



THE BRUSSELS-EU CHAPTER CoR- BCH

P R O C E E D I N G S

TOWARDS A EU STRATEGY FOR SUSTAINABLE DEVELOPMENT

HEARING at the EUROPEAN PARLIAMENT
Under the Patronage of Mme Nicole Fontaine,
President of the European Parliament

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**A Contribution for the Preparation of the
Gothenburg Summit of June 2001**

The Club of Rome, Brussels-EU Chapter CoR-BCH
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The Brussels-EU Chapter expresses its gratitude
to their Presidents, Anders Wijkman and Karl-Erik Olsson.

About the Brussels-EU Chapter of the Club of Rome, CoR-BCH
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KEY ISSUES:

VENTURING BEYOND THE CURRENT DEBATE

We, the Brussels-EU Chapter of the Club of Rome, recognise the valuable contribution from the Commission, and the importance of the Gothenburg Summit for EU policies. But, the agenda of issues, and of options in front of us is wider than in the Commission's Consultation Paper.

We have to be **open to ideas that are not yet in the political consensus**. The Hearing and this report, therefore deliberately go **beyond the current debate**.

The speakers, each of whom is at the forefront of their own field, present a much wider spectrum of ideas:

1. Europe as a World Actor

- We need a global vision and global participation. Europe must not turn its back on global action simply to "put its own house in order".

2. Facing the Truth: Political Discourse and Action Do Not Match

- Politicians must have the courage to say openly to the public that the actual policies are not yet leading to a sustainable future.
- Even those policies that point in the right direction are not followed up by effective action (example: European self-imposed reduction of CO₂ emissions).
- We should live only on nature's renewable "interest", rather than by depleting its "capital".

3. Co-financing: A European Vision for Global Sustainability

- Equity is essential for reaching sustainability. This means the need for co-financing on the global level, as difficult as this may be. On the European level this model has been practised successfully for 50 years and remains the basis for future accessions.
- A preamble to the Commission's paper for the Gothenburg Summit should state that our ultimate goal is a social and equitable globally sustainable policy based on co-financing between rich and poor.
- This strategy cannot be completely implemented without the ultimate co-operation of the United States. However, the EU can work along these lines with an increasing number of allies in the world (double strategy).

- The European Union’s strategy can serve as an inspiration and example for global co-financing. But it is not the only model.

4. Taxes Promoting Sustainable Growth

- The actual tax and subsidy systems are rewarding unsustainable business and consumption practices. We need a new focus on tax revenues favouring a sustainable society (e.g. sustainable pension provisions).
- In the networked knowledge economy, we must invent taxation systems in which production and consumption activities with a small ecological “footprint” (dematerialization, immaterialization) would be encouraged.
- We need a gradual elimination of perverse taxes and subsidies which damage employment, investment and technological innovation.
- We must shift the tax burden onto resource use – including use of common resources such as a clean environment to dilute pollution; but to do so in a way that reflects ability to pay.

5. Including the Cultural Dimension

- We need to include the “cultural dimension” into sustainable human development, explicitly recognising the value of cultural diversity in both our heritage and future societies.

6. New Corporate Values on Sustainability

- We encourage the business community to enhance their mechanisms for expressing and promoting new values – in corporate reporting, in “Green procurement”, in ethical investment and in corporate social responsibilities.

Professor Raoul Weiler
President of the Brussels-EU Chapter,
The Club of Rome

Marc Luyckx
Chairman of the Organizing
Committee of the Hearing ♦

Welcome and Introduction

Professor Raoul Weiler, President of the **Brussels-EU Chapter of the Club of Rome**, welcomed the participants from the European Parliament, the European Commission, industry and civil society institutions. He thanked the EP for making the hearing possible in the EP building, and **Globe EU** and the **EP Intergroup on Sustainable Development** for their support of this event, timed to produce reflections prior to the forthcoming **Gothenburg Summit**. He noted that the **Club of Rome** had been among the first to raise the issue of sustainable development policy, and in the 33 years of its existence had produced about reports on various facets of a sustainable future for mankind. Many institutions and persons have since taken up the “problématique”, notably the United Nations with the **Brundtland Report** in 1987. He referred to the “**European Way**” as an EU-specific vision to elaborate strategies for a Europe in a sustainable world.

In his welcoming introduction to this seminar on Sustainable Development policy, **MEP Anders Wijkman**, President of **Globe EU**, pointed to the need for an underlying general definition of sustainable development (SD) and for indicators to measure SD. Since the EP still did not have the CEC proposal, he hoped that today’s discussion would provide some inputs to the **Gothenburg Summit**, which he saw not as an end but as a chance to motivate a larger discourse involving the key stakeholders from government, business and civil society. As the next target event for progressing the SD agenda, the EU should focus on preparing itself to contribute to **RIO + 10**.

MEP Karl-Erik Olsson, President of the **EP Intergroup on Sustainable Development**, thanked the **Club of Rome** for taking this initiative, which should help to make SD a stronger part of the political discussion in the EP. With the EU as one of the large players in the world, and with the USA as another withdrawing from some SD arenas, the Europeans must work even harder on bringing SD policy into the forefront, instead of also withdrawing.♦

Sustainable Development

Erkki Liikanen

Commissioner of the European Commission
for Enterprise and the Information Society, Brussels, Belgium

My commitment to sustainable development leans on its original definition by the Brundtland Commission in its 1987 Report on 'Our Common Future': sustainable development stands for "*[meeting] the needs of the present without compromising the ability of future generations to meet their own needs.*"

This implies a high quality of life: health, prosperity and social justice for those alive today, and for future generations.

Our impact on the environment is becoming such that it could endanger our ability to create wealth and justice in the future. But without economic development, society cannot ensure social justice. And without a prosperous and equitable society, the political will for action on the environment will dry up.

Thus a balance must be found. The three pillars of sustainable development cannot be untangled: economic development, social justice and a safe environment are, first of all, principles in their own right, but also dependent upon each other for their existence.

The first is that sustainability will not be easily achieved. It is too easy to talk about 'win-win-win' solutions. If these solutions exist, why have we not already found them? Really important decisions are always painful this is a fact of life.

We need to be honest about the painful choices that have to be made. Only then can we navigate the best path between the three pillars towards sustainability.

I believe that the time has come for us to use more intellectual rigor within the Community decision-making process, and elsewhere. We must take our policy decisions on a sound, objective basis, in full knowledge of their implications for employment, the environment, and competitiveness.

We are working to identify a set of indicators to help us with this, but more particularly we need to develop a sustainability assessment mechanism for systematic use in our legislative work. We can draw lessons from our stakeholders in this respect. I am happy to note that many businesses already use such mechanisms in their product development cycles.

I have read with interest the various papers published this month under the collective title "Stakeholders' Views". I would like to pick up on one comment made by Mr. Claude Fussler in his paper. He argues that the careful cost-benefit analysis of each policy measure can stifle innovative ideas. I tend to disagree.

Firstly, a proper assessment tool would provide a sound basis to filter out the bad ideas, not the good ones. A good idea cannot be harmed by an objective exploration of all its implications, as long as the mechanism to be used is sufficiently light-handed.

Of course, with good ideas, often the costs are concentrated in the short-term while the benefits can only be seen in the medium- to long-term. But that is what I mean when I talk about painful decisions that have to be made. While an assessment tool won't take those decisions for us, it will help us to see the right way forward, and promote consistency in policy making.

Secondly, entrepreneurship and innovation will benefit from a consistent policy framework. Business must operate within a predictable regulatory environment if it is to flourish. New, innovative companies are needed to provide sustainable solutions to the problems facing us, but an inconsistent policy framework is an obstacle to the creation of such companies. The systematic use of a sustainability assessment mechanism by regulators can provide consistency, if used properly.

We do, however, have to be more creative in the way in which we regulate. Entrepreneurship and innovation can quickly be stifled by heavy-handed regulation. If it is possible to achieve environmental and social objectives more quickly and cost-effectively when businesses choose for themselves how to meet targets set by governments, without being micro-managed, then we should look positively at such solutions.

Market-based instruments, and other voluntary approaches, are crucial tools to enhance sustainable development. The prices of goods and services should reflect their true cost to society: by creating a situation in which the stakeholders themselves have an over-riding financial interest in ensuring the success of policy goals, market-based instruments can be more effective than traditional regulation.

Climate change is a prime candidate for the use of market-based instruments. Using energy taxes, it is relatively straightforward to translate CO₂ emissions into real costs, for example. I draw on my own experience as Finance Minister in the Finnish government when we first introduced an energy tax in 1989.

Recent developments in the United States make this a very topical issue. The Gothenburg Council puts our sustainable development strategy squarely in the limelight. Clearly, our strategy must deliver a credible European response to the US withdrawal from the Kyoto process.

I believe therefore that we should use the Gothenburg Council to adopt a strategy which points the way forward and sets an example to our international competitors. Sustainability is not an easy opt-out it implies the ability to take difficult decisions, but ones which will bring us the greatest benefits in the long term: economically, socially and environmentally.

Finally, having sounded a cautious note on the difficulty of policy choices that need to be made, let me turn nevertheless to the role which new information and communication technologies can play in breaking the link between growth and the degradation of our environment and society.

There are structural shifts going in our economy, with the immaterialization of production and the growth of intangibles. These shifts offer huge potential for decoupling the link between energy and resource use on the one hand, and continued growth on the other. Let me list a few examples:

- As e-business becomes more and more usual, this can lead to significant reductions in the use of infrastructure and attendant transport and energy costs. However, the question of logistics must be addressed. Cost savings from increased energy efficiency, for example, can be offset by increased parcel transport, as well as other social costs.
- Cleaner technologies and improved products can offer great efficiency gains, doing the same job for less cost to society. This is particularly relevant in the context of climate change. New markets can be created for products which cost less to run and which have much less impact on the environment. The transport and buildings sectors are prime candidates.
- With ICT technologies, 'visible' products can become 'invisible' services, for example digital photography replaces chemical film processing; paper instruction manuals become on-line guides; and so on. This is a prime example of 'immaterialization' in practice.
- The transport sector is one of the major offenders in terms of greenhouse gas emissions. Here, technology offers the hope of drastic improvements to the efficiency of transport infrastructure, for example, with the increased use of telematics. The technology will be with us soon, but we have to create the right policy framework if it is to find the right applications and be taken up by business.

I have looked at some of the implications of the search for balance, which underpins the concept of sustainable development. Let me now draw some brief conclusions.

Growth allows us "to meet the needs of the present," but it also provides us with the conditions under which political capital can be invested in making genuine efforts to promote social justice and protect our environment, so safeguarding "the ability of future generations to meet their own needs."

Innovation and entrepreneurship are the building blocks of growth. They will be the means by which we can find sustainable solutions to many social and environmental problems.

We need to be honest and admit that, sometimes, choices will have to be made which put the protection of the environment ahead of competitiveness and entrepreneurship; but we should do so in an objective, intellectually rigorous way. Only by doing so can we be confident of maintaining the vital balance between the three pillars of sustainable development vital, because an imbalance damages not only one pillar, but all three♦

Consultation Paper for the Preparation of a European Union Strategy for Sustainable Development

EXECUTIVE SUMMARY

Marc Van Heukelen, Chairman of the Sustainable Development Task Force of the Secretariat General of the European Commission, Brussels, Belgium, has kindly accepted to comment this Consultation Paper.

At the Helsinki summit in 1999 the Heads of State and Government asked the European Commission to propose a European Sustainable Development strategy for the Gothenburg European Council in June of this year.

The Consultative Document is the first step in developing the strategy. It does not include specific objectives and measures, but sets out the challenges and opportunities of sustainable development. Together with the 10 questions at the end of this executive summary, it is meant to trigger a wide debate with other European institutions, Member States and civil society. Following this debate, the Commission will propose a sustainable development strategy to the Gothenburg European Council, containing objectives, measures and timetables.

Sustainable Development Presents Several Urgent Challenges to the Community...

The average citizen of the European union has never been better off in material terms.

Average incomes are now around five times what they were in 1900. Many inequalities have been reduced through more widespread access to education and the development of systems of welfare provision. Life expectancy has increased sharply due to better hygiene, nutrition and medical care. Growing economic interdependence resulting from the single market, globalization, and new communication technologies provide a strong spur to efficiency and continued improvements in wellbeing. But these positive developments should not blind us to a number of potential threats. Some do not have the means to share in these new economic opportunities, and risk being left behind. There is also a growing awareness that we are putting increased pressure on the carrying capacity of our planet.

... But With the Right Policies, It Also Offers Many Opportunities.

If policy-makers create the right conditions, and encourage citizens and businesses to integrate environmental and social considerations in all their activities, policies for sustainable development will create many “win-win-win” situations, good for the economy, employment, and the environment. Although these are clearly beneficial for society as a whole, some policy changes may create winners and losers. In such cases we must make sure that those who have to adapt to changes in policy are treated fairly and do not suffer unnecessary costs.

Technological progress has enormously increased our material wealth and improved our quality of life. Moreover, technology can help us ease potential tradeoffs between competing ends. It can also offer a way to decouple economic growth from environmental degradation through more efficient use of resources, and by changes in production techniques and the way services are delivered. Policy should therefore strive to provide a framework to **influence innovation** and **encourage its take-up** so that solutions that prevail in the market are “winners” for sustainable development.

Focussing on a Small Number of the Most Pressing Problems...

The most widely quoted definition of sustainable development is that in the Brundtland report, which describes sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. This definition is very broad, and can be interpreted to cover almost any issue with an important economic, social or environmental component. To make the concept operational and a **catalyst for change**, it is necessary to focus on the **biggest challenges to sustainability** in the Union and the accession countries. Based on the criteria of severity, their long-term nature, and their European dimension, these challenges include:

- **Climate change** and its possibly dire effects, including more violent weather patterns, like storms and floods, but also prolonged drought, and rising sea levels.
- **Potential threats to public health**, stemming from persistent toxic substances, resistance to antibiotics, or food safety risks. At the same time, good quality health services affordable to all citizens are coming under strain.
- **Increasing pressure on some vital natural resources** such as bio-diversity, fish stocks and fresh water. Individuals often face little incentive to conserve and use natural resources responsibly; in recent years volumes of waste have grown faster than GDP.
- **Poverty and social exclusion**. About 7% of Europe’s population is persistently poor, and poverty has a strong tendency to be passed from one generation to another. Changes in the labor market, in skill requirements and in family patterns pose risks to vulnerable groups, with many problems concentrated in run-down city areas.

- The implications of an **aging population**, with a shrinking labor force having to cope with higher costs of pensions and health care.
- The **congestion and pollution** from current patterns of mobility as well as urban and rural problems often arising from past spatial planning decisions. **Enlargement** will pose unprecedented challenges of reducing **the gap between rich and poor regions**.

The huge cost of doing nothing about these challenges will show up in the longer term. This must not lead to the impression, however, that there is plenty of time to act. Many of today's unsustainable trends are rooted in past choices regarding production, technology, infrastructure and land use. Some of these problems may be very costly or impossible to put right if action is left to a very late stage. **Decisive action is urgently needed.**

... Allows Us to Understand Why Things Have Gone Wrong...

Many of these problems have common roots.

Firms and citizens often face incentives which lead them to produce and consume in an unsustainable way. They may be ill informed about the wider effects of their actions, or about alternatives. Institutional obstacles, such as sectorial policy inconsistency and short termism make it difficult to respond effectively to these failings.

The most acute threats to sustainable development typically straddle several sectorial policy areas. Tackling challenges to public health and healthcare may need action in industry, agriculture and fiscal policy, for example. Social policy alone will not solve problems of poverty and social exclusion. When policies are determined sector-by-sector without taking account of spillovers on other areas, serious **sectorial policy inconsistency** is inevitable.

Several of the challenges to sustainable development – such as climate change, or the aging of the population – are long-term, with problems building up gradually. Policy responses often take the form of “**quick fixes**” especially when the costs of tackling the problem are up-front and highly visible while the benefits are hard to quantify and spread over many years.

There is also a widespread perception among the public that policy is too often made in the interests of the few rather than the many, and has become very distant from the real concerns of the population. This undermines confidence in policymaking, and even in the objectivity of scientific advice that is meant to inform policy.

... and Helps to Identify What We Must Do to Put Things Right.

Sustainable development must be placed at the core of the mandate of all policy makers. **Better policy integration**, relying on a systematic and **transparent review of the costs and effects** of different options, is crucial, so that different policies reinforce each other, trade-offs are made by informed decisions, and environmental and social objectives are met at least economic cost. Openness will also facilitate better dialogue

between stakeholders with divergent interests, paving the way for a broad consensus on solutions and their implementation.

Policy should focus on **steady long-term management** and ambitious, verifiable objectives, which allow business and individuals to plan better and adjust gradually, thereby greatly reducing the costs of change. To assess progress toward these objectives, they need to be supplemented by a set of accurate indicators, for what is not measured proves hard to manage.

However, better co-ordination, dialogue and long-term targets in themselves will not be enough. What ultimately matters is the content of policy.

Sustainable Development calls for **sweeping economic reform to create new markets and “get prices right”**, for example, by ensuring that prices paid for goods and services include the costs of damage caused by pollution. In this way, markets will stimulate companies and consumers to take better account of the effects of their behavior on others.

A clear understanding of the state of knowledge and its limits is necessary for **renewed confidence in science** as an input for policy, and for responsible management of emerging risks. Science and technology policy should also support independent scientific evaluations of the advantages and potential dangers of new products and techniques, and fund research that is too risky or costly for the private sector.

Finally, as the success of any sustainable development strategy depends critically on changes in people’s behavior, governments must do more to **educate and inform** businesses and citizens so that they become more conscious of the costs their current behavior imposes on others, and are aware of alternatives.

Everybody Must Be Involved in Achieving Sustainable Development...

At Gothenburg, the EU should set out a sustainable development strategy that will enable an effective response to pressing long-term problems that are of real concern to its citizens. This way, sustainable development will help to bridge the gap between Europe and ordinary Europeans. Putting our society on a more sustainable path calls for action at all levels of society and government. European, national, regional and local policy makers can create the right conditions, but sustainable development depends on the daily consumption, production, employment and transport decisions of millions of people. Actions by business and citizens are therefore critical.

... at the Level of the Community...

Our growing institutional, economic and social interdependence require us to work together to meet these challenges. In a number of economic sectors, **moves towards sustainable development can only be achieved by action at the EU level**. Clear examples arise where the Community has exclusive competence because of internal market regulations, or where integrated European markets mean that uncoordinated action by Member States is likely to be ineffective. Enlargement will make this all the more important. Our common future demands a common European approach.

... and for the World.

Ultimately, though, sustainable development is a global concept. Pursuing sustainable development in Europe is therefore not enough. The EU also has to support efforts by other parts of the world to put their societies on more sustainable paths, and play its full role in international organizations with an important contribution to make towards sustainable development, such as the UN, the IMF, the World Bank and the WTO. At the Rio+5 conference in 1997, the European Union and other signatories of the Rio declaration committed themselves to drawing up strategies for sustainable development in time for next year's Rio+10 summit in South Africa. To achieve real progress at this summit, Europe needs to demonstrate that it is putting its own house in order and **provide international leadership.**

* *

All stakeholders are invited to express their views on the issues raised in the consultative document and to consider what more concrete measures should be included in the EU sustainable development strategy for Gothenburg. Observations on the questions and other issues raised may be submitted electronically at the web site address: http://www.europa.eu.int/comm/secretariat_general/index_en.htm◆

Questions

1. Does focussing on a limited number of the most pressing problems help to make the concept of Sustainable Development operational? Do the six themes chosen embody the main long-term challenges confronting European society?
2. This document focuses on Sustainable Development problems in Europe. Are there any cases in which actions to place European society on a more sustainable path might make the attainment of Sustainable Development at a global level more difficult? How can reforms of EU policies support efforts to achieve Sustainable Development worldwide?
3. Since Sustainable Development is a long-term idea, it should be of clear relevance to accession countries. To what extent are the challenges they face different from those in the current Member States?
4. Do you share the analysis of the causes of these problems and their potential remedies identified here? Do you have any additions to the policy toolkit?
5. What practical measures can be taken to better translate the principle of “policy integration” into concrete action to achieve greater sectorial policy consistency?
6. Governments cannot deliver Sustainable Development on their own. Business, workers, and civil society have an indispensable role to play. How do we make this happen?
7. How can we ensure that the costs of adjusting to Sustainable Development are minimized, and the opportunities seized?
8. In what areas of Sustainable Development do you see a clear policy role for the European Union?
9. What are the most urgent steps the European Union should take in the framework of an EU Sustainable Development strategy?
10. What specific objectives would you like to see included in the EU strategy for Gothenburg? What arrangements should be foreseen to ensure their implementation?♦

Changes in Public Finance and the Monetary System: a Key Issue

James Robertson

New Economics Foundation, UK

1. Introduction

“As there are convergence criteria to reach the monetary union towards a common Euro, could the Union not imagine and propose convergence criteria for a sustainable European world policy?”. That is the question I have been asked to address, as it applies to economic sustainability. My immediate reactions are as follows.

First, I agree that EU leadership must play a vital part in the urgent challenge to shift the world to a sustainable development path. The questions are how best to proceed, what organizational forms - e.g. centralized and decentralized - will make that leadership most effective, and what central issues offer keys that can unlock the doors on to that new development path.

Second, I agree with the EU view that “economic sustainability” must refer to a future economy that will be sustainable, not only in certain narrow economic respects, but also socially and environmentally.

Third, convergence criteria? The Euro convergence criteria had to be met by EU member states to qualify to join the Euro. Would "convergence criteria for sustainability" have a comparable practical significance? What would member states which met the criteria qualify for, and what would those which failed to meet them be excluded from? Perhaps we should not take the Euro convergence analogy too precisely. We should probably just consider how far EU leadership towards sustainability presupposes convergence and harmonization of policies and institutional structures among EU member states, and how far it merely requires encouragement to member states to undertake their own new initiatives and structural reforms. My conclusions on this point are at the end of the paper.

2. Public Finance and the Monetary System

In this paper I consider how EU member countries may best achieve progress in an area which is absolutely central to the sustainability agenda. I refer to reform of the public finance and monetary system. In every country of the world this now provide systemic incentives - even compulsions - to unsustainable development in almost every field, including those now proposed as the six major themes of European sustainable development strategy:

- Climate change and clean energy
- Public health
- Management of natural resources

- Poverty and social exclusion
- Aging and demography
- Mobility, land use and territorial development.

The right changes in the existing public finance and monetary system would, by themselves, add up to an effective sustainable development strategy in all those fields.

The nature of these changes is outlined in this paper. It is spelt out in greater detail in published work for the European Commission (Robertson 1999) and elsewhere (Robertson 1998 and 2000, and Huber and Robertson 2000). The changes are more far-reaching than EU member states will be able to agree upon collectively by intergovernmental agreement now. Their agreement on them at a later date, if intergovernmental agreement is still needed then, will depend on increasingly insistent pressure of public and political opinion, as the need for the changes becomes more widely understood. But that does not mean that EU institutions should do nothing about these changes now. Almost all EU governments are already taking small steps of their own in the right direction. There are many ways in which EU institutions could help and encourage them to go further and faster.

The point to recognize is that the overall pattern of public revenue and public spending influences the outcomes of economic activity very heavily. In most EU member states, something like 35% of GDP is taken out of the market economy in taxation and other public revenue, and then put back into other parts of the economy as public spending. This has a massive impact on relative costs and prices throughout the economy - taxes adding to the cost of what is taxed, and public spending reducing the cost of what it supports. In other words, not interfering with a 'free market' is a conceptual impossibility, and the proverbial 'level playing field' is a mirage. The total composition of public revenue combined with the total composition of public spending will always provide a framework which skews the price structure of the economy some ways rather than others. At present it skews it powerfully in favor of unsustainability.

To recognize this is not to argue in favor of a command economy based on detailed central planning by governments, or in favor of ongoing ad hoc interventions by governments in the workings of the market economy. Absolutely not. Both those are damaging - economically, socially and environmentally. It is to recognize that governments' fiscal and monetary institutions and policies should be designed to provide a framework of public revenue collection and public spending that provides powerful incentives to all participants in the economy, operating as freely as possible within that framework, to produce outcomes which contribute to economic efficiency, social justice and environmental sustainability.

Against that background, this paper briefly covers the following points:

- existing public spending programs give massive subsidies to support unsustainable activities;
- existing tax systems are not sustainable;
- existing tax systems have deeply perverse effects;

- support is growing for a ‘tax shift’ which would *reduce taxes* on rewards for adding value by useful work and enterprise, and *increase taxes* on the value that people and organizations subtract by using or monopolizing valuable ‘common resources’ like the site value of land, the value of unextracted energy, and the value of the environment’s capacity to absorb pollution and waste;
- this ‘tax shift’ can be seen, not only as providing powerful incentives for more sustainable development, but also as enabling all citizens to share in the value of the ‘common resources’ whose value is created by nature and society at large; and
- one such common resource is the value of new money (denominated in the official currency - euro, sterling, dollar, etc) which is issued into circulation to increase the money supply.

The paper also discusses:

- some features of the package of changes that this approach implies; and
- its relevance to international and global sustainability.

In conclusion the paper considers the extent to which convergence and harmonization of EU member states’ fiscal and monetary policies and institutions could contribute to sustainable development, and how EU institutions can help member states in other ways to make progress with the required changes.

3. Existing Taxes Are Not Sustainable

Growing and foreseeable pressures for change include the following.

- 1) Today’s tax systems are becoming too complicated and expensive for tax authorities and taxpayers to cope with.
- 2) Mobility of capital and mobility of highly qualified people in a competitive global economy presses national governments to reduce taxes on incomes, profits and capital.
- 3) In aging societies, the declining proportion of working-age people will oppose being taxed on the fruits of their work, in order to support the growing proportion of "economically inactive" people.
- 4) Growing internet trading will make it more difficult for governments to collect customs duties, value added tax (VAT), and other taxes and levies on sales - especially on products and services that can be down-loaded from the internet, such as music, films, pictures, games, and advice and information of every kind. The internet will also make it easier for businesses and individuals to shift their earnings and profits to low-tax regimes.
- 5) Under existing tax systems, governments are increasingly losing tax revenue to tax havens. International efforts - for example by the EU and OECD - to deal with this will grow. But the most effective way to deal with it may be for national governments to shift the tax burden “away from mobile tax bases to immobile tax bases” like land and sources of energy (Gaffney 2000).

4. Existing Taxes and Public Spending Are Perverse

Today's tax systems are badly designed.

- Existing taxes damage economic performance, social wellbeing, and environmental sustainability.
- Existing taxes discourage employment, savings, success in the growing markets for smart technology, and adding value.
- Existing taxes encourage over-use of natural resources,¹ under-use and under-development of human resources, social exclusion and divisiveness, and subtracting value.

Today's public spending programs are estimated to provide perverse subsidies, costing taxpayers worldwide US\$1.5 trillion, to promote unsustainable activities (Myers, N. 1988).

5. Need and Scope for a Tax Shift

This situation creates the need and the opportunity for a tax shift (see, for example, Durning and Bauman 1998, and Hamond et al 1997). This will be a shift towards a new tax structure, which will:

- a) stop taxing people and organizations on the rewards they earn by adding value for other members of society by useful work, skill and enterprise,
- b) make people and organizations pay (into the public revenue) taxes or charges reflecting the value they subtract by 'enclosing' for themselves the value of common resources - i.e. value which they themselves have played no part in creating, but which has been created by Nature and society as a whole, and
- c) share out among all citizens the 'free lunches' which the value of these common resources offers, instead of continuing to allow landowners, big corporations, big shareholders, top managers and others to 'enclose' it for their own profit.

Examination of the existing pattern of taxes in Britain shows that over 80% of tax revenue comes from taxes on work and enterprise, about 11% from taxes on resources, and about 7% from other taxes (including 'sin taxes' - on alcohol, tobacco, etc). There is thus plenty of scope for a tax shift. Worldwide the scope appears to be similar - perhaps even greater.

6. What Are Included Among 'Common Resources'?

The following are among the 'common resources', the value of which has not been created by individual or corporate endeavor and which could provide sources of public revenue, either in the form of taxes or in other ways such as user charges and auctions of licences or permits:

¹ This includes pollution, which is over-use of one of our most valuable resources - the environment's capacity to absorb pollution and waste.

- 1) land sites,
- 2) unextracted energy, i.e. energy in its natural state,
- 3) the environment's capacity to absorb pollution and wastes,
- 4) space (e.g. for use by air and surface transport),
- 5) water (e.g. for extraction),
- 6) the electro-magnetic spectrum (e.g. for communication, broadcasting - licences for the next generation of mobile phones,
- 7) bio-diversity and genetic resources,
- 8) intellectual and cultural resources (?taxes on patents?), and
- 9) the money supply.

7. The Money Supply

Providing society's money supply could and should become a substantial source of public revenue. That source would not be tapped by a tax, but by changing the present method of creating new money - as proposed in a report published last year on *Creating New Money: A Monetary Reform for the Information Age* (Huber and Robertson 2000).

That report calculated that allowing commercial banks to put the overwhelming majority of new money into circulation as profit-making loans to their customers, as at present, gives the UK banks a hidden subsidy of over £20bn a year. If all new money, and not just cash (banknotes and coins), were created by the central bank (as central monetary authority), credited to the government, and put into circulation debt-free as public spending, that would provide additional public revenue of over £40bn a year. (Comparable figures for the Euro-area are not yet so easy to calculate, but appear to be of the order of 60bn euro and 90bn euro.)

Apart from providing an additional source of public revenue - allowing substantial tax reductions, increases in public spending, repayment of public debt, or a mixture of these - a monetary reform on these lines will contribute to economic stability and social equity. It will also encourage environmental sustainability. Meeting the costs of having to use money that has been put into circulation as debt and has to be repaid with interest, as at present, compels higher levels of production and sales than would otherwise be necessary. Removing that compulsion will have many beneficial effects, including a contribution to environmental sustainability.

8. Eco-taxes Must Not Be Regressive

It is generally accepted that the part played by environmental taxes must grow. But it is also accepted that, if existing taxes on incomes, profits and savings were replaced by environmental and resource taxes imposed directly on consumers (i.e. at the end, rather than the beginning, of the 'economic pipe'), the change would hit poorer consumers relatively harder than richer. For example:

- value-added tax (VAT) on household energy hits poorer households harder than richer ones;
- fees and charges to reduce urban congestion hurt small tradespeople more than users of chauffeur-driven limousines; and

- very poor people have to pay eco-taxes, at least to some extent, but do not benefit from reductions in taxes on incomes, profits, capital gains, etc, which they do not now have to pay.

If environmental taxes and charges are to become a really significant source of public revenue, this will have to be remedied. How?

First, environmental taxes and charges should be levied ‘upstream’ whenever possible. A key example is a tax on carbon-energy (or on fossil fuels and nuclear energy), *collected at source*.

- It will reduce pollution, because pollution arises predominantly from energy-intensive activities.
- It will be administratively simple.
- It will be seen to impact richer people’s incomes and wealth by reducing the salaries, dividends, pension contributions, stock options, capital appreciation, etc, from energy-intensive businesses.

But that will not be enough. The regressive effect on consumers will remain, and will have to be offset in other ways. Environmental taxes will have to be part of a larger package of changes.

Second, then, land value tax should be part of this package. It is, in fact, an environmental tax - a ‘sprawl tax’ (Durning and Bauman 1998: 57-65). Land value tax is clearly progressive. It is not the poor but the rich who are enriched by ‘enclosing’ the value of land.

But even this will not offset the regressive effect of the tax shift for people who now pay no tax except value-added tax (VAT). They will have to be helped to offset in some other way the new costs of the higher environmental and resource taxes.

So, third and crucially important, it will be necessary to use revenue from the new environmental and resource taxes progressively, as an element in the total package of measures included in the tax shift. There are many ways this can be done. One is to use it to help poorer people to reduce the higher household energy costs arising from energy taxation. Others include using eco-tax revenue to distribute eco-bonuses as contributions to a basic income (von Weizsäcker, E.U. 1994: 76). This earmarking of the revenue from a particular tax to be spent for a particular purpose (‘hypothecation’), raises questions about the philosophy of taxation (Commission on Taxation and Citizenship, 2000: 154-185). These need to be worked through, as an aspect of a strategy for sustainable development.

9. Tax Shift and Redistribution of Incomes

It is generally accepted that one of the functions of taxation should be to redistribute incomes and wealth. It is often assumed that this function requires incomes to be taxed *directly*. A shift away from taxes on incomes and profits will run counter to that assumption.

This needs to be examined more closely.

- A shift from taxes on the rewards of work and enterprise to taxes on resources like land and energy will be a shift from taxes on economic *outcomes* to taxes on economic *inputs*.
- That means it will be a shift from *after-the-event redistribution* of value that has been created by economic activity, to *before-the-event predistribution* of the value of inputs on which economic activity depends.
- Today it is widely taken for granted that the state should counteract the *outcomes* of economic activity and redistribute value at the end of the economic ‘pipe’. Predistribution, on the other hand, will act at the beginning of the “pipe” - to share more widely the value of essential *inputs* to economic activity and, in that way, to generate more equal outcomes from it.
- Whereas redistribution tends to reinforce dependency, predistribution will better enable people to achieve economic wellbeing for themselves.
- Predistribution will address the underlying causes of economic injustice, inequality and exclusion that arise from the private and corporate ‘enclosure’ of common resources. It can be seen as an essential feature of a prosperous economy in an inclusive society.

In practice, the redistribution-of-incomes approach has not proved very successful either within nations, or between them. In principle, the arguments for predistribution would seem to be powerful. But more detailed calculations about the redistributive effects of the tax shift will no doubt be necessary before the social arguments, as well as the economic and environmental arguments, lead to its adoption as a sustainable development strategy.

10. The Global Dimension

The principles we have been discussing for national public finance and the creation of new money apply at the global level too.

The Commission on Global Governance recognized five years ago, that global taxation is needed “to service the needs of the global neighborhood”. Global taxes, based on the use each nation makes of global commons, could include:

- taxes and charges on use of international resources such as ocean fishing, seabed mining, sea lanes, flight lanes, outer space, and the electro-magnetic spectrum; and
- taxes and charges on activities that pollute and damage the global environment, or that cause hazards across or outside national boundaries, such as emissions of CO₂ and CFCs, oil spills, dumping wastes at sea, and other forms of marine and air pollution (Commission on Global Governance 1995).

The Commission also pointed out that international monetary reform is becoming urgent: “A growing world economy requires constant enlargement of international liquidity”. The principle underlying the proposal to put new money into circulation as

debt-free public spending at the national level (Huber J. and Robertson J. 2000) could equally well be applied at the global as well as the national level.

Revenue from global taxes and putting a new global currency into circulation could then provide a stable source of finance for UN expenditures including international peace-keeping programs. Some of the revenue might also be distributed to all nations according to their populations, reflecting the right of every person in the world to a "global citizen's income" based on an equal share of the value of global resources.

This approach:

- would encourage sustainable development worldwide; it would generate a much needed source of revenue for the UN;
- it would provide substantial financial transfers to developing countries by right and without strings, as payments by the rich countries for their disproportionate use of world resources;
- it would help to liberate developing countries from their present dependence on aid, foreign loans and institutions like the World Bank and the International Monetary Fund, which are dominated by the rich countries;
- it would reduce the risk of another Third World debt crisis; and
- it would recognize the shared status of all human beings as citizens of the world.

11. International Fiscal and Monetary Harmonization?

Finally, is international harmonization more likely to help or hinder the conversion of national fiscal and monetary policies and institutions into agencies of sustainable instead of unsustainable development? Should every EU member state have to agree to this conversion, before any one state can be expected to embark on it?

It can be argued that, as a general rule, in an increasingly 'weightless' information-based and knowledge-based world economy, the faster a national economy can shift towards sustainable development the greater the competitive *advantages* it will achieve against national economies that shift more slowly. As that becomes apparent, it will provide an incentive to governments, including governments of EU member states, to accelerate the introduction of their own new fiscal and monetary and regulatory incentives for sustainable development. Once this process gets moving, progress towards a sustainable development path worldwide and in the EU as a whole may be generated more effectively by piecemeal competition between states seeking economic advantage than by harmonized intergovernmental decision-making.

In that case, to wait for internationally agreed convergence and harmonization would simply give opponents of sustainable development - such as the energy-intensive, resource-intensive and high-polluting industries - a better opportunity to gang up with their counterparts in other countries to resist the changes it calls for. They would argue that a member state should not introduce new regulatory and fiscal incentives in support of sustainable development until all member states had agreed to do the same. Moreover, the convergence targets eventually agreed would almost certainly fall short of what is actually needed.

On the other hand it is clear that, even in countries where most people will clearly benefit, powerful sectors will oppose the fiscal and monetary changes required to encourage sustainable development. For example, the energy-extractive, energy-intensive, resource-intensive and high-polluting industries will argue that, if their government shifts the burden of taxation on to pollution and energy faster than governments of other countries, they will be at a disadvantage against their competitors in those other countries. So internationally agreed measures may be needed to ensure that certain sector-specific *disadvantages* arising from the shift to sustainable development should equally affect the relevant industries in all EU member states. These measures can, for example, take the form of import tariffs and export rebates, which will offset the tax difference between the various countries concerned.

Another example of the need for international agreement will be when EU member states begin to realize that shifting some of their tax burden off Value Added Tax and on to Land Value Tax will serve the cause of sustainability - and economic efficiency and social justice - and decide they want to make that change. This will involve renegotiating the existing arrangements for financing EU institutions².

In addition to situations of that kind which necessarily require agreement between EU member states, there are many other ways in which EU institutions can help member states to shift towards sustainable development. In conclusion, here are two examples.

First, EU institutions could encourage EU-wide study and discussion of the proposals in this paper, as an aspect of the EU sustainable development strategy.

Second, and more specifically, they could compile an EU-wide set of economic, social and environmental sustainability indicators for member states. These would be concerned with things like:

- reducing CO₂ emissions, reducing total energy use and raising the percentage of energy needs met from solar sources;
- reducing the transport of goods (e.g. by reducing “food miles” - the distance food travels from producers to consumers), by increasing the proportion of local consumption met from local production, and reducing imports and exports as a proportion of GDP;
- and many such indicators of a physical nature.

But they could also include relevant fiscal indicators, such as:

- reductions in perverse subsidies;
- reductions in perverse taxes;
- reductions in the proportion of the total tax burden falling on rewards for work, enterprise, value added, and savings; and
- increases in the proportion of the total tax burden falling on the use of resources (including pollution).

² In that context, if the Eurozone adopted the reform proposed in *Creating New Money* (Huber J. and Robertson J. 2000: 63), its member states would probably no longer need to make an annual contribution to the EU budget but would receive an annual dividend from the European Central Bank.

Annual publication of an EU “Progress Towards Sustainable Development” Index based on many different indicators of this kind -broadly on the lines of the UNDP Human Development Index - would make it possible to compare the progress made by EU member states with one another and with the rest of the world. This could provide a useful spur to national improvement.

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Cultural Sustainability

(SUMMARY)

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The title of my intervention is “ Cultural Sustainability” and, under this umbrella, I have been asked to articulate principles, which would guide convergence from a cultural policy point of view. **The Council of Europe holds the principle of cultural diversity to be a fundamental value.** Despite the different notion of Europe which is described by the Council of Europe, from that of the European Union, the commitment to maintaining cultural diversity is a shared common value between the two Organisations. **If cultural policy is to assume a significant role in the new economy, it will be on the basis of according the value of cultural diversity a pre-eminent role. Cultural diversity must be clearly distinguished as a principle from the goal of overcoming cultural divergence.**

A fundamental concern of the Council of Europe, in the face of globalization and the global culture, is **the lack of democratic regulation.** The enormous power of transnational corporations is exercised outside of all democratic political regulation. At the same time, the nature of the product, which is the subject of economic marketing and exchange, is culture itself. This means that cultural difference and the critical capacity expressed in independent cultural creation is severely jeopardized.

Cultural Diversity in the International Context: The Declaration

The Council of Europe recognized that a clear idea of when cultural principles trump economic principles needs to be established. When for example cultural diversity as a value is more important than the economic objective of overcoming cultural divergence or the trade policy principle of avoiding regional preference. In some cases this will undoubtedly mean that cultural principles will have to be taken into account in the design of trade policy and its contingent obligations and commitments. Recognizing that cultural diversity can no longer be dealt with only at the national level, the Organization has developed the first international instrument on cultural diversity: The Council of Europe Declaration on Cultural Diversity, which it is hoped will provide the framework for a coherent approach to the subject.

Cultural Diversity: The National and Local Context

With the understanding that a coherent approach to cultural diversity must be developed between the international and the local level, my Department has begun an activity entitled 'Cultural Policy and Cultural Diversity'. The framework statement of the activity elaborates its concerns and objectives:

The international context in which national policy is developed is changing the landscape in which citizenship assumes a meaning. Cultural diversity, in all its forms, is posing a profound challenge to traditional formulations of cultural policy, and to our understanding of the public interests served by this policy. National cultural policy has, therefore, a new role to play in the new citizenship landscape. In order to perform as democratic cultural policy it will need to embrace diversity, rather than cultural homogeneity, as a norm. It will need to define the new conditions of equity and fairness for cultural participation. The shift from homogeneity to diversity as the new social norm requires a rethinking of the processes, mechanisms, and relationships necessary for democratic policy development in diverse societies.

Future Action

The activity is being developed in order to develop a catalogue of measures tools and strategies for use by national states in their quest to develop a just and democratic approach to cultural policy in the context of cultural diversity. The discrete objectives of the actions undertaken will be: to build up a reference of legislation, decisions and policies which have been set out to positively accommodate cultural diversity; to define, through research and international cooperation the future role of cultural policy review, as it may be developed to challenge discrimination in the field of cultural diversity; to develop a network of research bodies related to different aspects of the project. ♦

THE COUNCIL OF EUROPE

DECLARATION ON CULTURAL DIVERSITY

Adopted by the Committee of Ministers at the 733rd meeting
On 7 December 2000

Preamble

The Committee of Ministers,

Recognizing that respect for cultural diversity is an essential condition of human society;

Recognizing that the development of new information technologies, globalization and evolving multilateral trade policies have an impact on cultural diversity;

Reaffirming that to sustain, protect and promote cultural co-operation and democratic norms and structures in European societies is a central task of the Council of Europe;

Recalling that cultural diversity has always been a dominant European characteristic and a fundamental political objective in the process of European construction, and that it assumes particular importance in the building of an information and knowledge based society in the 21st Century;

Acknowledging that all democratic societies based on the rule of law have in the past developed measures to sustain and protect cultural diversity within their cultural and media policies;

Aware of the tradition of the Council of Europe to protect and foster cultural diversity and recalling, in this context, the instruments already developed by the Organization on the basis of the European Convention on Human Rights and the European Cultural Convention;

Emphasizing that, in the context of global market influences on cultures and cultural exchange, modern democratic states have a new challenge: the development of policies for assuring the recognition and expression of forms of cultural diversity coexisting within their jurisdictions;

Recalling the commitments of the member states of the Council of Europe to defend and promote media freedoms and media pluralism as a basic precondition for cultural exchange, and affirming that media pluralism is essential for democracy and cultural diversity;

Recalling in this respect the important contribution made by public service broadcasters;

Convinced that all member states and other States Party to the European Cultural Convention must confront this challenge from a culturally distinct perspective, but that the shared global context for development requires the elaboration of a set of principles which will provide a coherent framework for sustaining and enabling cultural diversity at all levels;

Affirms that the legitimate objectives of member states to develop international agreements for cultural co-operation, which promote cultural diversity, must be respected,

Declares the following:

1. Cultural Diversity

- 1.1 Cultural diversity is expressed in the co-existence and exchange of culturally different practices and in the provision and consumption of culturally different services and products;
- 1.2 Cultural diversity cannot be expressed without the conditions for free creative expression, and freedom of information existing in all forms of cultural exchange, notably with respect to audiovisual services;
- 1.3 Sustainable development as defined in relation to cultural diversity, assumes that technological and other developments, which occur to meet the needs of the present, will not compromise the ability of future generations to meet their needs with respect to the production, provision and exchange of culturally diverse services, products and practices.

2. Cultural and Audiovisual Policies for Sustainable Cultural Diversity in a Global World

- 2.1 Cultural and audiovisual policies, which promote and respect cultural diversity, are a necessary complement to trade policies;
- 2.2 Cultural diversity has an essential economic role to play in the development of the knowledge economy. Strong cultural industries, which encourage linguistic diversity and artistic expression, when reflecting genuine diversity, have a positive impact on pluralism, innovation competitiveness and employment;
- 2.3 Culturally diverse forms of production and practices should not be limited but enhanced by technological developments;

- 2.4 Wide distribution of diverse cultural products and services, and exchange of cultural practices in general, can stimulate creativity, enhance access to and widen the provision of such products and services;
- 2.5 Public service broadcasting plays an important role for the safeguarding of cultural diversity;
- 2.6 Education, training of professionals and users of new services and reinforcement of cultural and audiovisual production are notable factors in the promotion of cultural diversity.

3. Sustaining and Enabling Cultural Diversity

- 3.1 Member states are called upon to examine ways of sustaining and promoting cultural and linguistic diversity in the new global environment, at all levels;
- 3.2 Member states are urged to pay particular attention to the need to sustain and promote cultural diversity, in line with the relevant Council of Europe instruments, in other international fora where they might be called on to undertake commitments which might prejudice these instruments;
- 3.3 The competent organs of the Council of Europe are requested to identify those aspects of cultural policy which are in need of special consideration in the context of the new global economy, and to elaborate a catalogue of measures, which may be useful to member states in their quest to sustain and enable cultural diversity;
- 3.4 The Committee of Ministers agrees to review the situation at regular intervals.

..

EU Sustainable Development Strategy: Shared Responsibilities

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The community of sustainable development experts, fancy they are ahead of their contemporaries. I believe, on the contrary, that we are twenty years behind the engineering community in charge of space conquest. The international space station is a symbol in this respect. Russians, Americans, Europeans, public authorities, enterprises are involved in a common project requiring a common vision, expertise, mutual trust, common standards and joint efforts. This is still far from being the case in environmental matters, as experience has shown with the 5th Environment Program, or as regards sustainable development. It is undoubtedly a topic, which will emerge as essential at the World Sustainable Development Summit scheduled for September 2002. As UN Deputy Secretary General N. Desai recently indicated, the Johannesburg Summit will be about integration, partnership to secure integration, global responsibility taken seriously by each player- including at local level, and action.

Europeans could play a key role in this respect. As noted by MEP J.L. Bourlanges, the field of action in which Europe is relatively efficient: "slow, preventative international action at society level to lessen fundamental imbalances on the planet (...), an action based on bringing together general planetary interest, which is not really taken on by the United States even if they are the hegemonic power, and a whole host of non-governmental bodies, multilateral procedures and international institutions" (*Le Monde*, 1998). This is precisely what is at stake here.

But for this to happen, the "open-coordination" procedure used in Lisbon and tomorrow in Gothenburg will have to be truly "open" and involve the various players concerned. This is why I would like to present here four initiatives for the Gothenburg conclusions and show their connection with other institutional issues by 2004:

1. A Charter for Sustainable Development, Third Pillar of the Union Fundamental Rights and Basis of the 2004 EU Treaty

Sustainable development requires readability, visibility and commitment. The Gothenburg conclusions alone will not meet this pressing necessity. The European Forum of Civil Society proposes that the Gothenburg Council should convene a "Convention II" extended to delegations that represent the countries applying for membership of the European Union, the Committee of the Regions, Social Partners

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and Non Governmental Organizations respectively. The task of this Convention II would be to submit a Charter for Sustainable Development and an Action Plan for 2020 to the EU Council and Parliament by end of April 2002.

The Forum calls for the European States to be true to the commitments they formally entered into under the United Nations Conferences that took place in the Nineties and to use these commitments as a lever for European leadership. As was underlined in the draft European Citizens' Charter of the Forum, the programmatic rights which all the States on the continent subscribed to, whether they were Member States or countries applying for membership of the Union, should be expressed as a pillar of Fundamental Rights in the Union, alongside the rights defined in the Nice Charter and those attached to representative, participatory, parity democracy.

A "Charter for Sustainable Development" should sum up the programmatic rights subscribed to in the course of the Nineties by the EU Member States, in the same way as the Nice Charter tries to sum up the constitutional rights as they existed at the time.

The programmatic rights resulting from documents signed by all the Union Member States and all the candidate countries are defined under Article 4 of the European Citizens' Charter, which specifies in particular that: *In the context of Community policies and legislation, the Union shall respect the undertakings agreed at the United Nations Conferences on the Environment and Development (Rio, 1992), Human Rights (Vienna, 1993), the Population (Cairo, 1994), Women (Beijing, 1995), Social Affairs (Copenhagen, 1995) and the Habitat (Istanbul, 1996)*".

2. Agenda 2020 for Sustainable Development, an Economic Development Project in a Union Enlarged to All Candidate Countries

An agenda for action – "Objective 2020" – and the European strategy for sustainable development should complement this Sustainable Development Charter.

When addressing the Globe General Meeting on March 7, 2001 on the topic of "Environmental prospects for the forthcoming Belgian Presidency", Mrs. Magda Alvoet, Belgian Minister for Public Health, gave a good description of the problem.

"After Jacques Delors' Objective 1992, Europe needs an ambitious green objective at the start of the 21st century. Shouldn't the Swedish Presidency try to reach a consensus in Gothenburg on an equally inspiring objective for the European Union: a Sustainable Europe by 2020? (...)."

The major problem for an enlarged Union will be poverty. What we must realize is that the economic project for the Union in a Union enlarged to 28 Member States must be given a new ambition: turning a problem into a lever. Meeting the needs of the poorest should be turned into a lever, not only for a more fairly shared out development, but also for establishing a new innovation era in terms of products and services. *Tomorrow Magazine* states that "the untapped market of the very poor is the new frontier for business growth in the 21st century (...) the market of the very poor can serve as an incubator for the sustainable technologies of the future".

There is a change of paradigm here, which should be put to good account. The Union will thus be stronger internally and externally while meeting the needs of its peoples and of the poorest in the world. I would like this change of paradigm and the preparation for the "Agenda 2020" action plan to be the subject of meetings in the second half of 2001 to formulate proposals which could be submitted to the Convention II at the beginning of 2002.

3. Convergence Process Towards Sustainable Development, a Voluntary Initiative in Support of the Gothenburg Conclusions

Within the framework of the European Eco-efficiency Initiative, EPE and WBCSD have embarked on one of the most challenging initiatives launched so far to contribute to the preparatory process and implementation of the EU Sustainable Development Strategy: (i) to propose a convergence method on the basis of objectives, targets and timetable as defined by the European Council, (ii) to foster its implementation by the Market as a "fast-track" process, by making use of "Sustainable Development purchasing guidelines".

"The metaphor of 'sustainability convergence criteria' is the key element as it aims to raise the profile of sustainability to that of the euro, one of the key dimensions of European integration in recent years", noted Nick Robins. Enlightened companies keen to contribute to the success of the EU Sustainable Development Strategy will, in the framework of a multi-stakeholder dialogue, agree on a limited number of indicators and targets with specific relevance for companies. These indicators and targets will be presented by mid 2002 at the Third European Conference of the Rio+10 Coalition.

A set of convergence criteria must be simple, compelling and made accessible to every SME. It must stimulate a desire to build a better society based on specific plans and strong co-operation amongst all players.

How to go from "macro" targets and indicators to "micro" actions? Which "micro" indicators could be best to help companies to contribute to the success of "macro" European objectives? How to design a voluntary initiative to be ready for the European Council at the end of the Spanish Presidency in 2002 and by which the convergence initiative would be part of companies' Supply Chain Management? How should public authorities use their purchasing power to support this process? The coming twelve months should be a period of intense negotiations. An exploratory meeting will be convened by the European Green Purchasing Network and the WBCSD.

The initiative would have 3 tracks:

	Policy	Instruments
Track 1	Setting the Governmental framework	
EU	EU Strategy for Sustainable Development	Indicators, Thresholds, Timetable
Member States	"Stability and Sustainable Development Pact" in line with the EU Strategy	"National Stability and Convergence Program"
Track 2	Encouraging companies to take action	
Value Chain	Green Purchasing in line with the Sustainable Development basket of indicators	Negotiated agreement between "Vendors" and "Institutional Buyers"
Companies	Commitments to a continuous improvement of performance in line with the Sustainable Development basket of indicators	<ul style="list-style-type: none"> · WBCSD Eco-efficiency indicators (reporting) · GRI reporting · Sustainable Electronic Platform Reporting
Track 3	Sustainable	Trade
EU	Procurement rules in support of Track 1 and 2	Procurement Directives
EU Member States Local Authorities	Procurement Guidelines	Integration of the Sustainable Development Convergence criteria into procurement policies
Third countries	Partnership with Third Countries to foster Sustainable Trade	Dialogues with Asia, Latin America, Africa, the Euro-Mediterranean area

4. Monitoring Instruments

I am happy to note that in its consultation paper, the European Commission has taken up a proposal made by the EEB five years ago, when I was its Secretary General, and presented to the Commission President: establishing a Council for Sustainable Development.

4.1. Consultative Council for Sustainable Development

The European Forum of Civil Society welcomed the project of a Consultative Council for Sustainable Development whose responsibilities should include proposing *initiatives* to be taken and monitoring the implementation of Agenda 2020.

4.2. European Committee of Civil, Social and Economic Society

The Forum also proposed that the Economic and Social Committee, which should become the "European Committee of Civil, Social and Economic Society", should be asked to issue opinions on the *analysis of strategic impact* in terms of sustainable

development of the plans, programs and policies proposed by the Commission or the Council.

4.3. European Eco-Fair Purchasing Network

EPE and Iclei which launched the European Green Purchasing Network propose that this network should play the role of a tripartite body 'Public authorities – Enterprises– Civil Society' to monitor the implementation of the convergence project and sustainable development indicators by institutional buyers, whether they be public ones (procurement officers) or private ones (purchasing managers). This requires special attention to the management of the supply chain, the role of SMEs and relations with the economy of developing countries. An initial preparatory meeting has been scheduled.♦

Building Movements to proliferate Sustaining Organizations

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Abstract

The history of how today's broad based support for sustainable development in Sweden and it's spread to other countries has to do with how social movements are created and sustained. By examining the experiences of The Natural Step, one of the early voices in Swedish society seeking to communicate how sustainability can be defined, observations, trends and feedback are distilled to describe in basic terms some of the contributing success factors. The ability to communicate in a "clear voice" the rationale for and the methodologies behind sustainable development, along with using various communication techniques to diffuse tension and spur creativity, are keys to creating an "attractive dialogue" that can propel society towards a sustainable future.

Keywords: The Natural Step (TNS), Sweden, science, consensus, social technologies, causal loop, dialogue, systems thinking, attractive conversation, business, environmental movement, sustainability, environmental management, sustainable development, back casting, resource funnel, framework, four system conditions

Introduction

The purpose of this paper is to relate some of what the organization The Natural Step (TNS, a Non-Governmental Organization [NGO] for Sustainable Development) has learned about building societal movements towards sustainability, and thus about how to support the growth in the number of corporations engaged in sustainable development. As TNS sprang from and took root in Sweden first, describing the Swedish social context in brief is a logical starting point.

The Social Context

Popular opinion places Sweden as one of those countries re-known for being "nice." It still boasts a large and relatively well functioning social safety net, a diplomatic drive for neutrality, a strong foreign aid ethic, an image of a relatively harmonious and homogenous society, pleasant yet unremarkable food staples like meatballs and various preparations of herring. Among the various cultural attributes that define Sweden are its citizens desire to reach consensus and take social responsibility, perhaps due in part

to a co-operative survival legacy leftover from the Viking days.³ In addition, Swedes also have the highest newspaper readership in the world, and up to ten percent of its citizens take part in voluntary, self-organized yet government subsidized "learning circles" on virtually any subject [6]. Swedes are also a very networked society, not just in the modern Internet sense of the word, but also in having formed large professional associations and unions, such as the farmers' union (LRF).

The Environmental Movement

The same seeds of change that gave birth to the environmental movement of the seventies in the US and many other countries around the world were also sowed in Sweden. The movement propelled itself based on the horrors and tragedies of the acute effects of pollution and human activity in nature. Concerned scientists and citizens organized to put a halt to the evident problems associated with the devastation at hand. As a result of this, regulations reflected, then and now, what can be termed a "down stream" perspective, which responds to impacts in nature.

Downstream Complexity

The problem with this downstream thinking (environmental management) is that information often comes after large investments in non-sustainable technologies have already been made. Furthermore, due to complexity, we are barely able to identify the effects of suspected pathogens in isolation after they occur, let alone the effects of all the myriad various compounds and actions before they occur. Due to this perspective, it was predictable that regulations would change in unpredictable ways over time in response to new findings. Due to the complexity of trying to predict threshold levels in nature, and of time delays, and scale problems, scientists were and still are incapable of agreeing with any certainty what specific details the future may entail.

Reactive Measures are Costly and often Cause Defensive Attitudes

As a result, business made investments in remedial technologies (amicably at first), yet as regulatory targets began to shift so did the environmental outlays for corporations. Companies reacted according to their understanding of the costs and benefits and of the challenge at hand, as defined by environmental management. This kind of approach is unpredictable, costly, and inherently unmanageable from a business perspective, so not surprisingly many businesses the world over entrenched themselves in "anti-environmental" positions, lobbying for inactivity on the environmental front. By practicing responding to downstream effects instead of dealing with root causes, society, knowingly or not, created a cultural momentum in thinking about environmental issues. Yet the pressure continued to come from citizens, scientists, and some opinion leaders, and so the debate continued.

The Big Mailing

³ According to folklore, the word "lagom," meaning "just enough" was said after each sip as the Vikings passed around the communal drinking vessel during banquets. It means that the drinker had taken just enough so that there would be enough for everybody. Today, "lagom ar bast" is the Swedish slogan meaning "everything in moderation."

In Sweden in 1988, the atmosphere surrounding the publics' understanding of environmental issues closely resembled atmospheric environmental pathologies themselves. If the atmospheric situation could be characterized as being polluted by disorganized and accumulating matter often resulting in acidic precipitation, leaking of precious metals from the system, stunted ecosystem development, and a general rising of temperature, then much the same could be said for the level and effects of the public discourse at the time: endless debate lost in complexity utilizing precious resources for further research without furthering society's knowledge of what to do and so in general making many people sick and tired of the green movement.

Seeking Consensus

In response, one of the authors (at the time one of Sweden's known cancer scientists), through his insights from working with cells launched a consensus building process amongst some of Sweden's top scientists regarding sustainability. To turn everything upside down in relation to the fascination over disagreement and polarities, he asked, "What can we agree on?" Impelled by an understanding of the value of establishing basic fundamental principles for the structuring of data in order to make better sense for decision-making, these colleagues merged forces to do their best. Imagining that if a society could share the same principles for sustainability, like when identifying the rules of a family game that everyone could enjoy playing together, then it could take on the challenge of sustainable development. The scientific consensus process yielded several benefits that would continue to serve as societal drivers towards sustainability. The most touted is the first consensus document, which roughly outlines the way in which the cycles of nature work, how they are being disturbed, and that society – not least the individuals who are part of the problems rather than the solutions - will eventually pay prices for this economically, socially and ecologically.

The Launch

Equipped with this hitherto unheard of success, this cancer scientist began to recruit the necessary players in order to spread the news to a slightly larger audience- the entire Swedish population. Momentum was created in a step-by-step process, recruiting more scientists, then entertainers, then Swedish television, the government, and eventually the Swedish King. This was enough for the sponsors to hop on board. As a result, a thirty-seven-page booklet emblazoned with Det Naturliga Steget (The Natural Step) and an audiocassette was mailed to every household in Sweden, 4.3 million copies, and thus the organization The Natural Step was born.

Discovering a Social Pedagogy

Another of the beneficial outcomes of building a consensus was the lesson learned around creating an attractive dialogue. TNS consciously uses a series of pedagogical techniques to recruit people from the fray and into collaboration. In this case the consensus process ran based on the social technologies of asking for advice, the "yes...and" attitude, and asking "then what?" By asking for advice, people, and in particular academics, find it much more appealing to engage a subject more thoughtfully than if they were only asked to state their opinion, or even worse – to

“sell” canned statements. The “yes...and” technique substitutes the typical “yes...but” usage (which means “no”) heard in the environmental debate. Most people actually have a valid point in their comments, in the least because they’re framed from their own perspective. By trying to see the rationale for leading a response with a “Yes,” one is forced to acknowledge the relevant aspects of the comment in question. By adding an “and,” one furthers the dialogue by adding to it another valid point without making the other wrong. Asking “Then what?” is a tool of last resort, usually when dealing with an entrenched person’s viewpoint. It forces the respondent to apply a time perspective to their vision, which usually unearths questions of economy and pertinent social factors. Combined together, these tools for dialogue diffuse tension, place ownership where it belongs, and furthers dialogue.

The General Alarm

At around the same time as this process, the global attitude towards environmental issues began to change. In 1992 the UNCED took place in Rio, CFCs moved onto the global agenda, there was wider reporting than ever before of impacts on nature and environmental woes, and not surprisingly a more wide spread sense of alarm. In gallop polls conducted around the globe, amongst both indigenous peoples and industrial nations, concern for the environment and our future has systematically been becoming more and more pronounced. In Sweden, The Natural Step is acknowledged as being one of the key players in putting the environment squarely on the societal radar screen, and is by many people believed to be the main driver behind the warming up of business: IKEA, Electrolux, Scandic Hotels, Swedish McDonald’s, all major supermarket chains, construction companies and other forerunners utilized The Natural Step Framework and took a stance as role models. Not surprisingly, this supported market changes, and also altered many corporate standpoints. Businesses (in Sweden) say that customer attitudes and values became a major issue, with which they sought to better align their activities [6]. Customers and, increasingly, municipalities and government began to demand more, making the environment a growing, palpable market issue- increasing consumer demand for ecological products, labeling, brand vulnerability due to boycotts, lawsuits, pollution and associated resource costs, and so forth. Business, determined to respond, turned to experts for advice. The non-adversarial and scientific systems approach of TNS came in handy, and was unique in the early nineties. In relative terms however, few firms got the opportunity to work with this small, but now growing TNS organization.

Old Habits Die Hard

Due to the impetus of experience, expertise and investments built up over the previous years, the approaches and techniques used for addressing environmental problems remained essentially the same, particularly in the early nineties. Society began applying environmental management to sustainable development. The problem is that environmental management and sustainable development mean two entirely different things. The former has been dealing with responding to known or debated pathogens from observed effects in nature, while the latter implies investing towards some concretely defined future goal of sustainability. Addressing problems as they appear doesn’t mean the root causes are corrected. Despite the past thirty years of increased environmental standards and better environmental technologies, the global ecological

situation has instead worsened; we are systematically degrading nature's productivity (losses of topsoil and bio-diversity, depletion of aquifers and fisheries), and systematically increasing concentrations of compounds in our air, soil, and bodies. With traditional environmental management, our investments for the future were made based on moving targets. The overriding factor responsible for this is that the lion's share of the experience of the professionals one would naturally turn to for help is in pathology science. When the modern environmental movement evolved, with the advent of Rachel Carson's "Silent Spring" in the seventies, it was in response to witnessed effects in nature. The reaction was to stop what caused this specific effect, in this case DDT, instead of asking what would happen if compounds were allowed to systematically accumulate in nature. An industry was born, where many of society's smartest researchers and scientists were asked about specific threshold levels, instead of whether or not everything had threshold levels beyond which any substance would become eco-toxic, and thereby implying the logical conclusion would be that society can't continue to systematically increase such concentrations.

The Road to Hell is Paved with Good Intentions

Seeing all of the good intention might instill a sense of calm, but actually the clock was more against society than ever before, because now we had "good guys" spinning their wheels or getting burned out from their relatively fruitless efforts. At the same time we were going more or less nowhere with respect to sustainable development, defined as conscious and systematic steps towards a goal. We were creating a culture that believed that environmental scientists, managers, economists, and activists were making progress towards sustainability. The Kuznets Curve is an example where we mistakenly associate "environmental" improvement with sustainable development. The fact that countries which enjoy "cleaner" local environments due to environmental technologies correlates to improved economic growth does not correlate to a sustainable society, since pollutants are still systematically increasing, and ecosystems are still encroached on by various physical means such as over-harvesting and poor management routines. The Sustainability Index presented at the World Economic Forum's annual meeting in Davos demonstrates these neo-traditional views without posing any of the relevant questions based on sustainability. This is a problem because many investments around marginal improvements are actually moving firms into blind alleys, whose course then becomes harder to correct. The proactive companies risk getting frustrated with their efforts, and even worse, the appearance that problems are being solved creates a dangerous time lag wherein society could have been truly engaged in sustainable development. Whereas before society was in a logjam due to arguments about details, it now risks being lulled into a kind of sleep while thinking that the departments for the environment have everything under control.

The Movement

Partly as a result of the Big Mailing, and partly due to the aforementioned reasons, concern and dialogue around sustainability increased widely in Sweden. Polls show that ten percent of the Swedish public actually read and studied the TNS mailing, a success in marketing terms [6]. Instead of "the environment" being viewed as the sole realm of extreme eco-types, larger segments of society began to get involved. As mentioned earlier, business also increased their engagement due not only to the early

funding and support link with the mailing, but because they enjoyed the pedagogical style of TNS and the simplicity with which they could use it to steer their investments towards sustainability and create a shared language for community building and group-creativity.

How Sweden Responded

Various new TNS activities that sought new and strategic social engagement and public education sprung up due to motivated individuals: the Environmental and Challenger trains (mobile educational and marketing trains that covered the country), the King's Challenge (a tri-annual competition for the best eco-municipality), the Youth Parliament for the Environment (an annual TV broadcast event that engages around 50,000 students), and more and more municipalities (soon the majority of them) which adopted The Natural Step's 4 System Conditions as their planning platform for their Agenda 21 work. Another outcome, partly due to aspects of Sweden's cultural character, was the number of self-organized professional networks for the environment. These groups ranged in size from thirty to hundreds of people, and represented most major professions: scientists, engineers, doctors, nurses, etc. Academia, industry and informed actors produced a series of consensus documents, which outline an agreed upon vision of the sustainable future of that sector as defined by The Natural Step 4 System Conditions [1]. Today, they number four: agriculture [11], forestry [12], energy [9], and metals [10].

In her doctoral thesis, Hilary Bradbury cites the TNS pedagogy as being crucial for the initial recruitment into the consensus process, and for creating an "attractive conversation." This attractiveness is key to getting and keeping people around the table and was very important for Sweden's corporate executives and managers. By further expanding buy in from professional networks, TNS gained, in a "causal loop," a self-perpetuating cultural legitimacy and momentum [6].

Keeping the Right Momentum Going

At the risk of losing the desired aspect of this societal momentum, the general proactive feeling in society, something had to be done. Besides still viewing environmental management as simply adding on a department to take care of some social and legal responsibilities, business generally viewed the market benefits as being beholden solely to the minor niche market for "ecological" goods, such as organic food, and from avoiding unnecessary, and increasingly costly, waste. The standard response from business outside of the TNS circle was "We'll be more environmental when the market demands it." This response is due to a lack of a systems perspective; such a perspective would have informed industry about nature's restrictions and how to plan in time to avoid costs from forecast-based solutions. Not only were some companies not applying a sustainability perspective to their efforts, some of those who were excited by the positive experience of the TNS systems thinking presentations disappeared after first contact.

A Learning Organization

Another problem were firms that only used the systems perspective to raise awareness and trigger some enthusiasm, but where the systems perspective was not actually put into concrete use to guide systematic changes. The reason seemed to be two-fold: (i) that the challenge was more than making people and companies simply aware and excited, but in helping them overcome old habits in the ways they viewed sustainability and strategy as separate issues and (ii) there was a true lack of hands-on knowledge of how to apply the System Conditions within firms. Not all firms had the time or other resources- in the paradigm they were in- to develop this level of knowledge by themselves, and in the early years TNS couldn't cope with the growing demand. The result was sometimes frustrating, when firms complained about having the TNS System Conditions as the overall driver for transition, but the management tools in use were actually monitoring something other than a strategic course. In response to this, TNS has sought to coach organizations and business in how to use backcasting from principles for sustainability in a methodological way. From that experience evolved a planning methodology called The Natural Step Framework. Along the same line, TNS has begun to produce manuals for how to link the overall business strategy to environmental management systems (EMS), indicators and metrics for sustainable development (See below).

Understanding the Role of Values

Companies that have been successful in applying The Natural Step Framework either already had a culture of strong core values or developed them in the process of applying and using The Natural Step Framework. Core values means that the organization is used to transmitting and sharing a values set, which functions as a philosophical framework within which to act. When those core values are strong, it means that they are meaningful, well disseminated to all employees, and that the management team “walks the talk” to maintain a perpetual cycle. The Natural Step Framework complements that, since it is about sharing an overall and relatively neutral principle understanding of the societal (global) dimension of social and ecological responsibility, and it fits comfortably with most peoples' values (a sustainable future), without imposing a foreign morality on any individual. Interviews show that TNS' approach of engaging people on a value-neutral, intellectually solid platform, and then letting them fill in the rest, was another crucial element in allowing people and companies to approach and enter the dialogue without getting suspicious [6].

It seems that one could make the case that change management of this sort requires an organization to be able to adopt new value sets. Those that are either pre-disposed to do so (because they have strong core values already), or because they are able to adapt to include them, can more readily evolve to new circumstances that demand concerted thinking, communication, and action. It is also worthy of note that firms that have core values in-line with their employees', experience positive feedback from them in myriad ways [7].

Some Technical Results from the TNS Experience

To help business plan for success, it is useful to distinguish between forecasting and backcasting, the former being the traditional approach taken by "environmental management" thinking. The latter is when one first defines success in the future on the principle level, and then makes step by step plans to reach that goal [4]. This is in fact the definition of a strategy, and is a common and natural way for individuals, as systems thinkers, to act. Through internal evaluation of their own activities and needs, we coach them in practicing applying the rules and playing this new game.

Sorting the Toolbox

The Natural Step Framework for sustainability has also been applied to further elaborate concepts such as Factor X [5], Ecological Footprinting [2], and management tools such as ISO 14001, EMAS, and LCA [3]. Furthermore, relevant indicators for sustainability can be elaborated from a sustainability perspective in a hierarchical way [14,15].

Management Lessons

The companies who have been most successful have systematically applied the Framework to their strategic planning efforts. By utilizing the Framework- a combination of observing that there is a resource funnel within which society invests, defining principles for sustainability, and backcasting from them in order to invest smartly towards an envisioned sustainable future- companies have systematically invested their money, technologies, time, brain power, egos, and resources in a proactive direction, thereby contributing less and less to violating the conditions for sustainability. But mobilizing an entire organization, such as a company, isn't an automatic occurrence. One condition for success- following from the need for strong core values- is that upper management must be committed to the success of the effort, and when the commitment is there, this corporate shift can begin to occur. Former Electrolux CEO Leif Johansson regards The Natural Step Framework as like a "clear voice" amidst the confusion.⁴ The second, which follows from the first, is that all employees in the entire organization be educated in the Framework. This is an obvious next step intellectually, but in practice the benefits have surprised companies. The biggest benefit has been that in all cases the corporate culture has improved: morale, communication, a sense of purpose outside oneself and one's bank account [7]. The second benefit is that most often it is the employees who contribute most to innovation and cost savings. And why not, after all, they know their business best. This is a way of sharing ownership of the problems and the solutions. Another measure to ensure success is to track and reward progress [7]. This has, of course, been useful outside of the TNS experience as well [13].

In order to endow further reach to the movement described in the causal loop, TNS works with those who want to be engines for moving society towards a sustainable future- part of our overall strategy. By relying on self-selection, we increase the chances of meeting an organization that is ready for the process of change.

⁴ Personal communiqué to author.

Furthermore, there are already plenty of experts out there who do change management and consulting; our job is to have them share the same framework so that they carry on doing what they do best in conjunction with our allies for sustainability. The political obstacles to change are there for sure, but so is the power of intellectual appeal and the desire to succeed. The more companies and organizations succeed, the more good case studies there are to show prospective change agents. Furthermore, and no less importantly, they begin to alter the market with their purchasing policies and public stances. They involve their employees, suppliers and the public, they support new directions in industry, they begin to reach consensus themselves and to take public stands.

Concluding Remarks

From a global societal perspective, although too little has materially changed relative to what remains to be done, a movement is definitely underway, and like a wave approaching shore, it is only a matter of time before it breaks. There are more leaders around than we believe, but we don't see them because, like in all paradigm shifts, the establishment studies what goes on through the lens of the old paradigm. So they only hear what they understand, and they talk, whilst the "hidden leaders" forge ahead in sustainable development. This is also one mechanism behind why paradigm shifts seem to go so fast once they occur – the leaders are already there, but we don't see them in the early stages of paradigm shifts [8]. This sea change is unpredictable in time and detail (like the fall of the Berlin wall). Creating a movement of sustaining organizations, in this case, has been based on the power of communicating how systems thinking could be applied to what is arguably society's greatest challenge-sustainability. Yet simply creating a splash in the water doesn't necessarily create a wave- interference patterns must be dealt with through organizational change management relevant to sustainability. Then commercial, economic, social, and political forces stand a better chance of alignment and positive interference- creating the tsunami for social change.

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Information Society, Globalisation and Sustainable Development: Impacts on the Environment

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Background

The following document reflects a background in civil society and consulting with governments and industry. In particular, it reflects the state of debate in the Information Society Forum of the European Union and its Global Society Dialogue on the issue of sustainability and global governance.

What Is Sustainability?

Concerning sustainability, the following position is taken. Sustainability would reflect the state of human affairs on the globe, in which value creation is done only by using as input the “interest” of nature and social systems, but never the “capital” itself. The idea is to preserve or increase capital and not to use it and only to do value creation under this constraint of keeping capital intact with sustainability, that is not to have any growth that essentially consists in burning capital for short-term cash.

Are We Sustainable?

The answer, is no, we are not sustainable. This world is not on a sustainable track. Europe is also not on a sustainable track. We do not have today a reasonable framework corresponding economic incentives that would direct our activities into a sustainable direction. Within the globalisation process, we witness in fact the inverse process. It is no longer possible to build or keep intact frameworks of that nature on a country level or even a continent level. Therefore the global frameworks are becoming the really important issue for sustainability. The global framework today has a major anchor the WTO system. However, the WTO system is essentially a free-trade order regime, it does not reflect social, cultural and ecological aspects at all. For that reason, as long as we want to stay competitive in Europe, there is no chance for sustainability, neither for us nor the world, because the global economic systems honours a non-sustainable mode of operation, not a sustainable one. Whatever we tell in politics the truth is: we are not on a sustainable track.

The Need for a Double Strategy

Given the economic pressures of competition on a world-market scale and knowing that we are not sustainable, we need an adequate strategy for Europe. What does not work, is to adopt to global pressures, then call this „intelligent globalisation“ and not tell the public that this is not sustainable at all. A better route, which we propose for European politics, means to learn from NATO’s double strategy 20 years ago with the SS20-missiles programme of the Soviet Union. The point would be to tell the public that we do wrong, but also explain why, that this failure has to do with global pressures and particular decisions made by the United States. Take for instance the greencard as an example. We could have a debate about global order systems that would change the picture for the greencard, while we implement a greencard ourselves. The idea would be that many countries pay investments into education by countries such as India, if they take educated people from those countries. We could declare our willingness for global contracts of that nature under the condition that the US also joins, because otherwise we would get problems with competition.

Do We Have a Common Understanding on this Globe on the Challenges Lying Ahead of Us?

Unfortunately, not. Though there might be an agreement that we overstress nature already today. Also, we all know, that it is the richest fifth of humankind that creates four fifths of all the problems and pollution, and that we do that with the cleanest technology available. Still, we do not have a common understanding of where the problems are. In particular, the US, as well as technology-driven people all around the globe hope, that with new technologies, with a factor-10 increase in resource productivity, eventually all the problems on the globe might be solved. However, it is an insightful European position that this point of view is not correct. The problem here is the so-called „rebound effect“.

Historically, we have always seen that good technical solutions for solving a problem usually do this by creating an even bigger new problem. On the globe today, the main problem is that we are not sufficiently socially balanced. Europe has been and still is an example of what a reasonable social system could be. But, on the global level, we have a much higher degree of asymmetry than in Europe. This is true for the US or even more for the globe in total. What we really need are better frameworks for the world economy. I mean, not only frameworks of the economy that deal with antitrust questions and questions of ownership rights. ... we also need frameworks that deal with social, cultural and ecological aspects. Essentially it is those frameworks by which social, cultural and ecological sustainability will be established or not. Frameworks include rules, incentives and, in particular, co-financing. Certainly the essential issue for sustainability is co-financing, particularly in the social field. This means taxes, money redistribution and so on. One has to take the money where it comes in fountains and put it where there is only very little to get a socially balanced situation. In such a socially balanced situation there is a reasonable chance that world population pressures may finally be dissolved, and there is also a reasonable chance that we can do contracts for the protection of the environment. This is not possible under democratic rule, as long as people are dying in the streets. Because under democratic rule, caring for those

people, which does not happen is even more necessary than protecting animals and trees.

The European Union as an Example

If we ask which kind of solutions is needed on this globe, the European Union and its enlargement processes are an enlightening example. It is really instructive to contrast this with the situation in NAFTA. In NAFTA, we have a free market but no social dimension via co-financing. In a sense, there is no bridging of the gap, therefore there will always remain a border - in social terms. In a deeper sense it means that people in general will not gain. It is a process of undermining social structures in the US and of exploitation and divides in Mexico. Completely different is the European picture. Whenever we enlarge in Europe, we understand that the issue is to motivate the new coming countries to higher standards. That is an advantage for the old European nations in the sense that there is less pressure from what they used to call social dumping. However, seen from the point of view of the newcomers, this kind of social dumping is no dumping, it is their opportunity to have a relative advantage in competition in a situation where they have enough disadvantages anyhow. Therefore, insisting on higher standards is usually a way of disowning the weaker partner, except if this is done within a framework of co-financing. The European enlargement process is a contract between equal partners about the speed of convergence of standards relative to the degree of co-financing. The more co-financing, the higher speed of convergence. The less co-financing, the longer the transition periods. In any case, it is this dimension of co-financing of development and the money flow from the richer parts to the not so rich parts that makes Europe a real union and gives this process the quality of approaching a European citizenship. Certainly, under globalisation conditions, that is, what is needed in an extended form all around the globe, eventually leading to a world citizenship with fair rights and duties.

Co-financing on a Global Level

Given what was said, the critical question for sustainability is the global order system. This is broadly known to the interested public since the failure of the opening of the Millennium Round of the WTO in Seattle last year. The crucial issue today is how to develop the WTO further. In a sense, the WTO is today our best approximation to something like a world economic system. It is the most important global order we have at present. With its own jurisdiction and financial sanctions, it is also a kind of substitute for a global government. The issue now is to make this WTO regime compatible with other regimes that we, in an isolated fashion, have created globally, in particular ILO, UNESCO and the GEA (global environmental agreements) for aspects of social fairness, labour rights, child protection issues and the global environment. In all those cases, today a real compatibility does not exist. Given the WTO power in case of conflict, the economic system and that is the free-order logic of the WTO, wins against any social culture or ecological concern. We have to make all these dimensions consistent within one system of global governance. We have to do this in a global contract. Here, the door opener for consensus, in particular consensus for the convergence of standards on a high level, can only be the co-financing scheme. Maybe we need something like 3 percent of global gross national product to come to sustainability. Opportunities here would be a Tobin-type tax on global financial

transactions or taxing kerosene of plane mobility and channelling this money into global development. Of course, money flow has always to be correlated to the implementation of standards.

Working on Three Pillars

The programme described is tough, but it is in the best interest of all players involved. Insightful selfishness should be the driving force. To get there, we need a dense interaction of co-regulation between the three major agencies today working in the field of global governance. This is, of course, the governments with their international agreements, the industry, with its codes of conducts, its accounting and reporting systems etc. and, finally, the world civil society, in particular the non-governmental organisations. These three groups are heavily supported by science, the legal systems and the juridical systems. Of course, there is a very delicate relationship also with consumers, consumers' behavior and consumers' protection. Certainly, all that was said has to be seen in a framework of subsidiarity, that means issues have to be addressed at the respective stakeholder levels, be they global, continental, national, regional or local.

Connection with the Kyoto Contract

Certainly, the Kyoto contract gives us a case study about the topics at hand. This contract is so important because here we talk about a global resource that is absolutely heavily used and financed by the richest countries of the world. The use is part of our wealth creation process by using those resources to such an extent that we are eating up today future chances of progress of the poorer countries in development. We urgently need steps to a solution by which the global increase in greenhouse gases is stopped or at least regulated. We know that any perspective for reasonable measures, is for 2012 the earliest. At the moment, we are doing some preparatory steps between the most developed countries.

One essential question here is, where we do invest the resources we are willing to implement for that issue? There is a tough debate on whether at least 50 percent should be domestic implementation or not. The US, who is most reluctant in all those issues, insists on global implementation and from an economic point of view, they are absolutely right. The Europeans, who are much more prone to the issue, argue differently. They follow a misled ethical argument, by which they have to do their homework domestically. For a number of reasons that does not make sense. The solution must be a global implementation and any such global implementation has domestic consequences, of course. For instance, any global trading of permission rights makes it necessary to generate domestically the money for those rights. The generation of those money flow could and should be done via nationaleco-taxes. That gives the pressure on the own society to adapt. And whether then things are done globally or nationally will be decided by the economic system and questions of efficiency, not by politics. Certainly, any sucheco-tax scheme would reasonably be done in a way that forces innovation into a direction by which we get rid of this high level of pollution relative to our industrial production (dematerialization,eco-efficiency increase).

The Commission Paper

The Commission paper on sustainability addresses important issues. However, there is one fundamental problem with the whole paper, and that is the mere European approach. There is one image that is wrong but that dominates the whole paper: it is the idea that we have to start to bring our own home into order. Unfortunately, in global issues such as sustainability this is often not a valid strategy. The best example is the problem of greenhouse gases. If we bring our things a little bit in order at home and spend all the money we have available for something so ineffective, we do not have the financial instruments anymore available needed for a global solution. It is then our domestic solution that prevents the global solution. That is the problem that dominates this whole Commission paper, and because of that it makes no sense to do any minor addition to that paper. This paper has to be rewritten, principally in its basic logic, or at least, it needs a kind of preamble, to put things right.

In the following I give some leads on how such a preamble for the EU position on sustainability might look like:

I. We, the Europeans, want sustainability, but we confess we are on the wrong track.

II. Equity from our point of view is essential for reaching sustainability. We urgently need more equity on the globe to be sustainable. This means the need for co-financing on the globe – this is not easy.

III. Knowing what is needed, we are willing to discuss global co-financing, even though co-financing is already difficult within the EU. The EU is willing to go into necessary global contracts with all countries, in particular countries such as India, China, Russia, and do the necessary developments of WTO and other regimes into a reasonable order for global governance. This includes debates with other governments, industry and world civil society to the right kind of global contract need.

IV. Concerning the global contract needed, we are willing to support a fair design. We are willing to do this even if it means for some time that we will not have much growth in living standard any more at home because this money will have to be channelled essentially into global development. A contract, as we foresee it, has to do with constraints in global resource use and has to do with global co-financing needs, even if it hurts.

V. The Europeans see Europe and in particular the way Europe does its enlargement processes as a model for how global contracts could be designed. Again, a contract-based fair co-financing is the key. The topic of the contract development is convergence of standards in relation to co-financing. Certainly, the convergence speed will depend on the level of co-financing.

VI. The EU would not be surprised that in following this model, the greatest conflict could be with the US. The US is the tip of the iceberg. For many reasons, it is the US that profits most from the world economic design we have today, but Europe is also profiting a lot. Global co-financing would put the heaviest burden on the US, but of course also much on the Europeans. A solution can only be realised in global

consensus. In particular, we need the US in such a consensus, so we foreseen a debate among friends about needs for the future.

VII. Europe chooses an intelligent double strategy. As long as we have no global governance contract implemented, we in Europe are willing for the future to follow an intelligent double strategy with the following elements: We will always put our position frankly, not use diplomatic language. For instance we will say, that we are not sustainable, that co-financing is needed, and that we are willing to do so it as soon as the US does it, too. As long as we do not have the right global frame, we do everything needed to survive economically, even if it is the wrong thing. But if we have to do the wrong thing, we do it as intelligently as possible and are willing to engage in reasonable contracts, wherever possible.

VIII. The present EU document has to be seen in the context of a double strategy. On a preamble level we make clear where we really want to go. Within this frame, we look for economic survival. For this we choose strategies as they are described in the document.

IX. However, the CO₂ topic and other global resources have to be treated differently from the very beginning. We should, wherever possible, try to choose solutions that include elements of global trading. This is one of the most important resources possible to reach agreements between North and South, rich and poor, old and young, ill and healthy around the globe. An intelligent global system design for the essential global resources is the absolute key to any solution for sustainability.

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Concluding Remarks

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"A New Model of Development"

The adoption of a strategy for sustainable development for the EU (SDS) will represent a major step forward. It is a serious attempt at political level to address problems of a genuinely long-term nature; problems for which the market economy, as presently structured, provides few incentives in terms of solutions.

During the preparations of the strategy the Commission services presented an interesting discussion paper. Several obstacles to sustainability were defined, such as political inertia, short-termism, too little understanding of the problems and poor incentives in the economic sphere. I do agree with this analysis. However, the Commission paper stops short of undertaking a more in-depth discussion as regards the limitations of the neo-classical economic model in dealing with the challenges of sustainability.

The central goal of the strategy must be to set the framework for a new model of development, where social and environmental objectives are balanced with those of economic growth. It should be emphasized, that the task is not only one of bringing harmony between these different objectives. The natural environment has certain values that cannot be substituted for. The way conventional economics treats these values is totally inadequate. Hence, there is a need for a new economic paradigm, where issues like measuring wealth, the quality of growth, the short-term vs. long-term etc. are given priority.

The general perception in society is one of economic growth always being positive for the environment (the theory of the so-called inverted Kuznetz curve). This theory holds true for many environmental problems in particular at the local level. However, for problems like climate change, bio-diversity loss, excess nitrogen and waste generation the opposite seems to be true. These problems tend to grow in magnitude as economies grow. Any credible strategy on sustainability must address this problem and suggest ways out of it.

Sector Integration Not Enough

The work on the SDS does not start from scratch. The sector integration process that was initiated in Cardiff did represent an important step towards bringing greater coherence between economic, social and environmental objectives. However, the so-called Cardiff process has not been easy. Lack of knowledge, reluctance and even resistance among both Member States, directorates-general, government agencies and

the private sector have made sector integration difficult. Furthermore, some horizontal issues have been difficult to tackle. Hence, there is a need for a comprehensive strategy to integrate the various sector strategies and to deal with the cross-cutting issues. Moreover, there is an urgent need for a common methodology when implementing sector integration. As of today, different sector councils use different standards and criteria, which no doubt makes the whole exercise extremely difficult to assess.

Targets Necessary

The aim of the Commission is to add environment concerns to the so-called Lisbon process. Targets and indicators have already been developed in the economic sphere (e.g. the EMU convergence criteria) and for social cohesion (e.g. GDP/unemployment rate). The Lisbon Summit in February 2000 added targets in the field of knowledge and innovation to the existing socio-economic priorities.

In the environment field targets and indicators are still being developed. Significant progress has been made within the Cardiff process but also as a result of innovative work by the European Environmental Bureau. Now is the time to decide on a limited number of environment-related targets and indicators and to integrate them with the economic and social targets and indicators. This task is complex both from a technical and scientific point of view. It also requires broadest possible consensus among major stakeholders.

Among the guiding principles for targets and indicators in the environment area, I take as a starting point what has already been proposed by the European Consultative Forum on the Environment and Sustainable Development and propose the following:

- a de-coupling of GDP-growth from energy and material consumption, emissions and waste;
- a yearly reduction of the energy intensity of the EU economy by minimum 2,5%
- a reduction of energy-consumption by a factor four over the next thirty years;
- a reduction of material consumption (dematerialization) by a factor ten by 2050;
- a phase-out of all hazardous substances over the next ten to twenty years:

The Strategy Must Be Global in Nature

A sustainability strategy for the EU cannot be developed in a vacuum. It cannot ignore the realities of the global economy. The challenges of sustainable development can only be properly assessed and addressed within a global context.

EU policies in many areas have direct consequences far beyond Europe's boundaries. Prominent examples are energy production and consumption, export subsidies in agriculture, the fisheries policy as well as the activities of export credit agencies. The EU must ensure that there is coherence between its internal policies and their impact on the rest of the world, notably on developing countries. This ought to be done in the same strategy, and not, which is being proposed by the Commission at a later stage.

One useful way for the EU to assess the overall effects of its production and consumption systems on the rest of the world would be by applying the concept of

"ecological footprint". When done in the field of energy consumption, the conclusion drawn is that GHG emissions within the EU by far exceeds the absorption capacity of the biosphere. A similar analysis in relation to the overall demands of the planet's natural capital – i.e. air, water, soils, fiber, mineral resources etc. – would reveal that Western Europe is a region which, in the words of a recent paper from WWF European Office, is pushing the planet into ecological overshoot. In other words, the ecological footprint of the EU by far exceeds the per capita carrying capacity and contributes to a gradual depletion of the earth's natural capital stock. This problem ought to be specifically addressed in the SDS so that action may be taken to bring demand and supply on the natural capital in balance.

Support "Technology Leapfrogging"

Already at the time of the Rio Conference it was stated that current industrial production and consumption patterns can not be extended to the rest of the world. Yet, this is exactly what is happening. The rich countries have done very little to assist the poor countries in developing environmentally sound technologies. The only existing mechanism offering some support for "technology leapfrogging" is the Global Environment Facility (GEF), but its resources are pitiful compared to the needs. The GEF disburses a few hundred million dollars yearly in support of green energy. At the same time developing countries spend well above hundred billion dollars yearly in energy systems, most of it conventional technology, i.e. coal and oil.

For every year that passes developing countries become more and more dependent on the carbon economy. It would make sense for the EU to launch a crash program to assist developing countries in "technology leapfrogging", in particular in the fields of energy and transportation, agriculture, waste management, water management as well as information-and telecommunications. If we do not do that we will all suffer the consequences of rapidly increasing levels of pollution. Moreover, for the least developed countries broad assistance in technology capacity building is an absolute prerequisite for integration into the global economy and reduction of poverty.

Strengthen Global Governance

Parallel to a crash program for "technology leapfrogging", the EU must press hard to strengthen global governance in areas like environment, health and epidemics, poverty, international crime etc. These are examples of exponentially growing problems, often accentuated by globalization, which must be dealt with at the international level and where both existing institutions and available financial resources are totally inadequate today. EU should also press for reform within the WTO, notably for integration of environment, social and development concerns into the WTO framework as well as democratization of the WTO. Given the limited interest and engagement for problems like these by the new US administration, the EU must assume a leading role.

Rethink Science and Education

One key problem today as regards sustainable development is that people in general are illiterate as regards the overall consequences for the global ecosystem of conventional growth policies. This is probably the main reason why integration of environmental concerns into sector policies has been difficult. Most sector specialists simply do not appreciate the inter-linkages between activities within their respective sector and society at large. This phenomenon could be expressed as the disease of “verticalities”.

The narrow perspective offered by contemporary education on the horizontal linkages in society, notably the consequences of today’s production and consumption systems on the natural systems and the atmosphere, is one of the major causes behind the environmental crisis. In my view, we have to rethink the organization of both science and education in order to stimulate inter-disciplinary research and bring about greater awareness about the inter-relationship between human activities and the natural systems.

To assist policymakers in the formulation of the SDS – and to help develop the necessary policy instruments to overcome the many obstacles to change – a vigorous research agenda has to be put in place. Since many of the challenges of sustainable development are found at the interface of disciplines, support for multi-disciplinary and inter-disciplinary research will be of utmost importance! The sixth framework program must play an important role in this context.

What is needed first and foremost is a problem-driven approach. This would mean that discipline-oriented projects have to give way to systems-thinking. The challenge will be to encourage the relevant science communities to define a specific problem together and collaborate on a common goal, linking their respective capacities♦

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The Brussels Chapter of the Club of Rome is an independent non-profit association, registered under Belgian Law, affiliated with the Club of Rome. The Association specifically aims to build bridges between the European Union Institutions and the Club of Rome.

The Association's mission is to act as a catalyst of reflection on sustainable development in Europe on all levels: Government and private.

Its aims are:

- *To identify the most crucial problems facing European society; to analyse them in the global context and to reflect on alternative future solutions for a sustainable European Society, including the elaboration of specific scenarios for the future of the European continent.*
- *To initiate research in which the major theme is the development of a conceptual foundation for globally sustainable development and for the specific contributions that Europe can make;*
- *To organise a societal discourse on the implementation of European policies in a global context, involving the most important public- and private-sector decision-makers, as well as the general public.*

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