

Debate series on:

## **Cross-thinking about sustainability**

Transcript of the lecture on:

### **Can globalisation become a driver for sustainable development?**

By:

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Welcome by John Grin on behalf of the organisers of the debate series: Felix Meritis, Trouw, who also published an interview on the cover, and two knowledge networks: Industrial Transformation of IHDP and Dutch Knowledge Network on System Innovation (KSI):

This debate is about a questions whether or not globalisation maybe a driver for sustainable development and we have invited to introduce this debate by a public lecture prof. Wolfgang Sachs from Germany. Professor Sachs is leading the programme on globalisation and sustainable development of the Wuppertal Institute, he is a member of the Club of Rome, he has been working in Berlin, Pennsylvania and Rome among the other places and he has wide interested in matters of sustainable development. His recent book is "Fair Future", about just distribution of the earth resources. He has also become very famous for instance through his book "For Love of the Automobile" and by many other publications. And it is a great pleasure to having him here tonight.

What if China, India and other counties continue their economic development? One possibility of course is that pollution, GH effect; conflicts on the resources, oil prices will all increase. This may create major disasters, wars and so on, but another possibility is that populations around the globe, politicians, scientists understand that this might happen and that also this might be defended if they take actions timely, so we are discussing the question whether somehow this globalisation which is now so often to increase the problems we are facing, may also be mobilised to promote its resolutions. And we also explore this question, that if this is possible – then under what conditions and what changes in economic thinking for instance may be needed, what changes in governance and so on. Wolfgang Sachs has been writing and discussing about these matters for a long time now and he is now going to introduce this to us in the 45 min lecture. Following that Paul van Seters from Tilburg University will respond to that to warm up the discussion which we will devote the second half of the discussion; the discussion, in which you as an audience are the main players. So I am asking your attention for Wolfgang Sachs.

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Thank you very much John, I wish you a good evening. It is very nice that you take your time out after hopefully a very good dinner and you spend, for the dessert, in a way, your time here in this quite intriguing place.

As I got the invitation some time back "Can globalisation be a driver for sustainable development?" I was kind of puzzled by that question. I thought these people have gotten a wrong address. Because sure I would have answered: no globalisation cannot and is not a driver towards sustainable development.

Of course I know that globalisation makes more efficient technologies circulate the world. And that might be better than older ones. Of course I know that there might be some ecologically minded consumers sitting in the Netherlands or Germany buying eco-friendly products from Africa or America. Yes, globalisation helps sustainable development, I am aware of that. But nevertheless it seems obvious that globalisation cannot be a driver for sustainable development. It is easy to be understood because globalisation is nothing else than globalising a historically obsolete, unsustainable economic model. And sure enough, once you globalise the robber economy, you get more of it.

So I was wondering maybe those who have invited me are good Hegelians and it made me think of Hegel's figure of thought – the *cunning of reason*. In the view of Hegel, as he followed the unfolding of world's history, the world spirit works its way up to newer plains in history through the most unlikely events. For Hegel it was clear that individual lust for power, individual greed can even lead civilisation to a higher moral plain. He thought of a kind of an invisible hand; in fact he speaks about Cesar in that term: Cesar went out to conquer Gaul out of lust for power, and out of greed but unintentionally he created the Roman world empire. This is one of Hegel's examples where the *cunning of reason* can even work through evil in history, unintentionally bringing about a further step in the perfection of the world spirit. So maybe those who invited me, I thought, are good Hegelians and I better look at the second order effects of globalisation.

If globalisation works in a Hegelian way, then we should expect that something unintended is in the making, something which was not intended by the cheerful protagonists of economic globalization. What I would like to do, therefore, is to look at not the first order consequences of globalisation because the first order consequence, as I said, is basically the spread of the robber economy. There might be second order consequences of globalisation, which I guess might be worthwhile, at least I felt stimulated by those who have invited me, to see if there is anything even more surprising emerging, if there might even be drivers for, maybe, sustainable development. I would like to identify 5 such constellations:

1. Globalisation leads to an epoch of mutual vulnerability; there are consequences;
2. Globalisation leads to the spread of a transnational consumer class, there are consequences;
3. Globalisation leads to, lets put it that way, to the emergence of the China syndrome - with consequences
4. Globalisation leads to a new imperative to go for resource-light wealth;
5. And, globalisation also brings about a rise of cosmopolitan politics.

That is about the plan I would like to follow.

### **First. An epoch of mutual vulnerability**

If I am not mistaken in our days a long cycle is about to close: a cycle which in fact was opened 500 years ago as Christopher Columbus went out to venture into the Atlantic ocean trying to reach Asia. Sure enough, everybody knows, this departure, in a way, was a departure for a long-standing movement towards a more unified world. Now for 500 years, if you allow me to take a very long view, there was, it seems, a hidden law at work. The hidden law was that the burden of the world's unification would be left on one side of the hemisphere, while the profit and benefit from the unification of the world would be left to the other side of the globe. Sure there were some infections coming from the southern parts of the world, also the colonial economy was not only a successful part of the economy. We know that, but by and large the bitter consequences of the unified world were shifted to the southern parts of the world and the benefit was reaped by the northern parts of the world.

I believe that this law has ceased to work. In our days we witness that this law is about to vanish because today northern countries are not able any longer to protect themselves against the various bitter consequences of globalisation. This long-standing magnetism,

which ordered the world in winners and losers, does not quite work in the same way any longer. There are of course new economic competitors in the south coming up. There are, of course streams of migrants coming. There is environmental effects such as climate change, which also reach the North, there might be military power holders rising. All of that makes that today the bitter consequences do not stop at the door; the bitter consequences reach into the North itself. It is as if we are witnessing, if you want, a return of threats. It is like a boomerang effect.

Let me be more specific. There is one systematic reason for that. That systematic reason, in my view, has to do with the core of globalisation. The core of globalisation, you could say, is to shorten distance, to abolish distance, to make space irrelevant. Of course that abolishing of distance, in a way has brought a lot of surprises and benefits: we can travel; we can dislocate economies around the world. However, the gradual abolition of distances does not just join together the goodies of the world. It joins together the *bad*s of the world as well. So, yes of course, we like to travel to distant places and of course the entrepreneur can go out and enjoy cheap labour elsewhere but at the same time the economic criminal profits from the shorter circuits, as much as does, the terrorist. So the world becomes a smaller place, but not just for the benefits, also for the troubles. So we move in the situation where not just the South also the North is vulnerable and that vulnerability arises out from the new spatial relationships you have coming with globalisation. The most symbolic or emblematic event for that was 9/11, because basically, what is 9/11 all about? It says that not even the strongest country in the world is able to protect itself. No ocean is wide enough; no wall is high enough to protect even the most powerful nation in the world. The experience of sudden vulnerability was and still is the trauma of the 9/11 in particular for the US, and it holds a deeper truth, it seems to me. It holds the deeper truth that because of much greater and much more sophisticated interdependence, mutual vulnerability is the condition we have to count with for the time to come.

Having said that there is, of course, also the other side: interdependence. Benjamin Barber has proposed for the US, instead of the famous declaration of independence, there is now the time for declaration of interdependence. Interdependence of course is in very many ways the defining characteristic of our time. And sure enough, out of many movements there are patches and pieces of a world society emerging because the mutual interdependencies are growing across the world. It seems to me, as this is emerging, something happens the cheerful globalisers have never really thought of. The issue of justice becomes a matter for hard-nose realists, not just for the well-meaning moralists. Since we are mutually vulnerable, it has become clear that security can only be achieved through *mutual* security. And mutual security – to achieve security not only for oneself, but also for the other at the same time – is exactly what justice is about. Or to be clearer: as security is on the order of today, an alternative opens up. There is, on the one hand, the attempt to have security only for yourself. That, you could say, is ultimately the road to fortifying yourself, the road to unilateral power. In contrast, the other possibility aims for mutual security, which implies to establish so much equity that basic cooperation is secured. That is indeed today the bifurcation, which pervades all kinds of policy choices: either to go for preventive war, including the technologies of high tech surveillance and monitoring; or, on the other hand: to go for preventive justice. The latter alternative also grows out of increasing interdependence, out of the world society in formation. It becomes relevant what St Augustine once about the difference between the society and the robber gang: he said the difference is justice. What makes a society is justice; otherwise it's a robber gang.

So that kind of quest you find in many struggles and in many, many initiatives in the world and this quest is posed more and more in a transnational fashion. Not any more in a national fashion. So, I guess what I wanted to point at – here my first kind of observation is: justice is not any longer a matter for the blue-eyed. Justice becomes a

matter for the realist. Because everybody, even the powers to be – have to see what are the conditions for security. And they have to go to a certain extent, for mutual security, which is closer to justice, which opens a way for all kinds of contestation in the name for more equal world, which definitely is one aim of sustainable development.

### **Second. The rise of a transnational consumer class.**

There are many ways to understand this strange animal *globalisation* – another way, of going about it, is to say *globalisation* means a spread of a global middle class. There are more people across the globe moving into a similar pattern of consumption and production. In any case, what is important here, I would submit, is to be clear that, let me put it that way: that the categories North and South, today are Zombie categories. You know, the Zombies, the living dead: they are still around but they are already dead. Here you also have Zombie categories. We still use them all the time. Indeed, there are many things for instance climate change negotiations, you cannot understand without the two categories. But they ever less reflect the relevant reality.

Why is that? Well, in particular the South now is a very mixed bag of countries. On the one hand, the Southern camp has grown in numbers, because today all the countries of the ex-communist block have to be counted as Southern countries: Russia, Turkmenistan, what have you. And on the other hand, of course the South, in a way, has become smaller, the real South at least. There are 12, 15, maybe 20 countries, which are surging ahead, namely the famous group of the newly industrialising countries. This begs the question: what does the South have in common? What does Mali have in common with Singapore? Nothing. So, what the hell does South mean? Indeed, it seems to me, if one wants to look what is the real dividing line in today's world? I would submit it is not between Northern countries and Southern countries. It is instead a dividing line, which runs *through* each society. It is a dividing line which on the one hand separates the globally excited middle class from the social majority world, from those who are more or less excluded from the global circuit of goods, of finances, of images, of tourism, of education and so on and so forth. We have more a confrontation between on the one hand the globalised rich and on the other hand the localised poor. In all countries a global North is separated from a global South.

Now, if that is the dividing line what then is the transnational economic complex? What is the transnational consumer class? What is important to keep in mind is that globalisation does not link together countries. Globalisation links together locations. It is not countries that are interconnected, but locations that are interconnected. Global production chains, linking these distant locations, are crisscrossing the globe. That is the world economy. And it is not countries, which become richer, but regions. That Shenzhen or Shanghai is in China is only a matter of accident, or that Bangalore or Bombay is in India - it is only a matter of accident. It does not have much to do with China; it doesn't have much to do with India, it's transnational companies operating on Chinese or Indian soil. That is the structural reason why the North – South distinction is being blurred and why the global economic complex becomes much more important as, if you want, a unit of analysis.

Who is the global consumer class? Imagine that we include all those who own a car - that is easiest. We have about 5-6 million cars in the world; take about three persons per car. You arrive at 1.7 - 1.8 billion people as part of the global consumer class. It is roughly 25% of the world population. Now, the interesting thing is - where is the global class at home? Yes, of course the bulk of it, in particular the wealthier part of it, you find in our countries: Europe, America, Japan, Australia. However by now, this is only 50% of the transnational consumer's class. The other half you find in what once upon a time has been called developing countries, and what once upon a time has been called communist countries. That is in this short figure you get an idea of the shift: 20%-22 % of China today can be counted as a part of the transnational consumer class, 14% of India. Now,

14% of India - it's about 150 million people; this is about twice the size of Germany. So there are two Germany's sitting right there in India.

That transnational middle class has more in common among themselves than each of the national fractions has in common with their own country. So the lawyer in Caracas has more in common with the entrepreneur in Beijing, than the entrepreneur in Beijing has with the mountain people in Western China or the lawyer in Venezuela has with his indigenous population up the Orinoco. That is, what I would submit, a transnational consumer class. They go to similar films, they do similar shopping, they take the same brands, and they aspire to have a similar kind of education. Sure enough that consumer class is underpinned by transnational corporations such as Mercedes or Time and Warner's, or what have you. That is a push and a pull effect. No doubt. Sure enough, that has been a product of globalisation and also we all know that this particular class enjoys to reap the fruits of nature and be it in a very intermediary way. What happens when people move slowly into the transnational consumer class? Three things happen:

- Of course they begin to have electric appliances, normally it starts with a refrigerator. Then up the ladder: air conditioning, very important in some countries and so on and so forth until you arrive at a normally wealthy Dutch household.
- Next, sure enough, of course, our beloved car. Now, car doesn't just mean the item of a car. A car without a huge infrastructure of roads is useless. So you get entire car system which obviously uses lots of resources
- And third path is that people begin to eat meat. It normally is a grain fed meat production meaning you need to harvest large surfaces of biomass in order to feed your cattle, which is as you know, shortly speaking, a waste of the protein production.

These are the paths by which that growing transnational consumer class eats ever more into the limited environmental space.

### **Third. The emergence of the China syndrome**

China is a symbol and I should say that right away, China is not to be blamed because China becomes a problem only because Northern economies have occupied the environmental space in its totality today so any new comer creates a big issue. Now having said that, nevertheless, it is worthwhile looking more closely at China because there is something, which can be studied. Yes, China is successful at overcoming poverty. Poverty in monetary terms is declining in China, inequality is rising, but that's a different issue. However, China cannot be held up as a model for reaching equity and poverty alleviation in the world. Although many countries aspire to that. For it is obvious that the Chinese success is bought by pollution, deteriorating water resources, deforestation, by a massive crisis of nature.

There have been two attempts to calculate the yearly costs of environmental destruction in China. And the results are that the costs of environmental destruction a year ranges between 8 and 13% of the Chinese gross national product. The Chinese gross national product, however, grows every year between 8-9%. Now, what a hell is Chinese growth? That is exactly the paradox we are in. On the one hand there seems something to be growing, on the other hand invisibly there is something deteriorating and declining. Sure, China is big, but the same story you have in Brazil, in Russia, in Indonesia, and other places. The same story, namely that the exit from poverty and marginalisation is right the entry into the robber economy.

Now again, that is not just a Chinese issue, because, obviously, China and other countries, as they move up, they have an impact on the rest of the world. Think of oil. We are complaining about raising oil prices. What about all the 70 and plus countries in the world, which neither have oil nor money to buy oil. Each increase in oil prices strangulates their economies. And we have a massive process of impoverishment going

on in the world right now because of the rising oil prices. In a way China, notwithstanding what I said before, is an agent for impoverishing large parts of the world. China emerges as a resource imperial power. Look at biotic resources. During the last two or three years China has struck many contracts in Latin America for bringing copper, fish meal, soybeans, sugar, grapes from Latin America to China. It is because China has a scarcity of fertile land while people have to be fed. So Brazil, Chile, Mexico, Argentina are exporting agricultural goods to China, and China, in turn, invests in these countries not only in agricultural goods but also in minerals in order to get the raw materials they need. In turn they send them manufactured industrial wares, it is the classical, colonial structure. Here you have a country, which overcomes poverty but at the same time becomes an agent of destruction internally and externally. Sure enough globalisation has brought it on. At the same time it has become evident that more equity in that world cannot be achieved on the level of living standards we have exercised so far in the North. It becomes obvious that a just world cannot be created in the image of western production and consumption models, for the resources you would need are too vast and too expensive and they are too destructive.

So it seems to me globalisation puts you right in front of the necessity that the type of wealth the west has created has to be put into a perspective. It has to be put under examination; it has to be restructured altogether.

#### **Fourth. The imperative of resource-light wealth.**

Let me make a little step back. China makes obvious what can be called the tragedy of the Euro-Atlantic civilisation. Ironically, one historian Kenneth Pomeranz has tried to make the argument. He has asked why is it that 200 years ago England won over China while up to 1750 China and England was more or less on the same level of development. The point he is making, and one can contest it, is that the main reason was that England was capable of both tapping into carbon and tapping into colonies. England was capable of braking out of the limitations of a biotic economy by drawing on the carbon treasures under the crust of the Earth, and it was able to replenish its biotic resources by bringing tobacco and sugar, and wood, in particular from Northern America. So, carbon and colonies have been the corner stones for the rise of the Euro-Atlantic civilisation. Without the mobilisation of these resources from deep down the geological time and resources from the breadth of the globe we would not have that kind of civilisation we have built.

Now, as it happens, in our time there is very few carbon left, fossil resources are clearly sooner or later limited, there are also no colonies left. So countries like Brazil, like India like China are forced to colonise internally in order to get the biotic resources they need. The conclusion is that – equity for all precludes going for the type of resource-intensive wealth we have created in the North. Sure enough, if you think of the car society, if you think of chemical agriculture, if you think of heavily meat-based nutrition system, there is no way to have equity in these terms, this type of wealth cannot be democratised across the globe. It is a form of wealth that is structurally incapable of justice.

And here again, it seems to me globalisation drives us before bifurcation: either our model of wealth is maintained - then large part of the world is condemned to an inferior position; to inequality. Or, if we want to create a world society, where there are more opportunities for everybody, a society that goes to greater equity, then we will have to re-examine and to restructure our forms of wealth. There will be no equity without ecology in this century - that is another outcome, an unintended outcome of globalisation. What is meant by that, I do not have the time to go too much into that, it means to restructure our patterns of consumption and production along the lines of, this is my little formula, of eco-efficiency, eco-consistency and eco-sufficiency. Moreover, it means ecological leapfrogging for countries which have not come up to the level of industrialised civilisation we have here, countries which are not locked in there yet. Of course it is a good idea to try to avoid certain phases and to go right for a post-fossil

economy. And think of countries like China, like India and others as well, that today in particular are in front of crucial infrastructural decisions: what sewage system, what energy system, what traffic system, what food system. All of that is up for decision and in all of these cases, as you know well, of course you can go for a grey water system, you can go for a light-rail system, you can go for decentralised renewable energy system, and so on and so forth. All of these are systems innovations that are examples for resource-light infrastructures. This is the sensitive area of policy decision at the moment in many Southern countries.

#### **Fifth. The rise of cosmopolitanism.**

I guess one cannot finish that little lecture I am offering without looking at how globalisation changes - let me put it that way - our ethical mind. Because globalisation let me say it abstractly, means the denationalisation of the social relations. Whom do we relate to? Actors, peoples, institutions, which affect us, are ever less confined within the container of our national society. So the denationalisation of social life, in a way, is the hallmark of globalisation. Now, sure enough, if that is the case - money and people and goods cross borders all the time, it should not come to a surprise that also morals become borderless. Ever more, I do not have any quantitative figures, but certain sensible groups, probably the culturally defining groups in the long term, see the morally relevant social spaces as not territorially bound, but basically as transnational spaces. For them, the world society is the context for equity and ecology. So there is a certain move towards extending the space of responsibility, as we perceive it. To see spaces of responsibility in transnational terms, to have a certain sensitivity, to use another term, for the extra-territorial obligations citizens of one country might have towards the rest of the globe.

This implies some move towards, some interest towards cosmopolitan thinking. As we seem to be on - I am fully aware that it is beset with contradictions - on a learning curve towards seeing ourselves not only as *bourgeois* but also *citoyen* of the world. That is a consequence of the worldwide interconnectedness. But interconnections change emotional setup. And given that we all feel how we all are interlinked with events and institutions elsewhere, we know ever more how the concern for ourselves is connected with the concern for the world. That, in a way, is a cosmopolitan frame of thinking. One implication of cosmopolitan thinking is to look at the world in terms of human rights. Not just states, but also each citizen of the world has got fundamental rights, and all actors have the universal duty to recognise those rights. In short, the world is more than the national community of justice. The world is thus considered as a context for justice.

Let me just point out where I think this has been important. Sure enough, it has been important when you think about institutions of the global governance. When you think for example of the WTO, because in my view in today's world we have 3 legal frameworks to order the world society:

- On the one hand we have the human rights framework, probably the oldest one; it at least goes back to the League of Nations, but that is the corner stone of the UN.
- Then we have the environmental framework: we have the climate convention, the Kyoto protocol, the biodiversity convention, and as you know huge number of environmental treaties, which create environmental law.
- And you have of course the framework of economic law.

Basically the first is centred on the bill of rights, the second is centred on the various multilateral treaties, and the third is centred on the WTO. In today's world however, these three frameworks are in contradiction with each other, or to be more careful - there are obvious tensions on very many levels. Or to put it in different words - public policy is not just the pursuit of economic efficiency as embodied in the WTO, public policy is also the pursuit of environmental rights and of human rights. In today's world

however, it is the WTO, which emerges intentionally or unintentionally as the really existing world government. So we have a world government, which is capable of pushing one particular public value up the hierarchy of values. And if you look around all the struggles and debates right now in Hong Kong in December and so on and so forth from Seattle onwards, they always attempt to give equal if not superior right to human rights and to the environment. It is the attempt to make the environmental law equal or if not superior to economic law and it is the attempt to make human rights equal or superior to economic law. Probably, to make human rights equal or superior to economic law would mean to move agriculture out of the free trade logic, to move basic services like education, health, water out of the WTO logic, because in these areas: in water, education, health and of course livelihood, agriculture, you cannot leave it to purchasing power who gets something. Things have to be administered to some extent according to need, because there are rights here and everybody has got a birth right to certain parts of these assets.

Having said that let me conclude, it seems again here, that globalisation has produced its own contradiction. The growth of the cosmopolitan sensibility creates a new challenge vis-à-vis the rule of economic efficiency. It is in this sense that globalization unwittingly becomes a driver for sustainable development. Maybe it is through the new globalists movement in its broad sense, which tries to push these kinds of values, that today the *cunning of reason* works. We will not know how it ends but it might well be that some Hegel in 200 years from now will know if the cunning of history has again brought us to a new plane in the unfolding of the world spirit. Thank you very much.

Transcription by Anna J. Wieczorek, Amsterdam, 20 Jan 2006

