

# ECO '92: Whose Voices Will Be Heard?

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*This article begins by outlining the background to a UN conference on the environment and development to be held in 1992. It then examines the interrelationships between the poor, the environment and development, with particular reference to the 1987 'Brundtland Report'. The centrality of power relationships in analysing global environmental issues, and the limitations of the concept of interdependence, are discussed in the next section. A structure (incorporating concepts of power and responsibility) for exploring some environmental dimensions of 'interdependence' is next outlined. Finally, the article examines how global environmental considerations have forced a re-examination of some costs and benefits not measured by the market (externalities), and of the very way in which we measure economic progress (GDP). The conclusion emphasises that all these issues will be the subject of intense negotiations in the lead up to the 1992 UN conference.*

## UNCED/ECO '92

**A** United Nations Conference on Environment and Development (UNCED, officially nicknamed ECO '92) is to take place in Brazil in 1992. It promises to be one of

the main events in the UN calendar for the 1990s. In the North the environment has become a dominant political issue. It is no less important in Eastern Europe, which is to some extent confronted with the same environmental challenges as developing countries. The environmental concern is bringing about major changes in the economy and even in economic thought. It is not just that there is no longer consensus in favour of economic growth, the very meaning of growth is being questioned.

The environment is also revealing itself as a contentious North-South issue. Developing countries are worried that the new environmental consciousness in the North will put further obstacles in the way of their development efforts. They only agreed to hold the 1992 conference on condition that development be given equal weight with environment. They are insisting that in UNCED the final 'D' be pronounced. They are taking vigorous steps to ensure that in the very design of the preparations for the conference developmental concerns are not swamped by environmental ones. The resolution setting out the terms of reference for UNCED and its preparatory process, adopted by the UN General Assembly in December 1989 (Res. 44/228), is the outcome of arduous negotiations between developed and developing countries. It reads rather like a duet, in which declarations by the North are answered by others from the South; occasionally both voices sing together.

As the preparatory process for UNCED gets into motion, the developing countries are quick to point out any departure from the balance carefully achieved in this composition. At the first meeting of the Preparatory Committee for the Conference, at New York in March 1990, they complained that the report of the UN Secretary-General on the preparatory process was biased against development and, in particular, that in its attempt to classify and summarise the twenty-three objectives the General Assembly had set for the Conference, it upset the original balance. The Canadian Secretary-General of UNCED, Maurice Strong, who was also Secretary-General of the United Nations Conference on the Human Environment (no 'development' in the title) in 1972 and who has links with the oil industry, is going to be closely watched.

In 1987, the World Commission on Environment and Development, chaired by the then Prime Minister of Norway, Gro Harlem Brundtland, presented its report, *Our Common Future*,<sup>2</sup> to the UN General Assembly. It was received enthusiastically. Using unusually categorical language, the General Assembly passed a resolution speaking of 'the imperative need for making the transition towards sustainable

development'.<sup>3</sup> Both before and since then, the international community has been devoting more and more attention to the various aspects of 'sustainable and environmentally-sound development'.<sup>4</sup> On some of the issues, which affect the world as a whole, negotiations have been proceeding with unusual speed. The Basel Convention on Transboundary Movements of Toxic Waste, adopted in March 1989, was negotiated in a mere eighteen months. Many governments, including those of Africa as a whole, have refused to sign it, however, because they feel it does not do enough to repress this noxious trade. A Vienna Convention on Ozone Depleting Substances was adopted in 1985, only months after the ozone hole over the Antarctic was recognised. A Montreal Protocol, which specified the ozone protective measures to be taken, followed in 1987. It was quickly realised that the protocol was inadequate, and restrictions on ozone-depleting substances were tightened at a conference in London in June 1990. An Intergovernmental Panel on Climate Change, which first met in November 1988, presented its report in June 1990; a World Climate Conference in October-November 1990 will open negotiations on global warming. The Tropical Forestry Action Plan, barely five years old, is now coming under fire for not dealing energetically enough with deforestation.

Meanwhile, proposals are beginning to take shape for an international environment fund. In May 1989, the Foreign Minister of the USSR, Edward Shevardnadze, wrote a letter to the UN Secretary-General in which he said that 'a decision is long overdue on setting up an International Ecological Fund'. At the Non-aligned Summit in September 1989, the then Prime Minister of India, Rajiv Gandhi, called for a Planet Protection Fund under the aegis of the UN, to which developing as well as developed countries would contribute a fixed percentage of their GDP. The idea was taken up by a group of developed countries, which have proposed that a Global Environment Facility be established within the World Bank. From the developed countries' point of view, this particular proposal has the advantage that the Fund would be under their control, with particular attention likely to be paid to the interests of the United States.

The sense of urgency is such that proposals for international institutions with teeth are beginning to appear. In March 1989 the heads of state or other government ministers of twenty-three developed and developing countries met in The Hague to deal with climate change, a problem which the resulting Declaration of The Hague described as 'vital, urgent and global'. The

Declaration calls for an institutional arrangement within the UN to combat any further global warming, in which 'decision-making procedures may be effective even if, on occasion, unanimous agreement has not been achieved'. Decisions of this institutional authority would be subject to control by the International Court of Justice. Mr Shevardnadze also stated in his letter to the Secretary-General of the UN that 'it is essential to fully explore and utilise the potential of such principal United Nations bodies as the Security Council and the International Court of Justice in the sphere of nature protection'.

These issues, and many other aspects of sustainable and environmentally-sound development, involve relations between developing countries and their economic partners. Flows of finance and technology to developing countries, and more encouragement to the development of appropriate technology within developing countries, must form part of the solution to these global problems. Mechanisms to achieve this are included in the negotiations for ECO '92. Notwithstanding the pace of events, many of the issues will come to a head in the 1992 Conference.

## **The poor, development and the environment**

The causes of environmental degradation are often divided into two categories. On the one hand, there is the profligacy of the rich, which results in acid rain, toxic waste, global warming and such; on the other there is the desperation of the poor, which — the argument goes — results in deforestation, erosion, desertification, dirty water, etc. A narrowly environmental approach leads to technical fixes for the rich and paternalism for the poor. The developing countries are worried not only about the paternalism, but also about the technical fixes. The techniques which need to be fixed were by and large developed in the North, but the South was told that they were the ingredients of the development it ought to be pursuing. It accepted this argument and after long efforts mastered the techniques, only to be told that they are no longer acceptable and that it must adopt new methods which, of course, belong once again to the North.

The World Commission on Environment and Development (which produced the Brundtland Report) has given a name to the new environmental focus of public policy, particularly where

developing countries are concerned: 'sustainable development', which it defines thus:

Sustainable development is development that meets the needs of the present without compromising the ability of the future generations to meet their own needs. It contains within it two key concepts:

- The concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given;
- The idea of limitations imposed by the stage of technology and social organisation on the environment's ability to meet present and future needs.<sup>5</sup>

Although this definition does not explicitly involve the environment, the Report does have a great deal to say about it. It expresses an aspiration for development in harmony with the environment. It argues that the environment's ability to meet present and future needs is not constrained by the physical quantity of resources available. The limits are set by technology and social organisation; they can therefore be displaced by human action. There is no reason, according to the Report, to see an end to growth, provided that technology is suitably reorientated, even if this involves changing the quality of growth. It thus contradicts *The Limits to Growth*,<sup>6</sup> the report of the 'Club of Rome' which had marked opinion so deeply in 1972 at the time of the first UN conference on the human environment and which had argued for an end to growth.

The Commission avoids falling headlong into the trap of technical fixes and paternalism. It declares that 'sustainable development clearly requires economic growth in places where (essential) needs are not being met.'<sup>7</sup> One implication of this is that it is not for the rich, especially in the developed countries, to decide that the poor are suffering from a specific form of environmental degradation, e.g. dirty water, and then to provide assistance in dealing with that particular problem. The income of the poor needs to be raised. They can then decide for themselves where cleaner water fits into their own scheme of priorities within the broader range of opportunities which a larger income opens for them.

As for technical fixes, *Our Common Future* has the merit of suggesting some good questions although its answers are weak. It accepts with hardly any demur that the locus of decisions on technology policy and of specific innovations will not move much. The shift would certainly be dramatic if overriding priority

were really given to the poor. The political implications of such a shift are so far-reaching that it would be unrealistic to expect it to play more than a marginal role in intergovernmental negotiations. For we are talking about power.

## The rich, the poor and a euphemism

The rich have power and the poor don't. The rich therefore have a long, even global, reach. The poor have to struggle to reach the end of the day. The rich determine the conditions in which the poor live, at the very least by setting limits to them. Firstly, the lifestyle of the rich is changing the global environment. Climate change provides an obvious example. Among its consequences is a growing aridity of arid zones. In a large, rich country like the United States, population movements and costly investments can mitigate the effects, but in the least developed countries of the Sahel the poor are left no choice but to aggravate by their own desperate response a degradation imposed on them by causes beyond their control.

Secondly, the pattern of demand by the rich degrades the environment of the poor directly. On Bougainville island in Papua New Guinea, the degradation of the inhabitants' traditional resource space by a copper mine has resulted in armed conflict. There are areas where developed countries' demand for tropical timber has directly undermined the livelihood of forest dwellers.

In other cases, the lifestyle of the rich oppresses the poor indirectly through a domino effect. It is increasingly recognised that a cascade of pressure by richer on poorer leads as an end result — but only as an end result — to, for instance, the poor being driven from good land to hillsides which they have no choice but to exploit to the point of erosion, or into attacking the tropical forests for their immediate survival.

The domino effect can be illustrated by many examples. The trickle-down effect, on which much of the development hopes of the 1960s and 1970s rested, has proved on the other hand to be of limited application.

In short, the destiny of the poor is tied to that of the rich, but the relationship is one-sided. There is *interdependence* only when the poor threaten the rich or their comfort. In the context which concerns this paper — environmentally sound development on a

world-wide scale — examples of two-way dependence are scarce. One case which has worried developed countries is Amazonian deforestation. Perhaps AIDS and migration from developing to developed countries are others.

## **The north, the south, development and the environment**

A structure within which to explore some of the more strictly environmental dimensions of what is euphemistically called interdependence involves postulating that various problems are best analysed in terms of the category of country in which the problem arose, and also on where the solution is most likely to arise.

Take the example of water polluted by faecal matter. Traditionally a danger in all countries, it is now largely confined to developing countries. The victims of the pollution are close to its source. It is known how to deal with environmental problems of this kind. Cost, however, is an obstacle in poor areas. Given the imperative of priority to the poor, it could be argued the world's rich have an obligation to support the poor in overcoming their environmental problems, even if they are local ones. Polluted water may thus be seen as a problem only in the South, but the North can be seen as holding a share of the solution.<sup>8</sup>

The case of toxic waste of industrial origin is an example of pollution produced in the developed economies, much of which is disposed of in the same category of country: it is then a purely Northern problem. Some waste, however, finds its way to developing countries. But since the waste originated in the developed countries the solution depends at root on them: the problem may be Southern as well as Northern but the solution is Northern. An industry in a developing country may also produce toxic waste. However, the method of production or the characteristics of the product are generally determined by technology from the developed countries. Once again, the problem may be in the South but the solution is in the North. Ozone-depleting substances represent a similar case. The substances themselves and the products which use them are all the outcome of technology arising in the developed economies. It is expected that the solution, i.e. the substitute technologies, will come from the same place.

Global warming may be a slightly more complicated example. The greenhouse gases at the root of the phenomenon are largely produced in the developed economies, but a share of some of them comes from developing countries. The problem affects both North and South. The solution depends on the North but also partly on the South.

## **A buyer, a seller and someone else**

The growing environmental consciousness is bringing to the fore an aspect of the economy of which economists have long been formally aware: externalities. Economists tend to focus on transactions between buyers and sellers. Often, however, someone else is willy-nilly involved in the process. For instance, water warmed by a nuclear power plant makes it possible for neighbours to raise oysters: this is an environmental benefit; radiation released by a nuclear facility increases the incidence of leukaemia in the neighbourhood or across the Irish Sea: this is an environmental cost. Since externalities do not accrue to the buyers or the sellers, they are likely to be ignored by the parties to the transaction, to the detriment of the community as a whole.

Externalities involve, not surprisingly, power relationships. A weaker party is more likely to have to carry external costs or do without external benefits. Indeed, a strong party can appropriate a private good or service to use it in a particular economic process while paying its owner less than the value economic theory would indicate, or indeed nothing at all. This form of behaviour was historically important in the expansion of the modern economy over the territories of indigenous peoples in the nineteenth century. It is still widespread today.

Whereas an economic transaction normally takes place between a number of identifiable partners, externalities may affect a large number of people more difficult to identify. It can also be difficult to determine the cost of damage. If the victims are dispersed and perhaps unaware of what is happening to them, they are in a weak position.

In so far as externalities can be 'internalised', buyers and sellers are confronted with signals which are socially more desirable. Thus, if a transaction produces social benefits, those responsible should be able to appropriate a share of them. For instance, the tropical forest, apart from its market value, provides benefits to the developed countries in that it can stock carbon dioxide, which suits the industrial economy. If the owners of the forest were themselves able to earn income from this service, there would be more incentive to conserve forests.

The environmental externalities which come most easily to mind tend, however, to be costs. The word 'pollution' roughly covers this set of externalities. In 1972 the OECD adopted the Polluter Pays Principle (PPP) as a fundamental principle for allocating the costs of pollution prevention and control measures introduced by the public authorities in member countries.<sup>9</sup>

PPP cannot be applied without negotiation. The public authorities decide what level of pollution is acceptable. In other words, there is an allocation of pollution costs between the polluter and the polluted, mediated by the authorities. The externalities are only partly internalised. In the event of accidental pollution, if control measures should break down, PPP implies that the polluter should meet an agreed share of clean-up costs.<sup>10</sup> Here again there is scope for negotiation.

## **A slogan, an indicator or a signal**

Gross domestic product (GDP), especially per head, is the shibboleth of development economists. The greater this figure the better off a country is; the faster it grows the greater the country's pace of development. This use of GDP has always been dubious. GDP is a total obtained by adding up a number of figures in the national accounts. The accounts were developed, mainly in the United Kingdom and the United States between World Wars I and II as an instrument for managing the economy to control business cycles and achieve full employment. The tool was adjusted during World War II to help national economic planners bring about maximum military production with as little sacrifice as possible of civilian production. The components were more important than the total. Since only those aspects of economic activities which are important to the management of the national economy are included in the accounts, the total does not correspond to the sum of all economic activities. It ignores, for instance, a lot of non-monetary activity and consequently a great deal of women's work. Nonetheless, the total has become a slogan which mobilises opinion and influences policy-makers. Since it cannot be ignored, maybe it can be used to better advantage as a way of influencing the way the public and the authorities see the performance of their economy. In this spirit, national accounts are being seriously brought into question by the growing concern for sustainable development.

Firstly, GDP is gross, i.e. gross of depreciation. The cost of producing a capital good is included in the national accounts as value added, while depreciation is ignored. In the same way, the

cost of extracting and processing raw materials is counted as value added, but no allowance is made for the corresponding reduction in the stock of resources. Should a farmer cut and sell the timber in his woods to raise money for a new barn, his private accounts would reflect the acquisition of a new asset, the barn, and the loss of the old one, the timber. He thinks himself better off because the barn is worth more to him than the timber. In national accounts, however, income and investment would both rise as the barn is built and income would rise as the wood is cut. Nowhere is the loss of an asset reflected. This can lead to serious miscalculation of the development potential of resource-dependent economies. Even worse, should the proceeds of resource depletion be used to finance current consumption, that economic path is ultimately unsustainable whatever the national accounts say. If the farmer used the proceeds from his timber sale to finance a winter vacation, he would be poorer on his return and could no longer afford the barn.<sup>11</sup> The World Resources Institute has studied how resource depletion could be reflected in national accounts and has applied its method to Indonesia.<sup>12</sup> This produces a rate of growth of domestic product net of resource depletion of 4 per cent per year over the period 1971-84, compared to 7 per cent according to conventional GDP.

Indonesia is a large and complex economy. The case of two neighbouring phosphate islands in the Pacific is more dramatic. As soon as the single-island State of Nauru became independent in 1968 it took to investing its phosphate revenues in real estate and businesses in many countries, so as to ensure a durable flow of income after the depletion of its one resource. On the other hand, Banaba's phosphate revenues served to support current consumption in the Gilbert and Ellis islands of which it was part. Now that the phosphate is exhausted Kiribati (the independent state which the Gilbert Islands became) has been classified as a least developed country by the UN General Assembly.

Secondly, GDP gives misleading signals to policy-makers in that it adds together activities indiscriminately which improve welfare and others which resist, mitigate or repair a deterioration in living conditions. If national accounts are being used to monitor employment policy the distinction is unimportant. A garbage collector has a job, as does an electrician. However, some economic activities, like garbage collection, do not increase welfare but simply counter its decline. The welfare objective is an environment uncluttered with garbage. It can be achieved either by collecting the garbage society produces, and the more is produced and collected the higher the GDP, or less garbage can be produced. The latter line of action seems more logical, but it

is reflected in a lower GDP. In so far as policy-makers are mesmerised by GDP, policies which tread more lightly on the environment receive insufficient attention.

Expenditures to prevent or correct environmental damage are coming to be called defensive. They raise a number of difficult questions for statisticians. What is to count as an expenditure of this kind? Part of a doctor's work is defensive — treating people suffering from respiratory disorders because they live in a polluted city, for instance — but much of it may not be, e.g. attendance at childbirth. On another track, statisticians are discussing whether defensive expenditures, once specified, should be subtracted from GDP, or whether they should continue to be included in GDP but counterbalanced by subtracting an estimate of the degradation of the environment along the lines proposed for the depletion of natural resources.

Some governments, e.g. the Federal Republic of Germany, Japan, Norway and Sweden as well as Indonesia, are beginning to experiment with national accounts which reflect some of these considerations. The UN Statistical Office (UNSO) is also working on these questions in view of the revision to the UN System of National Accounts which is due to be completed by 1991. UNSO is likely to recommend that these sustainable development considerations be reflected only in satellite tables, at least until the statistical problems are ironed out. However, some proponents of sustainable development are arguing that, by reducing a slogan to a whispered aside, this would seriously reduce the impact of sustainable development considerations on policy-making. These questions are not just a matter of numbers. They go to the heart of what comprises development.

## Conclusion

The purpose of the foregoing was two-fold. Firstly, it wanted to underline that the issue of 'sustainable and environmentally sound development' goes beyond specific issues like climate change, biological diversity or the quantity and quality of water — although these are crucial issues — to the very nature and perception of development. Secondly, it has tried to bring out that these issues, fundamental although they may be, are not just intellectual: they involve a political process which will determine the way they are resolved. The developing countries are not powerless. To solve some of the global environmental problems which particularly worry the developed countries, like global warming or ozone depletion, the participation and hence the

agreement of the developing countries is indispensable.

To a large extent ECO '92 is likely to set the global negotiating agenda for the 1990s with respect not only to the environment but also to development. Development NGOs have an important contribution to make to the debate. They should seize the opportunity.

### Footnotes

1. The author is a member of the UNCTAD secretariat but the views expressed are his own and do not necessarily reflect those of UNCTAD.
2. Published by Oxford University Press.
3. General Assembly Resolution 42/187, para 2.
4. That is the current UN buzz word — see, for example, General Assembly Resolution 44/228, para. 3.
5. op. cit., p. 43.
6. Meadows, D. H., et al., *The Limits to Growth*, Universe Books, New York, 1972.
7. op. cit., p. 44.
8. Let us repeat: this is not to argue that the North is invited to intervene paternalistically to deal with a particular phenomenon which it regards as pollution. The way to deal with pollution or environmental degradation of which the immediate cause is poverty is to do away with the poverty.
9. See OECD, *The Polluter Pays Principle: definition, analysis, implementation*, Paris, 1975.
10. OECD, "Recommendations on the Application of the Polluter-Pays Principle to Accidental Pollution" adopted by the Council on 7 July 1989, C (89) 88.
11. viz. *WRI Publications Brief*, June 1989, World Resources Institute, Washington D.C.
12. R. Repetto, W. Magrath, M. Wells, C. Beer and F. Rossini, *Wasting Assets: natural resources in the national income accounts*, Washington, World Resources Institute, 1989.

