

## ENVIRONMENTAL MARKET FAILURE AND GLOBALIZATION IN DEVELOPING COUNTRIES

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### **Abstract**

*This paper presents an international view of sustainable development. The paper aims to provide an analysis on the link between openness to trade and economic growth and market failure like externalities. It focuses on the globalization process as the main factor for environmental problems. Albanian economy is exposed to a global economy and after twenty long years is still behind its Balkan neighbor. Albania is making the difficult transition to a more modern open-market economy.*

*International trade has been a major driver of global growth and prosperity over the last century. The empirical literature has taken one of two advantage points. The first one is to analyze the correlation between openness and growth in data sets that cover a large section of developing and developed countries, in the tradition of cross country growth empirics. The second one is to concentrate on country or region-level analytical case studies of economic growth. We believe that this framework will contribute to understand why certain developing countries have made progress, while others have not. Progress has been very impressive for a number of developing countries in Southeast Europe, but progress has been less rapid for other countries like Albania.*

*As a nation we have to think about what future research opportunities exist for us. The scale and scope of future research is an issue that affects our entire society and the next generation. The government has a general role in supporting this discussion, by setting up a dialogue with the community.*

**Keywords:** globalization, developing countries, market economy, environmental, government role

**JEL classification:** O12

## 1. INTRODUCTION

The sensible character of the environmental problem has not been always materialized in a respectful behavior towards the environment. The pressures exerted by human activity upon their environment have continuously provoked mutations within it. The economic system, providing all the means necessary for a modern living standard, needs the support of the ecological system - which is not, actually, a reciprocal need. Environmental economy considers real economy as an open system, the operation of which requires extraction of the necessary resources from nature, their further processing and returning to the nature of a large amount of the consumed and/or chemically transformed resources. But the effects of the economic activities upon the environment are both irreversible and cumulative [Musu L, 2003, p. 172], while the environment's quality influences the economic efficiency.

## 2. GLOBALIZATION VERSUS REGIONALIZATION IN INTERNATIONAL ECONOMY

There are two processes that agglutinate the main phenomena of the world economy:

a) a trend towards uniformity stimulated by productive, financial and communicative forces that configure the globalization process of international economy.

b) a trend towards segmentation directed by a centripetal flow captured in the process of regionalization of the world market (CHESNAUX et al., 1993, pp. 10 and others).

The burden of evaluation is present in the first analytic positioning with regard to the gap opened between the simplified, self-indulging and triumphal viewpoint of international economy as a remarkable "global village" governed by trans nationalized capitalism (as F. Fukuyama would preach) and the relativist point of view, fundamentally skeptical, about an economic order at planetary scale considered as an "open work" or as an object of chaotic processes (according to I. Prigogine). In short, the international economy has, therefore, a wide operational range between the "apotheosis of the market" and the "scenario of chaos". The growing globalization is causing a deep impact on international economic policy and not only due to the widespread influence towards the one that the proposed and/or applied economic policies are lined up. The regionalization process is, in many ways, a consequence of the standardization trend. The regionalization of the world market through commercial blocks constitutes the guarantee of a full international economic liberalization, an objective that transcends the achievement of multilateralism and becomes one of the most active factors in the progress of civilizations. Actually, 75% of the world trade is carried out in the framework of regional agreements of the European Union (EU) and under the Mexico-U.S.-Canada Free Trade Treaty (NAFTA). Without denying the weight of the globalizing trend fostered by the interdependence, regionalization consolidates itself due to the growing dissatisfaction in the last stretches of the debate of Uruguay Round (U.R.) of the GATT; to the North American pretence in defining a commercial space of geostrategic interest; and to the institutional possibilities of a regional formulation of the world trade to represent its own interests in the future international calendar of multilateral negotiations.

The trend towards regionalization responds to the reaction of some countries in front of the final impasse of the U.R of the GATT the uncertainty of which was overcome by U.S. through unilateral pressures, bilateral negotiations (as the agreements with Israel and Canada) or, even, with shared politico-economic actions of bilaterally transacted international trade (remember the parallel objectives of U.S. when its commercial deficit with Japan was negotiated). There is also the interest of an economic power as U.S. in forming its own

commercial block with the formula of the "Initiative for the Americas" it is not only due to the commercial strengthening in front of the EU, the Southeast Asia, Japan, and China P.R. but also to a geostrategic interest in promoting the economic growth of Latin America in a recessive phase of the cycle in which the freezing of inflow of new capitals in the region makes impossible the compliance with the service of the foreign debt accumulated from 1982 and does not guarantee the sociopolitical stability indispensable for the renewal of the declined contract of the "Alliance for the Progress" in the region.

In many aspects, the analytical contraposition: "globalization vs. Regionalization" is debate since the member countries of the international community practice a peculiar "polygamy in which it is attempted to combine the multilateral commercial interests and the requirements of regionalization. An interpretative line of synthesis has taken place, favored by multilateral institutions, in which the mentioned globalization and regionalization processes respond to a common casuistry. The international economic insertion is the result of a politico-economic decision-making process about a remarkable calculation cost-benefit on externalities. External economies, due to the acquired learning from imports of capital goods and of intermediate input with incorporated technology. On the other hand, export externalities that are those that take place in the moment of appropriately satisfying the compliance with the norms of the destination markets, the execution of technical and sanitary specifications, quality controls and the continuous challenges of distribution, commercialization and sale of goods and exported services and that their externalities can be generalized to the remaining processes, products and markets.

The trend to "globalize" the international economy at planetary scale by means of an intensified politico-economic interdependence and productive and financial trans nationalization as well as by means of a free-flowing circulation both of goods, services and communication that clashes, as we said, with another current, of not lesser strength, of "regionalization" of markets through diverse formulation (Asean, Mercosur) that date, the institutionalization of large economic areas of free trade that they accept the challenge of the international competition.

Among the extreme positions of both trends there exist "gray areas" where the specific experiences to be analyzed are located and that respond to a historical and political precipitate of synthesis that could be called as the analytic category "fragmented globalization" of the international economy. The development of this process is on one hand, the analytic relevance of the topic and, on the other, the existence of a considerable degree of uncertainty promoted by the unforeseen course of facts and trends of international economic policy. The long march towards freedom of international trade organized by the leaders of the current economic liberalism slips by a path smoothed out by the neoconservative ideological offensive and the breakdown of the real socialism in Eastern. The paradox appears when, it is necessary to explain the consolidation of regional fortresses of trade, authentic protectionist fortifications in front of third parties that are favored by the defensive neoliberalism of industrialized countries. It is not less surprising, that countries of advanced capitalism are especially fearful of the development of events.

The consolidation of fragmented trade blocks as "icebergs" in the heart of standardizing trends engenders new reasons of restlessness that are, for the social scientist, fruits of analytic interest. From the international economic policy point of view, a practice of subtle is perceived on trying to condition the commercial agreements with restrictive clauses with the excuse of fighting against the "social dumping" or the "eco-dumping" when, in fact,

there are not any political, labor and ecological convictions that could justify a sanctioning position beyond the mere protectionist intendance in the international trade.

### 3. CLIMATE CHANGES AND ITS IMPACTS

Depending on the consideration of adaptation, everyone can distinguish between potential impacts and residual impacts of climate change. There are different impacts in the form of changes in:

- biophysical indicators (e.g., the primary productivity of an ecosystem, snow cover depth) or,
- socioeconomic indicators (e.g., the revenues from ski tourism, effects on the gross domestic product) (Füssel et al. 2006).

We can also see potential economic impacts as a function of the exposure of human (socio-economic) systems and their sensitivity to climatic stimuli. But most of these impacts will lead to economic costs, which are often known as the “costs of inaction” and they are very important to inform the policy debate on adaptation and to identify key areas of concern (EEA, 2007). Only a few studies exist on economic impacts, including the impacts on tourism, mainly on a global or regional scale. For example, a study by Bigano (2006) simulates the effects of development and climate change on tourism. The model predicts shifts in international tourist flows towards higher altitudes and latitudes.

For countries and regions that depend heavily on incomes from tourism climate change could affect negatively but it could bring benefits to places that are currently not popular with tourists. In order to describe the reactions to climate change of tourist behavior, the authors use a statistical model, which helps to see this both in terms of changes in their (domestic and international) numbers and in terms of changes in their expenditure decisions. The first step is to construct a matrix of tourism flows from one country to the next. Secondly, they perturb this matrix with scenarios of population, income, and climate change. Lastly, the resulting changes in the average length of stay and expenditures have been computed.

Currently, the regions including Central and Eastern Europe dominate tourism, with over half of world tourists but only a fraction of the world population. However, their share has been declining over the last 20 years, and will continue to do so. According to the Hamburg Model for most of the 21st century, tourism will be predominantly Asian. The pattern of receipts from domestic and international tourists is different. The model predicts that after 2030 the other regions, but particularly Asia, capture a larger share of the market. While the world aggregate number of domestic tourists hardly changes due to climate change, individual countries may face dramatic impacts that grow rapidly over time. According to the model, currently colder countries will see an increase in domestic tourism; warmer countries will see a reduction.

Aggregate international tourism falls because of climate change, reaching a maximum decrease of 10% below the scenario without climate change around 2025, and edging towards zero after that. Aggregate international tourism falls because more tourists stay in their home country, particularly tourists from Germany and the UK, who make up a large part of international tourism. By 2100, for individual countries, international arrivals may fall by up to 60% of the base value or increase by up to 220% of the base value. Climate change increases the attractiveness of cooler countries, and reduces that of warmer ones. According to the model world aggregate expenditures hardly change, first rising slightly and

then falling slightly. The relationship between current climate and impacts of climate change, however, is a lot noisier for expenditures than for international arrivals and domestic tourists.

#### 4. EXPECTED IMPACTS IN EUROPE

Regarding central and eastern European countries, the majority of tourists are attracted by the culturally important cities, such as Prague, Budapest, Warsaw, Moscow, St Petersburg and the Baltic capitals. From this point of view, the region is less sensitive to climate change. But with rising incomes, tourist centers are increasingly being built and expanded in favorable geographic locations. In the future, parts of these regions will experience climate change. We can mention the Baltic States, characterized till now by cultural and rural tourism, which could attract more seaside tourists. The Polish coast could also benefit. Countries bordering the Black Sea (Bulgaria, Romania and the Ukraine) could also expect beneficial effects from climate change for their regions. Primarily, they could attract seaside holidaymakers away from the hot eastern Mediterranean area, such as Greece and Turkey. Low prices will help this.

Climatic conditions will also improve in Russia, which attracted more than 20 million foreign tourists in 2006 –as many as Austria. Nevertheless, it is usually dominated by types of travel that are highly insensitive to climate. The summer convalescence and health tourism in lake and mountain landscapes is the second most important in Eastern Europe. Lake Balaton in Hungary – the largest lake in central Europe – is, for instance, an immensely important tourist destination in the country.

However, rising temperatures and reduced amounts of precipitation represent a risk for the very shallow lake: increased evaporation would make it even shallower. In the long term, this could interfere with water sports. Winter sports tourism is widespread in a few areas of the Carpathians. However, many of the skiing areas in these countries are at such low altitudes that, like parts of Austria, they could have problems with snow reliability. Nevertheless, winter sports tourism represents only a small part of the total revenues from tourism.

Climate change could increase the touristic appeal of the central and eastern European countries. Only minor effects are expected from climate change though, as cultural tourism, which is not dependent on climate, is more important. Increasing summer temperatures will result in a positive effect for northern regions like the Baltic. However, in many regions summer tourism is still in its infancy. Negative climatic consequences always have particularly serious effects (Heymann E.,2008) where climate-sensitive tourism has a large economic weighting. In Europe, this is in Malta, Cyprus, Spain, Austria and Greece. Even though the climatic effects will not be “life threatening”, the message is however clear: if climate change means that the tourists stay away, there are considerable negative effects on the whole economy.

Among the countries that will experience positive climatic effects, Estonia (partly because of its proximity to Finland), Slovakia, Switzerland and New Zealand are the most dependent on tourism. In the European countries, in Canada and in the USA, tourism is of below average significance. Due to the expected substitution effects, the significance of the tourism industry in many “winning” countries could, however, increase in the coming decades as a consequence of climate change. The graphic shows all the countries that we have investigated in our scoring model, with the exception of the island states in the Indian Ocean

(Mauritius, the Seychelles and the Maldives), Jamaica and the Bahamas. These five countries are also in the group of losers. They are negatively affected by climate change and have a particularly high economic dependence on tourism. For reasons of scale we have not included them in the graphic.

According to our survey, other gainers include the Czech Republic, Slovakia and Estonia. It must be pointed out that the predominant forms of travel in these countries are less climate sensitive than for instance in the Mediterranean countries. The Hamburg Tourism Model predicts drastic differences across the countries in the world. Thus, a closer look on expected impacts in Europe is necessary. There are studies about the whole continent, as well as about specific regions (mainly the Alps and Mediterranean) covering both the effect on summer and winter tourism. The major effects that could be expected are summarized in Table 1.

*Table no. 1 Potential effects of climate change on economic activity in the tourism sector*

<b>Geographical location</b>	<b>Main climatic drivers</b>	<b>Expected potential impacts on economic activity</b>	<b>Level of confidence</b>
Nordic regions, Eastern Europe	Rising temperature, changes in precipitation	Positive impact on tourism demand	Medium
Mediterranean regions, costal resorts	Rising temperature, changes in precipitation, sea level rise	Negative impact on tourism demand during summer	Medium
	Rising temperature in summer	Negative impact on tourism demand during summer, positive impact in spring and autumn	Medium-low
Low altitude mountain resorts	Rising temperature, changes in precipitation	Negative impact on winter tourism activities	Medium-high
High altitude mountain resorts	Rising temperature, changes in precipitation	Possible positive impact on snow-related activities	Medium

There are no specific studies about the economic impacts on the tourism sector in Bulgaria; however, we can draw some general conclusions from the table above. It is quite probable that the traditional mountain winter resorts at low altitudes and summer destinations on the Black sea will suffer from uncomfortable tourist conditions, while new destinations in the countryside offering alternative forms of tourism and summer mountain vacations might benefit from climate change.

The expected adverse effects on the beach tourism on the Black sea are confirmed also by the PESETA project. The project makes a multi sector assessment of the impacts of climate change in Europe for the 2011-2040 and 2071-2100 time horizons, firstly, by assessing the physical impacts and, secondly, by valuing them in monetary terms. However, the purpose of the study is not to give single values of damage or impact of climate change, but to explore the plausible ranges of climate change impacts.

The tourism study aims at modeling the major flows of tourism in Europe so that the influence of the climate is explicitly considered. Coastal tourism, a dominant segment of the tourism market, has a marked seasonal and spatial concentration. In PESETA project the climatic suitability for general summer tourism purposes is expressed as an index, the Tourism Climate Index (TCI), comprising the climate features temperature, humidity, sunshine, rain and wind. Monthly climate data is used with a spatial resolution of 12 km. The maps represent summer conditions (June, July, August). The main information these maps provide is the direction of these shifts. Some regions see their climatic attractiveness improve in summer, with other regions (such as the Balkans) facing deterioration.

There are significant shifts in the climatic suitability for tourism, with the belt of excellent summer conditions moving from the Mediterranean towards northern Europe. In the shoulder seasons (spring and autumn, not shown here), TCI scores are generally projected to increase throughout Europe. The authors point out that the maps only provide projections of climatic suitability patterns, and not of the economic significance of climate change for tourism. The study is based on only one emission scenario and one climate scenario, also does not take into account extreme weather events.

Winter tourism is a special topic of research interest. Studies show that there is a statistically significant trend in snow-cover reduction in the Alps over the recent years. A number of authors study the impacts of climate change on winter tourism especially in Austria and Switzerland.

There is another model (Breiling and Charamza, 1999) which has to do with the seasonal snow cover depth related to altitude and develop a regionalized model for Austrian snow conditions. The snow model covers three steps. In the first step the authors have modeled the relation of snow to temperature and precipitation at each snow station under consideration. In the second step they have modeled the best fit of all stations to a regional dependence of snow cover and altitude. In the third step they have used a scenario for temperature and precipitation change and computed a new snow-cover depth. Then they have looked at what altitude they find this snow-cover depth today. At about 2000 m altitude a warming of 2°C does not seem problematic concerning the amount of snow. The authors predict that at this degree of warming almost half of the annual values of snow will remain in the range of 1965 to 1995 values. Thus, in Austria they could occasionally find good winter seasons, but they cannot count on a regular appearance like during 1965 and 1995. In fact, according to the authors it is the frequency of good and bad seasons that will determine the future of resorts. The development of Austrian winter tourism and skiing infrastructure during the last 30 years was changing in accordance with the decade temperature variation.

Analysis of the Impact of Climate Change on Tourism in Some European Countries 279 was a relatively cold one. At that time an expansion of ski lifts occurred. The period 1985-1995 was considerably warmer. Most winter resorts had snow problems during this time, many of them serious ones. Artificial snow making became popular. Breiling and Charamza point out that just 0.8 °C warming necessitated strong adaptation and the impact of 2°C warming could leave only a few locations suitable for winter tourism and skiing – restricted to high altitudes.

The impacts of snow-deficient winters at the end of the 1980s on the winter tourism industry in Switzerland have been examined by Koenig and Abegg (1997). The study shows that ski areas in lower areas suffered severe consequences. The authors assess the snow reliability of ski areas assuming the 100-day rule. This rule states that to operate a ski area with profit, snow cover sufficient for skiing (i.e. 30cm) should last at least 100 days per season

(between the first of December and the end of April). Different studies showed that most of the Swiss ski areas above 1200m have matched the 100 days-rule in the past and that a minimum altitude of 1200m ('line of snow-reliability') is required in order to operate a financially viable ski industry under current climate conditions in Switzerland. If significant atmospheric warming were to take place (+2°C) the snowline in the Central Alps would rise by 300m. The study shows that 85% (195 of 230) of the ski areas in Switzerland are snow reliable at present. If climate change should occur as outlined above, the number of snow reliable ski areas would drop to 144 (= 63%). The corresponding figures for single ski lifts are 40% and 9% respectively. On a regional level stronger consequences could be expected. This is likely to threaten the regionally balanced economic growth in Switzerland which has provided winter tourism. A number of studies cover also other climate related consequences that are likely to affect tourist flows, e.g. water shortages in southeast Mediterranean, threats to cultural heritage, biodiversity (see summary in EEA, 2007).

There is another project of CLAVIER which is supported by the European Commission under the Thematic Sub-Priority "Global Change and Ecosystems". Researchers from six countries and different disciplines investigated linkages between climate change and its impact on Central and Eastern Europe (CEE). Three representative countries are studied in detail: Romania, Hungary and Bulgaria.

Different nations in Central and Eastern Europe (CEE) face triple challenges of the ongoing economic and political transition, continuing vulnerability to environmental hazards, and longer term impacts of global climate change. Although there are useful studies on a European level, studies based on detailed regionalized climate models for CEE considering especially the economic impacts of climate change are lacking. This project addresses these scientific goals:

1. Investigation of ongoing and future climate changes and their associated uncertainties in Central and Eastern European Countries (CEEC)
2. Analyses of possible impact of climate changes in CEEC on weather pattern and extremes, air pollution, human health, natural ecosystems, forestry, agriculture and infrastructure as well as water resources
3. Evaluation of the economic impacts of climate changes on CEEC economies, concentrating on four economic sectors, which are agriculture, tourism, energy supply and the public sector.

In the framework of this project, ongoing and future climate changes are analyzed based on existing data and climate projections with very high detail to fulfill the needs of local and regional impact assessments.

CLAVIER project is divided into several work packages (WP).

*WP1: Climate change simulations and assessment of uncertainties*

*WP2: Optimized input data for climate impact studies from regional climate models*

*WP3x: Impact studies*

*WP4 Economic Vulnerability of CEE societies and economic impact assessment*

The main objective of WP4 is to evaluate the economic impacts of climate change in Romania, Hungary and Bulgaria on tourism, agriculture, energy and the public sector. Romania is going to study climate change impacts on winter tourism at the Carpathians and summer tourism at Constantza. The Bulgaria takes part in the WP4 with the task to investigate climate change impacts on winter tourism in the resort of Bankso, Borovets and Pamporovo and on the development of the regions where the resorts are located. Hungary is engaged to study the tourism impact Lake Balaton. In the CLAVIER project, three different



regional climate models are used to form a small model ensemble. With each of these models, a simulation of a past period from 1961 to 2000 and a long transient simulation for the hundred years of 1951 to 2050 were carried out. This combination is designed to evaluate the uncertainties existing in the different stages of regional climate change information.

There are four economic sectors of particular interest to evaluate the economic impacts of climate changes in Romania, Hungary, and Bulgaria: agriculture, tourism, energy supply and the public sector. It is also analyzed the risk transfer mechanisms and institutional settings that can deal with economic risks, e.g. from flood events or droughts.

The study areas selected in Romania are different for winter tourism (the Prahova Valley and the limitrophe mountain region Bucegi Mts) and for summer tourism (Southern littoral region, between Constanța and Vama Veche – Constanța County). Based on the findings of the case studies, the influence of climate change scenarios on the national economies will be estimated and conclusions on the overall macroeconomic relevance of the studied phenomena will be drawn.

## 5. ENVIRONMENTAL POLICY AND THE STRATEGY FOR SUSTAINABLE DEVELOPMENT

For times economic theory has ignored the effects of the economic development on the environmental medium. The first economists to correlate the economic progress with technological advance and population's growth, was the classical ones and so a problem of "limited development" was raised. Malthus was concerned with the absolute limits, asserting that as the economy develops, the population's growth exceeds the "subsistence means", the inevitable result of such a situation being the "zero growth", while Ricardo, discussed the relative limits. In his opinion, they were imposed by the cost of resources which, as they were consumed, got reduced and, consequently, they should have been substituted by low-quality ones, the cost of which was, nevertheless, higher. Marx considered that economic development may be limited by certain social and political factors.

After analyzing the effect of the modern economic system's development upon the generations to come, the idea of social limitation has been reconsidered in the '70 when, as a result of the decline of the morality criteria in the contemporary society, restrictions of ethical nature have been introduced, as well. John Stuart Mill believed introduced the idea of a constant "stock" of fixed and human capital, an idea that was to become - in the modern epoch - the rule for a sustainable economic development ("the constant capital"). Some got preoccupied by the environment's condition and by its turning to good account at either national or international level, but they were ignored by their own contemporaries [Turner K. R., Pearce W. D., Bateman I., 2003, p. 16], although some of their messages are still valid.

From the other hand, the neo-classical economic theory prefers the analysis of economic systems in which market's balance and the exchange values were prevalent, and which encountered difficulties when the social and the individual interests became divergent [Prodi R., 2003, p. 205]. The natural resources were considered inputs external to the economic system. Part of them were non-economic goods, while, for the others (labor excepted), price reflected their degree of rare occurrence, The negative effects exerted upon the environment by the human activities have been ignored by the representatives of this school, however, the economic growth induced the innovation which apparently drew the attention of the economists in those times. Instead, the developed countries began to appear the first "green points" and the first elements of environmental policy, both re-named by the term of 'ambientalism'.

The polluting emissions released in the atmosphere are irreversible, generating unavoidable external effects, which require certain types of interventions from the part of the governments. Later on, it was to be seen that no governmental intervention may act as a panacea for solving the environmental problems, while the failure of some of these measures may even grew worse the environmental crisis. Increasing of the industrialized society's awareness as to the gravity of the environmental problems led, in those times, to the creation of some new ambientalist ideologies, which were definitely oriented against economic growth. Nevertheless, such ideologies have been manifested only in the industrial countries of the nor then part of the planet, the developing countries from the south being oriented towards the satisfaction of their fundamental needs, environmental policy being considered as a luxury they cannot afford.

It is now provoked a re-orientation of the environment thinking, while the term "sustainability" came to be used in quite various contexts - such as World Conservation Strategy. It expresses the environment's capacity of "sustaining" economy, of making economy "sustainable". Sustaining of the economic system does not mean, only economy's keeping alive, but equally, its development [Mauri D., Valentini T.D., 2003, p. 6], this latter term being understood as a "vector" of objectives or grievances that coincides with the aspirations of the society, companies and individuals. Development becomes sustainability when the development vector is non-negative over an infinite time horizon. Sustainable development, created by the end of the '80, is now present in the main international agreements and regulations. Sustainable economic development is therefore defined as "the development that satisfies the necessities of the present generations, without compromising the expectations of the coming ones for satisfying their own needs."

This does not assume an immediate connection between economic development and the environment. It is based on the concept of "necessity", which leads one towards the understanding of economic development as a means for improving life's quality. The quality of the environment is the essential characteristic of the quality of life in a certain society, therefore becoming the essential characteristic of the economic development's quality. So, the interdependence between the objective of economic development and that of environment's conservation becomes explicit [Moro B.s 1977, p. 31].

According to a classic approach, the effects of environmental deterioration as a result of the economic development are viewed as negative externalities or as effects quite difficultly included in market transactions, if considering that the environment is a public fortune, upon which no right of property, changeable at market price, may be exactly defined. In a modern approach, the essence of sustainable development refers to the environment's capacity of fulfilling a double economic function, i.e., supplier of utilities, both as an important element of life's quality that should be preserved as a source of services for production and consumption, which should be exploited.

The exploitation of an environment resource produces short-term advantages (increase of the profit or of the labor force's occupation degree) and, equally, negative externalities. In a classical conception, the optimum exploitation of a resource occurs when the increase of profit, as a result of exploitation, is equal to the marginal prejudice associated to the negative externality. However, the modern economic systems do not have the guarantee that an ecological optimum corresponds to the economic one. When the current exploitation of an environmental resource exceeds its regeneration capacity, the stock of resources tends to be diminished, which produces a loss materialized in more reduced possibilities of utilizing the resource stock - in terms of life's quality - both by present and future generations, causing deterioration of the optimum situation. Thus, the present generations should transmit to the

coming ones a stock of resources (capital) non-inferior to that available to it (according to the rule of the constant capital). Considering that the natural resources represent a capital which, once diminished, is not perfectly replaceable by other forms of physical capital, as they perform essential functions for human species' survival, they should be preserved.

The new concept of development, including 3 equally important (economic, social and ecological) factors, involves necessarily harmonization of the economic growth with other elements of major importance, such as: increase of the qualitative level of population's life, alimentary and energetic security, environmental protection and rational turning to good account of the natural resources. Nowadays the organization is viewed as playing the main role in assuring sustainable development. The company's activities should be performed so that to preserve the environment and, the community. At the same time, the companies are subjected to an ever increasing pressure from the part of some external (international organisms, the European Commission, public administrations, non-governmental institutions, business partners, etc.) and internal subjects (share- and stake-holders, employees, syndicalists, generally defined as stakeholders, who require, by means of various "instances", to know and evaluate the company's position as to its sustainable development, the more so that the stakeholders themselves have a part to play in sustainable development.

To include the objective of sustainable economic development in their strategy, are financial institutions too, even if their activity is apparently neutral both towards environmental aspects and social responsibility. The signals of such responsibility of the financial institutions have been materialized in the fact that a significantly high number of financial institutions, especially from the Anglo-Saxon countries, have adopted environmental and social criteria of selection for the companies, in which they invest, by the acquisition of actions and obligations. This represents a kind of "lens" through which one may individualize:

- a) the companies exposed to environmental risks;
- b) the companies characterized by a high degree of conflicting either with their employees or with the local community;
- c) the companies having the necessary potential for supplying ecological products and services.

And this represents a way of attracting new customers. Finally, we can say that to evaluate correctly the positive or negative impact of a company upon sustainable development, we must consider economic development, profit generation, and jobs; social development, as a token of welfare and regard of the human rights; environmental development, assumed to assure protection of the natural resources and the ecosystem's capability of absorbing and tolerate pollution.

## 6. CONCLUSIONS

Traditional economic growth is not sustainable. This means that some patterns of economic growth should be elaborated based on the sustainable utilization of the renewable resources and on a lower extent on a high-level technology. The total subordination of the environmental system to the economic one is the base of the modern economic theory. While the world aggregate number of domestic tourists hardly changes due to climate change, individual countries may face dramatic impacts that grow rapidly over time. A number of studies have shown that climate change could negatively affect countries and regions that depend heavily on incomes from tourism and could also bring benefits to places

that are currently not popular with tourists. The economic and societal relevance of climate change for tourism will crucially depend on adaptation strategies. This calls for more detailed studies about economic costs of climate change and the costs of adaptations on local level (region, municipality, single tourist resort) and secondly – for developing new policy frameworks at a European and regional level. However, despite the challenges sufficient information is available to start with action now.

The concept of sustainable development is based on three inter-conditioned principles. The first one refers to social equity, understood as intra- and inter-generations impartiality, equity between Globe's north and south parts. The second principle refers to environmental protection - viewed as safeguarding and preservation of natural resources and environment's quality. Finally, the third principle is that of economic competitiveness, meaning the economic systems' capacity of creating richness for all citizens, on respecting the environment. So, sustainable development remains a political concept that should respond to some profound social exigencies, aiming at defining - by means of local, national and global environmental policies - the limits within which the activity of the economic subjects should be placed.

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