



**Governing Council
of the United Nations
Environment Programme**

Distr.: General
16 January 2007

Original: English



**Twenty-fourth session of the Governing Council/
Global Ministerial Environment Forum**

Nairobi, 5–9 February 2007

Item 4 (b) of the provisional agenda*

Policy issues: emerging policy issues

Background paper for the ministerial consultations

Submitted by the Executive Director

Globalization, ecosystem services and human well-being

Summary

Globalization in its many dimensions (economic, social, ecological, political, technological and cultural) has become one of the main defining trends of our times with significant consequences for the environment. In order to help frame the ministerial discussions, the present paper sets out short descriptions of several broad categories of globalization, including globalization of the economy, globalization of knowledge and globalization of institutions and governance. The descriptions are followed by a series of questions that may provide the basis for the ministerial discussions.

The paper also contains a summary of the mandate of the United Nations Environment Programme (UNEP) and other international mandates that have a direct bearing on globalization and environment. The document should be read in conjunction with the UNEP Global Environment Outlook 2007 feature focus entitled “Globalization and the environment – minimizing risks, seizing opportunities” and a document entitled “Environment and globalization: five propositions” circulated separately as documents UNEP/GC/24/INF/2 and UNEP/GC/24/INF/24, respectively.

* UNEP/GC/24/1.

I. Introduction

1. Although it is a complex concept that is difficult to define, globalization is commonly viewed as a process of increasing international flows of goods, services, capital, technology, information, ideas and labour, driven by the liberalization of trade and investment and by technological change. Irrespective of how globalization is defined, the process is having a profound impact on societies around the world. In most cases, the effects are multiple, reflecting both positive and negative changes in the way that humans interact with each other and with their natural environment.
2. Globalization in its many guises has had many positive impacts, including economic growth, generation of employment opportunities, increased choice and poverty reduction. In addition, it has increased food production through technological changes embodied in the green revolution, new investments in agricultural production and the opening of agricultural markets; it has contributed to biodiversity conservation by increasing tourism revenues generated by national parks and other protected areas, and relieved pressure on ecosystems by facilitating the development of substitutes for many types of ecosystem services. These positive impacts have often improved the many constituents of human well-being such as good health and material wealth.
3. While recent years have seen increases in the supply of provisioning ecosystem services, such as crops and livestock, there have been declines in the regulating and supporting ecosystem services, including genetic resources, purification of water resources, flood regulation and natural hazard reduction. These losses have in turn caused a decline in some important aspects of human well-being, including environmental security, social relations and freedom of choice and action. The forces of globalization have influenced these developments in powerful but complex ways.
4. The Millennium Ecosystem Assessment found that nearly 60 per cent of the world's ecosystem services are being degraded or used unsustainably, and that in the last 50 years, humans have altered the world's ecosystems more fundamentally than at any period in human history. These trends have created a new set of opportunities and challenges for international leaders and decision makers, who need a rational basis for the sustainable use of natural resources and for ensuring that ecosystems can sustain economic growth and capacity to meet the Millennium Development Goals.
5. Ministers participating in various sessions of the UNEP Governing Council/Global Ministerial Environment Forum have expressed a strong interest in improving international environmental policies to maximize the benefits of globalization while minimizing the negative impacts. The Co-Chairs' summary of the informal consultative process on the institutional framework for the United Nations environmental activities, issued in July 2006, highlighted the importance of utilizing the Global Ministerial Environment Forum as a forum for ministers to "engage in substantive discussions that would result in decisions with practical orientation" and "to have a multi year work plan, to monitor multilateral environmental agreements policy development and implementation, and to interact in a meaningful manner with other inter-governmental forums and conferences of parties". Multilateral environmental agreements do provide the frameworks for a multilateral response to the environmental effects of globalization.
6. The ministerial discussions on globalization and the environment will explore the economic, knowledge and information and institutional and governance dimensions of globalization with the aim of identifying means for national governments, UNEP and other actors to seize environmental opportunities and respond effectively to environmental challenges.
7. A discussion on this topic will also further UNEP efforts to implement the Bali Strategic Plan for Technology Support and Capacity-building and sharpen the focus of UNEP in building partnerships with other United Nations agencies and with other stakeholders. Furthermore, it is anticipated that it will strengthen a number of current UNEP activities, including those related to climate change, technology support and capacity-building, and poverty and environment; trade, investment, and the environment; follow-up to the findings of the Millennium Ecosystem Assessment; valuation of ecosystem services; and environmental law and governance.

II. Relevant legislative mandates

8. In its decision 18/3 on globalization and the environment, adopted on 26 May 1995, the UNEP Governing Council urged the Executive Director to “pay special attention to the ... regional and national particularities and the implications and impact of sustainable development for developing countries and countries with economies in transition”.

9. In its decision 19/6 entitled “Globalization and the environment: emerging issues on the environment and trade agenda”, adopted on 7 February 1997, the Governing Council called upon the Executive Director to continue “to promote and support efforts to clarify and assess the environmental effects of trade and trade policies, as well as the effects of environmental policies on trade” and “to contribute to and support international efforts to promote a synergy between environment and trade objectives in policy development and implementation”.

10. In its decision 20/29 on policy and advisory services of the United Nations Environment Programme in the key area of economics, trade and financial services, adopted on 4 February 1999, the Governing Council requested the Executive Director “to continue to assist countries, particularly developing countries and countries with economies in transition, in order to improve understanding of the environmental effects of trade with a view to enabling them to develop and implement policies that could integrate environmental considerations with trade policies”.

11. In its decision 21/14 on trade and environment, adopted on 9 February 2001, the Governing Council requested the Executive Director “to further strengthen the secretariat in order for it to assist countries, particularly developing countries and countries with economies in transition to enhance their capacities to develop and implement mutually supportive trade and environmental policies”, “to further promote, including through international cooperation, the national development and application of environmental impact assessment, environmental valuation, methodologies for natural resource accounting and relevant economic instruments in accordance with the socio-economic and development priorities of individual countries” and “to continue to collaborate with the private sector including the financial services sector, with a view to enhancing their contribution to the achievement of sustainable development through the development of cleaner and more resource-efficient technologies for a life cycle economy and efforts to facilitate the transfer of environmentally sound technologies to developing countries”.

12. In its decision 22/21 on the regional implementation of the programme of work of the United Nations Environment Programme, adopted on 7 February 2003, the Governing Council requested the Executive Director “to establish and strengthen partnerships at the regional and subregional levels with other United Nations bodies, development banks and other institutions, including major civil society groups, with a view to enhancing the effectiveness of the development and delivery of the programme of work of the United Nations Environment Programme in the regions”.

13. In its decision 23/1 on implementation of decision SS.VII/1 on international environmental governance, adopted on 25 February 2005, the Governing Council requested the Executive Director “to give high priority to the effective and immediate implementation of the Bali Strategic Plan for Technology Support and Capacity-building” and “to focus on activities to improve the coordination among, synergy between and effectiveness of multilateral environmental agreements, taking into account the autonomous decision-making authority of the conferences of the parties to such agreements and the need to promote the environmental dimension of sustainable development among other relevant United Nations organizations”.

14. In its decision 23/10 on poverty and the environment, adopted on 25 February 2005, the Governing Council requested the Executive Director “to enhance further the activities of the United Nations Environment Programme in all regions to promote understanding of the linkages between poverty and the environment and, where appropriate, to assist Governments, upon their request, to integrate environmental decision-making into social and economic policy on poverty eradication, in accordance with the mandate of the United Nations Environment Programme and in line with its programme of work.”

15. In the United Nations Millennium Declaration, General Assembly resolution 55/2 of 8 September 2000, paragraph 5, the General Assembly affirmed its belief that the central challenge it faced was “to ensure that globalization becomes a positive force for all the world's people.”

16. The Johannesburg Declaration on Sustainable Development, paragraph 14, states that “the rapid integration of markets, mobility of capital and significant increases in investment flows around the

world have opened new challenges and opportunities for the pursuit of sustainable development” but that “the benefits and costs of globalization are unevenly distributed, with developing countries facing special difficulties in meeting this challenge”.

17. Agenda 21, paragraph 2.5, states that an open and multilateral trade system supported by the adoption of sound environmental policies, “would have a positive environmental impact and therefore make an important contribution to sustainable development”.

18. Agenda 21, paragraph 2.20, states that trade and environment policies should be “consistent and reinforce the process of sustainable development,” taking into account “the fact that environmental standards valid for developed countries may have unwarranted social and economic costs in developing countries.”

19. In its decision 9/5, the Commission on Sustainable Development considered that “the process of globalization is one of the elements of the international economic environment and presents opportunities as well as challenges and risks for sustainable development” and that “answers must be found to the question of how to advance economic growth and sustainable development in all countries, particularly in developing countries, and to spread the benefits of globalization equitably.”

III. Economic globalization

20. The economic dimension of globalization is reflected in the continued integration and interdependence of national economies and markets at the global scale. These growing economic interdependencies have been promoted through trade, financial flows and foreign investment, and an increase in the flow of labour and technology. While these processes have created new opportunities, such as increased investment, enhanced consumer choice, employment generation, efficiency and growth, they have also put considerable pressure on the environment and many ecosystem services.

21. Many of the current global environmental challenges, including depletion of marine resources, climate change, deforestation, and hazardous waste, have either been exacerbated by or are due to the increasing scale of global economic activity. For example, trade in hazardous wastes and products and the global diffusion of environmentally-sensitive industries pose environmental challenges. Moreover, the rapid growth in the movement of goods and services has facilitated the spread of invasive species and contributes to environmental degradation.

22. It is now widely acknowledged that macroeconomic policy, in the form of structural adjustment programmes, for example, can cause social and environmental costs that may exceed the immediate benefits these programmes may offer. For example the removal of fuel subsidies in the pursuit of economic stabilization has caused the deepening of poverty and increased pressures on forest ecosystem services in some countries. It is therefore necessary to take into account the environmental and the ensuing social costs and benefits of macroeconomic policies.

23. At the same time, globalization processes may contribute to environmental and ecosystem protection. Global trade and investment is helping some developing countries become major producers of environmentally-friendly technologies. There are also examples of globalization processes being used to promote environmental protection. For example, private financial institutions are increasingly adopting the Equator Principles (a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing) and developing internal policies intended to integrate environmental factors into their lending and investment decisions and practices. In addition, multi-stakeholder certification initiatives such as the Forest Stewardship Council and the Marine Stewardship Council are harnessing consumer power for change.

24. Globalization can be used as a vehicle to promote environmentally sound production processes. For instance, capacity could be built among like-minded countries to collaborate on mechanisms and policies that enhance the dissemination and application of environmentally sound production processes.

25. In order to maximize the benefits of globalization processes, Governments need to create enabling conditions to develop sustainable economic, social and environmental policies. Effective integration of environmental policies into macroeconomic frameworks, investment and development is crucial to achieve the development targets set by the Millennium Declaration. This implies the design of new environmental policies responding to specific challenges linked to globalization and also the need for enhanced capacity to implement existing policies.

IV. Globalization of knowledge, institutions and governance

26. Advances in technology, notably in terms of information systems, have considerably changed the way humans communicate and interact. International flows in knowledge and information have increasingly been connecting individuals and organizations around the world. Social movements that are truly global in scale and scope have arisen, creating new networks for action and exchanges.

27. Just as an international movement can emerge due to concern caused by environmental degradation, however, the spread of other global movements, such as consumerism, can counteract and weaken existing social fabric and cultural values. Such consumerism has contributed to the erosion of traditional values and the loss of indigenous knowledge. Often, the norms and values that are spread through globalization are not sustainable, resulting in the neglect of the environment and its influence on societies at all scales. A key challenge related to the globalization of communications and knowledge is the need to respect local, traditional, and indigenous cultures and to promote diversity.

28. The policy decisions we now take will influence future trajectories of information deployment and development, and consumption choices and will shape the interaction between globalization and the global environment. Institutions responsible for environmental management should therefore play an increasing role in identifying critical information, filling gaps in it and ensuring that it reaches wider group of decision makers, including ministers of finance, development and planning, in a timely manner.

29. As global interactions continue to multiply and intensify, Governments have developed agreements to govern and manage these international relations. As these institutions continue to grow and evolve, they are often constrained by an outdated institutional design that was borne out of a state-centred model of international relations. A new look at adapting these institutions is highly necessary.

30. Today, approximately 20 multilateral environmental agreements have trade-related provisions. It has been realized that trade policy cannot be isolated from environmental policy considerations. Integration between economic, trade and financial policies on the one hand and environment policies on the other needs to be promoted more systematically in the face of globalization at national, regional and global levels. This implies enhancing the capacity of environmental institutions in different policy sectors.

31. Furthermore, the arrival on the global scene of powerful non-state actors, such as multi-national companies, large non-governmental organizations and foundations, has altered the political system within which governments have traditionally operated. Inherently global issues such as environmental protection and sustainability need to be addressed through a cross-sectoral approach, according to which partnerships are established to operate efficiently at various levels, combining the expertise and perspectives of the private and public sectors. As the discussion on adequate forms of global governance continues, however, operational partnerships are still lacking and many environmental problems are worsening.

32. Strong institutional frameworks and mandates are particularly necessary and must evolve to respond to the new demands of an increasingly interdependent global market place and to help society adjust to global environmental change, prevent irreversible damage from that change and increase resilience to environmental stress.

V. Questions for discussion

33. Two broad sets of questions emerge from the preceding chapters that the Governing Council/Global Ministerial Environment Forum might wish to discuss in the ministerial segment of its twenty-fourth session. While they are listed separately to facilitate discussion, the issues are interlinked. The goal is to identify some tangible ways to make globalization more environmentally sustainable.

A. Globalization of the economy, knowledge, institutions and governance

1. What opportunities does economic globalization present for environmental protection and sustainable development?

34. Issues to consider in this context might include:

- (a) Increased trade in and new markets for environmentally-friendly goods and services;

- (b) Elimination of perverse subsidies, in areas such as fisheries, agriculture and mining;
- (c) Promotion of sustainable investment (private, public and institutional);
- (d) Internalizing environmental costs through market-based mechanisms, such as emissions trading and payments for ecosystem services.

2. What challenges does economic globalization pose for environmental protection and sustainable development?

35. Issues to consider in this context might include:

- (a) Analyzing the trade-offs between the short-term gains of increasing provisioning ecosystem services versus the long-term costs of degrading regulating and cultural ecosystem services;
- (b) Ensuring the equitable distribution of the costs and benefits of ecosystem service use across countries and within countries across communities;
- (c) Evaluating the impact of macroeconomic policies on ecosystem services in an interlinked global economy;
- (d) Climate change;
- (e) Invasive species and loss of biodiversity;
- (f) Solid and hazardous wastes.

3. What opportunities does globalization of knowledge, institutions, and governance pose for environmental protection and sustainable development?

36. Issues to consider in this context might include:

- (a) Enhanced communication systems;
- (b) Promotion of traditional knowledge, information and practices for sustainable development;
- (c) Sharing and dissemination of information through improved systems of telecommunications, satellite imagery, global environmental observing systems and media, including more direct interaction between consumers and producers;
- (d) Supporting and preserving cultural diversity;
- (e) Promotion of environmentally sound technologies, including renewable energies and industrial ecology.

4. What challenges does globalization of knowledge, institutions, and governance pose for environmental protection and sustainable development?

37. Issues to consider in this context might include:

- (a) Loss of cultural identity and homogenization of society;
- (b) Homogenization of thinking, leading to a “herd” approach;
- (c) Loss of traditional knowledge to address problems specific to particular sites and ecologies;
- (d) Use of generic methodologies to address environmental problems that are culturally based;
- (e) Unsustainable consumption and production patterns;
- (f) Ignoring local norms and informal institutions that oversee access to and use of ecosystem services;
- (g) Lack of adequate infrastructure to accommodate new formal institutions that oversee the management of ecosystem services;
- (h) Lack of human capacity to administer and monitor new institutions.

B. Response options

1. How can these opportunities be seized?

38. Issues to consider in this context might include:

- (a) Enhancing the role of financial institutions to support sustainable development and environmental policies;
- (b) Promotion of effective private-public partnerships;
- (c) Promotion of private voluntary initiatives geared towards sustainability, for example standards for corporate social responsibility;
- (d) Enhancing the role of sector-based institutions such as World Tourism Organization;
- (e) Multilateral and regional trade and investment agreements;
- (f) Multilateral environmental agreements;
- (g) National economic and legal frameworks;
- (h) Private sector actions and investments;
- (i) Civil society and consumer actions;
- (j) Formal education and its role.

2. How can these challenges be addressed?

39. Issues to consider in this context might include:

- (a) Rethinking, restructuring or revamping international governance structures in order to promote synergies and the mutual supportiveness of the environment, social, and economic disciplines;
- (b) Improving coordination within the United Nations system;
- (c) Enhancing collaboration between UNEP, multilateral environmental agreements, the Bretton Woods institutions and other bodies, including the United Nations Conference on Trade and Development, the United Nations Development Programme, the United Nations Industrial Development Organization, the World Trade Organization and the World Tourism Organization;
- (d) Multilateral environmental agreements;
- (e) Multilateral and regional trade and investment agreements;
- (f) National economic and legal frameworks;
- (g) Private sector actions and investments;
- (h) Civil society and consumer actions.

3. What should the role of UNEP be in seizing these opportunities and addressing these challenges?

4. What is the role of national Governments, and in particular, ministries of environment? How best can UNEP support them in their efforts?