

## A Cheer for Global Environmental Governance. Then What Happens?

Robert Kuttner's new book *Can Democracy Survive Global Capitalism* is a timely warning that "corporate and financial elites have substantially captured the machinery of the state," as well as governance institutions of the international economy such as the World Bank, World Trade Organization, and the European Union.

The book, endorsed by Nobel economics laureate and former World Bank chief economist Joseph Stiglitz, devotes a whole chapter to the challenges of global governance, with many examples taken from the environmental sector. In Kuttner's view, ideologies emphasizing free trade and market-based approaches to environmental and social issues have mostly strengthened the very forces undermining sustainability and equity in many countries.

Free trade with nations with low environmental and human rights standards imports "the low standards along with the products." Privatization of public services both in developed and developing countries "has often been shown to be less cost-effective, less reliable, and more prone to corruption than . . . public alternatives."

It is mistaken to assert that market liberalization and privatization are either inherently bad or good, but it is certainly the case that the Bretton Woods institutions and other multilateral and bilateral aid agencies have promoted trade liberalization and privatization in many countries with very mixed environmental and social equity results.

The World Bank provides an interesting case study of repeated failures of projects and programs that were supposed to promote "sustainable" forestry, and good environmental and social practice in private-sector mining and fossil fuel power and extraction investments. The bank finally has committed

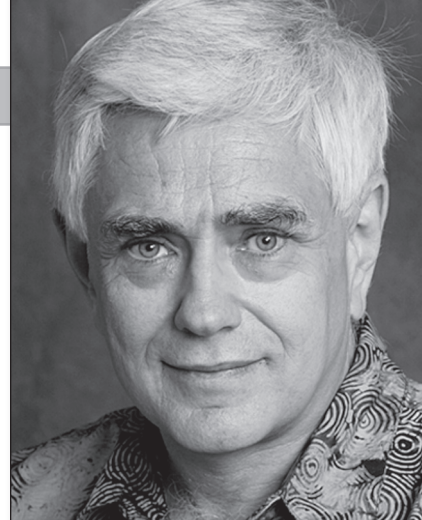
to withdraw from financing oil and gas development after 2019; it has already ceased support for coal power.

Kuttner cites cases that illustrate the limits to the "tempting" notion that, as "markets and corporations have outrun the constraints of national governments," "global civil society as counterweight is a major part of the solution." He examines "the illusion of corporate social responsibility," particularly with respect to the literally "hundreds of monitoring and certification regimes" that NGOs have promoted together with corporations eager to protect their brands from reputational risk.

For example, fair-trade coffee, which seeks to certify social equity and environmental sustainability, covers only around 5 percent of world bean trade. Kuttner maintains it is questionable how much poorer coffee growers actually benefit from the higher fair-trade prices, given the added costs of obtaining certification. Moreover, he argues, premium prices for fair trade coffee have catalyzed more conversion of land to coffee plantations, resulting in increased supply and depressed prices for coffee in general — thus undermining sustainability.

While the Forest Stewardship Council and other certification regimes have, Kuttner concedes, "raised consumer awareness," they have failed to slow deforestation. Citing U.N. Food and Agriculture Organization statistics, he notes that deforestation has increased in recent years to 16 million hectares annually from 13 million in the 1990s. What progress that has occurred, he asserts, is due to political will and better enforcement by national governments like Brazil and Indonesia. In reality the situation is worse: Brazil reversed course over the past several years, and Indonesia's effectiveness in reducing deforestation has long been questionable.

### A skepticism about using market forces to mitigate pollution as a market failure



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Kuttner recounts a temporary "rare story of success," the campaign of environmental, human rights, and anti-corruption groups to tame the bribery and other abuses of international oil and mining corporations: the Extractive Industries Transparency Initiative and Publish What You Pay. The United Kingdom, the United States, and some developing country governments agreed to the initiative, as well as the bank and International Monetary Fund. The 2010 Dodd-Frank Act required U.S. extractive industries to file with the Securities and Exchange Commission public accounts of their payments to foreign governments. But industry lobbying delayed the issuance of implementing regulations, and the Trump administration killed the rules.

Still, Kuttner grants "one cheer for global governance," but concludes only reform efforts through the nation-state can contain markets and constrain financial elites, calling for a progressive populism to counter the prevailing right-wing version. He is skeptical of environmental efforts that "use more market forces to address the growing problems caused by market failure," because they address people as consumers, not as citizens — a view which recalls Aristotle's insight that humans are first political, not economic animals. Kuttner believes binding international conventions are the best solution for global governance. But this ignores the long, problematic record of public international law in securing lasting and effective compliance from nation-states.