



Dialogue on
Globalization

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Multi-Stakeholder Dialogue V
Friedrich-Ebert-Stiftung &
Evian Group at IMD

Trade and Climate Change: Confrontation or Collaboration?

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Summary Report

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Introduction: The Evian Group, in collaboration with the Friedrich-Ebert-Stiftung, convened for the fifth successive year a Multi-Stakeholder Dialogue from the 3rd to the 5th of October at IMD. It included 60 academics, WTO negotiators, entrepreneurs and civil society representatives from the North and South. This year's dialogue focused on the inter-linkages between trade and climate change. The aim of the meeting was to critically review the problems of global governance mechanisms and assess the uncertainties surrounding the organisational structures to deal with adaptation and mitigation. Climate change and human development are intrinsically linked and represent in tandem the most important challenges of the first half of the 21st century.

The Dialogue was held under the backdrop of a severe financial crisis, which was a reminder, if needed, that market failures left unattended for too long become extremely expensive to fix. The looming threat of a global recession will have important consequences on the manner in which governments and businesses approach the upcoming multilateral UNFCCC summit to be held in Copenhagen in December 2009 during which the negotiations on a successor to the Kyoto Protocol are to be finalized. While many managers will understandably be worried about the economic sustainability of their businesses in the present downturn, the environmental sustainability of their operations remains just as vital. Most governments will find themselves juggling between the short-term demands of a population confronted with economic hardship and the medium- to long-term commitments of greenhouse gas emission reductions. There is nonetheless an opportunity to get out of this hole via a burst of growth through innovation and investment in decarbonisation. With the hard science of harmful anthropogenic intrusion into climate patterns commonly accepted – albeit on a ladder stretching from minority but influential sceptics, to scientists who challenge the incremental view of the mainstream consensus embodied by the IPCC –, the economics and politics of climate change now lie at the heart of global policy discussions. Few of these discussions are immune from controversy.

There has been a remarkable rise in the debate on climate change over the past few years yet there is a mounting concern that none of the major ways we are taking to try and tackle the problem are sufficiently effective. This stems in part from the absence of political will in industrial countries who have the responsibility to take the lead, a general discourse based on fear and recrimination rather than a positive set of values and outcomes, and the difficulty in mobilising popular support and lifestyle changes to confront a unique situation: that of dealing with a potentially disastrous future which has not yet occurred and where the reason to confront it is to ensure that it does not occur. A lot of it has to do with the assessment of risk and the balance to be found between states and markets. There are considerable political and economic problems associated with this, both at the national and international level, which can help explain the disappointing level of global cooperation in finding coordinated solutions to mitigation and adaptation. The Multi-Stakeholder Dialogue is a contribution to the development of platforms in working out a framework of understanding.

Is Copenhagen possible if we fail the Doha Development Round?

If it succeeds the UNFCCC Copenhagen summit in 2009 (COP 15) could be the most important multilateral gathering since the Second World War in terms of shaping the future of the planet. It is intended to be the culmination of the two-year roadmap of negotiations agreed to in Bali with the aim of producing a post-Kyoto framework. This deadline has been set by the United Nations in order to give sufficient time to governments to ratify the new treaty before it comes into effect in 2013. There was an overall consensus at the Multi-Stakeholder Dialogue that present omens for success in reaching a global international agreement in 2009 to substantially limit present and future emissions are not particularly encouraging.

There are four central problems that have to be addressed in the lead-up to COP 15. The first is the extent to which carbon emissions must be curtailed in order to avoid dangerous climate alterations. A consensus is emerging that a 50 percent reduction at the global level by 2050, with 1990 as a base date (a source of contention in itself), would allow the stabilisation of GHG concentrations at around 550 parts per million of CO₂ equivalent, which should keep temperature rises below a manageable 2 degrees Celsius.¹

The second problem is that of setting mid-term goals for binding national targets in Annex 1 (developed) countries by 2020. The change of leadership in the United States offers hope that this can be achieved although there is still plenty of recalcitrance in Japan, Canada and a number of European states.

The third and most disputed element of a global agreement is the level and timing of obligations to be made on emission reductions between developing and developed countries. This cuts through the inequity of the climate conundrum in terms of responsibility and impact. It will have a strong influence on policy negotiations, with China and India especially vocal as fast-growing and high-emitting economies (on a national and not per capita basis). Short-term sectoral agree-

ments in energy-intensive industries could prove to be a tough arena.

The fourth element is related to finance and the mechanisms to facilitate adaptation and mitigation in developing countries. Some of the more difficult issues are deforestation, intellectual property and clean technology transfer, aid commitments, the future structure of the global carbon market and reform of the Clean Development Mechanism.

The main lesson to be drawn from the numerous setbacks encountered by the Doha Round of multilateral trade negotiations is that trust and credibility will define the nature of involvement in the climate change negotiating process. They will not suffice though: mutual benefits will also be an essential driving factor. The current failure of Doha, unhelpful as it is, does not necessarily entail a similar fate for Copenhagen as the two are only indirectly linked (with some highly charged trade issues at the centre of Copenhagen). Although the economics and time horizons are different, an analogy can be made in that without shared confidence and belief that an agreement is within reach, and that this agreement will be fair and flexible, the prospects for success and serious negotiations are slim. The pressures to honour commitments and conclude Copenhagen rapidly will be greater than in the Doha Round, but the adjustment to alter energy patterns, adapt and decarbonise economies will be considerably higher.

There is a central injustice to the climate change dilemma whereby developing countries find themselves confronted with a situation that is not of their making. Yet this is a truly global problem that can only be resolved if all the major carbon emitters – namely the United States, the European Union, India and China – are on board. For this reason the cornerstone principle of “common but differentiated responsibilities and respective capabilities” underlies the convention on climate change so as to infuse incentive structures to participate in the difficult negotiations. Based on this agreed principle, the divide between North and South that has plagued the Doha Development Agenda must be jettisoned from Copenhagen if it is to have any chance of succeeding.

¹ There are a number of scientists and environmental advocates, some of which were represented at the Dialogue, who contest these figures as unduly optimistic. They tend to underline the manifestation of ‘tipping points’ beyond which quantum effects lead to accelerated change leading to well over 600ppm in best case scenarios.

Setting the scene for the global debate on trade and climate change

Partisans of free trade and advocates of forceful policies to tackle climate change have been crossing swords for a long time. Over the past years trade policy and environmental policy have steadily and increasingly been converging at the same intersections. There was a sense at the meeting that a point has been reached where the ability of the trade system to come to grips with climate change will be a test of how resilient it is. If the system functions as it should, there are mechanisms that should help navigate through some of the challenges related to climate change. One of the difficulties is that in the immediate-term the WTO is hijacked by the Doha negotiations, which prevents it from moving forward in providing solutions to the problem and assisting the UNFCCC negotiating process in devising appropriate outcomes.

On the whole opinions converge that there is going to be a fundamental transformation in the way we source, produce and transport our goods. There is also a consensus that moving into higher developmental goals will necessarily see the need to incorporate climate change. The trade related concerns with a direct impact on global mitigation and adaptation that were touched upon at the meeting included: intellectual property rights and the transfer of technology, carbon leakage and competitiveness, border adjustment measures, subsidies for energy production, and the liberalisation of environmental goods and services.

Technological cooperation is one of the pillars of the Bali Action Plan. A globally coordinated framework for technology policy will help link technological transfer to effective mitigation targets and it will ensure the participation of developing countries, including the least developed countries that are particularly concerned with adaptation needs. There are many gaps in the analysis of global regulatory frameworks and their impact on the development and transfer of technology, not least on the issue of intellectual property rights and access to clean technologies. It is important to look at where those technologies reside, how concretely they are diffused, and what are the barriers to their development and transfer. The question remains the source of considerable disagreement and needs to be better understood through patent landscaping and country level assessments of existing obstacles. In certain areas there are competitive dynamics that need to be assessed at the sectoral level and in others compulsory licensing or reduced li-

cense fees may be required. Financing access to proprietary technology is a key demand of developing countries if they are to succeed in reducing their emissions and adapt to shifting climate patterns.²

A second set of trade related concerns that were discussed at the meeting were carbon leakage, competitiveness and border adjustment measures. There is anxiety within manufacturing sectors in industrial countries that stringent domestic regulations on GHG emissions will affect their competitiveness on global markets and could ultimately lead to industry relocations in countries with less demanding environmental regulations. European and American legislators have consequently been looking at different ways to tackle this issue through border adjustment measures: either under the guise of a carbon tax or the purchase of carbon offsetting allowances. This raises a number of delicate questions such as the capacity to calculate the entire carbon cycle of a good or the responsibility of rich country consumers who purchase goods produced in a manner no longer acceptable in their home constituencies. Although the principle of these border proposals may not be bad, they must be scrutinised very carefully. For the time being there is no international agreement and they could represent little more than a new form of protectionism with a dampening effect on climate negotiations. While many of these competitive concerns may be exaggerated in terms of costs there are a number of carbon-intensive industries (cement, aluminium, paper and pulp, iron and steel, basic chemicals, etc.) where they are legitimate. As a consequence sectoral agreements are being looked at and are set to become a component – and possible source of discord – of the Copenhagen negotiations. High-emitting developing countries argue that sectoral agreements would be detrimental to their less efficient industries, thereby shifting the burden of mitigation onto them.

The issue of energy subsidies and tariffs, especially those surrounding biofuels, was also touched upon. Governments in Europe, Canada

² The G77 group of developing countries and China have suggested the creation of an international financing mechanism for technology transfer that would be met through developed country participations ranging from 0.5 to 1 percent of GDP. This includes the transfer of know-how and skills. Given access to technologies and finance, these technologies can fail to diffuse in developing countries for reasons related to governance, infrastructure, and overall capacity, which all fall within broader developmental goals.

and Australia have started withdrawing their support for ethanol production in an acknowledgement that the environmental benefits of these fuels were over-stressed and that the impact on food prices and food production has been harmful. The United States is still protecting this industry despite similar concerns. Brazil has taken the lead in the WTO environment and services committee in challenging this approach through the better efficiency and environmental impact of its sugar-based ethanol relative to the United States' corn-based. The mistake that appears to have been made around biofuel protection shows the difficulty in providing the space to favour energy transfer and recognising subsidies that meet environmental goals. Many developing countries rightly argue that rich country production and support have hijacked the possibility to carve a niche in the green economy. The impact on food prices is a negative corollary that has fed into the food crisis.³

As part of the Doha negotiations, the WTO has been attempting to provide a framework for the liberalisation of environmental goods and services over the past seven years. Most impartial accounts point to a process that is bogged down due to incipient difficulties in reaching common standards or even an acceptable definition. While the liberalisation of low-carbon goods and services, which links into the debate on intellectual property and technology transfer, may sound good it is currently at an impasse.

One of the suggestions that was made at the meeting in terms of method to unblock the situation was that the environmental committee be sent to the UNFCCC in order to reach a multilateral agreement that could then be re-infused into the multilateral trading system – the premise of which was that there is the possibility to include trade in the UN convention. The trade system needs to be tested and allowed to react by making policy proposals at the higher level of government than where they are. The system should run its course and if there are trade related issues they should be brought to dispute and see what the outcomes are once a central discipline has been agreed upon. This argument was countered on the grounds that the WTO is the manifestation whereas the problem resides at the level of individual trade and industry ministries that are blocking subordinate environmental ministry proposals.

³ Hopes are still being pinned on second and third generation biofuels that do not compete with food crops. Their commercial viability is still a number of years off and will require long-term investment.

On the associated issue of environmental or border clauses, in the short term there are too many integrated countries that will resist it as there is no agreement within the multilateral trading system to accommodate them. The dispute settlement mechanism will continue not to deal with the environment unless it is specifically asked to do so and it may not be the best channel through which to challenge the lack of coherence.

The European climate strategy

The manner in which industrial nations tackle climate change is crucial to any global strategy. Without their lead the rest of the world community will not move. A clear responsibility befalls on rich countries to demonstrate the mechanics of low-carbon growth and share the technology that makes this possible once institutional arrangements have been found. It is essential that individuals, businesses and nations in Europe prove that low carbon growth is not an illusion. As Connie Hedegaard, the Danish Minister for Climate and Energy responsible for preparing Copenhagen recently stated, "if the EU does not put its house in order it will not be able to lead the negotiations for an ambitious global agreement."

The European Union has played a front line role in responding to climate change: it was the first group of nations to recognise the reality of anthropogenic temperature rises, to publicly state that emissions should substantially be reduced, and it was the first to introduce a mandatory cap-and-trade scheme for industrial GHG emissions (the EU ETS) in January 2005.⁴ One of the central pieces of COP 15 is the EU's Climate and Energy Package. The European Commission is presently trying to push this package through the parliamentary process, which it hopes to reach agreement for before the end of the French presidency. The proposals, which would be binding on all member states with 2020 as the target date, include 20 percent reduction in emissions (or 30 percent if other industrial countries are on board), 20 percent improvement in energy efficiency, and that 20 percent of its energy be derived from renewable sources.

⁴ Although the ETS plays an important financing role and has an enormous turnover worth billions of Euros, there appears so far to be little evidence that it has significantly reduced participating country emissions. This raises the question of the future effectiveness of this newly created carbon market for emission reductions.

In the longer-term the EU must also commit between 80 to 90 percent emission cuts, which essentially implies close to zero carbon emission in Europe by 2040 if the bloc is to be credible. Cracks have already started to appear beneath the show of European unity and solidarity with a number of East European states, as well as Italy, raising fundamental objections to the EU Climate and Energy Package. A great divergence exists on the European scene, which will require strong action at the national level for the package to be effective and accepted in a recessionary conjuncture. This will pose a problem as the EU has little power on domestic fiscal and welfare policies that are directly relevant to climate change.

There is going to have to be an enormous amount of investment in political will if Europe is not only to set targets but also ensure it puts in place the means to meet its ends. For Europe to attain zero carbon emission by 2040, assist China to peak in less than 20 years and India in less than 30 years, and honour its aid commitments for adaptation in Least Developed Countries, it is going to have to find a way within the constraints of short-term democratic political cycles to carry the population along for long-term objectives. An unavoidable part of a successful response to climate change is achieving lifestyle changes and modifying habits. This will probably not be possible on the sole premise of abstract future threats so it is important that a carbon prosperity agenda be built into the EU's climate package in order to circumvent the problem of future discounting. There will be winners and losers in the process of transformation. The social impact of environmental policies must be taken into consideration in devising a prosperous future green economy for Europe.

The corporate sector plays a central role in the overall mitigation effort. Increased regulation implies that the need for coherent carbon management strategies is unlikely to disappear. European policy has put climate change on the strategic agenda of companies, which they have started to manage. Governments need to be clear in the legislation they put in place and the incentive structures for sustainable business practices, entrepreneurial activity and innovation.⁵

⁵ The decision to add a fourth runway at Heathrow or build the expensive Nord Stream Gas Pipeline between Russia and Germany are two examples that send out completely contradictory messages to businesses in terms of mitigation and energy secu-

Consumer pressure also plays a big role in Europe in forcing companies to alter poor practices or bring in innovative solutions. But the current situation implies that EU states will need to move beyond the incremental and short- to medium-term approach that most companies take. There is a fundamental issue of scale and speed at the heart of the climate change crisis that needs to be addressed. This will require a huge drive in public driven investment in the form of infrastructure, R&D and public private partnerships. This is where the present recession in Europe may offer an opportunity to grow anew through a burst of environmental innovation and a form of green neo-Keynesianism directed at alternative energy and energy security. The present crisis cannot be used as opportunism for people and industries within Europe who believe they have no immediate interest in tackling climate change and therefore are content with inaction.

Returning to the issue of technology and intellectual property rights: the EU sees technology as a source of competitiveness. If it is left to firms there is absolutely no certainty that the market rate of diffusion will match the required rate of dissemination due to high risks and low levels of profitability. This implies that Europe needs to be much more liberal in its technology policy and stop trade or industry departments from grinding the whole process to a halt. There is a lot Europe could be doing on the international arena in the lead up to Copenhagen to build positive relations with key players. This includes reaching political agreements with India and China on technological diffusion before going to the UN,⁶ bilateral cooperation in the form of low-carbon zones in China and other emerging markets that build trust and show that mutual benefits are for real, deepening the debate on carbon conditionality and respective responsibilities in the transfer of technology to Least Developed Countries,⁷ and working closely with the new US administration in linking future carbon markets and coordinating policy responses as has been done with the financial crisis.

urity. Without policy coherence, businesses cannot be expected to respond adequately.

⁶ Sectoral agreements are set to become a cornerstone of Copenhagen and a participant at the meeting indicated that there is not a single EU negotiator involved with a developing country on this issue at the moment.

⁷ A suggestion was made to this effect that adaptation be included in the European Partnership Agreements.

Trade and climate justice

At the heart of the global collective action problem that is climate change runs a fundamental inequity in terms of responsibility and impact. And while there is no time for a truth and reconciliation commission based on stocks, flows and per capita contributions, this inequity should have a powerful impact on policy. It is important to remember when looking at 2050 that it is essentially the developing world we are talking about: eight billion out of the projected nine billion of the global population will be living in these countries and they will be the hardest hit if we continue along the present destructive path of carbon emissions.

Climate change is no longer just an environmental issue; it is also a developmental issue and it will become a developing country agenda. After two decades of high growth it is also clear that developing countries are a very diverse group and should be treated as such along a sliding scale of responsibilities. For Least Developed Countries adaptation is the prime concern while China and India (and Russia) will also have to participate in the medium-term mitigation effort by reducing the growth of their emissions (with rich countries substantially and unequivocally reducing their absolute levels). All developing countries have a license to develop given the immediacy of the hardships their populations face and the challenge is to form a partnership based on low carbon growth and sustainable communities that will contribute to the eradication of poverty.

No matter how successful the mitigation effort, there is an intrinsic momentum to the concentration of GHG in the atmosphere that makes adaptation indispensable; hence the imperative to incorporate climate change into the mainstream of trade and development objectives before it reverses the advances in health and poverty reduction that have been achieved.

Many of the poorest countries in the world are locked in a situation that is not of their making yet they are already feeling the brunt of global warming through increased natural disasters and a loss of biodiversity for which they neither have the resources nor sufficiently diversified economies to adequately respond to. On top of this the IPCC projects that certain parts of the world will see a serious decline in rain-fed agricultural productivity, with Africa particularly hit as it is set to witness a fall in cereal output equivalent to over a third of production by 2050. Trade policy can play a very important role here, particu-

larly when it comes to adaptation, in developing the tools and to invest and transfer technology in African agricultural productivity and capacity over the coming decades.

There is a moral obligation to assist this adaptation through finance, trade and capacity building. This implies not only delivering on aid commitments but also developing novel financial mechanisms that will guarantee a faster rate of technological transfer and know-how in the provision of public goods such as infrastructure, drainage, new crops, forecasting, waste management, and clean water. It must be recognised that while certain market based solutions may function with respect to mitigation given the potential profitability of these ventures, when it comes to adaptation in the most vulnerable parts of the world these investments will not be forthcoming given the poor rate of return. The Clean Development Mechanism has not been working as it should in channelling sufficient funds and projects to these poorer countries and beyond carbon markets there is a need for additional tools to activate private and public investments. One final trade-related consideration that was brought up at the meeting relates to the labelling in rich country markets of a number of agricultural products according to their carbon footprint (food miles). This added cost on poor country producers could be seen as a shift in the burden of mitigation towards poor countries that have not contributed to the problem and are exempt from mandatory emission cuts under the climate convention.⁸

“Common and differentiated responsibilities” (CDR) is the principle on which the Copenhagen negotiating process depends and is a prerequisite for climate justice in terms of technology transfer, finance, capacity building, the scale of binding commitments on CO₂ emission reductions, and the medium- to long-term timeframe in which these targets and objectives should be met. Tackling climate change comes at a cost and the distribution of this cost is at the epicentre of the Bali Roadmap. Given their size and high national emission rates China and India realise that there is no escape not only from their international responsibility on this issue, but also that they are vulnerable and potential deal-

⁸ The allocation of responsibilities on emissions between consumers and producers in international trade is an important element of the equity story that ran throughout the meeting and needs to be better conceptualised.

breakers at COP 15.⁹

Both countries are taking climate change very seriously with China having set a number of ambitious goals for energy efficiency and renewable energy, and India having drawn up its first domestic climate change plan. The difficulty resides in rendering operational the principle of CDR. India argues that there should be a clear and non-negligible discount rate on responsibilities without which a consensual agreement will be impossible to reach. China has made it plain that industrial countries must alter their unsustainable lifestyles by reducing per capita emissions, they must fund energy-efficient technological transfer, and compulsory modalities on capacity building and technological assistance must be included in any final agreement.¹⁰ It emerges that trade sanctions do not appear to be the most enlightened way in which to get India and China (and the rest of the developing world) on board the climate change wagon. It is evident that without the United States signing up to a comprehensive post-Kyoto international agreement there is no chance that China will be willing to make commitments that could limit its future economic growth. No matter what the rest of the world does, it is these two protagonists, China and the United States, who will settle the basis on which the immediate carbon future will be shaped.

Two final considerations on trade and climate justice were brought to the fore in the course of the discussions. The first is about politics and the difficulty to converge towards a common understanding of fairness unless there is a strong social demand in developing those rules. In relation to global warming this is closely associated with the perception of citizens who can block the negotiations. In addressing climate change different segments of society are far from having common perceptions on diagnostics, justice (who should pay and why), or legitimacy (who decides about who should pay). The narrow concepts of national interest and the logic of collective power bargaining imply that unless a compromise is found Copenhagen will fail. The

⁹ A World Bank report found that last year 750,000 people had died in China from early deaths caused by air pollution. The combination of deforestation and retreating Himalayan glaciers will be the source of considerable devastation in India's heavily populated and poor state of Bihar.

¹⁰ Both China and India are highly dependent on coal-fired power plants for their electricity needs, which implies that carbon capture and storage technologies is an avenue that is currently being explored for cooperation.

second consideration is that there is also a geopolitical aspect to climate change over the control for resources and finance. An international agreement on climate change cannot be reached without concepts of power and energy security. This includes the management of resource scarcity including energy, soil and water over which there could be awful conflicts and divisions unless mediation is found. The fact that technology policies have traditionally been divested in national economic and military ends rather than global cooperation must also be factored into the equation.

Getting the matrix right

The question remains the manner in which we will meet the multiple challenges discussed at the Multi-Stakeholder Dialogue. The straightforward observation can be made that in shifting from an agenda on global climate change to actual implementation with an effective action plan we are way off track. Setting long-term targets and goals is one thing: it allows the world community to feel content with itself while avoiding the tough and cornelian short-term decisions that need to be made in order to reach those ends. We know that mitigation and adaptation come at a cost, the bracket of which will be subject to the effectiveness of our policies and the promptitude with which they are enacted. This is something that has got to get through to governments (who would need to overcome the collective NIMTO syndrome: not-in-my-term-of-office).

The absorptive capacity of the planet is shrinking, tremendous strain is being put on our limited resources, biodiversity is in freefall, and greenhouse gas emissions continue to accumulate at alarming rates. There is no more room for incrementalism: the institutional and regulatory environments that meet the requirements of scale, speed and radical change have got to be found. Some form of planning may even have to be reintroduced. Confronted with the three peaks related to climate change (energy, soil and atmosphere) there are governance issues attendant to the management of scarcity, innovation issues led by the private sector in radically improving resource efficiency, and security issues that feed into the fairness criteria at the global and regional levels in avoiding conflicts.

A global low carbon economy will require huge globalised innovation initiatives with radical experimentation over and above national strategies. Some of the recommendations put forward

at the meeting include the establishment of low carbon zones in the EU, the US and China to demonstrate collective organisation and cooperation is possible, the reorganisation of cities globally so that they are compatible with temperature rise targets,¹¹ and the investment of money in applied renewable energy resources between China, the EU, the US and India (engaging Russia sooner rather than later would also be advisable). In mainstreaming climate change into the global economic governance debate, it is urgent that FDI schemes and the financial organisation for long-term investments be put in place. For this to happen the financial world needs certainty on the future, which implies a coherent and substantive global arrangement for long-term partnerships. The present financial collapse and the probable regulatory and organisational shake-up that will ensue offer the opportunity to start using these markets in a much more long-term and responsible manner than has been the case in the recent era of mass affluence and deregulation.

The debate on climate mitigation technologies, seen as a global public good, and their relation to trade rules in terms of TRIPS and finance was one that ran throughout the meeting. The rapid dissemination of technologies is a far more complex problem than the dispersion of pharmaceuticals; the latter can be defined by a chemical formula on which a compulsory license can be imposed while the former are evolving ideas. In green technologies such as wind technology, for example, there can be many components and processes for a single product. It is necessary to undertake patent landscaping to understand who owns the patent, where it is patented, are the owners willing to license, are patenting fees excessive, and the financing mechanisms to address these issues.

There are nonetheless certain accommodations that could be made in the short-term along the lines of TRIPS and Public Health for a list of technologies or products in waste management or water management that are purely about cost

and for which patents could be suspended. This is especially pertinent to adaptation in poor countries. A number of participants also indicated that the greater the concentration of industry the more problems there are with intellectual property (the power industry was specifically identified). A point to be made is that there is no use possessing, nurturing and protecting these clean technologies unless they are applied. Despite owning most of the energy-efficient and renewable technologies, industrial countries are still failing to reduce GHG emissions.¹² This falls into the 'power of the example' and the onus on rich countries to demonstrate to the world that low carbon growth is more than a romantic slogan.

Internalising the GHG externality under cap-and-trade schemes or taxation so as to change behaviours on a sufficient scale and make polluters pay is a central pillar of mitigation policy. In defining these incentive structures to change the way we behave and transform our industrial and organisational practices a fine balance will be found between the role of prices, taxes and regulation ('sticks and carrots'). The ingenuity and creativity of forward thinking business leaders and entrepreneurs, as well as civil society, on whom much of the abatement effort depends, must be fostered.¹³ This also applies to some of the poorer regions of the world where some very creative schemes targeted at the poor and the development of SMEs are being developed for which greater finance and better institutional environments are required.

Adjustment implies winners and losers and this brings into play power balances. Instilling a positive line of attack on business competitiveness concerns both in developed and developing countries by demonstrating that the future does not reside in unsustainable practices could go a long way in reaching our objectives and reducing the power of obstructionist lobbyists who are clearly barking up the wrong tree.¹⁴

¹¹ A C40 Cities Climate Leadership Group already exists. In the United States many of the important policies that have been implemented for climate change are being pioneered by cities that are calling for stronger federal action to act as a catalyst for their efforts. The EU could also develop a cities programme to show that this reorganisation is possible through the mobilisation of skills, technicians and resources. The importance of cities also resides in that local government is often more flexible than national government and can have a big impact on populations.

¹² To give but three examples, US and Spanish carbon emissions have risen by close to 20 percent since 1990 and Japan has seen a 6 percent surge with one of the most energy efficient industries in the world.

¹³ With the onset of the recession clean energy investments have already started to fall and the oil price collapse has temporarily withdrawn the market incentive for carbon management and alternative energy supplies.

¹⁴ It will be interesting to see how the US and the EU decide to tackle the difficulties faced by their auto

Many leading firms are taking climate change seriously and they need guidance from authorities to set the right boundaries and enforce standards and compliance. Regional and global strategies are also necessary to avoid a race to the bottom and provide a stable long-term institutional environment for long-term investments. Given the urgency of the environmental problem and the need for a big push it may be time to recognise that the business case for sustainable development built solely on enlightened self-interest will not suffice. There is going to have to be a huge amount of investment in political will with civil society organisations holding our political and business leaders to account.

Consumption and individual behaviour is a central axiom of the matrix. Getting citizens to embrace a radical transition and apply the right sort of pressures is not a tea party. It is not with abstract risks, future apocalyptic visions, and the politics of fear and guilt that it will be achieved. A recurrent theme at the meeting was that the narrative is going to have to change in order to get out of the dilemma we face. Although awareness was identified as an important element it also builds into complexity (organic, fair trade, local, global, etc.). Marketing approaches to behavioural change also have their limits, as there are non-economic issues that are fundamental for future prosperity. Attitudes are changing, but as individuals we do not place the same reality on the future as we do on the present: until disaster hits us, at which point it is too late and irreversible, we carry on with our unsustainable lifestyles and habits. This is especially relevant to rich country citizens who are going to have to alter their consumption patterns (especially food consumption) and mobility that are rapidly being adopted in the developing South. A positive narrative based on prosperity, inspiration and wellbeing must be untangled. In developed countries a critique of over-development that encompasses much broader notions of welfare than economic growth would be welcome. The present crisis does offer the opportunity to reformulate our priorities and implant more responsible practices, but there is also the distinct possibility that short-term ambulance chasing will predominate.

Moving beyond the binary schisms between North and South on the one hand, and climate change versus development on the other, would go a long way towards easing the UNFCCC negotiations and reaching an agreement in Copenhagen with which most could be satisfied. We now know that tackling climate change and reversing the liquidation of our natural capital is a necessary endeavor to attaining higher human developmental goals. Many of the disputed issues surrounding international trade that were debated at the meeting were left on the table for further discussion and honing. The focus must be on getting the message across in a constructive manner while conveying the immediacy of the challenge. The risks and high probability impacts related to excessive and rapid temperature rises are far too ominous not to be confronted with a sense of optimism and shared destiny. One of the participants at the meeting quoted Mark Twain as saying that we all talk about the weather but never do anything about it. It is time that changed.

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industries and if a green fiscal stimulus will be put in place. There is widespread expectation that the White House under Barack Obama will push for a nationwide cap-and-trade system, which would fundamentally alter the United States' role in global climate change negotiations.

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