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Former U.S. Trade Reps warn on climate bill's trade impact

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In a letter and carefully worded "Statement of Principles on Climate and Trade," four former U.S. Trade Representatives – Clayton Yeutter, Susan Schwab, William Brock, and Carla Hills – jointly warn that "it is imperative that actions taken on climate change be compatible with global trade rules."

In their Statement of Principles, the four USTRs write that the challenge of curbing greenhouse gas emissions calls for "an extraordinary degree of multilateral cooperation." They say the goal of the United Nations climate change Summit being held in Copenhagen this December should be "to design a regimen that avoids disguised protectionism, the use of impermissible subsidies, improper discrimination, or costly economic distortions." They add that "Legislative or regulatory actions, taken by us or any other participant nation between now and the Summit, should foster and facilitate achievement of that objective, not detract from it."

The former USTRs note that "There are two basic approaches to limiting harmful emissions: carbon taxes and cap-and-trade programs, the latter having been selected by the House of Representatives in its recent legislation." Rather than throw their weight behind any one option, the four call for a flexible approach: "As former U.S. Trade Representatives we do not endorse a particular set of policy choices to deal with climate change. . . This is not a situation where the 'best path' is at all clear. And even if we can eventually discern the optimum path for the U.S. that path may not provide a 'one size fits all' outcome for many other countries. One of the great strengths of the GATT/WTO over the past 60 years is that fundamental trade rules to which all member nations agree do not preclude creativity in approaching challenges, nor require identical policies or actions in doing so."

The USTRs acknowledge the risk of "leakage" or the loss of "production and jobs if other countries refuse to participate in a global program, or agree only to emissions reductions unsatisfactory to us." But in a specific warning to Congress, the four conclude that "the Congress needs to give the Administration the authority, flexibility and support to negotiate mutually satisfactory outcomes with the recalcitrant nations. A 'stick

approach,' unilaterally applied through legislation, is, in our view, destined to fail. One cannot legislate what must be negotiated.”

The letter and Statement of Principles were faxed August 18th to:

- All members of the Senate.
- The House leadership including Democrats Pelosi and Hoyer and Republicans Boehner, Pence and Cantor.
- House Committee Chairs and Ranking Members including Democratic Chairs Peterson (Agriculture Committee), Waxman (Energy & Commerce), Rangel (Ways & Means), Markey (Energy Independence & Global Warming), Levin (Ways & Means Trade Subcommittee); and Republican Ranking Members Lucas, Barton, Camp, Sensenbrenner, and Brady.
- Administration officials Carol Browner as Advisor to the President for Energy & Climate Change; Lawrence Summers as Head, National Economic Council; Gen. James Jones as Head, National Security Council; Ambassador Ron Kirk as U.S. Trade Representative; Thomas Vilsack as Secretary of Agriculture; Gary Locke as Secretary of Commerce; and Steven Chu as Secretary of Energy.

The USTRs' letter and Statement of Principles follow:

Enclosed is a Statement of Principles on Climate and Trade that we, as former U.S. Trade Representatives, respectfully submit for your consideration. We hope it will be useful as you craft legislation on this very challenging issue. As you well know, it is important to carry out that task in a way that will encourage other nations to follow our lead.

All of us have confronted similar challenges in the trade arena over the past three decades. Since it is imperative that actions taken on climate change be compatible with global trade rules we hope our Statement will be of value as you proceed with your deliberations.

Respectfully,
Clayton Yeutter
Susan Schwab
William Brock
Carla A. Hills

Statement of Principles on Climate and Trade

As former U.S. Trade Representatives we offer this Statement of Principles to U.S. policymakers grappling with the issue of curbing greenhouse gas emissions.

Climate change is a global environmental challenge. To meet it the world will need an extraordinary degree of multilateral cooperation. The locus of international negotiations will be the UN climate regime, but other multilateral and regional organizations can and should play complementary roles. For example, the Doha Round negotiations under the auspices of the World Trade Organization (WTO) seek to liberalize trade in environment-friendly technology and services. If successful, these negotiations will make a positive contribution to the climate change picture in

that the new products, technologies and services will be more broadly adopted throughout the world.

There are a number of instruments available to governments in addressing the hazards of climate change. Much of what might be done can take place without significantly impacting the multilateral trading system or requiring the amendment of existing trade agreements. But some climate-related policies could have an adverse effect on global trade, transborder investment, or even on intellectual property rights.

As policymakers here and elsewhere craft measures for climate change it will be important to do so in a manner consistent with international rules, including those governing trade. The WTO accords, constructed over more than half a century by the U.S. and other major trading nations, are a useful reference for action in the climate arena. Those who are negotiating global climate change accords will find it helpful to review how trade agreements affecting scores of countries have been successfully concluded.

By working together officials dealing with climate change should be able to design a regimen that avoids disguised protectionism, the use of impermissible subsidies, improper discrimination, or costly economic distortions. That in fact should be the fundamental objective of the Copenhagen Summit, to be held in December. Legislative or regulatory actions, taken by us or any other participant nation between now and the Summit, should foster and facilitate achievement of that objective, not detract from it.

There are two basic approaches to limiting harmful emissions: carbon taxes and cap-and-trade programs, the latter having been selected by the House of Representatives in its recent legislation. Our global competitiveness will obviously be affected by how we structure either of these programs, and by whether we act unilaterally or persuade our major trading partners to proceed in a similar way. We have an opportunity to focus on the latter challenge as we and other nations prepare for the Copenhagen meeting.

We need not, however, ask that everyone confront the challenge of greenhouse gas emissions in the same way. Nor should we insist that everyone do it our “our way.” This is not a situation where the “best path” is at all clear. And even if we can eventually discern the optimum path for the U.S. that path may not provide a “one size fits all” outcome for many other countries. One of the great strengths of the GATT/WTO over the past 60 years is that fundamental trade rules to which all member nations agree do not preclude creativity in approaching challenges, nor require identical policies or actions in doing so.

The American public is obviously concerned about the potential “leakage” of production and jobs if other countries refuse to participate in a global program, or agree only to emissions reductions unsatisfactory to us. Those are legitimate concerns, but the Congress needs to give the Administration the authority, flexibility and support to negotiate mutually satisfactory outcomes with the recalcitrant nations. A “stick approach,” unilaterally applied through legislation, is, in our view, destined to fail. One cannot legislate what must be negotiated.

As former U.S. Trade Representatives we do not endorse a particular set of policy choices to deal with climate change. Nor do we wish in any way to discourage our government and other governments from taking steps to reduce greenhouse gas emissions. We do recommend that policymakers with responsibility for this issue consult closely with their trade officials in order to achieve policy coherence. It is particularly important to do so between now and the Copenhagen Summit. Otherwise we run the risk of reaching a climate change agreement incompatible with trade rules that have contributed greatly to our economic growth over the past six decades – and other nations may do the same.

Finally, each of us can attest to the value of our having an agreed set of negotiating objectives, established through coordination with key Congressional committees, as we negotiated trade agreements during our respective tenures. We believe that model serves the country well so we respectfully suggest a similar approach for climate change negotiations.

Based on our own past experience as U.S. trade negotiators we stand willing to assist the Congress and the Administration in any way possible as the world confronts this complex international issue.

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