

Ad Hoc Expert Meeting on

**The Green Economy:
Trade and Sustainable
Development Implications**

7–8 October 2010

**Green Economy and
Sustainable
Development**

Presentation by

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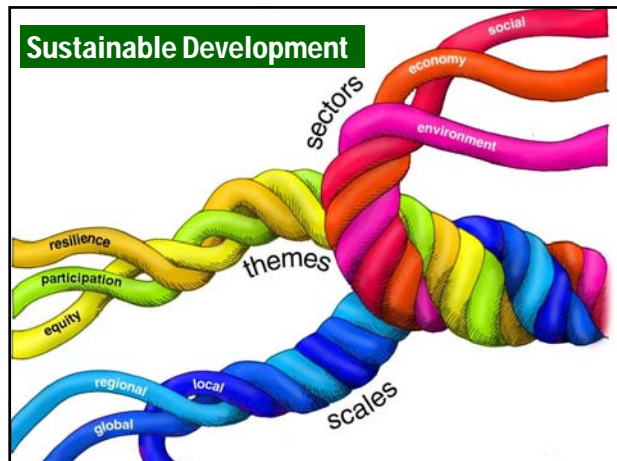
The United Nations Department of Economic and Social Affairs

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Green Economy and Sustainable Development



Sustainable Development



The Three Transitions

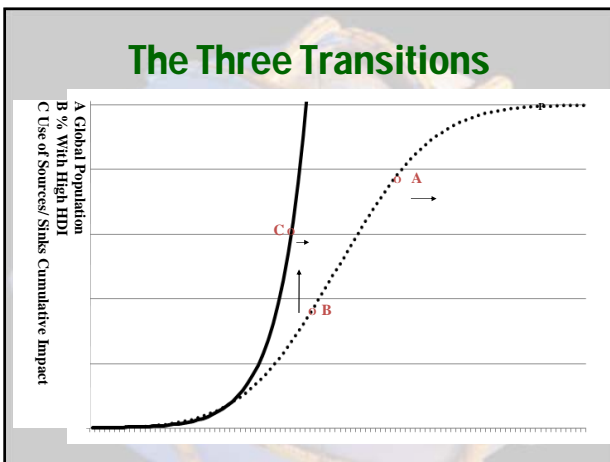
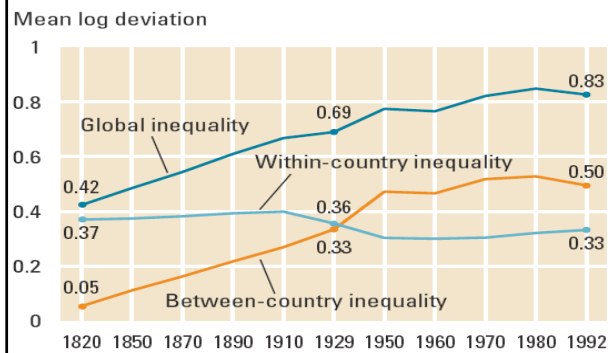
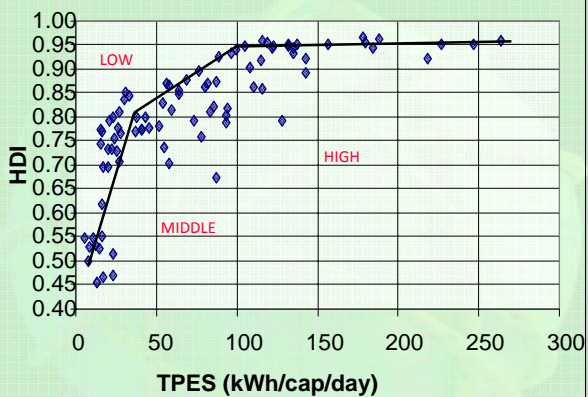


Figure 3.10 Inequality between countries became much more important over the long run



Source: Authors' manipulation of data from Bourguignon and Morisson (2002).



Stylized Facts of Development

- Several examples (Japan, Mediterranean and Scandinavian, NICS, and BRICS)
- Industry (especially manufacturing) as Driver: Potential for (1) high productivity growth, (2) high sectoral growth, (3) Linkages, (4) Spillovers
- Trade as driver: (1) scale economies, (2) incentives, (3) predictability, (4) investment
- Impacts on social (equity, jobs) or environmental
- Agricultural sector critical but rarely as driver, some recent interest in services sector

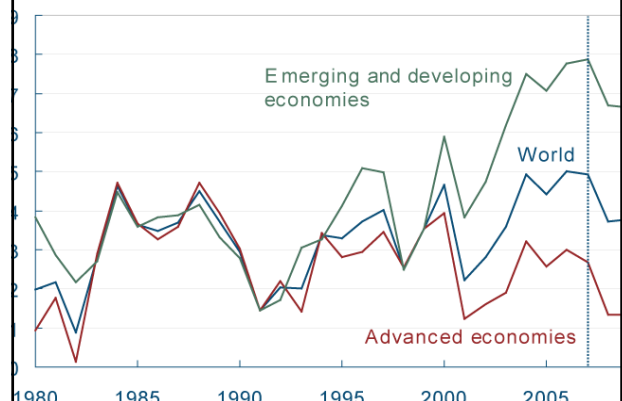
China Growth Trends

Table 1.1 Real GDP, by sector (estimated 1990 values), 1970-2000

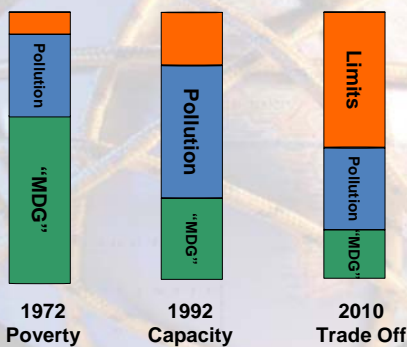
	Agriculture	Industry (100 billion yuan, at 1990 values)	Services	Total
1970	2.5	1.2	1.0	4.6
1980	3.0	2.8	1.8	7.6
1985	4.3	4.4	3.2	11.9
1989	4.9	7.4	5.5	17.8
1990	5.0	7.7	5.8	18.5
1995	6.1	17.2	9.4	32.7
2000	7.3	27.5	13.8	48.7
Annual growth rates (per cent per annum)				
1970-80	2.0	9.1	6.0	5.1
1980-90	5.3	10.6	12.6	9.3
1990-2000	3.8	13.6	9.1	10.1
1990-95	4.2	17.4	10.0	12.0
1995-2000	3.5	9.8	8.2	8.3

World Economic Growth

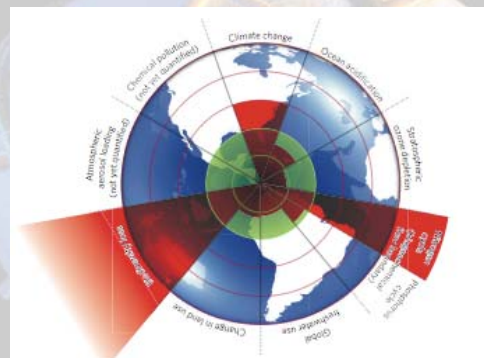
Annual percent change



Founex and Evolution of SD



As the Limits move closer!



SD Can Unite ...

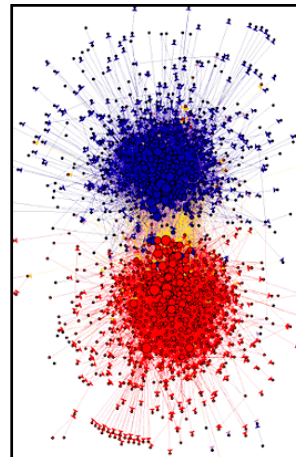
- SD is a Bridge
 - Environment and development
 - North and South
 - Government, business, and civil society
 - Present and future
 - Long and short term
 - Science and policy
 - Efficiency, equity, and participation
 - Citizen and state



Earthland

... But only if we Act

- After 40 years, even the consensus on SD is shallow
 - View #1: Environment is a subset of SD
 - View #2: SD is a subset of the environment, i.e. "environment in the South"
 - Refreshed commitment to SD is needed



Green Economy in the Context of Sustainable Development

UNCSD

- Renew Political Commitment
- Thematic Focus of Green Economy in the Context of Sustainable Development and Poverty Eradication: (Perhaps to address Economic Decision Makers)
- Thematic Focus of Institutional Framework for Sustainable Development: (In part to ensure an integrated approach at *all* relevant levels, structures and institutions for decision making)
- Need to identify common commitments, areas of agreements, and the way forward.

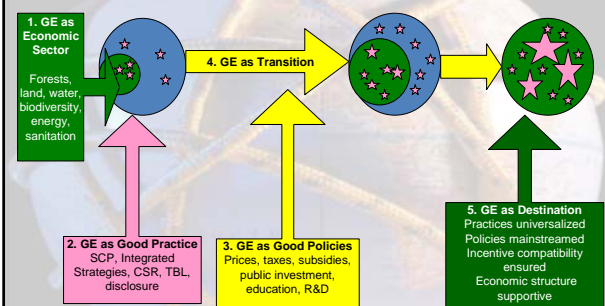
Policy Relevance of GE

- Strong relation with Sustainable Development and the UN's vision: GA 64/236, UNEP GC
- Adoption by leading developing countries: ROK, China, Brazil, and many others
- Strong donor support, both for policy coherence, and building an integrated North-South vision
- Examples: EU GSDS 2006 (reviewed 2009); US Presidential Decree (22 September 2010); WRR review of Netherlands aid; Sweden PGS
- Emerging Threats: Climate, Planetary Limits

History of Concept

- Green economy first emerged in 1989, as a title for environmental economics, but not used actively
- Recently Widespread Emergence: Multiple Crises and Stimulus Package: GGND, GEI, Green Jobs, UN Inter-Agency Collaboration, Success Stories
- Although many use it in the same way as in 1989, new issues and options have been added
- This is not the first instance of a new development concept becoming popular, and comparison with other concepts may be useful

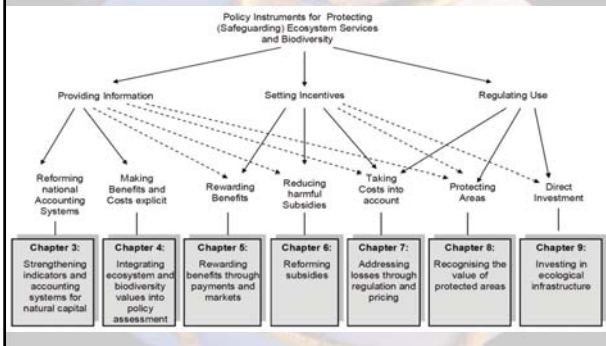
Green Economy Perspectives



Pre-History

- *Blueprint*: Framework (Internalize externalities; non-declining wealth) and Policy Tools (EIA, valuation, discounting, etc) are central to current proposals, including TEEB and GEI
- Origin: 1989 Report for UK Government (original title, "Sustainable Development, Resource Accounting, and Project Appraisal")
- Definition: "Economic underpinnings of the idea of sustainable development" to implement Brundtland Commission findings

The TEEB Framework



Broad based Interest

- Earth Day (www.earthday.org)
- www.worldwatch.org/
- www.greeneconomics.net
- www.thegreeneconomy.com
- www.greenforall.org
- www.newgreeneconomy.com
- www.greeneconomynow.org
- www.greeneconomyinitiative.com
- www.greeneconomycoalition.org

Comments from Prep Com 1

- Different conceptions of a green economy
- Should be flexible to accommodate diverse approaches, and not lead to: (1) privatization of nature, (2) trade protection, (3) aid conditionality, or (3) a straightjacket
- Request to DESA, UNEP and other relevant organizations prepare a study to assess the benefits, challenges, and risks associated with a green economy transition.

Specific Prepcom Questions

- Macroeconomic policy implications of pursuing a green economy transition;
- Potential loss of competitiveness of some industries, sources of comparative advantage of some countries;
- Risk of “green protectionism”, legitimization of certain ‘green’ subsidies which could distort trade;
- Potential contribution of a green economy to poverty eradication through the creation of sustainable livelihoods.

One Way of Framing the Issue

Remember Knowledge Economy

- “To some, the knowledge economy means a new economic paradigm, to others it signifies a social transformation of which the economy is a part”.
 - Some also refer to the green economy as a new economic paradigm, others as a vision for action, and others as a social transformation of which the economy is a part
- Lan Xue and Peter Sheehan
China's Development Strategy*

Similar Questions Are Asked

- **Conceptual:** Is KE an abstract concept or an implementable vision of development? What are its elements? How is it related to other concepts? Do its rules and principles differ from traditional ones?
- **Relevance:** Is it relevant to all countries or only to some? Is it just a new name for things that are desirable anyhow (but then, why introduce a new term that will confuse people)?
- **Action:** How can it be implemented? How can it guide our actions? Should it be concentrated regionally?
- **Conceptual:** Is GE an abstract concept or an implementable vision of development? What are its elements? How is it related to other concepts? Do its rules and principles differ from traditional ones?
- **Relevance:** Is it relevant to all countries or only to some? Is it just a new name for things that are desirable anyhow (but then, why introduce a new term that will confuse people)?
- **Action:** How can it be implemented? How can it guide our actions? Should it be concentrated regionally?

Remember Knowledge Economy

- We use it neither as a theoretical concept nor as a vision of development, but as a description of a central reality: The move from the industrial era to a global knowledge economy.
- Nations need to respond to this emerging reality, and shape their development strategies with regard to this emerging reality.
Xue and Sheehan
- While GE can be a theoretical concept or a development vision, it is also a description of a central reality: The emergence of activities that signal the shift to a new calculus of profitability, and thus a move from the industrial era to a different type of global economy based on knowledge, efficiency, and stewardship.
- The leaders can benefit by anticipating change, but all nations, rich or poor, large or small, leaders or late-starters, will need to shape their development strategies.

Conclusion The Centrality of Growth

Race of Growth and Catastrophe

- No country, howsoever rich, knows how to live without growth
 - The modern economic and financial system seems to require growth to maintain full employment and decent social services
 - Growth is the only sure recipe we have discovered for overcoming global inequality
- But: we will not live long if growth continues on its existing pattern
- Is there a way? Actually, there are three

Three Strategies

- Accelerate development so as to win the race against time. Focus on the most Vulnerable (MDG Plus)
- Internalize Externalities: Many successful examples exist today.
- Invest in an alternative Growth Strategy.
- Question: Do the MDGs have to be broadened and made more ambitious? Is there still time?
- How to universalize? What is the development strategy? What else is needed? What are the risks, challenges?
- Is the GE a leading sector? What kind of investment in technology or infrastructure are needed?

Three Strategies

- | Strategies | Elements |
|---|---|
| <ul style="list-style-type: none"> • MDG Plus: Address the most fundamental development questions, and the win-win solutions. • Internalize Externalities: • Invest in an alternative Growth Strategy. | <ul style="list-style-type: none"> • Sustainable food and agriculture, public health, gender empowerment, water, sanitation, climate change, international action • Subsidies reform, Eco-tax reform, Valuation of resources, Community benefits, Create markets for services/ pollutants, "GDP" • Renewable Energy Revolution |

The Investment Option

- The Modern Industrial Age was based on a Big Push of Investment in Fossil Energy
- Sustainable Development may require a Big Push on Renewable Energy:
 - Bring about a rapid reduction in unit costs of RE
 - Enable poor countries and poor households to access modern energy services
 - Deploy energy to relieve pressure on renewable as well as non-renewable natural resources

