**Interview Gunter Pauli 17-05-17**

V: How would you briefly define circular economy and sustainable consumption in one sentence each?

Well, for me circular economy is just a concept that indicates that you reuse the waste as input for another product. But you know, in my project we don’t do that. I am just wondering; we are going way beyond the circular economy it is a bit of an anachronism so for me this is what has been tried with industrial symbiosis 30 years ago. Just called a new name, called circular economy. Industrial symbiosis proposed that 30 years ago as well.

V: By some Blue Economy is considered a school of thought of the circular economy, that is why I am really interested to hear your perspective on these things.

G: But you know, we are very different from the circular economy. We don’t think we belong to the circular economy because we evolved from the ideas from 30 years ago. I don’t like to call it circular economy because natural systems never work in a circle. Natural systems are always complex systems and a circle is an antithesis of a natural system. It is like a straight line, circles and straight lines don’t exist in reality. They exist in the minds of theoryticians. So, that is a fundamental we have. We don’t call it circular economy, we call it blue economy, you use what you have for generating value to respond to the basic needs of people. What do we really need? There is 30% of the world that doesn’t have drinking water. Even 51% of the Belgians do not have drinking water that meets the standards of the European Union. So, what we think is key is that you have to respond to basic needs of people first and only then you can start allocating resources to other things. To us that is the key element and it is not only what is waste, we have to use a lot of unused resources. Like our project in Italy, we are using thistles. Thistles are not a waste product it is just not used and there are many more products around the world that are simply not used and not valorised because we have an obsessive focus on the supply chain management. So, the big difference is that circular economy accepts the current economic model as a business model whereas with the blue economy we are transforming the business model and the economy. And these are two very different angles so we certainly don’t want to be called a part of the circular economy because we are not. Or at least not the one I have in mind.

V: Okay, I understand. I also see it that way, I don’t think a simplistic approach is the solution and I also believe in a complex network in which resources are used in an efficient and sustainable way.

G: Not only efficient, efficiency unfortunately implies cost cutting, lower costs and that doesn’t work. That is how we get low quality products, that is how apples today are cheap but they only have 5% of the nutrition they used to have and that is the problem. So, we don’t have content anymore because we are focussed on volume. And that is why if you have content you focus goes to value added, it is not efficiency, it is the addition of more value. That is another very fundamental difference.

V: Okay, let’s not talk about the circular economy then but about the blue economy – that you are the expert on. So, imagine the blue economy had been fully achieved – how would consumption change?

G: Consumption will rely on what is locally available. Today we have an economy where you buy what you can get wherever it comes from and if that is the cause of our totally unsustainable living standards. I mean we want asparagus all year around, we want cookies of all types, from anywhere in the world probably now delivered by a drone. I mean it is complete madness; this is totally unsustainable. That is what the thing that people are supposedly wanting. I don’t think that is what they want but that is another issue. Our consumption will become local; our consumption will inject cash into the local economy and the consumption will have a very high quality content instead of this obsession with volume.

V: Okay, then we can talk about the business model now, so in the transition to the blue economy how the business model should change. How should companies shape their value proposition when implementing circularity and sustainable consumption?

G: The business models today are based on core business, core competence. You focus on one thing. That is going to change fundamentally. You can’t focus on one thing. It is not possible that you are a coffee company and that you process millions of tons of coffee and in the end of the day you only give value to 0.2% of the content of the coffee. And then you pretend you are ecological because you burn the waste and get some energy out of it.

V: The connection was gone, we just talked about the coffee.

G: Ah yes, and then the business models will shift from a core business, economies of scale, supply chain management with a tremendous expense on marketing, where middleman make most of the money to a system whereby you have a clustered approach. You will be in multiple sectors simultaneously and you will be able to create a tremendous value with your multiple cash-flows. You do not need to spend a massive amount on marketing nor on convincing people that you are doing good with CSR and all. That is the big shift in the business model.

V: I understand that this means for the companies’ activities that they are going to be more spread and wider. What do you think does that mean for the resources? What do you think should be their role in the shift to the blue economy?

G: You know, we are missing all real systemic approach, we don’t understand how a mushroom is connected to a coffee and how coffee is connected to textiles. The greatest challenge is the human resource side because we have so many people brainwashed with MBAs so that we only think we can focus on one thing. We only believe Excel spreadsheets will give us the solution and write business plans with a certain financial result. The human resource is the biggest obstacle we have. Natural resources; we have more than enough natural resources to feed 10 billion people, we have more enough physical space in order to feed 20 billion people. This whole hula-hoop around the scarcity of resources is of course only applicable when you use the wrong business model. With the existing business models, you will have scarcity of resources but if you change completely then you will have an abundance of resources and that is what we are very much stressing on. The problem is people don’t see it. People don’t know it. Human resource problem number one is ignorance. Problem number two is that when we are not ignorant anymore then we don’t have the tools to implement it and therefore the most important tool from human resources is the mathematical modelling. We need to understand system dynamics, we need to know about our feedback loops, we need to know about our cascading effects, we need to know what are our multiplier effects and we have too much linear mathematical modelling and we have to little mathematical modelling that is non-linear and dynamic. So that is on the human side and on the natural resources and physical resources there is an abundance of it available. Physical spaces… I mean I don’t understand that people still discuss genetically modified soy in a 3D farm you can generate 30 times more protein per hectare and per year than you could ever do with GM soy. I don’t understand where the debate is. Of, course if you are selling the seeds then of course this is a very important debate but if you are not in the seeds-business but in the stamping-out-hunger-business then soy, especially genetically modified soy, it doesn’t make any sense anymore. And we know it and the science is there. To me we have to realise that our biggest and most difficult transformation will be the human side.

V: Okay, so that the entire company buys in and tries to achieve it?

G: The problem is that everyone is organised as a textile industry. Textile industry thinks it has nothing to do with the food business. The problem is we have compartmentalised the legal side, the political side, the science and the business and we are going to have to go back to an integrated approach just like nature works. Nature is working extremely efficiently way and we have to adjust ourselves to that reality.

V: So, a systemic view. And what do you think in this systemic view of partners and suppliers?

G: You are going to be much more your internal supplier, instead of this ridiculous supply chain management where you are trading globally at every interface of your value chain. That is going to be the big shift because if we continue we will never be sustainable. Second, a company is not going to be a core business anymore that means it will have multiple businesses so a clustered approach will become dominant. You can supply an awful lot of resources internally or within a region or within a certain territory and you can then generate much more value by doing that. By having much more value generated locally there will also be a much faster growth of the local economy. Instead of growing the global economy you grow many local economies and that is much more efficient and much easier to achieve.

V: And how do you think would the distribution channels change?

G: Instead of having this highly impersonalised distribution where everyone takes a commission all the time, except of the farmers, the foresters, the fishermen and the miners no one works with world market prices, everyone works with commissions. So, the distribution channels have to be dramatically changed. It means that we will disintermediate excessively strong, disintermediation will be very important because it allows us to stop this commission game. You buy a cashmere sweater from Mongolia and PayPal makes as much money for the transaction via the internet as the goats’ herder in Mongolia who spends night and day, winter and summer with his goats on the land. It is ridiculous. I mean because everyone takes commission. As long as we are in the commission game whereby the primary sector has to work with global commodity prices and everyone else just adds commission. Worst of all of course distribution. Because the supermarkets or the stores will take the last price times four. And this is something where we’ll see a major change. So, our system is whereby the people who are selling are people who are really intricately involved and experienced with the products and the territories where they are acting, that will be the major shift. You will have people who speak with their hearts and not because it is at the world price at that very moment, where loyalty is totally gone and where you feel that you can purchase whatever you want, wherever you want and whenever you want. So, kind of an approach will be a major shift, distribution will be transformed and it will become a change agent of the whole process.

V: So, more localised and also the companies might have something in the form of a market or something like that where they are selling their products locally?

G: No, it is the sales agent who would be much more proactive. It is not the traditional way. It is what we would call the network marketing but not the network marketing over the internet but network marketing where people talk to people instead of machines talking to machines. And I think where we will go to. Japan went through the Fukushima crisis and realised that when Fukushima occurred there was no internet for 3 weeks. Hey, how are we organised when there is no internet for 3 weeks? And you will wake up and start reorganising distribution once you’ve gone through that and we will go through that. Whether it is a major crisis… Europe has a maximum 4-5 days of food reserves. Europe will go hungry because there are no reserves. We have for 120 days petroleum but we have for 4, 5 days food.

V: So, we were just talking about the local supply network and we also talked about the dependency on internet. I am also interested what you think should be the role of technology and product features in the transition to the blue economy.

G: The key is not technology; we have got all the technologies we can imagine. The key is not that, the key is how you cluster and deploy this in a market model that actually responds to people’s needs. The core is not to create unicorns in California with a tax system that totally disrespects social legislation in Europe. Technology is not a purpose on its own and all the technologies are available and technology is not an App, an App has nothing to do with technology. We need to become realistic about what is technology and what is going to make a difference. In the end of the day all technology must fit into an integrated system and the internet will be a small fraction of that. It is not going to be the future.

V: So, you don’t think the internet will play a big role but why what do you think will it be replaced?

G: We need more human interaction. What is the point of having Facebook where the only thing you get is likes. What is the use of a smartphone when 4 people in a family sit around the breakfast table and everyone is looking at their own screen? This is going to collapse! And we know that it will collapse. There is known to be the acceptance and after the acceptance will be the crisis and then we will move on as we usually do as human beings with a heart.

V: And how do you think could product features be used to achieve the transition to the blue economy?

G: No, the product features are secondary. So, what are the functions you are achieving and the multiple benefits? It can’t just be the looks and it can’t just be the price or quality. It has to be focussed on what are you doing to the soil. Is this textile that you are buying from Zara regenerating topsoil – yes or no? Is this a textile that continues to gobble thousands of litres of water? Is this a piece of paper that still needs 14 litres of water for one sheet of paper? What story are you telling me about the piece of paper? Can we please have a paper that is not using water anymore, can we please have tomatoes that generate water instead of gobbling water? All these technologies are available what we are missing is indeed the full story and with media always only being interested in snaps of 30 seconds or one-liners of 10 seconds - you can’t get the story out. That is why people will get very frustrated and we will have suicides going up, we will have the number of mentally impaired people because we are just not interacting as humans anymore.

V: Okay, that is also interesting regarding the aspect of value capture that is about how can a company capture value but not only for itself but also for the society and the environment.

G: You can’t capture value; you have to put nature back in its evolutionary path. I mean business is not good at taking care of nature, that we have proven for the past 100 years. We can’t take care of nature; we shouldn’t even try to take care of nature. We have to create the conditions so nature can go back on its evolutionary path, that is the number 1. Of course, cannot take care of society when you put all your cash in cyberspace. You fund your hedging, your forward purchasing and your option agreements. Doesn’t work. So we need to put cash back into the local economy. Once we have back circulating in the local economy local social conditions will take care of itself. Look at our case in Columbia, we’ve done it! We succeeded in a living laboratory with 10,000 people that this works and we are doing this with refugees. So, to me the theoretical debate is has to come back with its feet on the ground. Refugees is the hard reality in Europe. So, let’s learn from how we move forward in society. You can’t do it with shampoo from Unilever that is made with palm oil and destroys the rain forest. So, that is the reason why we have to go beyond the mere cycling of materials. You have to focus on a transformation.

V: Okay, traditionally companies always try to grow, achieve a larger market share and increase their profits. Will growth be important and how do you think companies will companies grow in the blue economy?

G: Growth means value not volume. Your success in the market depends on your capacity to create value for everyone not just for yourself. What is the use of making money? The goal of a company has to be to respond to needs. That is what Philip Kotler wrote in Marketing Management in the 1960ies. You have to respond to people’s needs, you don’t have to respond to shareholders’ priorities. If your company is not supplying what people really need and if you are neglecting the real needs of water, of topsoil, of food, of health then I am sorry but you have no right to be on the market and you should be outcompeted by those who are able to do that. Growth is going to be qualitative growth and it means also profit but not only profit. Profit is the result of supply and demand that meet the needs. Profit is a result of ensuring that topsoil gets regenerated and rivers flow again.

V: A massive shift in how growth is achieved and what growth means.

G: It is the way growth was always achieved. What is the use of accumulating cash and having multinational American operations accumulate trillions of dollars of cash overseas?

V: Can you think of an outstanding example in which these business model elements played a role in the transition to the blue economy?

G: Oh well, we have 200, you can find them on the website an in the book.

V: Okay, I will check that. What do you think will be the key differences in the way business will be done in the blue economy from a consumer perspective?

G: The heart, the soul, the spirit, the reality of people talking to people. If we are not re-establishing human interaction in the first place through the act of consumption, through the act of acquisition of what you need and require. I mean we are going to have a psychological mess in this society. So, the most important difference is it is going to be human again! Humans talking to humans. Not continuously looking at a screen; walking on the street looking at a screen, sitting in a restaurant talking - looking at a screen – what have done to ourselves? We can be humans again, we have a heart, we have spirit and we are not affected by another like or by not getting enough likes.