

## EarthTrends Featured Topic: Globalization, Governance, and Poverty

Source: *World Resources 2005*

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Date Written: September 2005

The current wave of economic globalization has lifted many people out of poverty and enhanced human welfare. But the benefits of globalization have not yet reached far enough: over three billion people still live impoverished lives, and the fields, fisheries, forests, and waterways they depend on are increasingly at risk.

As the Millennium Ecosystem Assessment points out, the transformation of ecosystems over the past five decades dwarfs the cumulative impact over the preceding centuries. This degradation is undercutting rural livelihoods (MA 2005:2). Half of all jobs worldwide depend on agriculture, forestry, and fishing. Yet agricultural subsidies and other import restrictions in developed countries make it difficult for developing country farmers to compete on the world market (WTO 2003:10, 22).

Improving this situation will require better and smarter globalization. Ultimately, a sophisticated market economy is the only mechanism capable of generating lasting prosperity. Market-based approaches, where informed by socially and environmentally responsible public policy, have also been effective in forging solutions to some environmental problems. Emissions trading has been successful in reducing sulfur dioxide and nitrogen oxides, and tradable fishing quotas have reduced over-fishing (Aulisi et al. 2005:11; Kura et al. 2004:92; Ellerman et al. 2000:315; NRC 1999:192). Innovative approaches are being used to assign value, and hence to protect, "ecosystem

services"—from crops and fisheries to water filtration and flood prevention. All of these need to happen in ways that rural people can participate in and benefit from—which will only happen if they have a degree of control over the process and the ecosystem "assets."

The public equity markets steer billions of dollars every day to companies and projects around the world. While often inadvertent, this allocation of capital all too often hastens the loss of forests, fisheries, and watersheds, and underwrites the build-up of greenhouse gases in the atmosphere. To counter this trend, many private banks have committed to the "Equator Principles," which incorporate social and environmental criteria in investment decision-making. Major corporations are investing in environmentally cleaner technology because they are convinced it will increase their profits and make them more internationally competitive. In the energy sector, the International Energy Agency estimates that US\$16 trillion will be required for global infrastructure investment over the next twenty-five years (IEA 2004:383). Redirecting this massive capital flow to clean energy and transport systems could reduce poverty, increase security, and stabilize greenhouse gas emissions.

To be pro-poor, investors and borrowers need to incorporate environmental sustainability in their activities. The developers of power, oil, gas, and mining projects will need to do a better job of managing risks to human health, as well as

damage to rivers, fisheries, and other ecosystems. Borrowers from the Equator banks may have to drop or change their plans to meet environmental standards, as was done in many of ABN AMRO's projects last year. However, while steering private investment in pro-poor directions is critical, it cannot achieve the desired outcome where bad governance is pervasive.

Private investment in hydrocarbons and other extractive industries has sometimes been associated with corruption, environmental degradation, social dislocation, and impoverishment. Changing this will require more transparency, public participation, and accountability. The Extractive Industries Transparency Initiative (EITI), launched by the British government, is already proving successful. Royal Dutch Shell and BP have agreed to disclose detailed payment information on their oil operations in Nigeria and Azerbaijan, respectively. Investors representing over US\$7 trillion have endorsed EITI, and civil-society organizations are using EITI as an instrument for government accountability. Endorsement of EITI by G-8 nations and oil-producing countries would make a decisive difference to the lives of the poor who live in the 60 countries that depend on oil, gas, and mining revenues (Soros 2005:43).

Economic globalization has led to a host of technologies that can aid efficient market functioning, promote sound governance of natural resources, and protect the interests of the poor. Low-cost environmental data collection using remote sensing and high-resolution satellite mapping is

one example. Tracking and monitoring devices are helping to reduce over-exploitation of fisheries. In Malaysia conservationists use satellite transmitters to keep count of elephants (WWF 2005). Rural Indian farmers with high-speed Internet receive online updates about market prices and weather, making them more competitive (Annamalai and Rao 2003:1). Increasingly low-cost and accessible technologies are beginning to measure trends in deforestation, soil erosion, and climate change. India, China, and Brazil have launched their own satellites, and are sharing data with

other developing countries. Hopefully, it will not be long before existing databases—including poverty maps and maps of ecosystem services—can be overlaid routinely on the sites of proposed mining operations, timber harvests, or industrial plants to identify how these developments might affect poor families in the region.

A smarter approach to economic globalization can work when the poor are empowered through access to information, participation, and justice, and when they have legally recognized resource rights that allow them to manage, sell, rent, and invest in

ecosystem services. By partnering with the private sector to make credit available for ecosystem-based enterprises, and by improving the marketing and transport of goods produced, the poor can gain income and benefit from the wider marketplace that globalization affords.

*This article was originally published by WRI as Box 4.5 in "World Resources 2005: The Wealth of the Poor—Managing Ecosystems to Fight Poverty," available online at <http://population.wri.org/worldresources2005-pub-4073.html>.*

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