was the gloomy reality presented by **Kenneth Lay**.



Kenneth Lay

"CO₂ emissions for the next 20 years will have increased by 2% a year ... and will reach a level of 60%, or 13.7 billion tonnes a year. This is a higher rate than in the past, and is hardly moving us closer to sustainable energy", **Kenneth Lay** pointed out in his introduction, reminding us that hydropower and renewable energies together represent only 4.8% of the world energy market.

Kurt Yeager presented the "sustainability challenge" facing the OECD nations, which represent only 7% of the world's population. Energy production, he said, is confronted with a "trilemma" of three components: the quadrupling of the world's population over the past century, economic development and the environment.

"Sustainability requires what I call a 2% solution – sustain 2% growth in productivity, energy efficiency, agriculture, fresh water and emission reduction", **Mr. Yeager** said, pointing out that hydrocarbons still produce 60% of world energy at the turn of the 21st century. "The idea is to reduce our average consumption of hydrocarbon – the future of energy use in the world depending on our ability to develop and transfer needs for diversified energy use in the developing world", he said. The ability of the developing world to develop its own transportation infrastructure is crucial, he said.

Mr. Yeager argued that there is still much to be done to develop technology that will reduce energy intensity. "A gas-based, hydrogen future is not a new idea", he said, listing some of the technologies available: advanced nuclear fuel cells, carbon sequestration, advanced sensors and controls and micro-miniaturisation of processes. "The digital revolution should be an important vehicle for the process of improvement in energy efficiency", he said.

Luis Echavarri said nuclear energy, which provides 16% of total world



Kurt Yeager

electricity, is a sustainable energy source. "The electricity produced by nuclear power plants avoids substantial quantities of CO₂ emissions. In fact, if nuclear energy had to be substituted with fossil fuels, the CO₂ emissions from the energy sector would increase by 8%", he said. As far as waste is concerned, he said no final solution for the disposal of high-level waste had yet been implemented for waste from the commercial production of electricity – although "the first deep geological repository for high-level waste from military uses was started more than a year ago in New Mexico". A speaker from the floor raised the question of nuclear safety in former USSR countries.

"Our role is to support the EU in closing down the dangerous reactors, but others can be saved. But today is not the situation of the Chernobyl years, and the nuclear plants generally represent no risk any more", **Mr. Echavarri** said.

Svend Auken told the audience of the harsh consequences of the 1994 oil crisis in Denmark, and explained how the country had now developed

from being 90% dependent on imported oil to being self sufficient – by means of oil and gas production in the North Sea, but also through production of wind energy. “Wind energy represents 15% of our energy, and we expect it to be one third of the total energy production in 2005”, he said, and the aim is to cut prices by 35-40% in the next few years. “If we can create a demand for

sustainable development, companies will help in the long run. And we have to take into consideration the long-term perspective, in order to promote decoupling (of economic growth from environmental degradation) in the northern, rich countries, and development in the South – without repeating the faults that we committed in the industrialised part of the world”. ■



Svend Auken

Can Profitability Go Hand-in-hand with Responsibility?

What is the Contribution of Corporate Responsibility to Sustainable Development?

- **MODERATOR: MARIA CATTAI**, SECRETARY-GENERAL, INTERNATIONAL CHAMBER OF COMMERCE (ICC)
- **FRANK JOSHUA**, GLOBAL DIRECTOR, GREENHOUSE GAS EMISSIONS TRADING SERVICES, ANDERSEN, UNITED KINGDOM
- **RAHMI KOÇ**, CHAIRMAN, KOÇ HOLDING A.S., TURKEY
- **JOHN MARESCA**, PRESIDENT, BUSINESS HUMANITARIAN FORUM, SWITZERLAND
- **ROBERT MASSIE**, CHAIR, GLOBAL REPORTING INITIATIVE (GRI), EXECUTIVE DIRECTOR, CERES, UNITED STATES
- **CHRISTINE TAHON**, DIRECTOR FOR HEALTH, SAFETY AND ENVIRONMENT, SOLVAY S.A., BELGIUM
- **PIETER WINSEMIUS**, MCKINSEY & CO., NETHERLANDS

Rahmi Koç knows the bottom line — “The goal of business is, as it always was, making money.” As a philanthropist, however, he has pursued quite a different personal agenda, and he stands firm in support of broad corporate responsibility that includes attention

to workers, the environment, honesty and fair conduct, and transparency. He remains clear though, that “The right government mechanisms must be put into place, but the companies themselves must be allowed to decide their specific approaches privately, in a more pro-active approach.” Acknowledging that business must always strive to maintain its profitability does not mean it has to abandon social goals, however. Clearer evidence must be shown about the relationship between responsibility and profitability, a fact that is slowly becoming more evident. Today, responsibility must be made to support the bottom line. “If one can show to a CEO that there is a tiny percentage gain in the share prices of his company from following responsible policies, then that CEO will be convinced to use those policies,” said **John Maresca**. “Right now we’re in a phase where that hasn’t yet been demonstrated in a convincing way for CEOs.”



Rahmi Koç

Frank Joshua said that the real challenge ahead is to bring the goals of business and social responsibility to a meeting point, a process that has begun gradually over the past 15 to 20 years. “What we have seen in the last ten years in the climate change arena really is an evolution in the attitude of business towards climate



Frank Joshua

change. We have had a number of businesses like BP, Shell, Dupont and others ... put their companies at the forefront of reducing greenhouse gases. In most cases these companies are not regulated by any government, they're not required to do it, but it's good business sense." Companies, he concluded, are driven to better conduct by concerns about compliance costs.

Voluntary initiative does require costs though, and costs affect competitiveness. **Christine Tahon** presented several ways her company has voluntarily reduced both greenhouse gas and wastewater emissions since 1992. She admitted that for the chemical industry "countries need to harmonise environmental regulations," and that for global benefit on a long-term basis, there is a need for "industrial citizenship, and communication with both the scientific world and regulatory authorities."

The Global Reporting Initiative is a coalition of activist and social interest groups which strives to work with businesses to promote social and environmental responsibility. According to **Robert Massie**, the future for sustainability lies in the creation of standardised reporting guidelines. "We realised on the one hand companies were receiving

diverse information requests, while stakeholders were getting very uneven information that could not be compared," he said. "Our idea was that perhaps we could convene a process to create a generally accepted reporting framework through a multi-stakeholder gathering." This standard, he suggested, could be used as a reference point for stakeholder negotiations and conflict resolutions.

Irresponsible company behaviour in the past will, of course, lead to credibility issues whenever it is attempted to link business and humanistic goals. **Mr. Massie** believes



Christine Tahon

his group's benchmarking will be able to restore it.

Peter Winsemius noted "In the past, there was a level of certainty. Governments regulated and companies either complied or were forced to by fines." Today, he continued, business responsibility has been brought before both customers and investors. "Business people are slowly becoming surrounded by people who demand responsible behaviour." He added that the transition to

environmental concerns was a logical progression. "In the post Cold War era, a whole generation has grown up with a feeling of certainty that has allowed for higher goals."

When **John Evans** of TUAC asked why the OECD guidelines for multinationals adopted by governments last year had not been mentioned as a potential benchmark, **John Maresca** answered: "There are many products out there that are called guidelines, and the OECD product is not the most prominent among them. I guess the Global Compact would be the most prominent among them." Similarly, a student from the group, while acknowledging the positive discussion at the meeting, asked why it seemed companies were simply moving to third-world safe havens to escape responsible conduct even after the Global Compact was passed. **Maria Cattai** noted that the Global Compact was designed to improve operational conduct, not ethical conduct, before answering: "why do negative things happen still? Well, I don't think any of us would say there's a magic wand that was suddenly waved by the Secretary General of the UN, though we all admire him for throwing out this challenge. The question is, can we minimise the negative impacts and maximise the others?" ■



Eric Duvaud, Donald and Heather Johnston on the Andersen stand

Sustainable Development: NGOs Question Global Trade Policies

Trade, Investment and Sustainable Development

- **MODERATOR: ELISABETH DOWDESWELL**, FORMER EXECUTIVE DIRECTOR, UNEP
- **BOB CRICK**, VICE-CHAIRMAN, PARTICIPANTS TO THE EXPORT CREDIT ARRANGEMENT, OECD'S EXPORT CREDIT GROUP
- **JENNY HEAP**, CONSERVATION POLICY DIRECTOR, WWF INTERNATIONAL
- **RICARDO NAVARRO**, CHAIRMAN OF FRIENDS OF THE EARTH INTERNATIONAL, DIRECTOR OF CESTA/FOE EL SALVADOR, NETHERLANDS
- **CLYDE PRESTOWITZ**, PRESIDENT, ECONOMIC STRATEGY INSTITUTE, UNITED STATES
- **WANG XINFANG**, VICE MINISTER OF ENVIRONMENT, CHINA
- **HOIL YOON**, AMBASSADOR FOR INTERNATIONAL ECONOMY AND TRADE, MINISTRY OF FOREIGN AFFAIRS AND TRADE, KOREA

Two leading environmental groups used the OECD Forum 2001 to criticise international trade and investment policies because of their negative impact on the environment.

Jenny Heap said it was “simplistic” to assume that policies that promoted free trade and higher incomes would automatically lead to better environmental conditions or promote sustainable development. The contrary was often true, Ms. Heap told a mixed panel of NGOs, government officials and economists: “Much pollution is irreversible and cannot be repaired once a country becomes rich.”

While welcoming the recent OECD



Members of the panel

report on sustainable development, she said World Trade Organisation rules were not compatible with modern environmental policy-making. International demand, she said, was outpacing the capacity to regulate in favour of the environment. “We believe OECD countries need to show leadership,” she concluded. “They owe a major debt to the earth and I believe they have the capacity to pay it back and that is the challenge I put forward.”

Ms. Heap was joined in her condemnation of trade and investment policies by Ricardo Navarro. He criticised the recent OECD report on sustainable development for recommending a “decoupling” of economic growth and environmental degradation. “I see it the other way round,” Mr. Navarro said. “We have to do a coupling of economic growth and

environmental improvement. We have to do a coupling of economic growth and equity (equality). We have to do a coupling of economic growth and empowerment of communities, regions and countries.”



Clyde Prestowitz



Wang Xinfang

The opposite view was expressed by **Hoil Yoon**. He said while there must be greater use made of environmental technologies in both developed and developing countries, social and environmental policies “must not turn out to be hidden barriers to international trade and investment.” For his part, **Clyde Prestowitz** stressed that trade and investment liberalisation would only serve the environment and sustainability. He reminded the audience of Chernobyl which he said was caused by a lack of trade and investment in the former Soviet Union. International investment tends to raise standards,

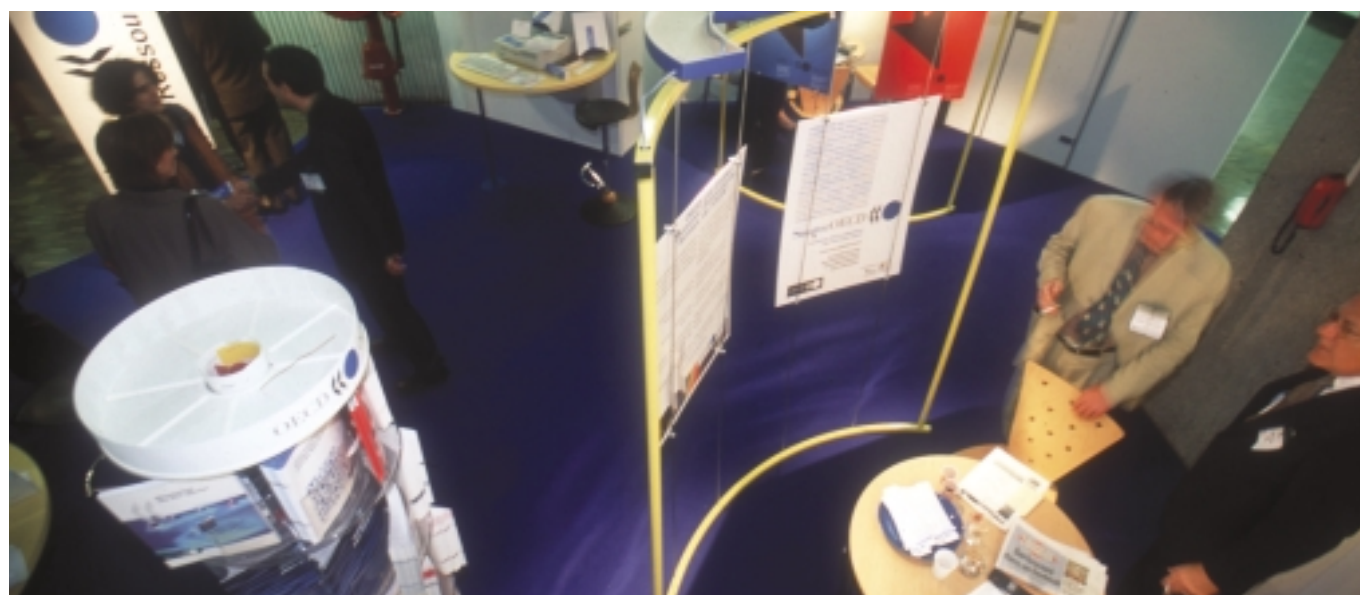
he said: “I resist the notion that it is the rich countries which are somehow degrading the environment in developing countries.” Speaking from the perspective of a country committed to rapid industrial growth **Wang Xinfang** recognised the huge challenge China faced in protecting its environment. He said the government had closed 84,000 small polluting companies and was committed to substantially lowering toxic emissions. **Mr. Wang** said China would invest heavily over the next

five years in environmental protection.

Bob Crick said that the OECD’s Export Credit Group, a forum for export credit agencies of member countries, would reach agreement by the end of 2001 on a series of environmental measures. Among them will be a new industrial screening system and rules governing resettlement of indigenous people and the protection of cultural heritage. ■



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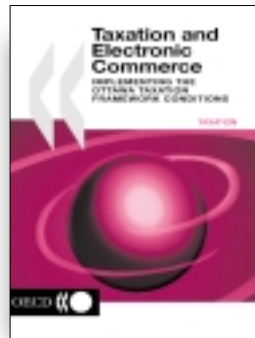
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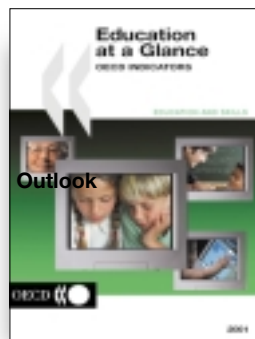
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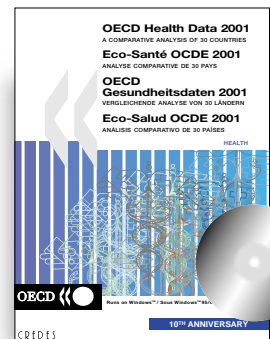
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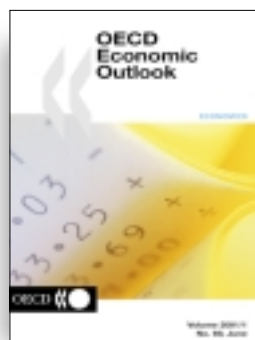
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Economists Cautious About Impact of ICT

Implications of the New Economy

- **MODERATOR: IGNAZIO VISCO**, CHIEF ECONOMIST, OECD
- **LESZEK BALCEROWICZ**, PRESIDENT, NATIONAL BANK OF POLAND
- **CARLO DE BENEDETTI**, PRESIDENT, FONDAZIONE RODOLFO DEBENEDETTI, ITALY
- **ROLAND SPANT**, CHIEF ECONOMIST, TCO – THE SWEDISH CONFEDERATION OF PROFESSIONAL EMPLOYEES
- **PHILIP SWAN**, DIRECTOR OF ECONOMICS, IBM CORPORATION, UNITED STATES
- **MARTIN WOLF CBE**, ASSOCIATE EDITOR, AND CHIEF ECONOMICS COMMENTATOR, FINANCIAL TIMES, UNITED KINGDOM

Ignazio Visco dismissed any suggestion that the time had come to loosen monetary policy to facilitate the advance of the new economy. While acknowledging the contribution of the new economy to growth in the United States (about 1%), **Mr. Visco** said real benefits from the so-called spillover effects - Internet, e-commerce and e-government - were probably still to come.

“You hear a lot of claims that now it’s time for a testing of the waters ... that an easier monetary policy might help the new economy,” **Visco** said. “I claim that this is not at all certain. As a matter of fact, there are as many good reasons for expecting monetary policy to remain unchanged.”

Drawing from a new OECD report on economic growth, *The New*

Economy: Beyond the Hype, to be presented to OECD ministers this week, **Mr. Visco** did raise the possibility that fiscal incentives could be introduced to take advantage of the dividend reaped by the new economy, especially in the United States. His cautious appraisal of the importance of the new economy fuelled by ICT - information and communications technology - was shared by most other panellists.

Leszek Balcerowicz was wary of attributing too much social and economic benefit to the new economy. But he said it could trigger more rapid structural changes in



Leszek Balcerowicz

transitional countries like Poland whose banking system leap-frogged from being a cash-based to an electronic system, by-passing cheques.

For his part **Carlo de Benedetti** said one of the most durable influences of the new economy lay in changes to the labour market. “The Internet is

going to open new gateways between firms and workers,” he said, adding that traditional hierarchies inside companies would be eroded in favour of knowledge and not age.

In this respect, **Philip Swan** said the most successful American companies were those that actively engaged their employees in working out ways of being more efficient rather than trying to preserve old hierarchies.



Martin Wolf

Martin Wolf said what was new about the new economy was not so much that it represented an era of renewed investment and growth but that it was forging an “anti-1984” world where greater democratization was in evidence rather than less.

But **Roland Spant** said he was concerned that the new economy was making traditional trade union movements “obsolete,” but other participants urged greater flexibility in labour markets to take advantage of ICT-related growth.

Speaking from the floor, **Ron Gass**, former director of the OECD’s **Manpower, Social Affairs and Education** directorate, said the real significance of the new economy was not so much technological revolution but the new services that it was generating. ■

Transparency is Key to Stability, Trichet Says

Keynote Address – Preserving Monetary and Financial Stability in a Globalizing World

- **MODERATOR: MARTIN WOLF CBE**, ASSOCIATE EDITOR, AND CHIEF ECONOMICS COMMENTATOR, FINANCIAL TIMES, UNITED KINGDOM
- **JEAN-CLAUDE TRICHET**, GOVERNOR, BANQUE DE FRANCE

In his keynote address, Jean-Claude Trichet said that the surest way to achieve financial stability is through an adequate monetary policy coupled with transparency. “Transparency has substantially improved since the Asian Crisis,” said Trichet, “thanks to a solid global consensus. And we’ve already seen the first signs of improvement and demonstrated good consequences.”

Trichet said financial markets suffer when neighbouring emerging economies are “tarred with the same brush” as happened during the 1998 financial crisis in Asia, but that transparency can help avoid this.

Diversification of risk management tools, he said, is also crucial to financial stability. “There is probably some merit to embark on an overall review... to identify possible amendments that could help protect and enhance what I would call ‘behavioural and conceptual diversity of modern financial markets.’”

Trichet borrowed a favourite buzzword of the environmental industry to illustrate his point. “For all living beings, biodiversity is



Jean-Claude Trichet

important for the capacity to react... In modern financial markets, unpredictable shocks arising from the globalised world bring new challenges, [requiring diverse tools].” The governor notably expressed his concern that the current tools used by central bank governors are not adequately measuring inflation.

Martin Wolf said “monetary policy is a prerequisite of financial stability, but it is not enough... We have a severe shortage of ‘contrarian’ events.” Other possible avenues for future action suggested by Trichet included beefing up pension funds and increasing the use of stress testing within worldwide financial institutions. ■

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New Trade Round Crucial for Developing World

Reaping the Full Benefits of Trade for Development

- **MODERATOR: LUZIUS WAESCHA**, CHAIRMAN OF THE OECD TRADE COMMITTEE, DELEGATE FOR TRADE AGREEMENTS OF THE FEDERAL COUNCIL, AND DIRECTOR GENERAL FOR WORLD TRADE, STATE SECRETARIAT FOR ECONOMIC AFFAIRS, SWITZERLAND
- **JAGDISH BHAGWATI**, PROFESSOR, ECONOMICS DEPARTMENT, COLUMBIA UNIVERSITY, UNITED STATES
- **CELSO LAFER**, MINISTER OF STATE FOR FOREIGN AFFAIRS, MINISTRY OF FOREIGN RELATIONS, BRAZIL
- **PASCAL LAMY**, TRADE COMMISSIONER, EUROPEAN COMMISSION
- **YONGTU LONG**, VICE-MINISTER, MINISTRY OF FOREIGN TRADE AND ECONOMIC CO-OPERATION, CHINA
- **MIKE MOORE**, DIRECTOR-GENERAL, WORLD TRADE ORGANIZATION (WTO)
- **GOVINDASAMY RAJASEKARAN**, SECRETARY GENERAL, MALAYSIAN TRADES UNION CONGRESS (MTUC)
- **HITOSHI TANAKA**, DIRECTOR-GENERAL, ECONOMIC AFFAIRS BUREAU, MINISTRY FOR FOREIGN AFFAIRS, JAPAN

All panellists agreed that a new multilateral trade round was essential to ensure continued development and poverty reduction in the world, but several called for bigger efforts from industrialised countries to help in areas such as capacity-building if developing countries were to reap sufficient benefit.

Jagdish Bhagwati stressed the developing world had most to gain



Jagdish Bhagwati

from the new round, and most to lose if it did not take place. To critics who objected that the world first needed to implement fully the Uruguay Round agreement (which gave birth to the WTO as the successor to the GATT), he said the easiest place to do that was in the context of a new round, so the objection was “not a valid reason at all”.

In the absence of a new round, there would be an explosion of bilateral deals, which were already blossoming, he warned. “That is where one has least bargaining power” as a developing country, allowing “hegemonic powers to play their own games of divide and rule” — which they could less easily do in a multilateral framework. A new round was also the only possible way of managing many other issues of interest to developing countries, as had happened when the Uruguay Round brought agriculture into the WTO for the first time. Mr. Bhagwati urged NGOs to support more trade liberalisation because it was in the interest of developing countries.

Govindasamy Rajasekaran called for more attention to be paid to social



Govindasamy Rajasekaran

and labour issues within the WTO. He commended the open dialogue of the OECD Forum 2001 which provides an important input into the annual OECD ministerial meeting.

Mike Moore cited sobering global poverty statistics before emphasising that the remedy lay in freer trade. Rich countries should open up to developing-country exports, notably agriculture, textiles and clothing, while developing countries also needed to reduce their barriers to trade. “What the developing world needs now from the WTO is a new round,” he said. Lopping a third off trade barriers in agriculture, manufacturing and services would boost the world economy by \$613 billion. Multilateral liberalisation would allow developing countries to benefit to the tune of \$155 billion a year – more than three



Mike Moore

times what they receive on average in overseas aid.

Mr. Moore concluded: "The economic history of the 20th century has taught us that trade liberalisation can probably do more to help people get richer and escape poverty than any other government action.

Protectionism is a blind alley. Beggary-neighbour policies make beggars of us all. Free trade is the way ahead ... so let's launch a new WTO round in Qatar this November."

As a representative of a major country about to join the WTO, **Yongtu Long**, said his government strongly supported the new round. He recalled the huge contribution that opening up the economy had made to China's growth over the past 20 years. He warned, however, that trade agreements needed to be completely independent of political questions, citing an OECD study which believed China could become a major grain importer provided major suppliers gave guarantees that supplies would never be cut off for political reasons.

Pascal Lamy said the EU initiative of opening up its markets in "everything but arms" to the world's poorest



Pascal Lamy

countries would help developing countries reap the benefits of trade but "this is not enough". The developed world needed to help developing countries build export capacities, but the basic next step was a new trade round. "Let us not walk away from this opportunity," he said.

Celso Lafer testified that trade liberalisation in Brazil since the early 1990s had contributed to the modernisation of the economy and established a platform for stable growth. But he noted imports had grown much faster than exports while growth in agricultural trade was only half the level of overall trade growth. The importance of trade barriers in determining the evolution of export and import market growth was inescapable, he said.

Hitoshi Tanaka set out a seven-point proposal for a new round and why it

was necessary. He called for a clear political decision to launch the round before WTO members met in Doha, Qatar, in November. He echoed Mr. Lamy's call for the industrial world to ensure capacity building and help in implementation. He called for no pre-negotiating on specific items, plus a commitment to a single final agreement. Trade negotiations should focus on development, and sustainable development.

When a questioner from the floor asked if the answer was a world security council and if the WTO should create such a body, **Mr. Lamy** replied: "political factors should not be built into trade matters." Asked by an NGO representative from the UK whether sanctions of trade restrictions imposed by the WTO were the best way to promote open trade regulations, **Moore** acknowledged "it is ironic that the remedy we have for dealing with violations of trade rules is itself a trade-restricting mechanism", but he said the WTO's disputes settlement mechanism had proved effective. **Bhagwati** added that in a world of global communications "moral suasion" exerted through public statements by bodies such as the ILO was probably more effective than sanctions. ■

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Globally Networked Model for Government over Traditional Hierarchies

Globalisation and Governance

- **MODERATOR: JORGE BRAGA DE MACEDO**, PRESIDENT OF THE DEVELOPMENT CENTRE, OECD
- **LONDA ESADZE**, CHAIRWOMAN, ADVISORY BOARD OF THE PARLIAMENT OF GEORGIA
- **PAUL HOHNEN**, SPECIAL ADVISOR, GREENPEACE INTERNATIONAL
- **KLAUS SCHWAB**, FOUNDER AND PRESIDENT, WORLD ECONOMIC FORUM
- **PREBEN SOERENSEN**, GLOBAL PARTNER IN CHARGE OF ENVIRONMENT & SUSTAINABILITY, DELOITTE & TOUCHE, DENMARK
- **GEORGE YEO**, MINISTER OF TRADE AND INDUSTRY, SINGAPORE

The early history of globalisation may well be described as a push toward a single, global market, according to **Klaus Schwab**. The debate on globalisation and governance made clear however that this model is unsustainable, especially in a world of diversity where few people are in favour of moving to a form of global culture.

Instead, it was agreed, a global, collaborative effort between all stakeholders—businesses, NGOs, civil society, and media included—could fashion a sort of ‘networked’ globalisation sustainable over time.

What would the characteristics of such a network be? Well, transparency, for one. The shared theme of every speaker involved in the discussion was just this—the

need for more transparency. From its influence on decreasing corruption, to its breaking down effects on systems of impunity, to its aid in allowing efficient governance and standard-setting, transparency clearly is the key ingredient within this new concept of networked globalisation.



Klaus Schwab

Mr. Schwab emphasised the need for a shift from the supernational concept of single-market globalisation, which most likely could never exist, to one of a networked globalisation with integrated systems. He stated that the only form of globalisation that could exist in the future would be one based on a more co-operative civilisation. “We must foster a collaborative culture of partnership and inclusiveness,” he said, “based on international standards and the partnership of all stakeholders involved.”

The main requirements for establishing such a climate, he declared, are “trust and respect.”

Public perception, of course, has become an enormous issue in the post-Seattle age, a time, said **Paul Hohnen**, “when government is seen as having abdicated power to the corporations.” As cause of this, he cites the increasing widespread knowledge that even while corporations have been adopting more responsible behaviour, the environmental situation has continued to deteriorate.

Preben Soerensen added to the call for transparency in any global structure to be created. He cited the World Business Council for Sustainable Development as one such group which identifies issues of a global agenda. He also added that business must begin to act outside its



Preben Soerensen

traditional mold and take active effort with government if any global structure is to be created.

As examples for government involvement, **Londa Esadze** talked about the need to destroy corruption and instill rule of law in developing countries such as her own. The only method with which successful confrontation can be conducted, in this case, is transparency.

George Yeo focused on Singapore's approach of bringing all its citizens, especially the youth, to the same starting line. This, he continued, was accomplished by strong state support of education and housing. He also



Londa Esadze

agreed that Singapore, with its unique place in the world, was an example of a hierarchical society that could be adaptable to a networked approach.

The one question that remains, however, is how to designate accountability in a networked environment where it might not always be clear who is in charge. According to **Mr. Hohnen** more efficiency in international organisations would be one step. Further integration between NGOs, business, and other groups, is important. **Mr. Schwab** added, "the best way for acceptability is credibility. This relates directly to how well you are connected to the causes such as Greenpeace." ■

Carter Challenges Rich Nations to Move Beyond Talk

Message from Jimmy Carter, Former U.S. President and Chair of The Carter Center

Attaining sustainable development will depend on "sustainable investment." This was the central message from **Jimmy Carter**. "The chasm between the haves and have-nots continues to grow," **Mr. Carter** reminded, and called on OECD countries to provide comprehensive, long-term assistance to the world's poor.

Mr. Carter advocated a combination of community involvement and long-term donor commitment, a strategy the Carter Foundation has successfully used in eradicating disease in African countries. "Village-based solutions do not grab headlines, but they do get results," he said. ■



Jimmy Carter

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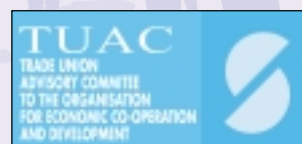


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