



World Business Council for  
Sustainable Development

## Executive Member Update

September 2009

Dear Council Member,

### **From G8 to G20**

The last week saw an acknowledgment of a big shift in the world from a G8 world of the old industrialized countries to a G20 world of tomorrow's leading economies. This is just the start of a process that will move further power to today's developing countries.

Population growth will mean that by 2050, 85% of the world's population will live in what we today call developing countries.

The focus in these developing countries over the next decades will be on poverty alleviation and improvement of quality of life for their populations. The consequence is faster economic growth than in the "old economies". It will shift the majority of global GDP to the developing countries which can expect to represent 65-75% of global GDP by 2050.

70% of the global population is expected to be urbanized by 2050 and the majority of tomorrow's megacities will be in the developing world.

For business this will mean an enormous growth in demand for societal infrastructure to provide energy, water, food, transport and other services that an urbanized population will require. The majority of this demand will come from the developing countries.

Meeting the needs and aspirations of a growing and increasingly urbanized population in developing countries will substantially increase the demand for energy and natural resources, thereby further increasing the stress on the world's ecosystems. The services to tomorrow's populations will therefore have to be resource efficient and low carbon.

A key source of competitiveness for countries will be their ability to stimulate and harness innovations. The EU is today the leading exporter of green technologies with a global market share of 45%. However, China is investing heavily in their domestic demand to build economies of scale that can be the platform for the next phase of export growth.

The Obama administration has realized that the US has failed to capitalize on the innovative capacity of the US and has let the manufacturing and other value-added activities related to innovations slip abroad. I spent last week in Washington and New York. There, I listened to, among others, two speeches of the Secretary of Energy Chu and Secretary of Commerce Locke. I was struck by their determination to reverse the trends and make the US a stronger beneficiary of its inventions.



I have a lot of respect for the ability of the US to get things done once they decide to do so. Winston Churchill once said: “You can always trust the US to do the right thing, once they have tried all other options”. I am beginning to feel that the US is about to “do the right thing” – albeit slowly and with a lot of controversy domestically.

The bottom line of what I have stated above is that the “green race” is on and may the best man win.

The changes that we will likely experience in the next few decades will be mind-boggling in technology, business models and mindsets:

- Electric cars will be mass-marketed within 3 years.  
With a daily range of 160km they will cover 80% of the transportation needs for an increasingly urbanized population. Fuel cells and other options will serve the longer distance heavy-duty traffic;
- Energy efficient buildings with decentralized electricity generation will dominate new construction;
- Smart electricity grids will revolutionize the electricity system and the relation between traditional supply focused utilities and the new empowered electricity customers that can monitor and decide on their consumption;
- Supply chains will change as low-cost labor will no longer be the decisive cost factor but rather distance costs, freedom of choice and customers much more aware of impacts on jobs and social structures in their home countries. The new mantra that I hear from politicians is “It’s the jobs’ stupid”, and it is about jobs in my village, city or country – not in another far away place on the other side of the globe;
- A further evolution to take note of is the demand for transparency. The financial crisis has triggered a new demand for the “right to know” what is actually happening in the world and the economy. The financial actors (banks, pension funds, etc.) will try to protect themselves and we can expect much more demand on the rest of business for information disclosure and interpretations;
- The final shift that I want to highlight is the recognition from governments that they cannot create a sustainable future without a close cooperation with business. However, even if they realize this intellectually, they “cannot quite stomach the idea”.

### **Consequences for global business**

We are more needed than ever as the only global, cross-border force in a globalized world. As I was told by a Chinese official, “50% of Chinese experts come from factories, fully or partly owned by global companies”. We need to take our future into our own hands and define what is: “The Role of Business” in this new world. The potential is enormous given “The Future Growth Story” outlined above. The down side is high if we get it wrong. Entrepreneurial freedom cannot be taken for granted. We have to earn it.

The September issue of the Harvard Business Review has an article called “Why Sustainability Is Now the Key Driver of Innovation”. The article makes a strong case for sustainability: “In the future, only companies that make sustainability a goal will achieve competitive advantage. That means rethinking business models as well as products, technologies, and processes.”



## **Climate change and Copenhagen**

It seems unlikely that we will see a far-reaching climate deal in Copenhagen in December.

The key issue is “Equity” both between and within countries.

- Who has got what right to put more CO<sub>2</sub> emissions up in the atmosphere?
- Who is going to pay for the environmental legacy of past development?
- Who has the right to what living standard in the future?

Many more questions could be formulated, but you get the point.

This is not a game where everybody will come out as equals. There will be winners and losers but the benefits and burdens must be explainable to citizens/voters in each country. How the “future emissions cake that needs to be shrunk” in the future should be divided is a real dilemma. Either we find the political will to deal with this or nature will force us to solve it through crisis and catastrophes.

We see now a growing divide within the US business community over climate change. The negative positions that some US industry associations have taken against US climate regulation has provoked strong reactions from companies that have distanced themselves from these positions and even resigned their membership in organizations.

A recent Gallup Poll underlines the political challenge in the US to address the environmental agenda as people’s focus is on the economy, healthcare and unemployment. The environment, including climate change, is not among the top priorities in the US. You can find further interesting data on the Gallup website.

A further challenge is that in the near-term (second half of 2010), it is likely that the pace of the global economic recovery will weaken according to the World Bank. This is due to waning of the inventory cycle and fiscal stimulus. This would occur well before the current slack in the economy has been reduced. As a consequence, underemployment and under- utilization of capacity are expected to remain high for at least 2 years.

## **WBCSD**

In two weeks time we meet in Washington to explore the business challenges and opportunities. WBCSD is the leading global voice of business on sustainable development. Our role is more relevant than ever before.

I am looking forward to seeing you in Washington.

With best regards,

Björn Stigson  
President