



SHAPING GLOBALIZATION FOR POVERTY ALLEVIATION AND FOOD SECURITY

ENVIRONMENT

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Globalization affects the environment in several ways. It changes the structure and pace of economic growth and, hence, the scale and nature of resource consumption and waste emission. It also fosters the creation of regulatory frameworks and institutions for promoting trade, the flow of capital, and the diffusion of technology, in ways that can exacerbate or mitigate environmental impacts. Environmental impacts may be felt locally, affecting those who earn their livelihood by exploiting resources such as land, water, and biodiversity. Or they may be felt further afield, through broader effects on natural ecosystems, the freshwater cycle, the ozone layer, nutrient flows, the climate, and so on. There are thus sound economic as well as humanitarian and ethical reasons to map the impacts of globalization on the environment.

Evidence supports the notion that open and transparent economies are more likely to be prosperous. Yet measures of prosperity rarely account for environmental costs of production. Some argue that depletion of natural resources, pollution of air, water, and soil, loss of biodiversity, and global warming significantly reduce and in some circumstances outweigh the growth-related benefits of globalization. Furthermore, economic and environmental costs and benefits may not be equitably distributed if the lion's share of economic benefits from globalization accrues to developed countries, while the developing world shoulders the environmental burdens.

ENVIRONMENT, GROWTH, AND COMPETITIVENESS

Trade generates economic benefits because, given free and efficient markets, it encourages trading partners to specialize in goods or services they have some comparative advantage in. Since developing countries often have abundant natural resources and cheap, plentiful labor, trade liberalization has fostered shifts toward labor- and resource-intensive sectors such as mining, logging, garment manufacturing, and export crop production. Most of these sectors, however, generate significant environmental "externalities." These are environmental costs not reflected in the production costs of individual enterprises, be they farm households or multinational companies. The results of ignoring the true social costs of production are excessive production, resource consumption, and waste emission.

Proponents of globalization argue that many environmental problems can be countered by stimulating economic growth. A portion of the overall economic gain can be transferred to individuals and communities affected by environmental degradation. Investments can be made to strengthen environmental institutions, and cleaner, more resource-efficient technologies can be developed and adopted. Based on studies of developed countries, proponents also point to the so-called "inverted-U" phenomenon. That is, although natural resource consumption and degradation

increase as economies grow, an income threshold is attained above which demand for a better environment stimulates investment in environmental protection and rehabilitation. Degradation is thus reduced. Many developing countries, however, are so poor, population growth so high, and natural resources already so stressed, that catastrophic, perhaps irreversible, environmental damage may well occur long before any such threshold is reached.

Although environmental damage can be a by-product of globalization and trade liberalization, incentives for addressing its underlying causes are mixed. While developing countries suffer the greatest damage, they are also under the greatest pressure to accelerate economic growth to increase incomes and combat poverty. And since environmental policies and institutions are likely to be weak in developing countries, producers there (be they domestic or foreign) have little incentive to care about the environmental externalities of their actions. Rampant logging of the world's biodiversity- and carbon-rich tropical forests, for example, testifies to this. This raises concerns that globalization might create "pollution havens" in developing countries, where foreign investors operate to escape stricter environmental laws and enforcement in their own countries. There are also fears that governments might progressively push environmental standards lower as they compete to attract scarce foreign investment (the "race to the bottom" hypothesis). Available evidence suggests that such fears might be overstated. Foreign investors are generally much more concerned with factors such as wage rates, available infrastructure, and the repatriation of earnings.

Some governments' adoption of lenient environmental standards raises concerns that these countries are, in effect, subsidizing exports and reducing the competitiveness of producers in countries with stricter standards. Attempts to raise environmental standards bring protests from domestic producers who are concerned about potentially higher production costs and loss of international competitiveness. Politicians express concern too about increasing domestic prices in the face of widespread poverty. Furthermore, developing countries maintain that differences in resource endowment, pollution assimilation capacities, and social preferences with regard to environmental standards are legitimate sources of their comparative advantage. Attempting to reconcile such conflicting interests poses enormous challenges to environmental policymakers.

GLOBAL ENVIRONMENTAL CONCERNS

Despite the political and technical difficulties involved, the international community has proven willing to take collective action to address environmental issues of global concern. International initiatives have been mounted on climate change (United Nations Framework Convention on Climate Change),



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