

A Tale of Two Treaties

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The [Doha meeting](#) continued 20 years of failed climate negotiations, since the original [Earth Summit](#) in Rio in 1992. There, countries pledged to cut greenhouse-gas emissions to 1990 levels by the year 2000; the OECD countries fell short by almost 9%. The [Kyoto Protocol](#) from 1998 has almost entirely failed. And the effort intended to save the world in [Copenhagen in 2009](#) collapsed spectacularly.

So far, the world's emissions have continued to rise – and at an accelerating pace – with [emissions in 2011 about 50% higher than in 1990](#). The last 20 years of global climate negotiations has reduced that increase by only about half a percentage point.

Assuming, somewhat optimistically, that this reduction will be maintained throughout the century, it will reduce the temperature increase by about half of one-hundredth of a degree Celsius (about one-hundredth of a degree Fahrenheit) in 2100. Sea levels will rise about one millimeter (one-twentieth of an inch) less. Even in a hundred years, these changes will not be measurable.

The cost of achieving these underwhelming results has probably run about \$20-30 billion a year – mostly foregone economic growth, owing to the forced use of more expensive energy. The benefits to humanity – measured in terms of marginally less flooding, an almost negligible reduction in heat waves, and so forth – total roughly \$1 billion annually. Thus, in terms of bang for the buck, each dollar spent on climate policy has so far done about a nickel's worth of good.

It is time to change tack. There are smart ways to address global warming, through innovating downward the price of green energy; unfortunately, they are not pushed in the United Nations-sponsored climate negotiations.

But, while we need to tackle climate change, it is also worth remembering our priorities. As usual, a flurry of alarmist reports about climate change tried (but failed) to beef up interest around Doha.

The World Bank, in a disappointing departure from its usual, careful reports, put out the alarmist tract [Turn Down the Heat](#), coauthored by William Hare, a longtime climate policy director for Greenpeace. At its launch, World Bank President Jim Yong Kim claimed, “We will never end poverty if we don't tackle climate change.”



Bjørn Lomborg

Bjørn Lomborg, an adjunct professor at the Copenhagen Business School, founded and directs the Copenhagen Consensus Center, which seeks to study environmental problems and solutions using the best available analytical methods. He is the author of *The Skeptical Environmentalist* and *Cool It*, the basis of an eponymous documentary film.

Really? Climate policies so far have proven to be extremely costly ways of helping very little – and very far in the future. This is especially true for the world's poor. Maybe we should start thinking about the *other* Doha negotiation that started 11 years ago, on global free trade, which could help the world's poor many thousands of times more.

Models from the World Bank show that even the least ambitious agreement to liberalize trade further and reduce agricultural subsidies would generate substantial benefits. The classic argument for free trade holds that specialization and exchange benefits everyone, because goods are produced where they are produced best. The Bank's models show that this so-called static benefit could increase annual global GDP by several hundred billion dollars by the end of the decade, with perhaps \$50 billion accruing to developing countries. Toward the end of the century, the annual benefit would reach \$1.5 trillion, with half going to the developing world.

But, over the last two decades, a growing number of studies have demonstrated that this is only a small part of the argument. History shows that open economies grow faster. Examples include South Korea since 1965, Chile since 1974, and India since 1991; all recorded markedly higher growth rates after liberalization.

The same message comes from computable general-equilibrium models of the global economy: even modestly freer trade helps domestic markets to become more efficient, and helps supply chains to become better integrated and transfer knowledge more readily, thereby spurring innovation. Overall, this dynamic benefit increases the GDP growth rate.

In a [recent review of the economics literature](#), one of the World Bank's leading modelers, Professor Kym Anderson, showed that the long-run benefits from even a modestly successful Doha round of world trade talks would be vast. Annual GDP around 2020 would be about \$5 trillion higher than it would be in the absence of an agreement, with \$3 trillion going to the developing world. Toward the end of the century, slightly higher growth rates will have yielded a cumulative increase in income exceeding \$100 trillion annually, with most going to the developing world.

By then, the benefits of freer trade would add about 20% annually to developing world GDP. The total costs, mostly to wean developed-world farmers from subsidies, are more than 10,000 times smaller, at approximately \$50 billion per year for a decade or two.

This matters, and not just because of the money. Freer trade will allow more people to escape poverty and secure sufficient food and clean water. It will increase education and extend health care. It will make societies more resilient against floods and hurricanes. And, with higher incomes, more people will be able to afford to care for the environment. In short, it will make a better world.

Even an extremely optimistic Doha climate outcome would have cost \$500 billion annually, with benefits of less than five cents on the dollar. A modest Doha free-trade agreement, by contrast, could help the world's poor thousands of times more, much sooner, and at a much lower cost.

Yes, we need to tackle climate change – and tackle it smartly. But the Doha climate talks were always a dead end. If we really want to help the world's poor, we should get serious about the other Doha talks.

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<http://www.project-syndicate.org/commentary/climate-change-and-free-trade-in-doha-by-bj-rn-lomborg>

