

Globalization and the Forest Sector

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Globalization...

- **... is a word of obscure meaning**
 - coined in the 1960s
 - gained momentum in 1990s
- **... is nothing new**
 - departure of homo sapiens from Africa
 - ancient trade with China
 - introduction of the printing technology
 - financial crisis, etc.
- **... the unification of the Eurasian land mass by the Mongols (Findlay, 2002)**
- **... is used with different meanings**



**The nature of the concept
is part of the very confused
public debate on *globalization***

What is Globalization ?

Many definitions exist — globalization is ...

- ... a catch-phrase for often very different economic, cultural and social processes (Hirst and Thompson, 1999)
- ... is a process in which economic agents in any given part of the world are much more affected by events elsewhere in the world than before (Krueger, 2000)
- ... is the free movement of goods, services, labor and capital, creating a single market in inputs and outputs and full national treatment for foreign investors so that, economically speaking, there are no foreigners (Henderson, 1999)
- ... is integration / economic integration / interdependence / interconnections (Lindsay, 2002; Wolf, 2004; DFID, 2005; Dicken, 1999)

Economic Globalization

- **The definition I am using is the integration of economic activities via markets**
- **This *economic globalization*, in turn, has *cultural, social and political* consequences**

Globalization — Internationalization

- **The wider exchanges include:**
 - diffusion of global norms and values
 - proliferation of global agreements and treaties
 - spread of democracy
- ***Internationalization* involves a simple extension of economic activities across national borders and *globalization* is a complex of inter-related processes without an end state**

What Drives Globalization ?

- **Technological changes**
 - communication
 - transport
- **Economic policy changes**
 - liberalization of trade
 - liberalization of foreign investments

What Does Globalization Do ? –1 anti-globalization.com

- It destroys the ability of states to regulate their national economies, raise taxes and spend money on public goods and social welfare
- In the process, it undermines democracy, imposing in its place the rule of unaccountable bureaucrats, corporations and markets
- It amounts to an abdication of power by benevolent democratic governments in favor of predatory private corporations
- It causes mass destitution and increased inequality within and between nations
- It destroys the livelihood of farmers

What Does Globalization Do ? –2

- It deprives the poor of affordable medicines
- It lowers real wages and labor standards and increases insecurity everywhere
- It destroys the environment, eliminates species and harms animal welfare
- It causes a global race to low taxes, low regulatory standards and low wages are imposed in every country
- It permits global financial markets to generate crisis that impose heavy costs particularly on the less advanced economies
- It enshrines greed as the motive-force of human behavior
- It destroys the variety of human cultures



However, Wolf (2004) and DFID (2005) conclude that most of this is not relevant or wrong

But they agree the critics are right on:

- **Institutions that manage the global economy do not work well**
- **Hypocrisy on liberalization**
- **Financial volatility**



So, What Does Economic Globalization Do?

- **It creates *economic growth***
 - implementation of new technologies, opens up for new players, creating new markets, opens up for new ideas
- **It brings *rapid economic change***
 - which always imposes losses as well as gains
- **It creates massive wealth through economic growth**

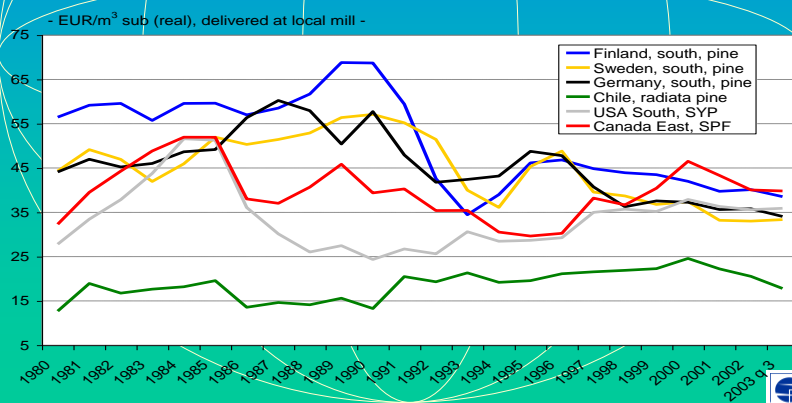
- **It poses a threat to financial stability**
 - Globalization works both ways: it spreads benefits widely in good times but it also transmits economic and financial shocks rapidly around the world
 - The American Viagra Economy
- **It requires effective, open and accountable *international financial systems* as well as better *political institutions***
- **To my knowledge, economic growth and a sound market economy is the only arrangement capable of generating sustained increases in prosperity — globalization needed**
- **But globalization will *substantially shake up the status quo almost everywhere***

Can Globalization Derail ?

- **Pandemics**
- **Natural disasters**
- **Fear of globalization and politicians**

What Are the Indicators of Globalization of the Forest Sector ?

- **Trade versus production**
- **Mergers and acquisitions**
- **Market integration**
- **Enterprise volatility**
- **Foreign direct investments**
- **New players**
- **Emergence of world prices**

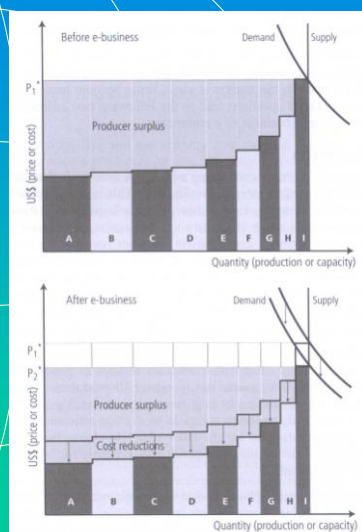


What Are the Forces of Globalization of the Forest Sector ?

- Enter new markets
- Increased market penetration
- Lower production costs

What Does it Mean for the Forest Sector ?

- Relocation of the forest sector from traditional producers in the North to the Southern Hemisphere and emerging economies
- Governance of forest sector enterprises
- Integration of environmental values
- Governance by governments
- Regional development
- Competitiveness



Next Phase of Globalization of the Forest Sector

- ***Requires innovations***
- **Strong networking with new technologies (ICT, nano and bio)**

What Does Globalization in Other Sectors Mean for the Forest Sector ?

- **Agriculture**
 - European cropland reduced by 45% in 2080
 - Grasslands by 50%

Challenge or threat for the forest sector?
- **Energy**

What Does This Mean for MCPFE ?

MCPFE's objective is "sustainable management and protection of forests in Europe and a contribution to the sustainable development of society, with a special focus on the links between society and forestry"
(MCPFE, 2000)

If this objective is going to be reached globalization can not be neglected



MCPFE has to Address a Number of Issues

- **Policy making**
- **Research agenda**
- **Competitiveness**
- **Technological development**
- **Innovations**
- **Global institutions and global financial markets and management**
- **Trade**
- **Social dimensions**



Globalization Requires

- **A new mode of policy making in the sector**
- **Strongly forward-looking**
- **Taking global development into account**
- **Probably a new brand of policy makers**