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Help the Poor With Free Trade by Bjorn Lomborg, 02.25.2009
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If you want to save the globe, start by increasing global trade.

Hundreds of London's bankers joining the dole queue, America's corporate leaders pleading for a government handout: These are the vivid images of the financial crisis captured by the media.

Victims in the developing world, by contrast, are easy to overlook. The planet's most burdened inhabitants will suffer once as their fragile economies contract, and again as rich nations pull up their drawbridges and retreat into protectionism. Tragically, this is the wrong response. Completing the Doha Round of free trade negotiations--dragging on into its eighth year--would be the biggest global stimulus package imaginable.

The Copenhagen Consensus Center commissioned research by Australian economist Kym Anderson that showed if developing countries cut tariffs by the same proportion as rich countries and services and investment were liberalized, the direct gains from freer trade could be \$120 billion a year by 2015, with \$17 billion going to the world's poorest countries. The indirect benefits, from a faster dispersion of innovation, are far greater. Include those effects and you get an eventual benefit of \$500 per year until the year 2100 for each individual in the Third World--nearly half of whom survive on less than \$730 a year.

Today trade reform seems unrealistic. The U.S. stimulus package is peppered with Buy American clauses, while France is bailing out its automakers only if they use French parts and services. Deep-pocketed, self-serving corporations and lobby groups promote protectionism in every nation.

As governments barricade an avenue that would genuinely help the planet, they are bent on spending a fortune on an ineffective answer to another global threat: climate change.

Understandably, man-made global warming has most of us worried. In December policymakers will gather in Denmark to negotiate a successor to the Kyoto Protocol of 1997. There will be pressure to make grand promises, even though 95% of Kyoto's promised cuts were never delivered.

Fear is driving us to spend trillions on achieving a tiny reduction in temperature increases. The European Union has grasped at the goal of cutting emissions by 20% below 1990 levels within 12 years. Even if the entire world followed suit, global temperatures would be only one-twentieth of one degree Fahrenheit lower by 2100--at a cost of \$10 trillion.

Because we worry about climate change and can't easily see the benefits of freer trade, politicians face huge demand to promise drastic carbon cuts, and little pressure to complete the Doha Round. Yet the benefits of the latter massively outstrip those of the former.

There would be costs to freer trade for many. Entire industries would be damaged, as they cannot cope without the protection of trade barriers. Many more industries would expand, however. The benefits would be hundreds of times as great as these costs--especially for the world's worst-off people.

Helping poor countries to get richer is the most compassionate, moral action the rich world could take. It would give us all greater ability to combat the globe's significant problems, and make everybody better prepared to tackle the future.

Ignoring climate change would be foolhardy. But we do not need to spend a fortune on a politically charged response with little chance of success.

Instead, we could dramatically increase research and development so that green energy quickly becomes cheaper than fossil fuels. At one-tenth the cost of the Kyoto Protocol, every nation could spend 0.05% of its gdp on research into low-carbon energy. (The U.S. share of the research cost would be \$7 billion.) This would have a bigger impact on global warming, more quickly, than carbon cuts.

Politicians can spend a fortune reducing temperatures ever so slightly within 100 years--or they could spend much less helping the world's most vulnerable people today. The financial crisis makes it especially imperative that we get our priorities right. Trade reform should be right at the top of our list.

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