

Paper on behalf of the Swiss Agency for Development and Cooperation (SDC) on the occasion of the Certificate Course “Sustainable Development“ at the University of Berne

The Effects of Globalization on Sustainable Development and the Challenges to Global Governance¹

26 June 2007

Urs Zollinger, lic.oec.HSG, Partner, King Zollinger & Co. Advisory Services, Zurich

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¹ English translation from German.

Introduction

The topic “Sustainability and Globalization” is a very wide one. Therefore, at the outset, I would like to define what I shall be talking about in this introductory session:

- I would mainly like to present the political aspects of globalization and partly the economic and social ones. The cultural, scientific and other dimensions of globalization are more in the background.
- Within this frame, I shall focus on the effects of global forces on sustainability and I would like to find out how global governance is reacting to them.
- As sources for my paper, theory will be in the second line. I shall mainly use my personal experience and observations as an expert on development policies, serving the United Nations and the Swiss Agency for Development and Cooperation (SDC).

A few months ago, I was in Vietnam. On the chicken market in Hanoi, I saw boiled chicken on sale. Now you might ask, how do boiled chicken come into the question of globalization and global governance? You are right; it is not about the chicken, but about the H5N1 virus, the bird flu. The bird flu is a problem of global character. On the one hand, it is threatening our poultry via the migrating birds. On the other hand, there is the danger that the virus mutates and becomes a threat to humans. The danger of a worldwide pandemic is real. It is therefore not irrelevant how the Vietnamese people handle chicken. Yes, we have to be happy that they cook them, and in so doing, kill the dangerous virus.

The bird flu can not only serve as an example of global challenge. The bird flu also demonstrates how the international community strives to react to the problem. Therefore, it is also an example of global governance. The bird flu is a problem that no single state – not to mention a developing country – can solve on its own; only together a solution may be found. For that, the UN organizations have an important role to play. In Vietnam, for example, WHO, FAO, UNICEF and UNDP, together with the government, worked out a common action programme.¹

Definition of Globalization

While the term “sustainability” with its three dimensions has already been defined sufficiently, let us, before we continue, look more carefully at the term “globalization”. Globalization comprises

unlimited transport of goods, services, ideas and people. It is a process of increasing international integration in all fields (economy, politics, culture, environment, communication, etc.). This network of intensified global relations is growing at the level of individuals, societies, institutions and states.

Reasons for Globalization

There are many reasons for the growing globalization. Above all, two forces have influenced it: The first force was the *increase of prosperity*. Already centuries ago, European states got part of their food and stimulants from their “colonies” in Africa, India and South East Asia. Also today, mainly economic reasons can be considered as the main driving force in the process of globalization. However, today it is not just to create more sources of goods. Trading unions such as WTO and also the EU are based on the economic view that prosperity of all can best be promoted by specialization. Especially companies or whole industry branches concentrate on producing those goods and services that they can do best - in the most efficient way. In New Zealand, for instance, rearing sheep is the best choice because of vast lands and an appropriate climate, while here, in Switzerland, the best watches of the world are manufactured, because the production of watches has a long tradition and a vast know-how exists about it. Thus, it is sensible for New Zealanders to wear Swiss watches. For us, conversely, it is advantageous to eat lamb meat from New Zealand, which has an excellent quality at a favourable price. *Comparative advantages* in the production of different goods are the reason that it is in the economic interest of any country to focus on its main competences and to acquire all other needed goods and services through “exchange” with others. To focus on special competences has been fruitful since the industrial revolution, especially also in the fields of communication and transport technologies, which today themselves are main driving forces of the globalization process.

Economic globalization creates interdependencies and integration, which lead us to the second driving force of globalization: The *creation of peace* through globalization has since long been the endeavour of political forces. Thus, after the Second World War, in order to prevent more wars, the allied forces integrated Europe economically by creating a dependency of Germany on its neighbours and vice versa. It is my belief that also at the global level, the present economic interdependence contributes to stability and peace. It is interesting to observe that today, most of the wars are within states, and often, as for example in Africa, natural resources are an important factor. In addition, these wars mainly take

place in countries that are least integrated into the global economy.

Effects of Globalization on Sustainability

We shall explore the effects of globalization on sustainability in the following group work. Therefore, I shall only mention a few thoughts to start with.

Global Economic Growth

The increasing mobility both on the selling as on the providing markets, through political and economical globalization, has meanwhile lead to an increasing division of labour and a focus on the main competences of every individual at all levels. Transnational companies restrict their activities to goods and services, which they can offer in better quality than the competition, or they cooperate with other companies to realize synergies and to be able to offer their products to exemplary low prices. Formerly in Switzerland, "PTT" was in charge of both post and telecommunication, while today its successors Swisscom and Die Post concentrate their work on communication services and the logistics business respectively. More and more employees are working where they can best develop their potential. While Swiss people used to work for Swiss companies, these days many are working for foreign companies inside Switzerland or all over the world. The global exchange of specific goods, services and means of production today has led to a worldwide increase of prosperity. In the past ten years (1995-2005), the production of goods and services increased by 45% according to the World Bank. During the same period, growth in developing countries was faster then ever before since 1965 (World Bank, World Development Indicators 2007). This growth originates mainly from Brazil, China, India, Russia and South Africa. The specialization of China with its huge population in the production of goods with a large percentage of manual work has met a massive demand by the Western world and has created a base for the enormous economic growth of China. Where Indians in the British colony once produced tea and cotton for the rich in the North, there are now Indian companies, which buy companies in Europe (e.g. Mittal). The economic power relations are slowly drifting away from the traditionally strong US, the EU states and Japan towards the emerging countries or the so called BRIC states Brazil, Russia, India and China.

But also some countries with low income have had an average annual increase of income of about 5% over the last two, three years (World Bank, World Development Indicators 2007).

However, as the size of the prosperity cake increases, is it also shared with more solidarity?

Poverty Reduction and Increasing Income Inequality

Under globalization during the period from 1990 up to 2004, the percentage of people worldwide who lived on less than one US dollar a day (purchasing power), decreased from 1.25 billion by 260 million to less than 1 billion (World Bank, World Development Indicators 2007). The Millennium Development Goal to halve poverty by 2015 therefore seems to be reachable. This progress is mainly due to poverty reduction in China. On the other hand, in sub-Saharan Africa, the number of poor people has increased by almost 60 million, although the percentage decreased from 47% to 41% (1990-2004).

At the same time, differences in income are increasing worldwide. If the world were one country, then the richest 20% of the world population would have more than three quarters of worldwide income, while the poorest 40% would have 5% -the so-called Champaign glass effect (UNDP, Human Development Report 2005). The International Monetary Fund and the World Bank, at their last annual meeting in Singapore, warned that the present economic upswing is being accompanied by increasing income inequalities and by an increasing polarization of wealth. In 13 of 18 Asian countries, among them also Japan, income inequalities have increased. In China today, there is a greater disparity than in the US or Russia (Neue Zürcher Zeitung, 2.11.2006). According to the Human Development Report (UNDP, 2006), a US American in 1990 was 38 times richer than an inhabitant of Tanzania. Today s/he is already 61 times richer. However, at the same time, the HDR also states that when considering the size of the population of China and India and the faster growth of income of these countries compared to the rich countries, the trend of growing global inequality is reversed.

Yet, if India's economic growth remains at the same level, it will still take up to 2106 for it to be at the same level as the rich countries.

Globalization also has an effect on industrialized countries. The number of *working poor*ⁱⁱ is increasing, while the income of American managers in the last 20 years has increased from being 40 times as high as the average income to 110 times (The Economist, 20.01.2007). Industrial workers in industrial countries are not only losing their work but they can also be called the losers of globalization: The prosperity of laid-off factory workers in France, for example, is decreasing compared to earlier

years of full employment. Differences between the poor and rich in developing countries are also increasing, although the income of the poor is increasing. This is because the rich are getting richer faster than the poor. While generally most of the people in the USA prefer free trade, according to reports of *The Economist* in 2005, more than half prefer protection for American companies against foreign competition - even if growth is in danger by that measure.

Therefore, if the effects of world economic growth on the distribution of income are ambiguous and have to be looked at carefully, what then are the effects of globalisation and economic growth on the environment?

Ecological Effects

The above explained, intended specialization of companies and people in producing those goods and services, which fit best the given circumstances and as such, through global trade, contribute to highest prosperity, however, can also lead to monotony. It is well known that a single production of let's say rice or other grains creates monocultures, which causes soils to become infertile. In the future, especially in South America, the huge production of biomass-energy plants will cause a massive decline in biodiversity, although, principally, the cultivation of energy plants was introduced to save the environment. Up to now, the one-sided yet necessary extraction of mineral resources in developing and emerging countries like China partly leaves behind ecological disasters of unparalleled dimensions. However, not only monoculture and overuse of natural resources cause ecological challenges, but also the necessary energy use for the global increase in production, consumption and trade. At this point, one could add several calculations to illustrate the point. The following calculation I consider as especially impressive: According to Lester Brown (Earth Policy Institute), China, with an annual increase in income of 8% and a population of 1.45 billion people, in 2031 will have the same per capita income as the USA in 2004. Today in China, there is one car per 100 inhabitants. In case the Chinese copy the consumption pattern of the USA, they will own three cars per 4 inhabitants; that would be 1.3 billion vehicles. Today, worldwide, there are totally 800 million vehicles!

Looking at such examples, the ecological consequences of increasing globalization turn out to be the main problem of the future. However, a differentiated view is also necessary. What is intuitively regarded as being wrong, may not be wrong empirically. For instance, it appears that for English people it is ecologically more sensible to eat

lamb meat from New Zealand instead of English lamb, also when considering transportation.

So while economic prosperity is obviously growing and the social equity of income distribution is ambiguous and has to be analysed in detail, the greatest challenge of globalization represents sustaining the increasing prosperity for all without over-exploiting the environment and natural resources. If globalization does not succeed in achieving sustainability in all three dimensions - economic-ecological-social - it will increasingly come under pressure.

Globalization under Pressure

Globalization is increasingly getting under pressure: In the meantime, not only employees in the USA or in France express views against a more globalized world. In Switzerland, too, according to a UNIVOX poll, there are more and more critical voices (NZZ, 31.8.2006), although the Swiss population is one of the most globalized societies in the world, according to the globalization indexii (NZZ, 31.8.2006).

One reason is that the originally intended and partly achieved purpose of globalization, i.e. to foster peace between states, today is threatened by tensions within states. The clashes in the suburbs of Paris are an example of how social tension between rich and poor segments of the population can erupt. Fundamentally motivated terrorism may also be considered as a consequence of cultural and economic globalization. Pandemics such as the potential mutation of the bird flue virus, globally organized crimes and climate change are further challenges, which question the benefits of globalization.

Globalization is coming under pressure and thus also global governance, which must lay down the political framework conditions for sustainable globalization. Global governance today, however, is weakened: Politicians in industrial countries react to the displacement of workplaces to low-wage countries by putting protective tariffs in place. The protection of domestic agriculture is also threatening the Doha negotiations.

How can globalization and its positive effects on prosperity, particularly in developing and transition countries, be saved? How can its evident effect on prosperity be protected from the consequences of social disparities and ecological problems?

Globalization and Global Governance

Definition and Concept

Global governance is a political process, which is meant to identify and solve the above-mentioned problems that are beyond the capacities of single states. This, in the absence of a world government.

General Characteristics and Challenges

Global governance has some general characteristics, which obstruct the immediate identification, understanding and solution of problems. Accordingly, global governance faces great challenges.

Challenge 1: Decision-making processes have to be shortened.

The public sector, compared to other sectors (private sector, civil society, media, and organized crime) is the least globalized sector. A recent study by the consulting company SustainAbility concludes, for instance, that international companies, NGOs and global criminal associations are much more globalized than global governance. In a multinational company, for example, decisions can be taken and implemented much quicker than decisions of the international community, which require extensive negotiations and often can only be found with the consent of all nations concerned.

Challenge 2: The effects of globalization on sustainability cannot be solved by individual actors of global governance, but require effective partnerships.

The above-mentioned challenges cannot be solved by single actors alone, neither public nor private ones. The CO² emissions, as the most mentioned ecological challenge, do not stop at national borders; neither can inflation or unemployment in interdependent markets be controlled by one state alone. Also pandemics, to come back to that example, do not know borders.

Challenge 3: Domestic and foreign affairs must be coordinated and coherent in order to avoid making complex decision-making processes of the international community even more complex.

Many domestic political topics these days have a global dimension: Economic, environmental, health or security policies are domestic as well as foreign policy topics. Almost every ministry in Switzerland today is internationally connected and active: The Ministry of Agriculture, for example, has a department for international relations for problems of ecological sustainability; the State Secretariat for

Economic Affairs is in charge of external economic and development policies; even the Ministry of Justice has to position itself in the global context in migration matters. Thus, the difficult coordination of foreign policy matters in international relations gets an additional dimension of complex domestic coordination.

Challenge 4: In order to minimize delays in the ratification of international law because national governments fear losing sovereignty, they must be empowered to contribute to the global policy making process.

Even if governments are willing to cooperate in principle, they fear the loss of sovereignty. Agreements, which seem sensible today, tomorrow might be obstructing limitations of sovereignty. Thus, in times of economic upswing, many governments might be prepared to agree on common environmental targets, but they fear fixing emission limits for a period of 20 years, because already in the near future an independent suspension might be opportune.

Challenge 5: It takes long to ratify international agreements, but they are of no use if they are not implemented and if failure to do so is not sanctioned.

Many good initiatives fail within the global governance, even when agreements were made. The Universal Human Rights Declaration is a classic example of an instrument to solve a global challenge, but it remains without effect in many states, because effective mechanisms of implementation and sanctions are missing. Also, the Kyoto Protocol was ratified by many states. But not all of them will stick to the agreements. Not to talk about China, the USA, Canada, Australia, Japan and the developing and emerging countries of the G77, which are against binding agreements on CO² emissions.

Challenge 6: Multilateral organizations as well as international conferences and agreements as central instruments of global governance have to be adapted to shifting powers over time.

Central instruments of the international community, which are meant to solve global problems, are getting weak because global powers are shifting. Although the economic importance of emerging and some developing countries has increased remarkably, they are only reluctantly given adequate political weight in the global governance. For instance the UN Security Council: It is legitimate that India, for instance, with its 1.1 billion inhabitants is claiming a seat in the UN Security Council. The nomination of the World Bank President by the

USA, too, is a matter for the historical museum. And Venezuela's president, Hugo Chávez, has paid the last of his country's debts to the World Bank and the IMF and declared the Venezuela's resignation from these institutions, which were initially designed for the development of the poor countries, and which he calls "Trojan horses, by which the so-called Third World, and especially Latin America, is to be forced into a neo liberal economic system."

Challenge 7: Today, development cooperation is not just about technical cooperation, but it is in many ways about global governance.

Development policy is more and more becoming global policy. Today, development cooperation is much more than "only" humanitarily motivated technical cooperation. Development policy is rapidly becoming a central part of foreign policy. It is more than just fighting poverty in the South; development policy has a direct influence on global public goods such as health (e.g. HIV/AIDS), environment (e.g. water) or security (e.g. human rights). In this sense, development policy is also in the national interest of developed countries, whereby the benefits are global.

The need for reforms of global governance, therefore, is not only evident because of the complexity of the current economic, ecological and social challenges, but also because of the characteristics and limitations of global governance itself. But which are the main actors that carry the responsibility for global governance?

Actors of Global Governance

Today, not only the different states are actors of global governance. There are many actors, of which I will only mention the most important ones.

Until recently, ***national governments***, especially from developed countries, dominated the global policy dialogue. Yet, the voices of important emerging countries such as China, India and Brazil are gaining importance. National governments are the ones, which, for instance, agree on development policies and which seek an understanding on common goals such as the Millennium Development Goals, and which agreed on the Kyoto Protocol. Multilateral processes are dominated by states. However, it is this multilateral process, or more exactly its consequences, which limits the power of nation states. At the same time, the active participation in multilateral processes allows to influence the outcome. For the state as an

actor in global governance, there can be both at the same time, less sovereignty and more influence.

Multilateral organizations are also important actors in global governance. On the one hand, they have important normative functions, as for instance WHO on health. On the other hand, they are important operational actors, as for example UNICEF, which by way of vaccination programmes, together with WHO, successfully fights infectious diseases (e.g. polio). Innovative partnership projects such as the "UN Global Compact" show that international organizations are more and more looking for cooperation with multinational private companies in order to facilitate their participation in finding solutions to economic, social and ecological challenges.

International non-governmental organizations or global action networks such as WWF, Greenpeace, Amnesty International or the Forest Stewardship Council are examples of international non-governmental organizations, which bring their priorities to the public and can exert remarkable influence on global governance. They can quickly react to emerging challenges and accordingly have an important early warning function for global governance.

Companies, because of their economic power, are also an important group in global governance. The annual turnover of some existing very large enterprises by far surpasses the GNP of most African states. The investment and trade policies of the companies are the ones which eventually give decisive economic impulses. Through their activities, they directly influence balances of trade and the number of unemployed. Last but not least, the business leaders also tackle global issues, for instance at the World Economic Forum in Davos.

Which instruments are available to the actors of global governance?

Instruments of the International Community

International Conferences

International conferences have to be mentioned here as a classical instrument and as a preliminary stage for the development of other instruments: An example is the Conference for Environment and Development of the United Nations (UNCED) in Rio de Janeiro 1992, which can be considered as the root for many other conferences and agreements, such as for instance the Climate Framework Convention or the Biodiversity Convention. The

2000 UN Millennium Summit is also considered to have been a milestone conference. This year, among others, there was a summit meeting of the UN Commission for Sustainable Development in New York. The Commission monitors progress towards sustainable development, whereby, paradoxically, it is headed by Zimbabwe this year.

International Agreements

International agreements are the real contract framework of global governance. Although one can hardly observe that such contracts are being more enforced, at least they have increased in numbers. There are different ways to count the number of international agreements; one calculation is that there were 26,000 in 2004. The Charta of the United Nations, as a classic example of an international agreement, is of outstanding importance for international law. The Climate Framework Convention is another important example, especially concerning questions of sustainability in global governance. The contract partners met in Nairobi last November. Their agreement aims at stabilizing the atmospheric greenhouse gases at a level that would prevent a dangerous disturbance of the climatic system. Another, less binding paper, is for instance the Agenda 21, an action programme for sustainable development that was agreed upon in Rio by 179 states.

Global Goals and Principles

Global goals such as the Millennium Development Goals (MDGs), although not binding agreements but moral obligations, also play a great role in dealing with challenges of sustainability in global governance. Many representatives of the above-mentioned actors use such goals as a compass in tackling global problems of sustainability. UN organizations and NGOs use them when developing strategies and therefore they serve as a guide for their activities. The ten principles of the UN Global Compact in the field of human rights, labour rights, environment and anti-corruption, too, serve as guidelines for multinational companies.

Multilateral Organizations

Multilateral organizations, on the one hand, are, as explained above, actors of global governance. At the same time, they are instruments of the international community. As instruments, they are especially used for the analysis of global challenges, for the development of solutions, but also for providing operational services. The analytic role of multilateral organizations exists especially in the analysis of problems and phenomena of sustainability and in showing possibilities for action to the different actors. The UN Development

Programme (UNDP), for example, analyses the state of human development in its annual "Human Development Report" (HDR). If I may recommend reading a report, then this one, and not only because of the "Human Development Index", which in the discussion on development policies is much more useful than measuring income per head, but also because in addition each report deals with one main topic. Last year it was about water.^{iv} The 2006 HDR shows clearly how scarcity of water is connected to power and poverty. It proposes which actions the international community, the regions and the states have to undertake quickly to end the tragedy of more than one billion people who have no access to clean drinking water and to improve the fate of more than two million people who are threatened by disease and death because of insufficient sewage systems. Another report that is currently making headlines is this year's report of the "International Panel on Climate Change".^v This UN panel shows very clearly which influence multilateral organs can exert on the international debate.

Multilateral organizations are also an operational instrument of the international community. For instance, they provide humanitarian aid for the protection of refugees (UNHCR) or food aid through the largest humanitarian organization of the world, the World Food Programme (WFP).

The most important multilateral organizations are:

- The UN Organization (the coordinating body of international policies);
- The World Bank (issuing of credits to developing and emerging countries);
- The International Monetary Fund IMF (coordination of currency policies);
- The World Trade Organization WTO (for the coordinated lifting of trade barriers to raise prosperity in the North and in the South);
- The UN funds and programmes, especially
 - The UN Development Programme UNDP (Coordination of the UN at the country level, fighting poverty, promoting democratic governance);
 - The United Nations Children's Fund UNICEF;
 - The UN Environmental Programme UNEP (provides analyses and policy advice to global environmental problems)
- The UN specialized agencies, especially
 - The International Labour Organization ILO (to protect the interests of workers by setting international standards); and
 - The World Health Organization WHO (to coordinate and influence actions by

different states concerning challenges, which can hardly be solved on national level, such as pandemics).

Reform of the Global Governance

Thus, there are two different types of challenges to global governance. On the one hand, there are the effects of globalization on sustainability. On the other hand, there are the characteristics of global governance itself, which increase the pressure for reforms. There is hardly anyone who is calling for a world government. However, there are many demands, unfinished projects and new reform initiatives.

The discussions of the 192 UNO member states about a reform of the UN Security Council are one such important example. These reform efforts should consider that the above-mentioned development of the economic, ecological and social importance of emerging countries has increased, and that it is no longer justified that France and England both have a seat with veto rights, but not Brazil, India nor Japan. Up to now, there is no solution close to agreement. Who wants to give up power voluntarily?

Structural reforms on how to make decisions also concern the International Monetary Fund (IMF) and here some progress can be seen. In September 2006, a first step was agreed upon, which in the future gives China, Mexico, South Korea and Turkey higher quotes and more weight.

There are also thoughts about a reform of the G7/G8, to which the country with the highest reserves in foreign exchange, namely China, does not belong to up to now. The G8 meetings are criticized especially by globalization critics, who deny the participating states any legitimacy to make decisions on global issues.

There are also reforms that are being implemented, as for instance the creation of the UN Human Rights Council, to which Switzerland contributed considerably. However, the Human Rights Council is not yet fully established either.

An important reform project is going on under the heading "One UN". It concerns the implementation of the recommendations of the "High-Level Panel on UN System-Wide Coherence in the Areas of Development, Humanitarian Assistance, and the Environment" of 2006. The aim is the creation of a uniform representation of the United Nations at the country level (One United Nations), instead of, like

up to now, to present itself as many different UN organizations. Among others, there is a pilot project in Vietnam. In the course of 2007, the concept is to be tried out in another five countries. The same "High Level Panel", which was introduced under Kofi Annan, and to which Gordon Brown, among others, belonged, has made more reform proposals: for instance

- To establish a UN Sustainable Development Board to oversee the implementation of unified UN country programmes; and
- To examine the division of labour between the World Bank and the International Monetary Fund (IMF).

There are many other demands for reforms from different circles. For example, the members of parliament from different countries are demanding to be closer involved in the work of the UN. This against the background that today, governments, e.g. in the UN General Assembly, are represented by diplomats and not by elected representatives of the people.

One has to wait to see to what extent intended reforms can contribute to strengthening global governance in its dealing with challenges of sustainability. The main goal is to lead people out of poverty worldwide and at the same time take care of the environment. Especially the climate policy presents the ultimate challenge to global governance. Will it master this challenge?

ⁱ "The Joint Government-United Nations Program to Fight Highly Pathogenic Avian Influenza".

ⁱⁱ Working poor is a term for people, who although working, do not earn enough to secure their existence.

ⁱⁱⁱ The globalization index shows economic integration by measuring the exchange in trade and the direct investments into other countries, the technological networking, through the density of internet connections and through the extent of the use of electronic media, the personal networking and the engagement in foreign political affairs.

^{iv} Power, Poverty and Global Water Crisis, UNDP, 2006.

^v Climate Change 2007: Mitigation of Climate Change, UN IPCC, 2007.