

5th Europe Asia Young Leaders Forum

27 – 30 April 2006

Hotel Sofitel Metropole, Hanoi/Vietnam

Knowledge for the 21st Century

Speech on 29 April 2006 by

Professor Yisheng Zheng, Deputy Director, Environment and Development Research Centre, Chinese Academy of Social Sciences, Beijing

Now we all know that China is the factory of the world. Many people like to calculate how many years it will take China to become the No. 1 economy in the world. Being a researcher in sustainable development, I am concerned with the balance of development. I am not as optimistic as most and I expect a new way of development in China.

1. Brief mention of the situation of China's development

- a. Environmental cost of China's economic growth is very high.
My estimation of the impact on health due to air pollution during the 1990s in China is equivalent to 2-3% of the GDP, compared to the World Bank's estimation of about 8% of the GDP, due to different methodology. Notice that the impact on health caused by water pollution is more serious than that of air pollution; in addition to the health problems, there are other economic losses caused by environmental pollution and ecological degradation. Even more importantly, the impacts that we are able to quantitatively describe are only a small part of the whole, the proverbial tip of the iceberg. In the long term, this is not (as some people think) a competitive advantage but a competitive disadvantage.
- b. China's policy of development is changing.
China's central government is pursuing the new idea: To build a resource-efficient and environment-friendly society is not only a major strategic option for China's model of modernization but also the overall orientation for the common development of human society. Now "to build a resource-efficient and environment-friendly society" is taken as the central task of China in its social and economic sustainable development.
- c. There are many difficulties in implementing new policies.
Such as: Gap between the concept of central government and the action of local governments; the phenomenon of pollution transfer

from developed areas to undeveloped areas; competition among regions for building large industrial projects in spite of its negative environmental impacts.

2. Different ideas about the models of China's development

a. Model A - Business as usual.

In fact this is the mainstream idea especially in the minds of those who are in charge of development issues in China. The underlying logic is often shown in term of "Kuznets curve" which says that the situation of the environment depends completely on the level of GDP per capita and as soon as one country reaches a certain level of GDP per capita (the so-called "turning point"), everything will be OK. So it is not necessary for us to worry about the bad environmental developments in China.

b. Model B - Lester Brown.

"The western economic model is not going to work for China. Nor will it work for India." The farseeing people, both Chinese and western, such as Lester Brown are right when they call on China not to follow a western economic model. Many of them, however, do not really consider the difficulties in doing so. Sometimes we say too much about "what we should do" for sustainable development without understanding why people do not do what they should do.

c. Model C - Create a new way out of the dilemma.

In debates about development issues, a very popular argument is: "The problems in development can only be solved through development." But I prefer Albert Einstein's saying: "We cannot solve our problems with the same thinking we used when we created them." Given the experiences of other nations, China has no way to follow it; the existing model of development is certainly unsustainable while changing it means risking many new conflicts and taking many risks. This dilemma may force China to create a new development road - no matter whether you like or not.

It needs the imaginative ability of all people who will be closely related to China's development.

In fact, China's success in changing the mode of development will be her greatest contribution to the world.

3. Challenges to young leaders

I do not know if you feel the macro picture I gave above is relevant to your interests. Besides, these macro issues are primarily relevant to the social responsibility of the government before we talk about corporate social responsibility. If I were to address ordinary business people, this consideration would limit the scope of my speech here. However, I still want to mention some issues which we environmental economists are

discussing for you, believing that all important issues of society are relevant to young leaders (not ordinary people).

What follows are five issues or challenges:

- a.** Overcome the phenomenon of “ $A+B > C+D$ ”.
Here A is some local government; B is some corporation; C is the people of a community; D is the ecosystem, or the interests of our future generations.
“ $A+B > C+D$ ” means such a common case in resource-development activities: B combines with A to earn profit at the expense of C and D. The examples are some large dam building and changing usage of land. We expect to find more good corporations (good B) who can benefit B and C in their resource-development activities. Is it easy or possible?
- b.** Make Environment Impact Assessment (EIA) open to the public.
Now it is difficult for the public and stakeholders to get hold of information about projects which are relevant to their interests. Many corporations would rather do something that shows their concern for the environment after finishing a project than to make the evaluation procedure more transparent to the public and the third party institute before implementing the project.
- c.** Do not get “locked”.
The short-sighted, short-term cost-benefit calculation often produces investment decisions that cause one side (or both sides) get “locked” in old technologies that consume many resources. These non-cooperative games among businessmen which always have a negative impact on sustainable development even could destroy the efforts to change the mode of economic growth in China and other developing countries. My question is: Can any real cooperation among businessmen or women be found in the near future that make developing countries leave behind bad technologies?
- d.** I hope corporations make friends with environmental NGOs. – It is not just a matter of money.
- e.** Which corporation can link its profit-orientation with promoting a life style that consumes less resources?

Given our experiences in the 20th century, not many people, especially businessmen, really care about these five issues. But now that we have entered the 21st century, it is in your hands to change things for the better!