

Trade Talks Can Follow Path of Paris Climate Change Agreement

While I was in Paris for the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change, I reflected on the process that had led to the then-emerging Paris Agreement (about which I will write in a future column). My Harvard colleague Robert Lawrence, a leading international trade economist, was back in Cambridge. He and I concluded that international trade negotiators could benefit by observing the progress that had been made in Paris. This led to an op-ed that appeared in the *Boston Globe* on December 7.

For many years, climate negotiators have looked longingly at how the World Trade Organization was able to negotiate effective international agreements. But ironically, the Paris climate talks and the WTO negotiations, which took place the following week in Nairobi, led to the opposite conclusion. Trade negotiators can emulate the progress made in the climate change agreements by moving away from a simplistic division between developed and developing countries.

For years, global climate change policy was hobbled by this division. In the Kyoto Protocol, only developed countries committed to emissions reductions. Developing countries had no obligations. The stark demarcation made meaningful progress impossible, partly because the growth in emissions since the protocol came into force in 2005 has entirely been in the large developing countries. Even if developed countries were to eliminate their CO₂ emissions completely, the world cannot reduce the pace of climate change unless countries such as

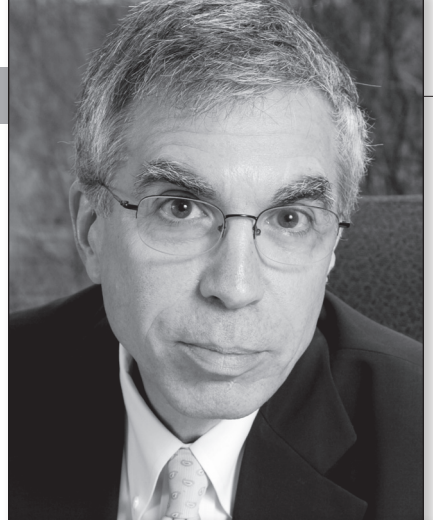
China, India, Brazil, South Korea, South Africa, Mexico, and Indonesia take meaningful action.

The WTO negotiations, launched in 2001 in Doha, have remained at an impasse because of similar problems. They are tied up because nearly all the obligations assumed by WTO members depend upon whether they claim to be developed or developing. And since countries are allowed to self-designate, countries such as Singapore, South Korea, and the Persian Gulf oil states seek to be treated the same as Ghana, Zambia, and Pakistan.

When developing countries accounted for a relatively small share of world trade, it was easy to grant all of them special treatment. But it has become impossible for developed countries to agree to additional liberalization without meaningful market-opening concessions by the large emerging economies, which will account for the majority of world trade growth in the future. Even though some have already liberalized unilaterally, many of these countries avoid making concessions at the WTO by claiming treatment as developing nations.

In the climate arena, the big break came in Durban, South Africa, in 2011, when countries agreed to achieve an outcome that was applicable to all parties. In Paris, the countries of the world adopted the Paris Agreement, which includes bottom-up elements in the form of Intended Nationally Determined Contributions — national targets and actions that arise from domestic policies and circumstances — and top-down elements for oversight, guidance, and coordination. Now all countries are involved in pro-

Trade negotiators could benefit by observing the progress made in Paris



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tecting the climate system “on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities.”

Whereas the current commitment period of the Kyoto Protocol covers countries (Europe and New Zealand) that account for no more than 14 percent of global emissions (and zero percent of global emissions growth), INDCs submitted for the Paris Agreement cover 186 countries, representing 96 percent of global emissions. This dramatic, path-breaking expansion of the scope of participation is the key reason for optimism about the agreement.

In the trade sphere, a similarly nuanced approach with differentiated responsibilities that reflect different capabilities could be adopted by the WTO. Instead of all countries having to subscribe as either developed or developing countries, the WTO could finally move beyond the North-South divide that is embodied in almost every draft proposed in the current Doha round.

The climate talks have shown that simplistic classifications of countries are a prescription for impasse. Unless the WTO learns this lesson, it may become increasingly irrelevant, as coalitions of the willing turn to regional agreements to make what progress they can on international trade liberalization.