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Building Global Green Economies

Introduction

Most people believe that human activity is putting enormous stress on the environment. Signs of the stress are clear: heavy concentrations of pollutants in the air, water, and soil; ongoing land clearing and deforestation; the extinction of animal and plant species, reducing biodiversity; the destruction of entire ecosystems; and increasing amounts of waste. The tension between the negative environmental impact of economic activities and the welfare of humans will only continue to intensify.

The United Nations 2012 Conference on Sustainable Development and recent environmental developments, such as climate change becoming a global priority, have helped build momentum for a renewed look at green economies. A green economy, as defined by the United Nations Environment Programme, is "one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities."[1]

Despite growing support for achieving this balance, the steps and strategies to attain it remain a significant challenge. What are the responsibilities of key players to attain "green" growth? What are the most cost-efficient strategies? How will it be financed? What economic, political, and cultural changes are required? What are the costs of failing to attain it? These are some of the key questions addressed in the Americas Project 2012 Conference on Building Global Economies in the Americas, held at Rice University's Baker Institute on October 25-27, 2012.

A group of 14 young leaders (called "fellows") from throughout the hemisphere discussed the role of the private sector, the government, and civil society in "greening" our economies. Their goal was to examine an array of scenarios and identify successful strategies in their countries and elsewhere that would serve as best practices for future green economies in the hemisphere.

What is a Green Economy?

A green economy is broadly defined as one that promotes economic growth and improves quality of life while preserving the environment. Several important conditions are required to effectively promote economic and social welfare while reducing the negative impacts of economic activity on the natural environment.

Green Economies: Structural Issues

A number of key structural issues affect the development of green economies. One is the fact that in most countries, the prevailing economic model focuses on increasing gross domestic product (GDP). Placing GDP above all other goals has come with significant and even irreversible environmental costs. But most standards and measures of modern capitalism value endless growth and wealth accumulation above long-term goals like environmental preservation; this directly impacts overall human welfare. A green economy must be measured differently.

A green economy implies a holistic understanding of human development, with economic, social, political, and environmental indicators factored into the general measurement of human well-being. Assessments of human welfare must include metrics

[1] See "Green Economy: Frequently Asked Questions," United Nations Environment Programme, http://www.unep.org/greeneconomy/AboutGEI/FrequentlyAskedQuestions/tabid/29786/Default.aspx.

on the quality of the natural environment. Without this shift in thinking, the concept of green economy will not become sufficiently institutionalized, will lose momentum, and will eventually fade away. "Greening" our economies, therefore, entails cultural changes in our concepts of human development and the relationship between people and the natural environment. This, in turn, requires a new way of thinking about the environment that includes a change in behaviors that negatively impact the environment; effective methods to measure the environmental impact of human activity and large-scale data analyses that demonstrate the impact beyond any doubt; and concrete ideas to address the most damaging of human economic activities. Science and technology are the bridge to consensus, not only on the scope of problem but also on the required steps to approach it and the optimal implementation routes.

Starting in the 1980s, a model of economic development was implemented in the Americas that has been particularly damaging to the environment. This was due in large part to the fact that the model relied heavily on the exploitation of natural resources. Brazil, Chile, and other economies in the region still rely on the massive exports of resources, such as wood, ore, fossil fuels, and others. Economic growth depends on the exportation of these natural resources. As a result, the natural environment has been devastated and entire communities are vulnerable to the chemical pollution that is often left behind at many industrial sites, as well as to climate changes that create punishing weather patterns. As the environment is stripped of natural resources, the quality of air, water, and land is negatively impacted. At the same time, the manufacturing and the service sectors rely on endless consumer and industrial consumption in order to profit, which clashes with the idea of conservation.

Thus, green growth requires a revision of the fundamentals of free market capitalism and is bound to generate controversy, unless we can find a way to include environmental well-being as part of the overall measure of human welfare. Reconciling economic growth in the Americas and the need to protect the environment with new green business models is therefore crucial; it will undoubtedly be considerably more expensive to repair damage in the future than to utilize creative solutions to promote green growth today. Some in the Americas argue that it is preferable to have economic growth now and repair the environment later. But the reality is that some damage to the environment may already be irreparable, and future damage may also be permanent in the face of massive changes to the climate.

The following three sections summarize the findings of the Americas Project 2012 Conference, which focused on the role that three key actors must play in "greening" an economy: the private sector, civil society, and governments.

The Role of the Private Sector in Building Green Economies

Because green economies are fundamentally linked to investment, production, and consumption, the first Americas Project Conference panel addressed several issues related to the role and responsibility of the private sector, from small businesses to corporations, to help green the economies of the Americas.

The Profit Motive and Corporate Ethics

Goodwill is not enough to build a green economy. It is clear that most businesses are first and foremost motivated by profit. But profit does not have to contradict an ethical and cultural commitment to preserving the environment. New business models must be developed to ensure that businesses can grow and benefit in a healthy, natural environment. Some profitable businesses have already been developed around a model that emphasizes a "reduce/reuse/recycle" concept. Thus, to encourage businesses to go "green," a model could include profits as well as a cultural shift that emphasizes the use and reuse of natural resources. This means that the approach to incentives for business must change.

For the private sector, this could involve changes in the way that bids are placed and accepted. For example, businesses could seek suppliers or accept contract offers only from bidders who show they protect the environment by meeting a minimum set of requirements. Although this could initially be seen as distorting the competitive process, in the long run it would incentivize businesses to become more environmentally conscious before they bid for a contract. Strategies such as this would be crucial, as corporate responsibility for the environment would become part of the business culture. In Québec, Canada, for example, public procurement policies are governed by a clear set of rules and regulations known as the CleanTech Acquisitions Program. It has incentivized businesses to implement environmental policies before bidding for public contracts. Such practices should extend to the private sector

Another way to "green" the private sector is through partnerships with the government, academic communities, and the financial sectors to research clean technologies. Through green loans and grants guaranteed by the government, industry would have the incentive to provide environmentally conscious products and services. If the project fails, as some are bound to, the government would absorb some of the losses. The green loan mechanism could also extend to green mortgages, which consist of loans with particularly favorable terms for houses that meet certain environmental standards. Eventually, these financing practices could be institutionalized and become part of the cultural shift required to create green economies. At that time, any government subsidies could be gradually phased out. This implies an initial investment by the public in the form of subsidies, but many industries have required heavy subsidies in their early stages of development.

What must be understood is that ethics cannot be enforced. Green-washing—or misleading practices that lead to the perception that an organization is environmentally conscious—is always a temptation, for example. However, exclusive reliance on tough rules and law enforcement would not only be costly, but would also increase the probability of organized resistance by the private sector and possibly tempt businesses to green-wash in order to remain competitive. A shift in the culture of business must be achieved by a strong and reliable regulatory apparatus that, with the key private sector input, provides incentives for industries to green their products and services. The rules must be clear and consistent to avoid confusion and charges of unfair practices.

At the same time, the government could provide private sector research incentives that address the entire life cycle of a product—from production and consumption to disposal. This research could extend to the production of renewable energy as well. The energy sector is, in fact, crucial for "greening" an economy because all production processes require energy, and energy production has a major environmental impact. In addition, in the future we will require even more energy as the use of energy-intensive automated goods increases. Thus, adequate investment in clean energy technologies will also be important; the private sector will require incentives to reduce its energy consumption or to implement more energy-efficient production processes. However, businesses may not have the incentive to do so if they do not perceive that the right regulatory apparatus is in place, that there are substantial savings in investing in renewable energy, and that in the long run it will reduce their costs.

Developing a Business Model for the Future

Returning to the issue of profits, it is clear that businesses that do not meet their bottom line will likely close their doors. Thus, green business models must demonstrate that they are profitable. The viability of green goods and services must be backed by figures that show, for instance, that the industry can survive without subsidies. In addition, it will be important to show the savings and profits earned by switching to clean energy technologies, investing in green manufacturing processes, participating in green-oriented research and development processes, and helping dispose of products once the consumer is finished with them. Another idea is to create clusters of industries in order to share and reduce research and development costs. The final technology emerging from environmentally oriented industrial research clusters could be used by the entire industry.

Real Costs and Pricing

Any new business model that takes into account the impact of processes on the environment will have to consider real costs. Real costs must measure environmental impacts in dollars and cents. Pricing, for example, must include the costs of post-consumption disposal. A premium could also be imposed on rare or endangered resources. Replacement costs for renewable resources should also be factored into pricing, as should the cost of environmentally conscious research and development. In general, profits that do not consider these issues come at a cost to the environment.

Businesses and industries in a green economy should therefore be aware of the environmental impact of a profit-making endeavor. Public policies should incentivize businesses to assess the real costs of resource depletion and conservation. The private sector will have to develop careful, dedicated systems to measure and monitor its environmental impact in order to price it. This is crucial as there is no widely available method to price environmental impact. Therefore, in "greening" an economy, building such a system may be necessary. In the same way that we socialize risks, the costs of protecting the environment could be socialized through a philosophy of pricing that includes environmental impact.

Efficiency

The entire life cycle of a product or service must be examined in order to ensure that efficiency is considered along the entire chain, from inputs to design to manufacturing to disposal. At every step of the way, inefficiencies should be eliminated to reduce the use of materials or energy. The role of the scientific community is vital in this regard, as new technologies have the highest probability of producing efficiency gains throughout the life cycle of a product. However, growing consumption can easily erode efficiency gains. Thus, technological developments geared toward efficiency gains in the private sector must stay ahead of consumption. Conscious investment in research and development for just that purpose is essential.

Agriculture as a Green Problem

The agricultural sector is a particularly important factor in green economies. There are enormous inefficiencies in the use of resources in the agricultural sector, particularly in cattle-raising. It is now understood that livestock is a major threat to the environment. The agricultural sector's environmental issues must be addressed through a dialogue between the government, industry, regional councils, farmers associations, small producers, and large agro-industrial complexes. It is important that local stakeholders be engaged in order to draw some of the best ideas from those who would be most interested in bringing about greener economies.

The Role of Civil Society in Green Economies

Civil society is another critical actor in a green economy. The power of civil society to incentivize the "greening" of an economy comes from its consumption patterns and political influence. Civil society, however, is composed of individuals making choices in the market and casting votes at the polls; both of these actions require a degree of coordination if they are to be effective. Unfortunately, the efforts of pro-environmental groups are often perceived as radical and opposed to the goal of economic growth; and pro-industry types are often seen as uncaring in regard to the environment. A clear understanding of these tensions and the steady mediating hand of the state are needed.

Nongovernmental organizations (NGOs) can also play a key role in organizing society and could play a crucial role in building a consensus for green economies. NGOs can help sort through an enormous amount of information, effectively serving as information brokers so that citizens can make informed choices as consumers and as voters at the polls. NGOs can serve as mediators among various actors to promote certain green practices that will balance everyone's interests and desires in a green economy. However, it must be understood that though important, NGOs do not represent all of society and can be at odds with each other. The following section examines the roles of civil society and NGOs in promoting green economies.

Educating Green Consumers

Individuals in civil societies play a major role as consumers in green economies. It is important that individuals be educated to understand the impact of their choices on the marketplace, and their political power to prevent policies that damage the environment. Just as most consumers can choose to buy environmentally conscious products, most can also participate in the political processes of their nations, ensuring that governments consider green production processes as well as green goods and services. Thus, members of civil society can actively participate as consumers and voters in moving the other two important actors—the business sector and the government—to adopt green policies. Green consumers are not only those who consume less but also those who consume wisely.

Advocacy, Inclusion, and Oversight

Civil society plays a major role in a green economy by educating the public about their choices, providing information on green products, advocating for green policies, and promoting consensus on the goals of a green economy. In addition, civil society can bring numerous voices to the table so that a variety of groups can participate and express their opinions, concerns, and ideas on how to achieve a green economy. The absence of participatory processes such as open forums, roundtables, and consultations could lead civil societies to perceive that "greening" the economy is yet another ploy to favor a special interest group. The inclusion of indigenous populations and youths is particularly important in instances where such groups have little influence, and therefore little incentive, to participate in "greening" the economy. It is important to consider the contributions of all groups in building green economies, given that the costs will be borne by all; without a consensus, a much greater conflict over burden-sharing is likely to emerge. In addition, civil society can help pilot "greening" projects. Those projects that are successful can then be replicated as a matter of public policy or good business. Achieving a green economy must be a collective effort between civil society, business, and government.

Civil society has yet another role in "greening" an economy: oversight. Should companies be tempted to green-wash their products and processes, organized civil society, through NGOs, can provide oversight and information to verify that "greening" efforts are indeed genuine.

The Challenges of Promoting a Green Economy

Although civil society has a fundamental role in "greening" the economy, it faces important challenges while doing so. Civil society as a whole may lack pertinent and accurate data and may depend on corporations or NGOs to gather, analyze, and disseminate information. In addition, civil society may not have the means to disseminate the data to every consumer and investor without making use of means such as the media. Coherent strategies for the dissemination of knowledge are therefore key.

Civil society must also decide what points of view to support. This process of selection is perilous as some points of view, which on occasion may be seen as radical by the general public, may be omitted or create divisions within civil society. Finding a common view on what is acceptable in "greening" an economy is always difficult, and the definitions of green, sustainable, equitable, and inclusive can also be controversial.

In addition, there is the important step of defining how the burden of costs should be borne. Civil society may not have a clear idea of what is desirable or its objectives may not be altogether clear. This may lead some groups to determine what "greening" the economy means and leave others unhappily out of the decision-making process. In addition, civil society cannot generate public policy by itself. It requires a strong central government, something that is often lacking in the Americas, given the institutional weakness of several governments in the region. Creating and enacting legislation is the desirable path, but many governments are unable or unwilling to act. Governments may also believe it is more important to alleviate poverty than green the economy. If poverty alleviation and green economies are at odds, the political will of governments to enact legislation that supports a green economy will erode.

How to Support a Green Economy

Several countries in the Americas have legal and regulatory frameworks that govern access to information, public hearings on matters of social welfare, and other mechanisms by which the public can participate in public affairs. But currently, these frameworks are not sufficient to ensure participation by civil society in the debate on "greening" the economy. However, countries in the Americas can look to successful examples of civil society participation found elsewhere in the world. In the Bahamas, for example, monthly meetings of the nonpartisan Civil Society Bahamas allow people to discuss major issues that affect their daily lives. In Barbados, civil society participation is embedded in the island's institutional framework; people fully participate in the decision-making processes, including those involving the "greening" of the economy.

Several other examples bring the idea of civil society involvement further into focus: In the United States, there are approximately 1,500 different think tanks, a third of which are housed at universities. These think tanks play a crucial role in influencing policy at both the local and the national levels. Through research and analysis, think tanks have the power to influence policy because they have the expertise and funding to examine and analyze a range of key issues. Think tanks are ideally positioned, therefore, to inform the public on issues related to “greening” the economy.

In Montréal, NGOs have openly advocated better public transportation systems and other measures to green the economy. The Montréal Office of Public Hearings holds weekly meetings where NGOs can interact with government officials and suggest green policies. Often, NGOs collaborate with the government to draft legislation and regulations that relate to preserving the environment.

Less formal but equally inclusive activities occur in Chile and Bolivia. In Chile, several massive popular rallies were organized in 2011 against the planned Patagonia dam. The government was forced to open its deliberations to NGOs and civil society, although the influence of both has proven to be weak. However, the rallies eventually led to the Citizens Technical-Parliamentarian Commission, which discusses the country’s energy network and its relationship with the dam.

In Bolivia, where civil society participation is institutionalized and mechanisms for participation are specified in the Law on Popular Participation, the public has not been able to make its voice heard entirely due to undemocratic control of public forums by groups with strong interests. This experience points to the need to train local leaders and support community efforts to expand the influence of civil society.

The Role of Government in Green Economies

The third key actor in a green economy is the government. Perhaps more than the business community and civil society, the government is obligated to look after the common welfare, which now includes a healthy physical environment. Even though the government is not the main generator of jobs, it does create policies that can shape the structure of incentives, and that power can be used to stimulate the “greening” of the economy as well.

Government policies are key because a green economy involves the coordinated action that only the government can provide, such as a regulatory apparatus, fiscal policy, and the general direction of an economy. At the same time, the government is involved with educating the public, enforcing the law, and fighting corruption—all of which are crucial components of a green economy. In addition, local governments have the power to ensure that specific projects take into account the environment through permitting processes, environmental impact statements, etc.

Generally, the role of government is not to enter into the details of “greening” an economy but rather, to lay the groundwork for green economies to flourish and to coordinate the actions of the private sector and civil society. Only the government has the incentive to invest in large public projects that will restore the environment to its natural state. The role of government is therefore to facilitate the creation of green economies through its powers to shape policy. Below are some of the specific areas in which governments can make a difference in a green economy.

Education

The government generally oversees the public education system and therefore the curriculum in public schools and colleges. To a great extent, it is up to the government to ensure that the curriculum changes to reflect the important social priorities of a green economy. So the government must, in turn, also educate the educators by ensuring that teachers receive the appropriate training to relay the cultural values of a green economy to their students. Environmental literacy must be part of the curriculum at all levels, as well. Ultimately, the government must demonstrate and promote the benefits of a green economy.

Part of the effort to create green economies includes education and the dissemination of information about green technologies. Many small businesses, farmers, and individuals could contribute to a green economy but lack the skills and knowledge to do so. Some processes, for example, could be made more efficient by introducing simple behavioral changes or innovative technologies; however, education and small incentives are required for the transition to take place.

In addition, universities could introduce courses on green economies. Higher education institutions could also invest more on the research and development of green technologies, as well as on measuring the impacts and results of public policies.

The Regulation and Enforcement of a Green Economy
There must be clarity in the legal and regulatory apparatus for the private sector to understand expectations and plan investments for a green economy. At the same time, the government itself must be transparent, efficient, and accessible. The government should also be flexible enough to allow time for the conversion to greener production processes. There must be a clear distinction between productive sectors in the regulatory apparatus. Extractive industries, such as mining, timber, oil, etc., cannot be treated in the same manner as farmers, manufacturers, or the service industry. Each requires an industry-specific regulatory framework.

At the same time, government must have the institutional capacity to implement the law. In the Americas, many governments unfortunately lack the capacity to implement their own regulations and to provide the necessary incentives.

Conflict Resolution
The government is not simply another actor among many. The government is a party at the negotiating table, but it is also an investor, a coordinator, a legislator, an investigator, a mediator, a regulator, an insurer, an enforcer, and an educator. This leaves little room for error. Yet, "greening" an economy will inevitably create conflicts among various actors. Conflicts between indigenous peoples and extractive industries, for example, have already occurred in several countries of the Americas and the government has had to mediate. A government that cannot guarantee the ability to negotiate a conflict, implement laws, ensure the rights of the conflicting parties, achieve effective political agreements, and promote a green economy will not be able to help create a national culture that carefully weighs the need for economic growth and a healthy physical environment. Thus, the role of government is that of a balancing agent because it must guarantee that market forces function properly and, at the same time, ensure the environment is protected. The role of government is to lead. A government that is biased or silent will lose its ability to promote a green economy. The challenges facing government include maintaining its balancing role and executing its leadership responsibilities while society undergoes enormous change.

Procurement Practices
Governments are also consumers and they can play a key role in a green economy, since they are often responsible for important contributions to a nation's gross domestic product. Thus, governments must leverage their purchasing power to incentivize green products and production processes. Government purchases must not be based exclusively on the lowest price; a green scale should be part of the procurement equation. Only those businesses that demonstrate authentic green credentials or the ability to repair damage to the environment should be allowed to compete for government procurement contracts. As discussed above, this the principle that guides purchasing calculations in Montréal's Cleantech Acquisitions Program.

Inclusive Approaches and Legitimacy
The government is responsible for guaranteeing that the "greening" of an economy is perceived as a legitimate process. The government should ensure that all relevant sectors of the economy— including consumers, producers, investors, educators, scientists, women, minorities, and youth— have a place at the table. The exclusion of key actors—like women—would result in the perception that "greening" strategies have little or no legitimacy. Solutions without legitimacy will eventually complicate compliance and make enforcement very difficult. "Greening" an economy cannot be a top-down proposition; it must instead be bottom-up. Inclusive economic models must be promoted. Exclusion, poverty, and inequality have discredited many economic models of today, and the credibility of certain governments is in question because of the perception they favor the private sector over the interests of other social groups. This situation would be fatal to any green solution. When it comes to being a true partner working to protect the environment, the government would have no credibility or legitimacy. As a result, their efforts to "green" the economy would be undermined.

Conclusion

During the Americas Project 2012 Conference, the underlying tensions between various schools of thought were evident. Some participants argued that economic growth should be the first priority; others stated that economic growth and efforts to preserve the environment should occur simultaneously and be regarded as equally important; still others contended that protecting the environment had to come first, even at the cost of economic growth. It became clear during the discussions that even if negative environmental impacts of human activity are directly related to economic activities, when countries and individuals must choose between protecting the environment and achieving a higher standard of living, a consensus is hard to reach. Protecting the environment must be seen as a mandatory requirement of attaining higher standards of living.

A green economy is not an oxymoron. It is achievable but it must involve multiple actors—principally the private sector, civil society, and the government sitting at the table to develop concrete steps in the short, medium and long term that will lead to a green economy. These actors will naturally have their own interests, and hard choices will need to be made. The government must play a crucial role to resolve the conflicts and its strategies must be inclusive, consultative, and legitimate.

The current debate on how, or if, to green economies in the Americas is crucial to the future of the region. However, increased knowledge about the impact of pollutants and other toxins on human health and the environment is an opportunity to move green agendas to the forefront. Keeping in mind that the environment is a facilitator of economic growth and human well-being, we need to ask ourselves this question: What individual and collective actions can help us conduct our lives in a way that preserves the environment? Choose one course of action and do it.

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