

GLOBALIZATION AND THE ENVIRONMENT: CHANGE IS VITAL

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For many analysts, the relation between globalization and the environment boils down to a clear-cut question: does financial and market integration promote healthy environmental stewardship, or does it enhance environmental deterioration?

This question is misleading. The impact of globalization on the environment cannot be measured accurately because the process is rather unbalanced, generating both slow and fast growth economies. Big international disparities in per capita income are another feature of the global economy. It is crucial to understand that global social inequality will not be corrected automatically as part of some adjustment process.

There does not even appear to be a consensus on the definition of globalization. No doubt it is important to understand the *economic nature* of globalization before assessing its relation to the environment.

Globalization owes more to the effect of deep forces acting within capitalist economies and to explicit policies leading to capital account deregulation and trade liberalization, than to technological change in transportation and communications. The path towards greater integration of financial and product markets was opened in 1973 when the old Bretton Woods institutions were replaced by a flexible exchange rate regime. This created new risks for private economic agents, but it also offered novel opportunities for profitability through operations in the world's currency markets. This explains the extraordinary expansion of the financial sector.

Today speculative transactions in foreign currency markets dwarf trade in merchandise and services, while capital flows overshadow central bank reserves. In response to exchange and interest rate fluctuations, these capital flows can be reversed, bringing about deep crises. Stabilization programs in response to these events have caused great damage to livelihoods and the environment in countries as diverse as Argentina, the Philippines and Indonesia.

Many argue that globalization leads to the convergence of environmental health because it generates growth of per capita incomes. However, this narrative is not supported by facts. Growth rates in the period 1945-1973 were higher than in 1973-2005. Although growth appeared to pick up during the past decade, uncertainties regarding large scale asymmetries between countries with huge domestic savings (China) and economies with big current account deficits (United States) will remain a matter of concern for the global economy.

Ironically, economic performance in the past thirty years has been marked by slower growth rates for the higher and middle income groups of countries, and only modest growth rates for low income economies. In many of these countries, soil degradation, deforestation, contamination and overexploitation of aquifers, loss of genetic resources, atmospheric pollution and the production of toxic wastes are serious problems.

Major environmental changes, such as global warming or the massive extinction of species, started decades before globalization began. But globalization has not reduced their advance and serious disturbing signs abound. For example, we are far from stabilizing CO₂ concentrations in the atmosphere and even the modest Kyoto protocol goals will remain unfulfilled. As a result, we are fast approaching thresholds in CO₂ concentrations where unpleasant surprises may occur.

According to the Millenium Ecosystem Assessment over the past fifty years humans have changed Earth's ecosystems more rapidly and extensively than in any comparable period of human history. Thus, 60% of the ecosystem services considered by the MEA are being degraded or used unsustainably. The growing costs are being borne disproportionately by the poor and the Millenium Development Goals will remain unfulfilled. The harmful consequences of this degradation could significantly worsen in the next fifty years. The likelihood of nonlinear changes in ecosystems has increased, with grave implications for humanity.

On the bright side, many studies document reductions in certain pollutants or increased energy efficiency in several countries. But greater efficiency in one indicator can coexist with displacement of environmental costs to other countries or worsening indicators in other environmental dimensions. Globalization has not mobilized the resources needed to counter environmental degradation and has failed to create a governance system capable of meeting the challenges of our time. Evidently, changing course is essential.

A new agenda for sustainability and social responsibility should be based on three major principles. First, markets are not self regulating mechanisms and we should recognize the need of new spaces for public policy. Second, because macroeconomic policies deeply affect income distribution, technology choice and resource management strategies, they must integrate environmental sustainability in its objectives.

Third, the distribution of economic and political power is crucial to the distribution of environmental costs. Failure to address existing asymmetries is perhaps the single most important obstacle to fair governance regimes for good environmental stewardship.

Growth cannot continue forever. Faith in the value of consumption needs to be revised. Redefining development should be at the top of the agenda because the idea that never-ending growth (especially as we understand it today) is the source of human well-being is a recipe for disaster.