

Canada and China

Embracing Sustainable Development

Notes for a speech

International Conference on Transnational Corporations and
Canada-China FDA: Challenges and Opportunities

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Introduction

- When Gro Harlem Brundtland produced her influential report (Our Common Future) in 1986 she might well have had Canada and China in mind. Sustainable development, as viewed by Brundtland, provides an imaginative and visionary way of looking at relations between Canada and China.

Background

- The complicated economic, environmental and political relationship between Canada and China will give rise to many bilateral and multilateral issues that will need to be wisely and calmly handled on a day –to-day basis.
- A set of these issues is the subject of this conference - foreign direct investment and the role of transnational corporations in the evolution of our economies and our relationship as countries.
- This is a potentially contentious issue involving things that Canadians care deeply about
 - First, resource exploitation, pricing and control and the role of the state in making economic decisions.
 - Second. The relationship between resource use, environmental impact and sustainable development, both in Canada and globally.
 - Third, the structure of our economy and the future of industries that Canada thinks of as strategic.
- These immediate issues reflect some fundamental underlying tensions in Canadian policy life.
 - How much of our future as Canadians should be determined by the flow of funds and investment in the market place as opposed to making collective decisions?
 - Will trans national corporations and foreign direct investment reduce our degrees of freedom to adjust this mix as we see fit. ?
 - With the rising value Canadians are putting on the environment will phenomena like an increase in FDI, the actions of TNCs and the underlying increase in demand for our natural resources affect Canada’s ability to make decisions about our country, our economy, and our natural environment. ?

Articulating a Policy Framework

- How should we come to a general and consistent view of the individual issues we will have to manage these issues and the broader questions that arise?
- We could have a large number of conferences on specific Canada China issues. Each conference might deal with a specific issue that needs to be resolved. In looking at the individual issues we would inevitably touch on larger more fundamental issues, shedding light on a larger policy picture. With the passage of time and the

accumulation of issues and conferences we would arrive at an overall picture constructed from the bottom up in a very arduous way.

- This is the way a lot of policy gets formed over the years - like archeologists painstakingly excavating an ancient mosaic successively revealing more and more parts of a picture. Of course, in the policy world, it is a bit rash to assume a picture actually exists to be uncovered.
- Perhaps it is more like the work of fossil hunters uncovering skeletal evidence and puzzling over whether the animal is a T Rex or an Iguanodon or some previously unknown animal. We know only the elements, and imagination as well as effort is required for a convincing story about how this creature might live and develop sustainably.
- Alternatively why not apply some imagination and vision up front? We can ask ourselves up what we want from a growing relationship between our two countries. We can tackle explicitly the concern that this growing relationship is incompatible with an increasing value for the environment or with a desire to develop sustainably.
- My answer would be simple: not only is a growing relationship with China consistent with sustainable development, the concept of sustainable development requires an enlightened ‘sustainably developing’ relationship with China.

Sustainable Development

- Canada and China are both connected intimately - through the economy (where Canada and China are significant trading partners) and through the global environment (where we all share the same atmosphere and where both countries have significant stewardship responsibilities). In addition, we are both quite significant countries in terms of the future of the world economy and environment. The impact of decisions each country makes will be felt in the other, in the world as a whole.
- Brundtland captures this quite well – we inhabit one planet with many worlds. And on this planet
 - neither Canada nor China can achieve sustainable development on its own; we have to work with each other and with other countries on a global scale
 - Canada and China are big enough economically, environmentally and demographically, that poor decisions by either can affect the attainment of sustainable development by the planet and all its worlds and
 - Canada and China are part of the world and must live in it. Sustainable development requires all of us to think and act differently to achieve economic, environmental and social objectives.
- But sustainable development has more fundamental implications than simply recognizing mutual interdependence. It is also an important way of thinking about the relationship between environmental and social and economic objectives.

Limits

- Many of us (including me) have a tendency to think about the economy and the environment in common sense and intuitive ways – the world is a place in which resources like oil and aluminum and trees are limited and in which environmental resources are also limited, but worse are systematically undervalued. When there are limits, society must make tradeoffs.
- And making tradeoff in a world of limits is a tough business - what environment gains the economy loses and prosperity comes at an environmental price. Thus policy discussions often centre on what price in terms of reduced material well being we are willing to pay for environmental improvement.
- In a zero sum world it is very difficult to reconcile divergent interests – rich and poor, developed and developing, China and Canada. For example, in the world of limits and tradeoffs rapid Chinese economic expansion, welcomed by China's population might come at an environmental cost Canadians would find excessive – particularly in the case of something like climate change where Canada could be seen as bearing some of the environmental consequences of China's actions
- I have some personal experience with this. In the 1970s, I worked with talented, committed and concerned colleagues at Environment Canada. Influenced by a troubled decade of resource shocks and by the Club of Rome we foresaw decades, resource shortages and environmental stress.
- But measured by a number of important indicators (income per capita, life expectancy and infant mortality) the world's population on the whole is better off in the year 2007 than it was in the 1970s. And China alone lifted a staggering 250 million people out of absolute poverty on the way to a better standard of living and quality of life.
- Why did this happen when resource shortages were quite real and common sense indicates that limits and tradeoffs are real. One answer is that we overlooked the ability of dynamic societies to change and advance.

“... entrepreneurship and continuing technological improvements. Prospectors found new lodes...Thanks to the computer, new machines and new chemical processes there were more efficient ways to extract and refine ores...For many uses, and metals were replaced by cheaper materials, notably plastics. Telephones calls went though satellites and fibre optic lines instead of copper wires. Ceramics replaced tungsten in cutting tools. Cans were made of aluminums instead of tin.”
- We forgot about the transformative power of human ingenuity to make limits grow over time. Sustainable development means taking the common sense day to day view that the physical world imposes limits on us and replacing it with an approach based on growth to limits overtime based on our dynamism and ingenuity
- How can one make limits grow? No magic formula but ingenuity plus hard work. We can:
 - Develop new and better technologies that do more with less or substitute less scarce material for more scarce.

- Manage better. Thus as valuable as inventing a new physical process.
- Develop better and more user friendly types of information on resources and the environment that give people, firms and governments a clearer understanding of their choices and allow them to make better decisions
- Avoid poor policies and poor co-ordination among government departments that destroy wealth without a corresponding environmental benefit.

Transnational Corporations and Foreign Direct Investment in Canada

- With respect to transnational corporations and foreign direct investment, I do not think one can provide an unequivocal framework or conceptual view. A lot depends on practical policy development and the behaviour of TNCs. Here are some considerations one might sort through in getting to a bottom line
 - Like most economists, I believe that trade and foreign direct investments are good things that can increase value in both our countries. Therefore, I would personally tend to be supportive and encouraging
 - But this is more than a matter of theorizing economically – TNCs and foreign direct investment (particularly in resource, cultural or other broadly strategic areas) cause Canadians to worry about some of the fundamental issues I mentioned in my introduction.
 - And the fact that the corporations that we are talking about here may be state controlled makes people suspicious that they may make non-commercial decisions that are incompatible with Canada's economic, social and environmental objectives.
- I cannot claim to know the answer to this policy issue. But one important lesson I learned when I worked on forestry issues is the power of transparency, the willingness to submit corporate decisions to independent and public scrutiny. I am thinking here of the and reliable and trustworthy approaches found in forest certification, These provide consumers with assurance that forest firms are voluntarily and reliably demonstrating that they are behaving in a sustainable development way. These are self-administered and the whole system – forest firms and the independent auditors have not only a commitment to integrity, but a vested, bottom line interest in it.

Conclusion

- The value of sustainable development for me is in its creation of a dynamic framework that can guide (inspire) people making policy to encourage the power of human creativity to transform our economy and society, (and that of the world). By focusing on the transformative power of human ingenuity, society can make limits grow over time, allow our choices and opportunities to grow over time, rather than be constrained by their limits.
- We need a policy framework for relations between our two countries which is geared to maximizing the value of the most important renewable resource our two countries have – talented people with ingenuity and optimism

- Sustainable development means a relationship with China that allows the world as a whole to benefit from the staggering reserves of human talent and dynamism that China has to offer is a huge benefit to be sought, not a source of competition in a world of limits that we need some how to deal with.
- It should not be too difficult for two clever and dynamic countries to devise a method of providing assurance through a commitment to transparency or something similar that would allow both of us to be satisfied that TNCs and FDI are in both our interests.
- A commitment to sustainable development means a commitment to be far sighted enough to come up with practical solutions to practical problems – to be wise and clever enough to create systems of governance and oversight which allow business decisions that are theoretically beneficial to us to practically supported by the majority of Canadian citizens.