



Global environmental perspectives: the important is becoming urgent

Speech at INCAE, May 25, 2007

Thirteen years ago I received a Honorary Doctorate from the very same institution that you are graduating from today. Please accept my congratulations for your achievements, joining the ranks of the chosen to make a difference in the development process of your companies, organizations and nations.

Over the last decade I have had the opportunity to work with and at INCAE to promote, from this and other trenches, a better understanding of the challenges of the world and the region of what is known today as sustainable development. Please allow me to share with you a few minutes of this history that, even though very recent, I find to be extremely important for your future.

In the early 1990s -one and a half decades ago- the dimensions and the potentially existential threats of damages inflicted on the global environment became visible. Even though a lot of information and clear scientific understanding were missing, a series of tendencies clearly indicated that the human species was becoming a burden too heavy to what its habitat was able to carry due to its growth and behavior of consumption. It was then time to plan and to change course.

In June of 1992 Heads of States and Governments gathered at the Earth Summit in Rio de Janeiro and recognized the threats and the necessity to take preventive action.

Sustainable development was to become the guiding principle that should define the further course of human civilization. It implied preventive action to avoid irreparable damage to our planetary habitat. While in the early days the concept was mainly oriented towards conserving nature, it gradually evolved to include social, economic and institutional concerns.

One of the results of the Earth Summit was the Framework Convention on Climate Change aiming at reducing emissions of greenhouse gases which entered into force in 1994, it has since been adopted by almost all nations of the world.

As we all know, the necessary change of course did not happen. The world has largely continued with business as usual. Consumption driven economies fuelled by cheap fossil energy lead to an unprecedented economic boom. China and other important emerging economies joined the action in a rapidly globalizing economy adding to the dynamics of resource use at a clearly unsustainable level.

Thus, over the past 15 years we did not do what we knew we should be doing. As a global economy we went in the opposite direction at an accelerating pace. Obviously, those of us who are leading in terms of wealth and technology should also have been leaders in innovation towards sustainable development. We should have served as an example for the shaping of emerging economies. But the example has been much more one of consumption without limits and inefficient use and wasting of energy and natural resources that we perceived as being cheap.

Now, the window of opportunity for preventive action is closing. As a result of climate change substantial damage with unknown consequences to present forms of living seems unavoidable. The recently released reports by the IPCC leave no doubt that climate change is now happening and that it is largely man-made. One can describe this situation with the words of Winston Churchill: "We have already left the phase of trying to control the causes behind. We have entered the stage of having to manage the consequences."

As a consequence, what was acknowledged to be vitally important 15 years ago is now becoming equally urgent. Time is running short, we don't have the luxury any longer to carefully plan and gradually implement measures. The kind of measures that are required now to limit and mitigate damage will have to imply tougher choices. It is saddening to think of the great innovation and business opportunities we have missed because we continued with the politics of cheap fossil fuel.

In 1992, the World Business Council for sustainable development that I founded to organize input from business and industry to the Earth Summit, published the book *Changing Course*. It defined eco-efficiency as an important element for successful business development in a world that would increasingly be resource-constrained.

Pioneering companies saw the challenge and decided to go for the opportunities. Many of them achieved progress beyond their wildest imagination back in 1992. Together with progressive communities, scientists and entrepreneurs working towards the same goals they have established a formidable body of experience, know-how and expertise. We know today how it is possible to become vastly more eco-efficient and we have proven that it can be done successfully.

World leading companies such as DuPont, Toyota, Walmart, General Electric, and many others demonstrate that eco-efficiency and social responsibility are part of a winning competitive strategy. And sustainable development goes far beyond being green. Addressing poverty by including the masses of poor people in a business proposition thus allowing them to participate in the benefits of the market is an additional element of a future-oriented business focus.

In order to get the best of the market economy, of entrepreneurial creativity and of innovation we need political leaders and policy makers to give the right signals. Today, many promising initiatives are still being hampered or stalled by wrong incentives provided by policies that were shaped in times of cheap fossil fuels and of an atmosphere considered as a receptacle for unlimited amounts of greenhouse gases.

Let's hope that the people and nations of this world will now definitely wake up and learn from the experience of the past 15 years. We must no longer waste time and opportunities. And we must not wait for others such as a federal government to take the lead. Non-governmental actors might prove more proactive and effective.

We used to be worried about the fate of future generations. As the consequences of our lack of resolve in the recent past are catching up with us, we now need to think about our own generations living today.

Huge and increasingly affluent numbers of new consumers will begin to participate in the global economy. Demand keeps growing exponentially. We will be living in a world that will rapidly become determined by scarcities of resources.

Over their history humans have dealt with scarcity in basically three different ways:

1. Reduce consumption and use resources more efficiently
2. Negotiate allocations between competing parties
3. Use force to secure one's own supply to the detriment of competitors

It seems safe to predict that number 3 will become a default scenario if we don't make sufficient progress with the first two options. And it is already happening now, as larger economies rush to secure access to the remaining sources of oil.

I feel that important parts of the world are reaching a tipping point of awareness about the challenges facing us. Responsible people don't see climate change any longer as a green fad but rather as an existential challenge. They want their government, their community, their company, their family and friends to get involved in taking action.

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In an increasingly resource-constrained world, Latin America's competitive position could improve provided proper policies are put in place which will assure that we make good use of the rich natural endowment we enjoy. Legislators and governments, business entrepreneurs, and leaders of civil society should seek ways to join forces for making such policies politically desirable (or at least palatable). Together, we need to make sure that we translate resource wealth into high productivity and sustainability, rather than waste. As natural resources become valuable they should not be sources of short term cash, as oil has been for oil-rich countries, but rather sources of social change and economic and environmental progress.

For me the participation in the process leading up the Earth Summit of 1992 had been an intensive learning experience. Unlike many others I believed in what I saw and understood, and I decided to take action.

1993 I founded the AVINA Foundation to facilitate societal processes leading to more sustainable forms of development. AVINA to-date has supported more than 1,500 social entrepreneurs in a broad array of activities ranging from resource management and conservation to democratic participation, the rule of law, and equity of opportunity. Recently, a new emphasis has been put on facilitating networks of social leaders allowing them mutual learning and collective action. Also, AVINA facilitates collaboration between business enterprises and organizations of civil society.

10 years later, in 2003, I donated the equity of my Latin American business to the irrevocable VIVA Trust that assures the financial continuity of the learning exercise I have launched and of the organizations I have created. The main asset of the Trust is Masisa, a company marketing wood products across the Americas produced from sustainably managed plantations and from recycled wood residues. Masisa measures its performance at the triple bottom line of economic, social and ecological performance.

To the best of my awareness the VIVA Trust is one of the biggest private donations Latin America has ever received. VIVA is not a conventional charitable gift, rather it is a new organizational structure combining the respective strengths of business and philanthropy. As a radical example of innovation I hope it could serve as inspiration and an incentive for others to make their own experiments.

We already begin to see the positive impact of our efforts both in the business and the philanthropy part of VIVA. Increasingly, the two parts learn to work together towards the shared vision and objectives while remaining faithful to the different set of parameters that guide the world of business and philanthropy.

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The development model we have tried in the past decades in Latin America worked only partially. It did create new wealth, but it led to a widening of the gap between rich and poor. At a time of unprecedented concentration of wealth, the rich need to think about creative ways of better sharing and investing their wealth.

In the past, Latin America has been one of the settings where the cold wars turned hot and resulted in revolution and dictatorship as two of the frequent responses to its problems. The region is at risk again and already the drums of conflict can be heard.

Given these perspectives, the continent's wealthy entrepreneurs should more proactively contribute to generating new responses that will allow Latin America to break with its past patterns of political and social instability. If we want to avoid the number 3 scenario in dealing with future scarcities, we need to learn to work together across the divides between the haves and the have-nots for the mutual benefit of survival with dignity.

The required change in attitude is both, important and urgent, to avoid the collapse of the social fabric and the natural environment. I am convinced we can find ways to a rosier future if we get the best of productive and social entrepreneurship, of business and organized civil society, to collaborate towards a shared vision and a definition of an effective political framework for sustainable development.

As future leaders of productive and social enterprises, the graduates of INCAE have a mission to impel those changes. For more than a decade, first INCAE and AVINA, then INCAE and the VIVA Trust, have worked together to create the mentioned framework tailored to the needs of the region. INCAE's mission states that this institution forms leaders for key sectors by engaging its students at the level of practices, attitudes and values.

I am sure that as individuals you will do well based on the privilege of having passed through these halls, I know that you will also accept the challenge and responsibility to carry this new vision of development into your organizations and countries. The future of Latin America and the world is in your hands. I trust that you will know to act accordingly.