

## OECD Forum 2008: Some Personal Reflections

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The OECD Forum took place during 3–4 June 2008. The Forum, which first started in 2000, has evolved over the years. In its present form, it provides an excellent platform each year for senior representatives from governments, business, academia, labour and other civil society leaders to interact, exchange views and network on a specifically selected focused and timely topic. This year the topic selected was ‘climate change, growth, stability’. In retrospect, the topic proved to be most appropriate, especially because of the current global concern with the complexities of managing climate change, continuing financial turmoil, as well as the need for sustained economic and equitable growth all over the world. These are unquestionably some of the most priority issues confronting the world at present.

In his perceptive and wide-ranging interventions, OECD Secretary-General, Angel Gurría, pointed out that the present concentrations of greenhouse gas emissions in the atmosphere have already reached 380 parts per million (ppm) of carbon dioxide equivalent, and under a business-as-usual scenario, it is estimated to increase by over 50% by 2050. If the current trend continues, the global average temperatures may increase by around 6°C by the end of the 21st century.

Managing climate change effectively will require stabilization of greenhouse gas emissions to around 450 ppm by 2050. This will be an ambitious, but achievable task. It will require an all-inclusive global agreement for an appropriate post-2012 architecture that could succeed the Kyoto protocol, as well as its successful implementation. All countries will have to formulate and implement new and effective climate-related policies. While over the long-term the main impacts on the world and the human race of such an attempt will be overwhelmingly positive, there is no question that over the short- to medium-terms, there will be winners and losers, both within individual countries and between countries. This will mean making some hard societal choices and political decisions, which will require mobilization of political will on a long-term sustained basis. As Gurría succinctly observed:

Political will is the space where action starts, it is the DNA of new and better realities. It will be crucial to count on this powerful tool, because we will have to set ambitious goals, to reach historical agreements, and to take immediate action.

Based on our own past experiences, it will be an essential task to mobilize political will, but it will not be an easy task. In our discussions with various national leaders, we find two major types of concerns related to measures for mitigating climate change. The first relates to competitiveness issues, and the second deals with fairness. Many politicians are now concerned that if their countries take actions to combat climate change but others do not, they may be at an unfair disadvantage in terms of losing employment and economic growth to other countries. While at a first glance this concern may appear to be correct, countries will actually stay ahead of the curve if they take bold and timely decisions. Tackling climate change will undoubtedly bring new economic opportunities by contributing to an increasingly energy-efficient world, and by creating a new market for low-carbon technologies. Based on past experiences, it can be said with certainty that incentives for scientific and technological innovations will unquestionably create new markets, which simply did not exist in the past, or exist at present.

The second is in terms of fairness, especially for developing countries. They argue that much of the current concentration of greenhouse gases in the atmosphere were emitted by the Western World, and thus the polluters should pay for the lion's share of the mitigation measures. While historically this has been true, many of the rapidly developing countries are now increasing their share of the production of greenhouse gases very significantly. These are socio-politically complex issues, but are solvable issues. As Gurría correctly noted during the Forum, to bring developing countries actively in the post-2012 framework, will require a fair

allocation of roles and actions, and of the support that is provided to facilitate such actions through financing, technology and capacity development. Therefore, while action is needed in developing countries, at least part of the costs will have to be borne elsewhere.

One cannot agree with Secretary-General Gurría more. This will provide the basic tenets of a roadmap for establishing a fair and implementable post-2012 architecture.

Overall, the Forum speakers and participants expressed both optimism and pessimism in terms of tackling climate change. For example, during the session on innovation and climate change, when the moderator asked each of the four speakers to summarize their views at the end with regard to the future, two expressed optimism, one was "cautiously optimistic", but the other was "less optimistic than five years ago".

In general, the overall consensus view that emerged during the Forum in terms of climate change can be summarized as follows:

- economic instruments are already available, though they need further refinement and fine-tuning;
- considerable technology is also available, and significantly more will be available in the future;
- innovations during the next 2–4 decades will most probably far exceed our current expectations; and
- policy frameworks are the main constraints, especially as the policy makers have mostly failed in the past to provide enlightened leadership.

The discussions on climate change covered a wide spectrum of issues, such as the role of biofuels and nuclear energy, sustainable cities, innovations and partnerships, mobilizing political will, education, financing and infrastructure. Similarly, in terms of growth and

stability, the Forum discussed a variety of issues, including global innovation, IPR and growth; jobs and growth; sovereign wealth funds; health, innovation and economy; open markets for trade and environment; financial market turbulence; and future challenges for the multilateral system.

In between such a rich multitude of sessions, there were major keynote speeches on critical issues by eminent personalities like Jean-Claude Trichet (President, European Central Bank), and Rodrigo de Rato (Senior Managing Director, Lazard, and former Managing Director, International Monetary Fund). There was also a lighter moment during one lunch break that focused on education, literature and the Harry Potter effect in Japan by Yuko Matsuoka Harris, translator and publisher of the boy wizard books. However, there was one common thread between all these events: all these discussions were interesting, stimulating, brought many new and interesting ideas and facts to the fore, and fined-tuned many other ideas. Several sessions contained cutting-edge discussions in terms of latest knowledge and concepts. Anyone who listened carefully to the proceedings at the Forum must have left as a much wiser person.

It is very difficult, if not impossible, to summarize a wide-ranging event like the Forum, often with three parallel sessions, in a few pages. We invariably participated in two different parallel sessions to soak up as much knowledge and information as possible, but even then we missed nearly one-third of the event! While most participants went to sessions that interested them the most, we found out that we actually learnt many new facts and ideas when we attended sessions on subjects which are normally not our 'cup of tea'. Perhaps this was because these are issues that we had not thought through, or analyzed extensively, in the past, and thus our knowledge base was perhaps somewhat limited. Yet, many of the nuggets of information that we picked up by attending such comparatively unfamiliar sessions would be of direct use in our work in the future, even though some of these interconnections and interrelationships may not have been clear, or visible, at the first glance.

There were many interesting points that various speakers made that were of special interest to us. Only a few selected ones are mentioned here, and they are not in any order of priority:

- 25 litres of oil is required to desalinate 10 million cubic metres (MCM) of water, while 10 MCM of water is needed to grow crops that produce 1–5 litres of biofuel (José López, Nestle).
- In Brazil, 50% of gasoline consumption is being replaced by ethanol that is produced on 1% of the country's arable land. Because of efficiency gains, current ethanol price is only 30% of what it was some three decades ago, when its large-scale use started in the country. Ethanol is competitive, without any subsidies, when oil prices are higher than \$40 per barrel (Eduardo Leco de Sousa, Brazil).
- Global subsidies and tariffs to biofuel currently total \$15 billion. It is estimated that this will double by 2015 (Stefan Tangermann, OECD).
- Cities consume 75% of national energy supplies and account for 80% of national greenhouse gas emissions (David Eades, BBC).
- We are sailing under a misguided economic compass since prices are not adjusted for the economic externalities of using fossil fuels (Lorents Lorentsen, OECD).
- A critical element that has consistently been missed in the current discussion on climate change has been population. Whether the hypothetical static global population in 2050 becomes 10 billion or 9 billion, will have significant

implications in terms of greenhouse gas emissions and their control, as well as resource use and management (Asit K. Biswas, Mexico/Canada).

- Energy conservation can contribute to 20% cuts in emissions (Steve Westwell, BP).
- In developing countries, issues such as food, shelter and employment have priority considerations compared to environmental sustainability. In the developed world, shareholders and employers are more concerned about protecting their incomes and livelihoods than the environmental and social costs of their enterprises (Phil Goff, New Zealand).
- Nuclear energy will meet 55% of overall energy demand in 25 years (Luis Echávarri, OECD). After 25 years of stagnation, nuclear energy could provide up to 25% of the world's energy consumption (Philippe Esper, France). These two forecasts given by two panellists in the same panel varied significantly.
- Nuclear energy is competitive with coal-based power plants. It is a safe and reliable way to produce electricity, and contributes to a reduction in emissions. Externalities are recouped in the costs of nuclear energy (Jean-Pol Poncelet, AREVA). A member of the audience asked if nuclear energy is indeed so cost-effective, has no carbon footprint, and externalities are already recouped in its pricing, surely the simplest solution for the world would be to close all thermal power plants and large hydroelectric projects, and use only nuclear energy. To this question, there was no effective answer.
- Policy externalities ensure that the cost-effectiveness of nuclear energy is simply unknown at present. There are alternatives to nuclear energy (Sir Crispin Tickell, UK).
- Sustainability rules out nuclear energy. Consideration of externalities such as safety and decommissioning will drive up the cost of nuclear energy very significantly (Helga Kromp-Kolb, Austria).
- It is not a flat world, but some people in the West want to flatten it. The media has exaggerated job losses associated with free trade, while ignoring those that are created (Jagdish Bhagwati, USA).
- The world needs real leadership in a number of policy areas, which can no longer be about leadership of industrialized countries. Emerging economics must also take responsibility. There is an urgent need to finish the Doha round of trade negotiations (Rodrigo de Rato, Spain).
- The current surge in food prices and its adverse impacts on the daily lives of the poor people is a negative consequence of free trade. Developing countries should walk away from the Doha round of talks if a satisfactory arrangement cannot be reached (Luc Lamprière, Oxfam, France).
- We are working on the premise that we are all playing the same game, but half the world is playing football and the other half is playing tennis. One half is playing neoclassical, liberal, free trade economics, with domestic consumption driving economic growth, floating currencies, low savings rates and idiosyncratic protectionism. The other half is playing export-led growth with strategic protectionism, high savings rates, managed currencies and persistent current account surpluses. The world may be flat, but it is tilted (Clyde Prestowitz, USA).
- Thirteen per cent of large infrastructure projects completed in the UK through the conventional public sector procurement approach had an average cost overrun of 47%, and 70% were completed late (Robert Kuttner, American Prospect).

- In OECD countries, there is a very significant gap between future infrastructure investments required and the capacity of the public sector to meet these requirements through traditional sources (Michael Osborne, OECD).
- Traditional financing methods for public infrastructure are limited. The Mexican Government decided in 2007 that half of all additional tax revenues will be invested in infrastructure (Agustín Carstens, Mexico).
- Poverty and marginalization continue to be leading causes of exclusion from education. In OECD countries, half the children who drop out of school at an early age will spend their adult lives in the lowest socio-economic category. Their children will probably follow suit (Cecilia Tortajada, Mexico/Spain).

### Concluding Thoughts

Taking the OECD Forum 2008 as a whole, it turned out to be an excellent platform for debates on contemporary and future-oriented issues such as climate change, growth and stability. Not surprisingly, some sessions produced significantly more vigorous and lively debates (for example, nuclear energy, and open markets for trade and investment) compared to the others. However, all the sessions, even the low-key ones, produced ideas, thoughts and questions that will require further reflection and consideration. What impressed us the most is that the Forum provided a platform for mutual engagement, policy dialogues, learning and networking in a neutral, non-confrontational and pleasant setting for speakers and participants from different disciplines, professions, sectors and institutions. The participants shared their views, mostly in a low-key manner, but a few times somewhat heatedly, but always without rancour. Often the discussions outside the Forum proved to be as interesting and entertaining as the discussions inside, some times may be even more! All these results were made possible only because the organizers made a determined effort to find some of the most eminent experts in a variety of disciplines. They were then instrumental in setting the scene for an enriching and intellectually most stimulating event, which resulted in an informed and wide-ranging debate on complex issues, problems and possible solutions.

A major conclusion has to be that the world is so heterogeneous that we need to consider concurrently co-existence of different ideas, concepts, paradigms and solutions, which may also vary with time. One size does not fit all, and solutions-in-search-of-a-problem approach simply is not an universal solution. Equally, we must not underestimate the human capacity to innovate, and rise to meet the most complex challenges. Overall, the Forum proved to be intellectual feast. If it did not exist, most certainly the world would have to invent it!

The complexities associated with the analyses and resolutions of the overarching focuses of the 2008 Forum are simply immense. However, the resulting dialogue was instrumental in making many of these interrelated issues a little easier to understand and appreciate. One can only repeat the comments of the main moderator, David Eades, who reminded every one at the beginning of the Forum the immortal words of Albert Einstein:

Do not worry about your difficulties in mathematics. I can assure you mine are still greater.