

St. Gallen Symposium 2007

The Power of Natural Resources

St. Gallen Wings of Excellence Award 2007

37th St. Gallen Symposium

University of St. Gallen, Switzerland

May 31 to June 2, 2007



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Born in 1983. Gustav Borgefalk is currently pursuing a Master of Science in finance and economics at Stockholm School of Economics. He has also studied at the Royal Institute of Technology and attended cultural and language studies in France.

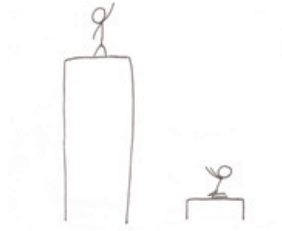
Gustav Borgefalk has done research for Swedish companies active in China and co-edited a study comparing China with Europe in the fields of technical development and entrepreneurship. Complementary to his undergraduate studies, he has worked as a consultant for the public relations company Hill & Knowlton and has recently founded a public relations agency for entrepreneurs. Currently, Gustav Borgefalk holds the position of International Project Coordinator in the Student's Association, advising new ventures on project and knowledge management.

He also has a military background as Sergeant First Class specialised in intelligence analysis, with international experience from working in a multinational brigade headquarter.



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Paving a Better Way to the Future



Challenging the Western orientated development

“Our American lifestyle is not negotiable.”

George H.W. BUSH¹

In many dimensions, today the industrialised world has a tremendous influence on the direction of development in developing countries. Corporate advertisements show shiny happy people that drive fancy cars, living in an abundance of goods and services. Smiling face sells you the world and convey the image of something unreachable. In most industrial-ised countries, growth still equals an increase in buying power and an increase in GDP. The image of good life is being able to consume. This western orientated image shapes the choices of billions of people when they make decisions in life. And as our economies grow, the exploitations of resources continue at a tremendous pace.

Between 2005 and 2030 the world’s population is expected to increase by 1.7 billion people, from 6.5 billion in 2005 to 8.2 billion in 2030.² Would it then be possible for everyone to live ‘good life’, as it is recognised today? The answer is clearly no. As long as Western values are transferred to countries in the developing world, sustainable development is impossible to achieve. This is why the focus of the transition to a sustainable society should not lie on the industrialised world. With this in mind, the alternative approach means that countries yet undeveloped, or rather

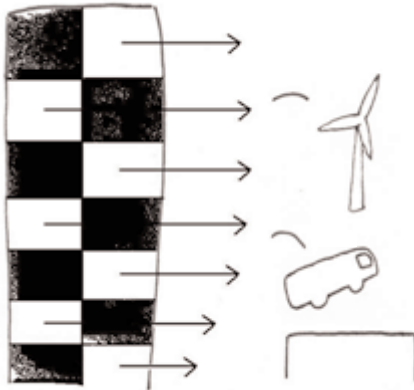


¹ George H.W. Bush speech at the Earth Summit in Rio de Janeiro (1992),
US Census estimation, updated 08-24-2006

² <http://www.census.gov/ipc/www/worldpop.html>, data retrieved 01-26-2007

undistorted, will act as role models for the future that will lead the transition to a sustainable society for all.

Unwilling to compromise, if the industrialised countries want to withhold a frivolous lifestyle and avoid conflicts over limited resources, one have to offer a better alternative for developing countries. An offer that may not include cars or other energy consuming entities, but a society that presents higher utility for the citizen. By providing the right tools, development can be moved towards a sustainable society from the beginning.



The advantage of living in a developing nation

Hundreds of years of technological and institutional development have made wonders in the industrialised world. We can cure vile diseases, travel across oceans and space and alter the very foundations of life itself. Incredible indeed, but unfortunately not without a certain cost. Development is not a choice but a necessity because today we rely on it to fix our problems. In many dimensions, today the West is facing the suits of one's rapid development. Pollution, traffic jams and stress are all problems





caused by progress, disregarding nature as an important variable in economic planning on supranational level as well as in national economic politics. *In the construction of modern society, one have tried and made errors, errors which are now built into infrastructure and institutions.* A good example of that is that the car for many years has been the basic mean of transportation in the US, rather than public transportation. With huge investments in roads, petrol stations and highways, it is unfortunately inevitable that the US continue on that track though there are other alternatives, because the web is spun all around them. Once Pandora's Box is open, there is no turning back.

Being stuck in unsustainable infrastructure and institutions and thereby depending on new technology, the industrialised world must continue the struggle with finding new sources of energy, inventing more efficient systems and increase the level of recycling. But the other important task is even more challenging, and may seem unfair at a first glance. To keep developing countries from developing in the same direction. But not out of pettiness or out of being small-minded, but out of love and an inner wish not to repeat our mistakes. *By carefully selecting sustainable infrastructural solutions from the beginning and actively promoting sustainable consumption patterns, one can prevent the illness before it breaks out, instead of having to find a cure for it after the damage is done.* Not only to avoid a global economic meltdown, but also to avoid conflicts over limited resources. In order to do this, the image of 'good life' has to change, all over the world, which brings the industrialised world to the unflattering task of finding an answer to the question: Why should we be able to consume, when you can not?

Building a sustainable physical environment – Etching on a relatively blank slate

Building a working and sustainable environment from the beginning, is a sure vaccine for future environmental problems. In the industrialised world, we are working to find cures for the problems that are built into our societies. In the developing world,

by choosing the right technologies, these problems never need to emerge. For many years now, the concept of sustainable city planning has become more and more common in the shaping of policies and many tools are already in use today. In European politics, the Environmental Impact Analysis (EIA) was developed in the 1970's, as a first step to integrate environmental issues in economy,³ calculating the environmental impact of projects undertaken. The tool was often poorly used and usually had bad predictions, so some years later, the Strategic Environmental Analysis (SEA) came, as a more detailed refinement of the EIA, bringing the tool down to a more operational level. According to Dr. Katie WILLIAMS, the toolbox exist and the West have done good progress in integrating them in policy making over the past years, though many town planners still believe that they have less control over the results than they would like to. But when it comes to developing countries, the problems are often more fundamental because of a lack of working channels for implementation.⁴ Formalised city planning is often limited and urban change is rapid in developing countries, which makes it difficult to control city expansions.



So how should you tackle the task of implementing similar policies in developing countries? One good example of where good city planning in a developing country is reality is the city of Curitiba in Brazil, where large efforts have been put in building a sustainable society from the beginning. Thanks to organic, long term city planning with a transport infrastructure based on bus travels, the citizens of Curitiba can enjoy cleaner air, less traffic jams – and substantially less air pollution.⁵

Naturally, the costs are a persistent problem: who wants to pay the extra costs of building a sustainable society? To be able to make the journey to a sustainable society, the cost of choosing

³ EC-directive 85/377/EEC.

⁴ Dr. Katie WILLIAMS, Oxford Centre for Sustainable Development: "Can urban intensification contribute to sustainable cities? An International Perspective". Article on <http://www.urbanicity.org/FullDoc.asp?ID=472>, retrieved 01-24-2007.

⁵ Jonas RABINOVITCH and Josef LEITMAN urban planners of UN resp. the World Bank, "Urban planning in Curitiba", Scientific American, March 1996.



the more environmental friendly alternative has to be cheaper than the current alternative. Here, the entrepreneur plays a central role in finding innovative and cost-effective alternatives. Combining old knowledge in new ways is something that the Nobel Prize Winner Muhammad YUNUS understood well. He showed that an old institution, the bank, could be remoulded in an entrepreneurial, innovative way to achieve economic development in poor countries. In this spirit, efforts should be put in re-shaping institutions and infrastructure to fit the needs of developing countries, instead of promoting the use of Western models that are neither suitable, nor built for the developing world.



Building a sustainable mind – Going against or playing along with human nature

While incorporating sustainable city planning in policies is a relative concrete task, preventing unsustainable consumption patterns from emerging is a far more delicate mission. According to Harvard Professor David LAIBSON, *humans tend to want instant gratification and act on short term, rather than saving for tomorrow's needs.*⁶ Since environmental problems tend to affect long term economic planning, this is not a good characteristic for a sustainable mind. Studies have shown though that long term economic programs, like retirement plans, are easier to stick to if one is automatically enrolled in them. It is easier to stick with something, than to apply for something and in this spirit, a sus-



⁶ David LAIBSON "Golden eggs and Hyperbolic Discounting", Quarterly Journal of Economics 62 (May 1997) p443-477.

tainable mind should be shaped. Today, to get an environmental alternative of a good or service, you often have to make an active choice. By setting environmental friendly alternative as the norm, people can still choose to have a less environmental friendly good if they wish, but according to these studies, a lot more would people would stick with the plan, than opt out. Another important factor is the flow of information. Right now, the image of the West is ruled by advertising and companies. Global news agencies or organisations don't stand a chance against Coca Cola or Nike when it comes to conveying the image of the industrialised world. To challenge this image, new tools for communication between the industrialised and the developing world, has to be developed to move in the direction of a less biased understanding of each other's situation. It has to be a two-way communication, not the West telling the developing world the story. Education must still be in focus for efforts made, for what good is a global source of information, if one can not absorb it?



Another important factor for sustainable consumption is the behaviour of multinational companies marketing and selling products in developing countries. By taking a global decision of legislating compulsory incorporation of the same tools (EIA, SEA) for all projects in the developing world and also legislate a compulsory Environment Product Lifecycle Analysis (PLM), where you assess the environmental impact of each and every product produced, more sustainable consumption can be encouraged. Also, institutions of control, such as different watchdog organisations⁸ should be strengthened to ensure that the directives are followed.

⁷ Richard H. THALER and Schlomo BENARTZI, "Save More Tomorrow: Using Behavioural Economics to Increase Employee Saving", *Journal of Political Economy* 112 (2004), S164-S187

⁸ U.N.'s Monitoring entities, but also organizations, such as Corporate Watch, Energy Watch, etc.





Summing up for our world leaders

To avoid future conflicts over limited resources, by providing the right tools, the developing world can build a sustainable society and a sustainable mind from the beginning. By fighting unsustainable infrastructure and unsustainable consumption patterns, it is possible to present an alternative development than the one in the industrialized world, which today incorporates many flaws and errors.

The transition should be made impossible to avoid, by incorporating environmental models and thinking in the shaping of policies. The tools to make the transition smooth exist already, why the entrepreneur plays a central role for development of the developing world, in combining old ideas in new, innovative and sustainable ways. Communications between people in the developing world are highly important and must increase tenfold.

Except for a will to cooperate and a genuine wish to fight an unsustainable development, the single most important challenge for all world leaders is to make sure that every single decision is based on a common mind. We are all out sailing on stormy seas now, sitting in the same fragile boat that is earth. To make sure someone will not sink it, all decisions taken by those blessed to be leaders must incorporate not only the future of one's own people, but the future of all mankind. Only together, we can pave a better way to the future.



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