

## 1 Background

Few phenomena have so rapidly gained popular currency as 'globalisation'. The term is often taken as a byword for any activity which extends beyond sovereign borders in the economic, political, social or cultural domain. The fluidity of the term has led to a debate about what really is new about globalisation (Hirst and Thompson 1996). It has been suggested for instance that there has merely been a deepening of the trend towards internationalisation which has waxed and waned over the last century, rather than a quantifiable break with previous eras of economic integration. Whether or not internationalisation or globalisation is the more appropriate term, the pace of economic change currently taking place has been used to sustain conflicting claims that the state is in retreat (Strange 1996), that the notion of a powerless state is a 'myth' (Weiss 1998), that 'corporations rule the world' (Korten 1995) or that in fact the language of globalisation is a useful device for neo-liberals to advance the process they claim merely to describe.

In geo-political terms it is sometimes argued that the term 'globalisation' is misleading because it describes a trend which is largely confined to the relations between a small number of highly industrialised states and firms operating within the triad (East Asia, North America and Europe). The articles in this issue demonstrate, however, that it is a process with repercussions that extend far beyond the power centres of the global economy. The contributions of Peter Dauvergne and Phil Mulligan in particular, show that international economic processes and social norms penetrate and impact, however indirectly, upon the lives of most people, even if the architects of the current system and those who propagate the 'Washington consensus' most vociferously, are based in the OECD.

The globalisation that concerns the contributors to this edition of the IDS Bulletin is principally economic. It refers to the impact of the internationalisation of trade, production and finance upon the world of environmental politics. The challenges generated by the growth in cross-border economic transactions are multiple and operate at the level of international institutions, the state, social movements and the private sector. Globalisation is clearly an evolving process that actors are adapting to in different ways. At the same time this intensification

# Globalisation and the Environment

*Exploring the  
Connections*

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IDS Bulletin Vol 30 No 3 1999

and acceleration of trans-state economic activity takes place in a context of active social movements, popular concern and a vast body of environmental regulation at the national and international level, which have a bearing upon the course of global economic development.

Whilst there is some discussion of macro-level change in this issue, the concern for most contributors is how seemingly global-level forces shape a particular political context. Case study approaches allow for a more micro consideration of the sites at which globalisation is manifested and the changes that are produced. As Mittelman observes, 'the architecture of globalisation is too large to perceive as a whole, but if one moves to a finer scale, the structures become discernible' (Mittelman 1998: 849). The capillaries of economic globalisation that run through each of these investigations highlight a number of broad features of a trend which we often talk about in more macro terms. These themes are discussed in turn below. The aim of the bulletin is therefore to get beyond the 'globaloney' (Strange 1998) surrounding debates on globalisation and instead focus on actual change in the institutions and actors working on the environment, brought about by the developments taking place in the global economy. At the same time, the articles in this volume highlight how these actors are also shaping the course of that economic change.

The economic developments most commonly associated with globalisation mean a number of things for the environment. For one, the ecological impacts of globalisation are thought to be immense. Mittelman suggests 'unsustainable transformation of the environment under globalisation differs from environmental damage in previous epochs ... large scale growth in world economic output since the 1970s has not only quickened the breakdown of the global resource base, but also has upset the planet's regenerative system' (1998: 847). This is the underlying concern which drives the movements Lucy Ford describes in her article in this volume. For some Non-Governmental Organisations (NGOs), the issue has been how to regulate the process of trade liberalisation in a way that minimises environmental impacts. For others, however, the expansion

of resource-intensive industrial activity, which globalisation requires, means that there can be no reconciliation. Ecologist Edward Goldsmith argues, for instance, 'The globalisation of economic development can only massively increase the impact of our economic activities on an environment that cannot sustain the present impact' (1997: 242). The question then becomes how to resist globalisation. Ford explores some of the more institutionalised forms of resistance at the international level, while Dominic Glover's piece in this volume tells the story of the creation of an alternative local economic system designed to insulate communities from the negative impacts of global restructuring.

Whatever the benefits or losses associated with the emerging pattern of global economic development, it is clear that the internationalisation of production facilitated by technological change and reduced transport costs has brought waste and pollution to new areas of the globe in a way which has spread the risks associated with environmental change. The export of toxic wastes to many Least Developed Countries (LDCs) is an often cited example. Other concerns centre on the ecological impact of increasing levels of transport around the world, moving goods over longer distances<sup>1</sup>, as well as that of increased production and the expansion of consumer markets. It is also argued that export-led growth patterns have encouraged the development of resource-intensive cash-crop economies reliant upon environmentally damaging pesticides to increase output. This chimes with contemporary concerns about the use of biotechnologies in the South, considered by environmentalists to endanger local food security and foster unhealthy dependencies upon seeds supplied by Western multinationals.

There is a fear that the imperatives of competing in the global market-place force governments to prioritise economic objectives at the expense of environmental protection. Deregulation and liberalisation are said to heighten pressures to lower environmental standards. The freedom of mobile transnational capital to locate where environmental regulations are weakest is one of the more vocal of a spectrum of concerns about the negative impacts of globalisation.

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<sup>1</sup> It has been estimated, for example, that the NAFTA agreement will lead to a seven-fold increase in cross-border trucking (Goldsmith 1997).

It was perhaps no surprise, then, that one of the grounds for stalling negotiations towards the Multilateral Agreement on Investment (MAI) was that it would undermine standards of environmental protection by denying local and government authorities the right to uphold environmental protection as a legitimate basis for discriminating against would-be investors.

There is a sense in this understanding of globalisation that enhanced economic integration creates an institutional crisis in which globalisation removes the means of addressing the problems it creates. In other words, further intensification of current patterns of resource-intensive economic growth requires strong state intervention in order to check the worst excesses of this activity at the very time that the state is said to be in retreat (Strange 1996). On the other hand, the increasing role that private investment is playing in implementing environmental measures suggests that governments are regarded as insufficiently flexible and innovative to make the most of the opportunities which responses to the challenge of sustainable development offer. This is symptomatic of a broader shift towards environmental policy instruments that adopt a market-based approach and rely upon the cooperation of private sector actors. Traditional command and control forms of regulation, in particular, are regarded as insensitive to the transformational capacities of the market and are being replaced by an emphasis upon initiatives such as eco-taxation and the creation of markets in pollution permits.

## **2 The Themes**

### **2.1 Institutional transformation**

The pace of economic change means that international environmental institutions are having to redefine their mandates to accommodate new challenges. At the same time, the Bretton Woods institutions have been attempting to cast their activities in a green light. There is a sense in which negotiations on trade and financial matters have not been coordinated with efforts to address environmental problems. This has produced a number of conflicts over the trade-restrictive nature of environmental measures (most dramatically in cases over measures to protect dolphins and turtles). It has also given rise to calls for greater inter-institutional collaboration or

the possible creation of a new institutional structure to reconcile some of the activities of trade and environment organisations and to redress the perceived imbalance between the World Trade Organisation (WTO) and existing environmental regimes. This has led WTO Director-General Renato Ruggiero to call for the creation of a World Environment Organisation (WEO) to act as a legal and institutional counterpart to the WTO. This is in contrast to the WEO described in Newell and Whalley's article, which makes a case for an organisation that would seek a greater degree of internalisation of environmental costs through brokering and implementing financial deals aimed at environmental protection. It is suggested that a fast-track mechanism for more effective action could be created by seeking to simultaneously engage the environmental concerns of the North and the economic priorities of the South.

Finger and Tamiotti show how the WTO is responding to calls for regulations to protect the environment by endorsing the standards set by the International Organisation for Standardisation (ISO). They identify this move as part of a broader trend towards the privatisation of environmental regulation whereby non-government bodies set standards that are accredited by private agencies. Their article explores the possibility of the WTO using these standards in preference to government non-tariff barriers which are increasingly viewed as illegitimate. What this illustrates is the shifting contours of authority between the nation-state and international regulatory authorities in relation to the environment; a complex tapestry of competing authority claims which operates to close off some policy measures and advance other institutional transformations.

### **2.2 Finance**

At the heart of much popular concern about globalisation is global finance. Perceived to be footloose and beyond the control of sovereign governments, the financial crises in Asia served only to heighten anxiety about the negative social and development implications of the mobility of short-term capital flows. One aspect which has been neglected in the aftermath assessment of the socio-economic costs of the crisis is the environmental impact it has had in the countries of South-East Asia. Peter Dauvergne's article explores these effects via an analysis of the

changes in resource-intensive sectors which followed the events of 1997. Sensitivity to these concerns has been equally absent in the debate on the need for a new institutional architecture to regulate global financial markets. Dauvergne's analysis suggests a number of reforms that would help to assist governments and communities in South-East Asia to come to terms with the short- and longer-term implications of the crisis for the sustainable development of the region.

Matthew Paterson explores a different dimension of the intersection of global finance and environmental politics. He looks at the insurance industry as a player in the international debate on appropriate responses to climate change. It is a sector which may be negatively affected by the impacts associated with climate change because of increased payouts for damage to property from the intensification of extreme weather patterns. The insurance industry is potentially a key player, therefore, in pushing for tougher measures to combat climate change and an important counterweight to the influential anti-advocacy of the fossil fuel lobbies. Paterson explores the probability of the insurance industries engaging in a range of strategies that simultaneously secure their investments and advance climate-change abatement strategies.

### **2.3 Plus ça change? Business and the environment**

In thinking about the relationship between the global economy and the environment, one is inevitably drawn to the question of business practice. With annual turnovers that dwarf the GDPs of most LDCs, and the ability to make investments with enormous natural resource implications, as well as control of the technology and capital that is likely to be the vehicle for the implementation of many international environmental agreements, companies are central agents in the environmental debate.

The extent to which businesses have made genuine attempts to lessen the impact of their activities on the environment has been a matter of some debate. Initially businesses sought to resist environmental measures through forming lobbying groups to fend off legislation damaging to their interests (Fisher and Schot 1993). From the early 1990s however, many businesses began to play a more proactive

role in the debate, seeking to shape rather than directly obstruct the inevitable flurry of environmental regulations. In addition other companies have sought to exploit new market niches in green technology and the demand for 'green' products. Despite this shift, Beloe's article shows that while greening has taken place in some areas of companies' activities, environmental concerns have yet to penetrate key strategic areas, let alone address questions of overall material consumption.

The need to respond to environmental concerns, however, has brought companies into contact with NGOs in cooperative and conflictual settings. Such encounters have increasingly taken on global dimensions. Aided by information and communication technology, local struggles have rapidly ignited global resistance and coalition-building. Fabig and Boele's article on the Ogoni shows how, what started as an incident between an international oil company and a local community, soon developed into an international crisis involving a multitude of NGO actors and, interestingly, other companies.

Hence, whilst it is possible to argue that many firms remain nationally rooted and reflect national corporate cultures (Doremus *et al.* 1998), they increasingly operate in a global environment where they are not insulated from evolving norms and expectations with regard to their social and environmental obligations, which are diffused through the activities of transnational NGOs. Philip Mulligan's article about the attempt by the mining company Rio Tinto to involve local stakeholders in discussions about the impact of a proposed mining site in Madagascar and to fend off criticisms from environmentalists about the impacts of the project, highlights this process at work.

While accounts about the enormous power and wealth of companies are commonplace (Korten 1995), what is often overlooked is the role of counter-balancing norms and expectations which surround company conduct on environmental and social issues, that have grown up in the past few years (Mitchell 1997). As the articles by Beloe and Fabig and Boele show, it is no longer enough for companies to be driven only by a concern for profitability. They are increasingly expected to operate according to a 'triple bottom line' of financial performance, environmental sustainability and social

justice (Elkington 1997). Pressure upon companies to introduce new standards and regulations on the environment and to improve their reporting and environmental auditing has therefore changed the way the companies operate.

#### 2.4 NGOs: a new focus?

For many, the key question with regard globalisation is what kind of political interventions should be made in order to subject market actors to a degree of social control (Mittelmann 1998). The contributions to this issue show that for NGOs this has taken place at the level of engagement with the economic forces of globalisation, as well as resistance to their impacts. Lucy Ford's discussion of the WTO symposium on trade and environment explores the different strategies pursued by NGOs in seeking to influence the WTO's agenda. Her article raises the interesting question of whether, by engaging with the WTO, NGOs lend legitimacy to the institution's attempt to validate itself as a responsible environmental actor without achieving many concessions to reform. Her analysis also suggests that unless the priorities and mandate of the institution are genuinely open to debate, attempts at dialogue with 'civil society' will only succeed in involving those NGOs that are supportive of the institution's goals and assumptions.

What is also notable is that some of the changes in business practice discussed in the above section have been informed by a shift in the focus of NGO activity away from awareness-raising towards a more 'solutions-orientated' approach (Murphy and Bendell 1997). Fabig and Boele chart a trend in NGO campaigning towards alliance-building across traditional areas of lobbying activity as well as the development of more 'integrated' NGO activity which simultaneously addresses social and human rights concerns within an expanded environmental agenda. They make the case that these shifts in campaigning focus, as part of a broader strategic turn towards working with and against the corporate sector, are a response to the economic (and other) changes brought about by globalisation.

Environmental NGOs (ENGOs) appear to be targeting multinational companies because governments increasingly seem unwilling or unable to regulate

the conduct of transnational corporations (TNCs) themselves. Shareholder activism, consumer boycotts and a range of other confrontations between ENGOs and TNCs appear to be indicative of a new politics in which NGOs seek to check the growth in the power of TNCs associated with globalisation. The challenge for those NGOs seeking to reform corporate practice, is to forge the connections between the site of consumption and the site of production which globalisation is thought to sever (Saurin 1993:48). Fabig and Boele's article shows that NGOs are actively working to develop international behavioural norms which companies find it increasingly difficult to escape. Where traditional forms of state regulation have been reduced therefore, informal NGO-based regulations have flourished in their place.

At a more local level, a number of projects have emerged in North and South which attempt to insulate communities from the threat that they perceive globalisation to pose to their security and livelihoods. Microcredit schemes<sup>2</sup> and local exchange trading schemes offer just two examples. In his article on the Local Exchange Trading (LETS) scheme, Dominic Glover shows that communities appear to benefit from participation in the LETS in a number of different ways. Nurturing a feeling of security and community are as important as projecting a viable economic alternative, or insulating the community from global financial insecurities. He argues nevertheless that LETS schemes are considered by those who participate in them to have positive environmental implications and are clearly used with this in mind.

The very different ways in which LDCs interact with the global economy through local resource issues is a theme which underlies both Mulligan's discussion of Rio Tinto's (RTZ) work in Madagascar, as well as Dauvergne's reading of the impact of the Asian financial crisis on environmental problems in South-East Asia. Mulligan's piece shows that while local resource control is the issue for the community in Evatra and not an only dimly perceived process of globalisation, what is clear is that the global context of behavioural norms and political and economic pressures permeates the relationship between the community and the company in this

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See *IDS Bulletin*, Vol.29, No.4, October 1998.

locale. Similarly, Dauvergne's article illustrates how the impacts of speculation against currencies on global capital markets are felt through shifting resource-use patterns produced by economic restructuring.

It is unsurprising, therefore, that resistances to globalisation are often mediated through struggles over resource use and the allocation of property rights. The Joint Forum of Indian People Against Globalisation oppose what has been referred to as the 'recolonisation' of India by TNCs and parallels have been drawn between seed patenting and the Salt Laws imposed by imperial Britain (Martinez-Alier 1997). Hence decisions taken in the WTO about intellectual property rights are regarded by those whose resources are being patented as a form of bio-piracy (Shiva and Holla-Bhar 1993). The introduction of biotechnology in India led to 'Cremate Monsanto' actions where fields planted with genetically modified crops were burned by farmers (Inez-Ainger 1999).

### 3 Summary

The globalisation of economic activity has the potential to demand new forms of policy, as well as fresh coalitions of interests and different expectations about the appropriate role of institutions. The ecological impact of the economic activity most commonly associated with the process of globalisation is also thought to be the substantial, prompting for a search for ways in which environmental costs can be internalised and incentives created to avoid 'pollution leakage' or the creation of 'pollution havens'.

What these articles suggest is that there is a move to re-embed the market through encouraging companies to exercise restraint and consult those affected by their activities, as well as to use the market as a political vehicle and market actors as partners in efforts to protect the environment. Clearly then, globalisation is not a one-way street. Whilst there seems to be evidence of a reduction in regulation, there also develops a 'double-movement'<sup>3</sup> manifested

by an increase in particular types of (often informal and voluntary) regulation, and the emergence of norms which seek to re-embed economic activity. Accountability mechanisms have been created which attempt to ensure companies are responsible not only to shareholders and consumers of their products, but also to those affected by their operations. Similarly, as organisations and agreements spring up which appear to advance a neo-liberal agenda (such as the North Atlantic Free Trade Organisation – NAFTA – and the MAI), so too social movements organise in new ways and articulate demands for institutional reforms. Where there are arguments about the proliferation of pollution havens (most visibly demonstrated by the mequilladora zone in Mexico as a result of the NAFTA agreement) so there is a case that trade liberalisation encourages the 'trading up' of standards (Vogel 1997). It is argued that competition from nations with weaker environmental regulations has not prevented richer nations from strengthening their own regulatory standards.<sup>4</sup>

This is the basis of a strong counter-narrative to the 'race-to-the bottom' reading of globalisation which suggests that for all but a handful of industries, the costs of compliance with stricter regularity standards have not been sufficient to force affluent nations to choose between competitiveness and environmental protection. Neither has it precipitated industrial relocation to pollution havens where standards are lower. Indeed, the internationalisation of production may encourage the diffusion of certified standards along the supply chain as Finger and Tamietti's article illustrates. The concern of neo-liberals is that environmental standard-raising constitutes back-door protectionism. For LDCs however, the primary concern will be that setting high environmental standards does not become an exercise in excluding their products from Western markets.

The changes in the global economy which these articles describe simultaneously create opportunities and challenges for those concerned about the

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<sup>3</sup> Karl Polanyi used the term to describe society's movement towards a framework of welfare provision and a more regulated economy following the onslaught of laissez-faire economics in the nineteenth century (Polanyi 1946). See Glover (this volume) for more on the idea.

<sup>4</sup> For example, the EU's Generalised System of Preferences extends tariff benefits to recipient countries able to demonstrate international standards of environmental protection.

environment and give rise to an interesting series of debates about the dynamics of environmental politics in an era of globalisation. What is becoming clear is that those concerned about the environment cannot afford to ignore the implications of the economic change which is taking place. If global economic integration proceeds without any attempt to reflect on its repercussions for the ecological security

of the world's people, it will undo in no time, the environmental protection measures put in place over the last two decades. At the same time, the actors who are driving the globalisation process forward cannot afford to ignore the ecological impact of their activities if they are to successfully penetrate new markets, reduce their production costs, and maintain a degree of public legitimacy.

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