

## SUSTAINABLE DEVELOPMENT AND GREEN GROWTH: A EUROPEAN PERSPECTIVE

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### Abstract

*The green growth and green economy concept corresponds the environmental concerns, the economy as a whole and sustainable development. The green growth subjects to sustainable growth along with the development of environmental and economic sustainability. The main focus of green growth is concerned with waste minimization, reduction in greenhouse gases, environment friendly production, efficient use of energy and resources, eco-friendly practices, reducing environmental impacts, reuse and recycled products etc. This paper aims to understand the concept of green economy and green growth, and how it will help in attaining sustainable development. The study also focuses on the implementation of green strategy in European countries.*

### Key words

*eco-innovation, green economy, green growth, sustainable development, sustainability.*

**JEL Classification:** M31, Q01, Q56.

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### Introduction

The climate system is becoming intricate as a result of human activities over a hundred years. Increasing globalisation and industrialisation leads to deforestation, expansion of urban areas, increased and fast changes in gaseous composition in environment, increased water and soil pollution, rapid change in greenhouse gases, and the corresponding changes in eco-system such as global warming, climate change, melting of glaciers, droughts etc. (Li et al., 2011; Felton et al., 2016).

An influence of the climate change will continue to increase as world is undergoing rapid changes like globalization and internationalization, technological advancements, upgraded communication and information system, big data analytics, innovative financial and economic system. The challenges ahead are particularly compelled by increasing population of the world, changes in living standards, adverse environmental impact of human activities, scarcity of natural resources (Herrmann, 2010). It is clear that production system of industries plays a significant role because it consume around one third of the primary energy of the world (IEA, 2007). Hence, there is a need of changing present socio-economic development

with more sustainable development which is raised by the change in the micro and macro environment of the businesses, increasing awareness and increase in environmental constraints (Urbaniec, 2015).

The European Union is addressing the ecological problems globally. The European Commission recognised important role in improving the environment quality and quality of life. In 2006, the European Green capital award was formed so as to distinguish the cities that is working towards the environment protection and improving quality of life. These cities become an example for other cities to achieve sustainable development by the use of innovative and efficient practices, and it is identified that the environmental indicators of such cities that received the European Green Capital award is higher than the other cities (Ratas and Mäeltsemees, 2013).

The efficient implementation of sustainable development is linked with significant modification in economic activity, in respect of more integrated and systemic interdisciplinary approach (OECD, 2012; United Nations, 2012). Furthermore, well established partaking processes needed to enable the implementation of long term and short objectives for social,

economic and environmental concerns (Borys, 2011). It is to be taken into consideration that sustainable development is a multifaceted and multidimensional notion, which covers the interdependence of social, economic and environmental order, in socio-economic development, also for the necessity to reserve resources so that future generations can use those (Kates et. al., 2005; Zielińska, 2014).

It is identified that the previous financial and economic crisis led to the decrease of negative impact of human activities on environment. However, the negative environmental impact can again become intensifies as the economic growth will again take its pace. Such concerns have been addressed at the meeting named Green Growth Strategy of the OECD Ministerial Council also termed as the Ecological Economic Growth or Strategy of Ecological Development (Kasztelan, 2017; OECD, 2014; OECD, 2011b; OECD, 2011c; OECD, 2011d).

According to OECD, the definition of green growth is about implementing policies that leads to economic growth and development along with the assurance of protection of natural resources and natural assets that will help in prosperity and development of economy and ecology. The green growth aims at accelerating the eco-innovations and investments on eco-friendly processes and technology that will boost new ecological opportunities and leads to sustainable development (Kasztelan, 2017). This paper addressed the concept of sustainable development that can be achieved through green growth and green practices implemented by an economy. The European countries has implemented such practices and reduced their carbon dioxide emission consecutively. This study will explain the importance of green growth in achieving the sustainable development. The study is focussing on the concept of the green economy , green growth and sustainable development. It describes the policies and processes implemented by the European countries in preserving the environment and to be termed as green economy.

#### The concept of Sustainable Development

The idea of 'sustainable development' was first addressed in Brundtland Report World Commission on Environment and Development from the United Nations in 1987. According to

the Brundtland Report, the definition of sustainable development is "...the development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs". The concept of sustainable development has two main fundamental elements, i.e. sustainability and development which leads to the formation of the concept itself (Klarin, 2012). However, sustainability and development could be in contrast connection, and both could possess potential counterproductive effects (Sharpley, 2000). Although, neoclassical economists highlight that there is no contradiction in development and sustainability (Lele, 1991). In regard to this, Sachs (2008) proposes that, there is no development without sustainability and no sustainability without development (Sachs, 2010).

Sustainable development has created enormous consideration among academicians, businesses and policy makers, for instance, United Nations and European Union (Silvestre and Țircă, 2019). Sustainable development theory has faced numerous evolving phases from the time of its inception. Although, the concept has been accepted in several extents of human activity, but it also confronted several interpretations and criticisms over the time. The definition of sustainable development is among the most cited definitions of the literature (Klarin, 2018). The concept of sustainable development aims to fulfil the needs and wants of human beings in the present without affecting the ability of the future generation to use the natural resources.

A report named "Our Common Future" was published in 1987 by the World Commission on Environment and Development (WCED) which later became well-known as Brundtland Report. This report stated that the worldwide environmental issues are because of the extreme poverty in South region and the production and consumption processes in non-sustainable manner in the North region. According to Brundtland report, sustainable development is defined as the development that fulfils the needs and wants of the present without negotiating the capability of future generations to fulfil their needs (Silvestre and Țircă, 2019).

Green growth and Green economy

At present, the world is facing two most important challenges, for instance, fastest growing population worldwide and its relative impact on the environment. The increased pressure on the environment is needed to be primarily prevented with the external effect's internalisation (Kasztelan, 2017). Due to the scale of existing risks, the key challenges concern issues connected with climate changes. They necessitate undertaking the required preventive measures but the lack of an agreed position in international negotiations concerning the division of burdens made respective countries look independently for possible ways to balance their national paths of economic growth with potential problems, such as environmental pollution and exhausting natural resources. The above-mentioned conditions resulted, among other things, in the emergence of the concept of green growth (Satbyul et al., 2014).

The concept of green growth is associated with the notion of green economy concerned with the overall welfare and justice of the society and simultaneously reducing the negative environmental and ecological impacts (UNEP, 2011). According to OECD, the imbalance on ecosystem caused by the negative impact of economic and social processes induce risk to the development processes and growth of an economy, therefore, formulation and implementation of green growth strategies is important. Also, the natural resources like mineral resources are sometimes undervalued and as a result are not managed properly; thus, put extra costs on economy and leads to the deterioration of the social well-being (Kasztelan, 2017; OECD, 2011b). There is a lack of reliable policies to manage such issues that leads to the uncertainty, keeping innovation aside, and hence it slows down the sustainable development process. Also, the main purpose of the strategies and policies of green growth should motivate the firms and customers to follow more environment friendly activities, and to assign genuine incentive for the development of eco-innovations (OECD, 2014).

Green growth aims at fostering economic development and economic growth with the assurance that the natural resources will be used in sustainable manner, and keep on providing the ecological services and resources to induce

wellbeing and growth (OECD, 2011). Green growth helps in producing sustainable growth and development by making policies and processes of economic and environmental sustainable development into one intellectual policy (Samans, 2013). It is growth that is efficient in its use of natural resources, clean in that it minimises pollution and environmental impacts and resilient in that it accounts for natural hazards (World Bank, 2012). Green economy aims for improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities (UNEP, 2011). The concept of green economy rests on the economy, the environment and the social pillars of sustainable development. A broader concept of 'inclusive' green growth or sustainable development incorporates fully the social sustainability aspects, in particular enhancing human development and the conditions for the poor and vulnerable.

The green business policies and practices have been implemented by many organisations across the globe, as it have value proposition, competitive advantage and societal benefits as well (Yeganeh and Glavas, 2008). The meaning of the term 'green' is mainly associated with something which is environment friendly or natural or having least detrimental impact on ecosystem.

Achieving sustainability through green growth: overview of European countries

The present patterns of consumption and production systems that are based on traditional policies are not sustainable enough because of out-dated technologies. The reason behind exploitation of the environment and pollution is the industrial sector and its role towards society. The rapidly increased industrialization in many countries, land and air pollution became the reason for raising concern about current developmental patterns and its unsustainability. Hence, many changes has been made in the policies, processes, services and products, education system, industrial processes, greening of supply chain management and increase in awareness for environment.

Greening of the supply chain management (GSCM) refers to the responsibility of industries and enterprises to ensure coordination for environmental, social and ethical compliance

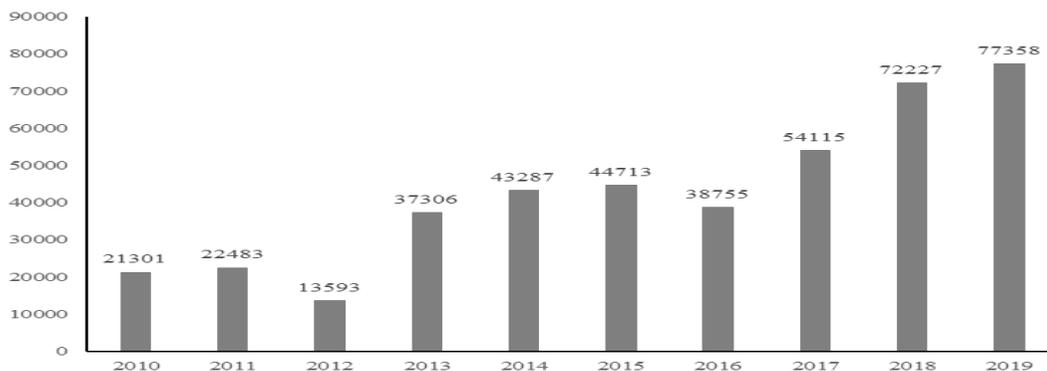
throughout all supply chains. This involves engagement in the green procurement process, which is especially important for large and multinational enterprises that rely on many linkages in their supply chains for products and services. In addition, this not only strengthens customer–supplier relationships, but it also reduces costs on a systemic basis, particularly when externalities are properly integrated into the entire system. Although GSCM still misses numerous dimensions of decision-making at many key societal levels, this added approach can help us to make progress toward sustainable consumption and production (SCP), and can result in a more sustainable value for businesses and communities.

Many societies in the world are more inequitable today than they were ten years ago. Consequently, SCP faces both the challenge of formulating strategies that foster the efficient use of natural resources and technological innovation

toward an improved quality of life; and the pressure of addressing the root causes of the socio-economic dichotomy.

According to the report of European commission, till September 2019, around 1,623 licences of European Union Eco label products have been given to around 77, 358 products including goods and services that are available in the market, and this is almost the double amount of products in 2016. The products with the registered highest number of growth are among textiles, tissue paper, hand dishwashing detergents, paints and varnishes, cosmetics etc. The countries that are in leading position with the highest number of awarded eco label products are Italy, Portugal, Spain, Germany and France. The following graph (Figure 1) shows the evolution of European Union Eco Label products and their licenses between the periods of 2010-2019.

**Figure 1: Evolution of European Union Eco-label products from 2010-19**



Source: European Commission, 2019

The Eco Label is meant to promote the products that have the tendency to reduce the negative environmental impacts and facilitates the engagement of producer towards the sustainable environment, thus, helping the consumers of Europe to differentiate between traditional and healthy and eco-friendly products. This EU Eco Label is a label of environmental excellence and is recognised across the whole Europe. This label is awarded to products that meet the requirement of being environment friendly all through its life cycle, for instance, from raw

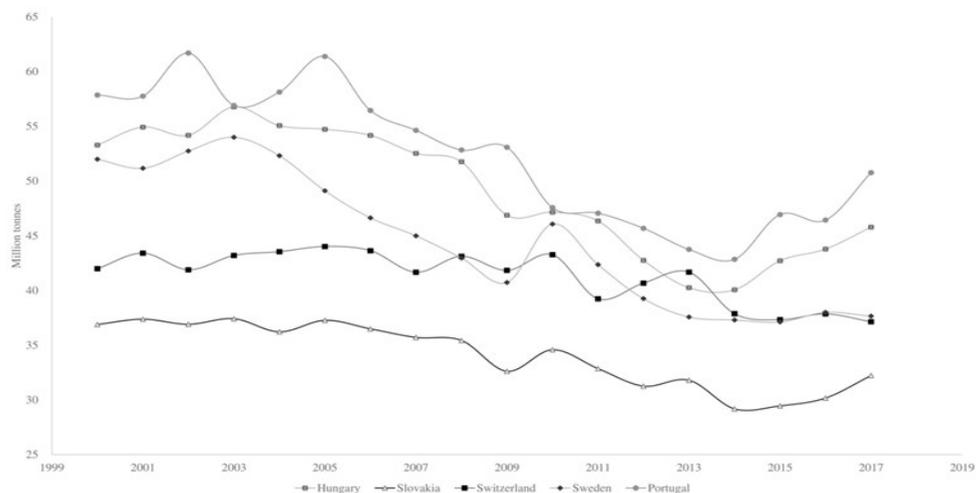
material to production, then from distribution to disposal.

The green growth and changing the economy into green economy helps the country to reduce the environmental pressures and reducing the waste. The decrease in environmental pressure leads to the reduction of greenhouse gases. The greening of economy and respective changes in production processes and supply chain management tend to reduce the emission of carbon dioxide. The following figure 2 shows

the reduction of production based carbon dioxide emission from in some countries of Europe

namely Hungary, Slovakia, Switzerland, Sweden and Portugal from the period of 2000 to 2017.

**Figure 2: Production based carbon dioxide emission from 2000-17 (OECD, 2017)**



Source: OECD, 2017

### Conclusion

As it is stated in this paper, that on-going environmental problems and adverse impact of human activities have created a major concern among policy makers and businesses. The green growth is basically a path towards innovative methods to achieve sustainable development and to gain potential advantage by such industries that are environment friendly and makes better use of present natural resources without posing any hazardous impact on environment. Through eco-friendly innovations and by following the policies of green economy, an economy, firms and companies can use waste reduction technology and also can make best use of waste generated by industries in order to conserve and protect ecology. Green growth encourages the production of environment friendly products to create a market niche for products termed as green products and marketed with eco-labelling and green branding. The main findings of the paper proposed the green growth in European countries over a time and there are many policies of eco-innovations getting implemented that will offer growth and potential to green technologies and eco-friendly processes. The internal and external factors act as drivers or determinants for

eco-innovation, for instance, companies are now focusing on corporate social responsibility and pressure from environment conscious consumers made firms to act accordingly. Among these drivers, government regulation is termed as the most important factor along with external and internal pressure and the need of efficient and cost reducing production.

The study also focuses on awareness among policy makers, consumers as well as companies regarding sustainability and environmental responsibilities. To efficiently support green growth, it is necessary to get access of various incentives and new diversified instruments to stimulate the demand of eco-friendly services and products, which will directly effects the processes of firms and companies to change their production processes and produce in a more sustainable way.

Future studies can analyse in more detailed manner about the practices and policies in green growth and sustainable development. A case study can also give proper information of the barriers and determinants it faced in the adoption of eco-friendly innovation.

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