The Green Economy – The New Magic Bullet?
Expectations from the Rio+20 Conference

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In June 2012, heads of state will gather at the Rio+20 conference in Brazil to explore the theme “The Future We Want.” The focus of the conference is the green economy. Exactly what a green economy is and should be, and with what measures and instruments it should be implemented, has not yet been defined and is the topic of intense political debate. Nevertheless, efforts are being made to develop a “Green Economy Roadmap.” Rio+20 should not simply be a repetition of previous international conferences. Instead it must offer a true breakthrough on the path to a social, just, low-carbon and resource-efficient world.

The UN General Assembly called with Resolution 44/228 of December 22, 1989, for the convening of the first United Nations Conference on Environment and Development (UNCED), also known as the Rio Summit, in 1992. The United Nations Conference on Environment and Development was assigned to promote the transition from an economic model that is nearly exclusively oriented toward the promotion of economic growth to a model based on the principles of sustainable development in which environmental protection and the sound management of natural resources play a central role. Some 20 years later, at the Rio+20 United Nations Conference on Sustainable Development (UNCSD), held from June 20 to 22, 2012 in Rio de Janeiro, the goal was to create a “green economy in the context of sustainable development and poverty eradication.” This represents a new attempt to reform the institutional framework for sustainable development within the UN.

Government delegations from all over the world thus meet at UN conferences again and again to tackle the ecological and social state of the planet, to give “sustainable development” a new boost, and to strengthen the institutional fabric of the fragmented UN environmental architecture—and that is good. However, it is fair to assume that Rio+20 will not emanate the vibrancy and dynamic of the 1992 Earth Summit. The preparatory process is sluggish and is evolving without any significant mobilization of public or civil society. The latter takes note of the process, yet recognizes (rightly so) that in the context of a UN conference and in light of extreme asymmetries in political and economic powers and interests, a debate on a fundamentally new economic and social paradigm as a response to and way out of multiple crises (financial and economic crises, climate change, food insecurity and poverty) cannot be had.

The critique of the growth model, demands for another economic paradigm, and the desire for new prosperity models and lifestyles are all themes that are no longer limited to specific social niches or academic circles. Building on the analyses and concepts of the 70s and 80s of the limits of growth and the growth trap, a new search for economic and social alternatives to the existing (financial) market capitalism is underway. New and old suggestions—such as prosperity without growth3 and what a post-growth economy might look like—are being revived and taken up again with great interest. Moreover, the discourse is no longer limited to the industrialized North. Extensive social debates have taken shape, especially in Latin America (e.g., Buen Vivir4), as have social movements and publications condemning the prevailing economic order (many of which are publicly discussed in emerging nations5)—together showing that a fundamental critique of the production and consumption model is mounting and that the search for alternatives is once again on the rise.

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For some time, these more in-depth analytical debates have been infused with the additional debate on the green economy. This debate is led by regional and international associations—such as the European Union, the Organization for Economic Co-operation and Development (OECD) and certain UN organizations—as a response to climate change, the increasing shortage of certain resources, and (in part) the food crisis. The concepts proposed by UNEP and OECD comprise the contributions of these organizations to Rio+20, and will be examined in the following.

The Rio+20 conference in June 2012 is the latest, most prominent stage for the coining of the new term “green economy,” which many fear could supplant the term “sustainable development,” the theme of Rio 1992. The “Green Economy Roadmap” to be adopted at the Rio+20 conference should inspire people to take action, at least as envisioned by the EU.

Exactly what a green economy is and should be, and with what measures and instruments it should be implemented, has yet to be defined and is a topic of intense political debate, similar to the vision and concept of sustainability in its three dimensions since the 1992 Earth Summit.

The United Nations Environment Programme (UNEP) plays a key role in the formulation of the concept of the green economy. With the Global Green New Deal, UNEP advised, as early as 2008, that government programs for boosting the global economy should be oriented toward green investments, in order to facilitate the transition to a lower-carbon world. For many years now, UNEP has also taken a leadership role in the debate on the introduction of market-based instruments for ecosystems protection. Whether by promoting forest conservation or biodiversity, UNEP aims to protect ecosystems. However, it does so not only by acknowledging the ecosystem services that directly or indirectly benefit humanity (e.g., by integrating these services into the GDP), but also by aiming to give ecosystem services a market value and by investing sustainably in them. As such, it argues that “a green economy recognizes the value of, and invests in, natural capital.”

The OECD, for its part, a cooperation of the industrialized nations, has been searching for and discussing a greener-oriented growth strategy since 2009. Together these institutions have laid the groundwork for UN member states to exchange ideas about the strategic orientation and priorities of a green economy. It is thus high time to have a broad public political discourse about these diverse concepts.

**Green Economy à la UNEP**

The most prominent effort for embarking into a green economy is UNEP’s Green Economy Initiative, underway since 2008. The sizable TEEB study, headed by Pavan Sukhdev, as well as the comprehensive report “Towards a Green Economy – Pathways to Sustainable Development and Poverty Eradication,” released in February 2011, are both core elements of this initiative. The latter report, which summarizes analyses and recommendations for more sustainable development and a greener economy, is understood explicitly to be UNEP’s key contribution to the Rio+20 process and serves as a reference for the report of the UN Secretary General to the Preparatory Committee of the Rio+20 conference. It presents estimates...
of the positive effects of green investments in contrast to business-as-usual investments on employment, resource intensity, emissions and environmental impacts.

UNEP recommends targeted investments in ten key sectors (among them energy, agriculture, urban planning, water, forestry, fisheries and ecosystems protection) that are expected to deliver a rapid and effective start into a more green and pro-poor form of development, supported by impressive facts and model calculations.

These investments are intended to be financed with two percent of the current global economic performance (approximately 1.3 trillion US dollars) annually. That should suffice for an effective boost to a more low-carbon and resource-efficient global economy. The focus of the investments, comprising 360 billion US dollars, is on the energy sector, including renewable energy and ecological and pro-poor energy supply. This is followed by ecological transport and construction (190 and 134 billion US dollars respectively) and ecological fisheries and agriculture (110 and 108 billion US dollars respectively). In particular, these investments are designed to create more jobs than business-as-usual investments, according to the UNEP prognosis.

The investments are to be promoted and accompanied by a package of measures, instruments and by enabling political environments. And that package includes—broadly speaking, and in no way for each country—everything that has been devised in the 40-some years of environmental policy in the way of instruments for an ecological modernization and a greener market economy. It also includes the entire policy mix of bans, eco-social standards and economic instruments such as taxation, levies and tradable certificates for the various sectors. Governments are responsible for creating these enabling environments and furthermore take on important functions as role model as well as creator of demand for the procurement of sustainable products.

UNEP emphasizes above all the potential that the elimination of ecologically as well as socially harmful subsidies has for the more efficient use of resources and for the freeing up of funds for a society’s eco-social development.

Subsidies for fossil fuel alone are estimated to be as high as 600 trillion US dollars worldwide. In fisheries, subsidies are estimated to lie at 27 trillion US dollars, a large proportion of which is co-responsible for overfishing. According to UNEP, most subsidies for water, energy or fisheries do not, in fact, benefit the poor and the poorest. However, if the cutting of subsidies were to lead to social disparities, the organization advocates that socially-adapted compensation payments be made to the affected population groups (although this requires functioning government institutions).

UNEP defines the green economy as one that leads to greater prosperity for humanity and to greater social justice while decreasing ecological risks and resource scarcities or while otherwise assisting in sustainable resource management. The program's stated goal is to achieve a decoupling of raw materials and energy use from economic growth (disregarding the question of whether this is even possible).

“In a green market economy, the point is not to impede growth and prosperity, but rather to engage in a reflection of what true prosperity means.”

(Pavan Sukhdev)
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UNEP’s green economy concept contains nothing that could revolutionize the (global) economy, or that could transform the main macro-economic parameters (money, currency and trade policy) into an eco-social direction.

heeds demands and recommendations for investing more in ecosystem services, which are, from the point of view of UNEP, a grossly underrated economic factor. “These so-called ‘ecosystem services’ […] are mostly in the nature of public goods and services whose economic invisibility has thus far been a major cause of their undervaluation, mismanagement and ultimately resulting loss.” The goal of a green economy would then be to recognize this “natural capital.” REDD (Reducing Emissions from Deforestation and Degradation)—a widely-discussed instrument in global forest conservation since the 2007 climate negotiations in Bali—presents a singular opportunity for UNEP to transform non-sustainable forest use (deforestation for timber trade and livestock breeding) into green use, namely by at last remunerating forest and land users for their eco-services.

The UNEP report emphasizes again and again how green investments trigger positive growth and employment effects in some key sectors and ecosystems services while at the same time protecting the environment. UNEP in particular aims to debunk the myth, or the ill-founded belief, subscribed to above all by governments in the Global South, that environmental investments necessarily impede economic growth and that ecology and economy are mutually contradictory. The program argues that green economics is not a luxury item that only rich industrialized nations can afford, but rather a growth motor that is also more successful at poverty eradication than “brown” and business-as-usual investments.

**Concept with Limited Reach**

The suggestions and recommendations presented here hardly constitute an economic paradigm shift that asks how an economy might look that is compatible with a finite ecosystem while also promoting prosperity and decreasing poverty. It in no way questions the conventional growth imperative. On the contrary, it highlights the growth-promoting character of green investments. “With the help of environmental technologies and a resource-efficient economic management, capitalism is to be made future-proof.” UNEP’s green economy concept contains nothing that could revolutionize the (global) economy, or that could transform the main macro-economic parameters (money, currency and trade policy) into an eco-social direction. Nor is UNEP daring when it comes to securing new funding sources for investments in the green economy—an area in which it could have easily demonstrated the existence of a synergy between economy and ecology—a point UNEP correctly stresses. Examples of that synergy are air and maritime transport levies, which can have an ecological steering effect while also generating financial resources for the green transformation either domestically or in the South. The biggest deficits of the submitted report are:

- The UNEP report does not request compliance with any human rights principles or other rights and norms (general human rights, right to food, international environmental law). Instead it limits itself to rather trite references to the classic three dimensions of sustainability—by far insufficient in this day and age. In this way, it disregards the fact that since the 1992 Rio Summit, much progress has been made in the further elaboration and codification of environmental and social human rights. The social dimension
is examined nearly exclusively in the context of the labor market and potential poverty reduction, all the while social and political rights comprise much more. Finally, a gender-differentiated view is wholly lacking.\textsuperscript{15}

- Moreover, in its definition of the green economy, the UNEP report fails to distinguish a green economy from a non-sustainable, dirty and harmful economy by defining the priorities according to which a green economy must operate. For example, an economy should only merit the attribute “green” if it functions without the use of nuclear power, without tar sands, without genetically-modified organisms and without monocultures. UNEP does not question or move beyond the win-win myth and eschews clear statements on how to politically deal with the biggest environmental polluters and resource exploiters. It sets no priorities (except for the dismantling of subsidies) as to where investments should be discontinued under all conditions. In that sense, UNEP’s notion of green economics is at best a complementary strategy rather than a fundamental concept for an economy.

- Its examination of asymmetries between the trade regimes and the ecological transformation is very rudimentary. It does not take into consideration how the current international financial system would have to be radically reformed in order to meet the goals of a green, sustainable and pro-poor development.

- UNEP promotes market-based instruments such as emissions trading or REDD+ almost as if they were panaceas. However, such instruments have long been under fire for their ecological and social impact—both conceptually and with regard to their concrete design (e.g., fundamental reform of emissions trading). The heaviest critique is that they commodify natural resources, which are then vulnerable to commercial exploitation by the private sector. The commodification of so-called ecosystem services, as UNEP calls them, is heavily under attack by civil society organizations and even by some governments, such as the Bolivian, as being a new step toward the privatization and commercialization of nature. Instead of protecting resources together with the local population against commercial interests, nature is transformed into a tradable commodity, in the course of which local populations are often even ousted and displaced. For some time now, strong opposition has been mounting over this topic by indigenous population groups, non-governmental organizations (NGOs) and individual governments.\textsuperscript{16}

- UNEP orients its investment program, and accordingly its activity fields, almost exclusively to the Global South. Convincing the Global South that it is economically profitable to embark on a greener development path is a commendable effort. However, as it stands, the industrialized nations perceive the UNEP concept of the green economy as addressing not so much themselves but rather the South (inclusive of all investment opportunities). In this way, UNEP is cementing its image as an environmental actor with a near-exclusive focus on the Global South instead of providing the industrialized nations with clear priorities (and standards and principles) for how to act at home.
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- UNEP’s green economy concept is thus conceptually very limited. Nevertheless, it is an investment program (which includes useful suggestions for enabling political environments) that—if implemented—would actually make the global GDP somewhat greener and less carbon- and resource-intensive. This is a welcome feature, despite the deficits of the program. And given that UNEP is a UN program and not even a specialized UN agency, this is in fact bold and far-reaching. Moreover, within the UN family, UNEP is the only organization\textsuperscript{17} that has put forth a thought-out project that is based on economic priorities. Giving the political will of the member states, the UNEP report could therefore serve as an appropriate advisory guideline for the Rio+20 negotiations (to be discussed in a later section).

The OECD: Green Economy = Green Growth

At the OECD Ministerial Council Meeting in June 2009, 34 ministers signed a declaration pledging to develop a Green Growth Strategy—which was then delivered in May 2011.\textsuperscript{18} The strategy was also conceived to serve as an essential contribution to the Rio+20 negotiations. It is based on concerns about climate change, the increasing scarcity of certain raw materials and resources, the unbridled loss of biological diversity, overfishing, and the shortage of water and soil. The strategy states that “We need green growth because risks to development are rising as growth continues to erode natural capital.”\textsuperscript{19} New growth sources must be captured through productivity increases (energy and resource use efficiency), innovations (new forms of value creation when tackling environmental problems) and new markets (spurring demand for green technologies, products and services). The Green Growth Strategy is intended to serve as a lens “for looking at growth” and to allow avoiding “crossing critical local, regional and global environmental thresholds.”\textsuperscript{20} Through innovations, the reaching of this threshold could be continually postponed, thereby contributing to the effort to “decouple growth from natural capital depletion.”\textsuperscript{21} For this reason, investments in the more efficient use of natural capital are considered crucial for securing raw materials and resource inputs for the economy. The internalization of environmental costs is advocated as an incentive for innovation (based on a high price for carbon, as is the dismantling of environmentally harmful subsidies. The expansion of renewables and environmental technologies will create millions of new jobs; the OECD even estimates that “up to 20 million jobs could be created worldwide by 2030 in renewable energy generation and distribution.”\textsuperscript{22}

Some components of this Green Growth Strategy are remarkable, in particular the demand for a more rigorous internalization of environmental costs or the mention that “not every situation lends itself to market-based instruments. In certain cases, well-designed regulation […] may be more appropriate.”\textsuperscript{23} The commonsensical ordoliberal\textsuperscript{24} principle calling for framework conditions that create trust, security and predictability are reflected in the OECD strategy, as expected. If, as planned, the strategy is to be integrated in OECD country reviews, and if further sectoral studies are to yield greater precision, then it can be considered as having made a small step in the right direction, at least compared to an unquestioning
adherence to the growth imperative.\textsuperscript{25} After all, the concern over the scarcity of important production factors is a real economic threat. However, overcoming that threat is feasible.

In alignment with the OECD strategy, the McKinsey Global Institute\textsuperscript{26} issued a paper on the so-called resource revolution in November 2011. It too is based on the warning that the growing scarcity of resources could lead to drastically higher, and more volatile, prices and that important production factors could be entirely eliminated. And here as well, the exclusive response is to spur productivity, efficiency, innovations and investments in the order of trillions, especially in the “resource system,” in order to secure future resource demand. The “challenges” (high costs for energy and raw materials) are contrasted with the diverse economic “opportunities.”

The OECD report, more so even than the UNEP strategy, highlights the technology and innovation options. The solution is seen, nearly religiously, to lie in absolute decoupling, even though most studies show the impossibility of an absolute decoupling of resource use from the GDP. Decoupling, meaning “[…] absolute reductions in throughput are essential. The question is, how much is achievable? How much decoupling is technologically and economically viable?”\textsuperscript{27}

The effort to embark on and promote the efficiency revolution as a business sector is therefore a step in the right direction. However, it is declared as the cure-all, all the while it is clear that we—as efficient as we would like to be—could hardly avoid exceeding the planet’s finite environmental limits without either shrinking or adopting different management and lifestyles. Moreover, the efficiency revolution is presented as something that is bereft of any potentially negative social effects and that all of its ecological impacts are win-win. However, the fact that even so-called green investments require social and technology impact assessments, in addition to democratic and participatory governance, should become clear with the massive cultivation of plants for fuel production instead of for food. A green economy needs, for one, clear social guidelines and distribution measures that benefit the majority of the population, the lower fifth of the poorest in each society, as well as the poor in developing and emerging nations; and secondly, democratic governance and social participation. None of the concepts—from UNEP to OECD—provides for these needs in an appropriate manner.

The Green Economy in the Rio+20 Negotiations

UNEP and OECD devised their green economy concepts to serve as fundamental contributions to the Rio+20 negotiations. However, can their approaches, recommendations and suggestions be expected to gain a hearing? If so, how will they be received and evaluated?

First, if the UN member states were to actually agree on a Green Economy Roadmap with comprehensive targets and a time line for a climate- and environment-friendly development, this would be, for example, a step forward in the “de-carbonization of the global economy.”\textsuperscript{28} For the UN, which has lost much of its clout with regard to setting standards in sustainable development, this would constitute progress. As regards the institutional reforms, it remains to be seen whether it will really come to incisive reforms, and therewith to a strengthening of the UN envi-
environment architecture. Yet theoretically this could result in a consensus on improving the status of UNEP. In the meantime, the Rio+20 preparatory process gives no sign of hope for resulting in concrete agreements or resolutions concerning the green economy.

The negotiations are characterized by considerable skepticism of the green economy concept, especially from the developing and emerging markets. Is the green economy not, after all, a barrier for growth and the eradication of poverty? Is green growth not slower than “normal” growth? Is it not an invention of the industrialized nations, designed so that these can penetrate global markets with their new green business sectors? Is a greener protectionism on the horizon? Who are the winners and losers of the green economy? These questions have informed the preparations for Rio+20 at the regional and global levels and have been specifically raised in the report of the UN Secretary General for the 2nd Preparatory Committee Meeting for Rio+20 in March 2011 as well as in the so-called “zero draft” of the conference’s outcome document of January 2012. Whether any kind of Green Economy Roadmap, as advocated for example by the EU in the preparatory process, will even be realized is impossible to predict. A consensus, or common definition, of what a green economy is and what it should deliver is hardly on the horizon.

A further assessment of the concept of the green economy was presented by Martin Khor, director of the Geneva-based South Centre (an organization funded by developing countries), as early as the middle of 2011. His critique was integrated into the Rio+20 draft of the outcome document.

Khor’s critique contains many good and important suggestions and ideas for sustainable development, in particular he places emphasis on social dimensions and demands human rights-based development approaches as well as a pro-poor orientation of any economic strategy.

Nevertheless, so far the South Centre has unfortunately not issued an in-depth examination of the UNEP report on the green economy. At the time of Khor’s frequently cited assessment, the UNEP report was already published, as was the Green Growth Strategy of the OECD; both are not referenced in his assessment.

The critique offered by Martin Khor is dated in many respects, yet mainly in that it is still oriented toward the political and economic power relations that existed around the time of the 1992 Earth Summit. Instead of contributing to a definition of a green economy, or of identifying the potential of a green economy for ecological and equitable development paths, it resorts to dated views and interpretations of the North-South conflict. For example, he criticizes the green economy for ultimately serving the protectionist interests of the North. Khor rightly points out that a green economy should not lead to new trade distortions and new barriers to imports from developing countries. And in this regard, his examination of the bilateral and multilateral trade agreements is legitimate. However, long gone are the days when only the industrialized nations traded with, or invested in, green technologies at the global level. The Chinese, for example, are now the world’s leading solar technology producers.

Even if it is true that the North is the main culprit for global warming, environmental pollution and biodiversity loss—and that it should therefore be the first to act, promptly, as well as provide compensations—it would be irresponsible, in light of the economic dynamic in the South, to spare those governments and pre-
tend as if they did not bear a responsibility of their own in managing their resources carefully for current and future generations.

The UNEP report can be credited for its presentation of important sector-specific investment opportunities for the green economy. However, UNEP’s green investment agenda does not seem to find consensus among emerging and developing countries. It would be desirable if the South Centre were to provide a constructive criticism of the deficits of UNEP’s concept as a way to contributing to generating acceptance for green, lower-carbon and more resource-efficient development paths.

**Conclusion**

The preparatory documents for Rio+20 restate and build upon the definition of sustainable development from Agenda 21 and the Rio Declaration of the 1992 conference. Repeatedly emphasizing the importance of fairness between and within generations as well as the social dimension of development is a good thing. The Rio+20 discourse as well as recommendations for a green economy from UNEP to OECD time and again make reference to the climate, food and resource crises. Rio+20 offers an excellent opportunity to set priorities for solving these crises—and suggestions abound for how to accomplish that task. Those aiming to combat overfishing should put strict limits on fishing quotas. Those aiming to combat climate change should implement immediate and drastic cuts in greenhouse gas emissions. Those aiming to feed all of humanity can turn to the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD\(^2\)), which provides a blueprint for the social and ecological transformation of agriculture around the world. Those aiming to halt deforestation should pass and enforce laws and ensure that illegal wood trade is prosecuted.

Compared to the magnitude of the challenges, the official political responses to these problems seem very modest. Some national political resolutions to expand renewable resources, be it in the EU or in China, go beyond the timid stance laid out in the Rio+20 preparatory document. Luckily, however, economic pioneers for creating a sustainable future can be found all over the world.

Rio+20 must be more than just a repetition of previous international conferences—it must offer a true breakthrough to a social, just, low-carbon and resource-efficient world. Compared to the magnitude of the challenges, the official political responses to these problems seem very modest. Some national political resolutions to expand renewable resources, be it in the EU or in China, go beyond the timid stance laid out in the Rio+20 preparatory document. Luckily, however, economic pioneers for creating a sustainable future can be found all over the world.

Rio+20 must be more than just a repetition of previous international conferences—it must offer a true breakthrough to a social, just, low-carbon and resource-efficient world.

Increasingly, political actors worldwide are finding the courage to not only talk but to act, to live differently, to produce differently, and to combat undesirable political, social, economic and ecological developments. This is a hopeful development.

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