**Preliminary Notes on the Green Economy, in the context of sustainable development**

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Inter-sessional session on Rio Plus 20 (Panel on Green Economy), 10-11 Jan 2010

The “green economy” is not a concept that has yet to enjoy widespread agreement (among economists or environmentalists) nor an international consensus. It is an extremely complex concept and it is unlikely there can be a consensus on its meaning, use and usefulness and policy implications, in a short time. This is a brief note on some of the issues surrounding this term.

A “green economy” gives the impression of an economy that is environmentally-friendly, sensitive to the need to conserve natural resources, minimise pollution and emissions that damage the environment in the production process, and produces products and services the existence and consumption of which do not harm the environment.

The **difficult questions** are whether the attainment of such an economy constrains other aspects (including economic growth of poor countries, social development such as poverty eradication and job creation), how to identify and deal with the trade-offs; what are the appropriate combinations between these aspects and at different stages of development as well as stages in the state of the environment; what is the role of the state and regulation, and what is the appropriate way to address the market and private sector; how to build an economy that is more environmentally-friendly, and how to handle the transition from the present to the greener economy?

The Green Economy issue being discussed here must also be **context specific**, or specific to the framework in which it is being discussed. This context is the Rio Plus 20 conference, which is a follow up to Rio 1992. The green economy is thus not an academic idea for free brainstorming. It must be derived from and rooted in the spirit, objectives, principles and operationalising of UNCED 1992, and especially the Rio Principles and Agenda 21. This should be supplemented by the Rio Plus 10 conference.

**The main framework of UNCED 1992,** its related agreements (UNFCCC, CBD etc) and its follow-up processes is to place the environment together with development in a single context. This is a unique achievement which has to be preserved and advanced, and not detracted from or diverted from. The UNCED framework recognised and built in some of the key complexities:

-- It recognised the environmental crisis and the need for deep reform of production and consumption patterns. It recognised the sustainability principle, that present production should not compromise meeting the needs of the future. It recognised the precautionay principle.

-- It also also recognised the “right to development” and the development needs and priorities of economic growth in developing countries plus social development goals including poverty eradication, jobs creation, food, health, education, etc.

-- From the recognition of the above, the three pillars of “sustainable development” were accepted as environmental protection, economic development and social development.

-- It recognised the need not only for national action but also international policies and actions in understanding and addressing the issues, and that for developing countries national action must be supported by international policies and actions to enable implementation of sustainable development.

-- In this context it recognised that countries played different roles in contributing to the environmental crisis, that countries are at different stages of development, and that these must lead to key principles and have important implications for actions and for the international cooperation framework.

-- Out of this arose the principle of common but differentiated responsibilities. It recognised that the major contribution to pollution (including Greenhouse Gas emissions) and resource depletion was by developed countries, and that developing countries are now disadvantaged because there is little "environmental space" left, which has implications for their future development. In practical terms, there should be a three-prong approach to achieving sustainable development: (1) The developed countries have to take the lead in changing production and consumption patterns (their economic model); (2) Developing countries would maintain their development goals but take on sustainable development methods and paths; (3) Developed countries commit to enable and support the developing countries' sustainable development through finance, technology transfer and appropriate reforms to the global economic and financial structures or practices (this is why there were chapters on finance, technology, trade, commodities etc in Agenda 21).

**The "green economy" concept must thus placed integrally within this holistic framework of UNCED, the Rio Principles and Agenda 21.** This framework also was the fundamental basis of the UNCED and CBD. The green economy should have as its basis the environmental imperative, the development imperative (economic dimension and social development) and the equity principle that links the environment and development dimensions. The green economy should thus be defined and operationalised in this EDE (environment, development, equity) framework, which must also incorporate both the national and international dimensions. Objectives, principles, policies, proposals, initiatives, on the green economy should be within this EDE framework and criteria.

There are **ideas or policies for promoting** the green economy in the sustainable development context, and there are **policies to avoid** so that the "green economy" does not get a bad name.

**The positive aspects** of the green economy that should be examined include:

-- Recognising the economic and social value of the environment, that conserving resources such as clean air, water, forests, mangroves etc have positive externalities which are valuable for meeting basic and human needs besides their intrinsic environmental worth. Conservation should thus be promoted, and the rehabilitation or replenishment of natural resources. However there should also be recognition of the opportunity cost of not "exploiting" or using up the resources. The short term usefulness of using Nature and the short and long term usefulness of conserving Nature (or making use of resources sustainably) should be both recognised and reconciled, and international support to developing countries in offsetting the opportunity costs is important.

-- Allowing prices to better reflect their environmental values, but keeping in mind also the development dimension, in guaranteeing access of the public (especially the poor) to basic amenities and basic livelihood opportunities. Subsidies that promote environmentally damaging activities or products should in general be minimised but with the condition that access of the poor to amenities is not affected. On the other hand, incentives (subsidies, access to credit, tax breaks, etc) should be given by developing countries to producers and consumers to promote good processes and products (renewable energy, organic food production and consumption, etc).

-- Recognising and promoting the link between small producers and communities especially in rural areas and the environment, and policies to ensure that the resources that form the base of their livelihoods and their basic amenities (water, food, housing etc) are not damaged or depleted, and instead that these resources (including soil, land, forests, mangroves etc) are rehabilitated and improved. The rights of the communities should be recognised and respected.

-- At the international level, systems and mechanisms should be established or strengthened for developed countries to support and enable developing countries. These would include the provision of adequate financing, and through appropriate financial mechanisms; and technology transfer, which includes the promotion of endogenous environmentally-sound technology in developing countries.

-- Reforms and improvements in the global economic frameworks, structures and processes with the view to enable and support developing countries in the transition to sustainable development processes and models. Reviews and reforms in trade rules (multilateral rules as well as regional and bilateral FTAs) are required, for example, in the areas of reducing developed countries' agricultural subsidies, reviewing industrial subsidies to enable developing countries to promote environmentally-sound practices or products such as renewable energy, establishing appropriate intellectual property rules that enable access to environmental technologies at affordable cost, etc. On finance, mechanisms for the provision of adequate and appropriate types of financing to developing countries for sustainable development policies and measures should be established.

On the other hand, **there are risks that the promotion of the "green economy"** concept may give rise of unhelpful or negative developments, and these must be avoided.

The first risk is that the "green economy" is defined or operationalised in a one-dimensional manner, taken out of its being embedded in the sustainable development framework, and promoted in a purely "environmental" manner (without considering fully the development and equity dimensions) and without consideration of the international dimension, especially its negative effects on developing countries. The Rio Plus 20 process should be safeguarded against this.

The second risk is that a "one size fits all" approach is taken, in treating all countries in the same manner. This would lead to failures either for environment, development or both. The levels and stages of development of countries must be fully considered.

The third risk is that the "green economy" is inappropriately made use of by countries for trade protectionist purposes, and that in particular developed countries may use this as a principle or concept to justify unilateral trade measures against the products of developing countries. One example is the proposed "carbon tariff" or "border adjustment tax" to be imposed to products, on the ground that they generated higher emissions during the production process than the products of the importing countries. This would tend to penalise developing countries that do not financial resources or technical access to low-emission technologies, and thus violate the principle of common but differentiated responsibilities. Another potential problem is the adoption of environmental standards for products; developing countries that are unable to meet the standards face the prospect of losing their exports. The approach towards developing countries should be to provide resources and technology for upgrading their environmental technology and standards, and not to penalise them.

A fourth risk is that the "green economy" is used as new conditionality on developing countries for aid, loans, and debt rescheduling or debt relief. This may pressurise affected developing countries to take on one-dimensional environmental measures rather than sustainable development policies that take economic and social development and equity goals into account.

Another major issue in considering the “green economy” is the **role of the pubic sector, the role of the private sector and the use of regulatory mechanisms and market and mechanisms.** There is a long and large debate on this issue. Many believe that the environmental crisis is a result and sign of “market failure”, that the private sector and markets left to themselves would generate the resource exploitation and depletion, pollution and Greenhouse Gas emissions that have led to the environmental crisis.

Thus, regulation of the private sector, especially the large companies, is important. Regulatory mechanisms such as limits to pollution and emissions, pesticides in food, water contamination, and use of environmental taxes and fines, are thus seen as crucial policy instruments, that should be major or central components to promoting the “green economy”.

However, there is also an increasing trend instead of creating and relying on “markets” whereby companies (and countries) can pollute beyond their assigned limit by buying pollution or emission certificates from other companies or countries. Such markets for buying and selling “pollution rights” is increasingly seen as an alternative to companies or countries having to take their own adequate action, and to pass the action on to others. There is an increasing body of criticisms about this trend, including the avoidance by developed countries and their companies from environmental action, the problems including fraudulent practices in the workings of these markets, the dangers to both the environment and to social development of turning Nature and natural resources into commodities, and dangers of creating new financial speculative instruments.

It should thus be recognised that while there is an interest in learning about the use of pricing mechanisms, taxes and payment for entrance of cars into urban centres, there is also a debate on the appropriateness and effects of the use of “markets” for pollution permits or for “offsetting” in the implementation of environmental commitments.

On a more general level, the role and importance of government policies, measures and actions on promoting environmental goals as well as sustainable development should be properly recognised with lessons to be transferred.

**Finally, there are many challenges and obstacles facing developing countries** in moving their economies to more environmentally friendly paths. On one hand this should not prevent the attempt to urgently incorporate environmental elements into economic development. On the other hand, the various obstacles should be identified and recognised and international cooperation measures should be taken to enable and support the sustainable development efforts. The conditions must be established that make it possible for countries, especially developing countries, to move towards a “green economy.” The main conditions and dimensions have been recognised in the negotiatioins that led to Rio 1992, and are well established in the Rio Principles and in Agenda 21. The treatment of the “green economy” in Rio Plus 20 should be be consistent with the sustainable development concept, principles and framework, and care should be taken that it does not detract or distract from “sustainable development”. Thus the “value added” to the Green Economy as contrasted to sustainable development should be identified.