



The political economy of climate change

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A convenient cloak for self interest, questions over climate science must not be allowed to hijack the drive towards an internationally binding agreement

Recent controversies surrounding the robustness of the science supporting climate change may have provided nations with an opportunity to evade forging a consensus on an international agreement; yet the factions and their corresponding antics discussed below are based not upon genuine doubts over the sound science supporting climate change, but rather upon narrow ideations of unenlightened self-interest, which may end up turning the environment we share into a commons facing a tragedy of Mahabharata proportions.

European Union

The EU requires an internationally-binding agreement on climate change and, in particular, the Kyoto Protocol, to ensure the viability of its institutional comparative advantage. Due to the *Mittlestand* traditionalism of the citizens in the Union, there is a stronger tendency towards quality competition between producers, rather than competition based on price; in other words, producers in the EU rely upon the willingness of consumers to pay higher prices for goods due to their higher quality in relation to goods produced in the other parts of the world.

Through enshrining an internationally-binding agreement on climate change, the EU is able to justify a high entry-barrier and non-tariff sanctions upon Third-Country producers who would otherwise undercut EU producers with lower-cost goods. Due to the added cost of adapting to more environment-friendly production for Third-Country producers, this will increase the costs to the end consumers. In this instance, the consumer decides as whether to purchase German produced widgets or Chinese produced widgets, on an equal footing of quality competition, rather than the former being undercut by the latter on price. The higher or stronger the internationally-binding agreement, the more attractive to the EU as it implies the introduction of even higher costs of production upon Third-Country producers.

Non-Annex 1

Non-Annex 1 countries require an internationally-binding agreement on climate for one reason: structural power. One of the two major groupings in the climate change debate are *Annex 1* countries, defined in the Kyoto Protocol as "industrialised countries that are members of the OECD" and the like. The other group, malignly termed *Non-Annex 1* countries, includes what loosely is recognised as the developing

world, or countries such as China, India, the UAE and Botswana. These groupings represent the “rulers” and the “ruled”. Paradoxically, the *Non-Annex 1* countries, usually considered weaker, here constitute the rulers, while the *Annex 1* countries the ruled.

Orwell, in 1984, wrote, “a ruling group is a ruling group so long as it can nominate its own successors. Who wields power is not important, provided that the hierarchal structure remains always the same”.¹ Due to industrialisation, even if the countries constituting the groupings change, it does not change the structural power of the *Non-Annex 1* countries as the latter, under the framework constructed in the Kyoto Protocol, have secured a position of structural power.

Under the Kyoto Protocol and the Bali Action Plan, the *Annex 1* countries are included within the framework conventions and bear the brunt of responsibility to reduce their emissions and fund adaptation and mitigation in the *Non-Annex 1* countries. The financing arrangements under the Kyoto Protocol afford *Non-Annex 1* countries the opportunity to benefit from not simply being net-recipients of finance, but to continue releasing emissions, albeit at a slower pace. Take, for instance, China’s or India’s recent announcements on reducing their emissions in relation to intensity (i.e. emission reductions per capita), rather than in relation to total emissions. When measured on the former basis, Chinese emissions are one of the lowest among the *Non-Annex 1* countries, despite their emissions, in totality, being the largest in the world. Using a similar logic to the Chinese per capita definition, Russia has emissions that are lowest per hectare of land; Japan has emissions that are lowest per robot produced; and Australia has emissions that are lowest per surfer.

Although the Chinese and Indian propositions reduce emission releases per capita, in total terms, the emissions released by China and India shall continue to increase. It is of note that these growth-indexed limitations on emissions are still going to result in an overall global increase of emissions, albeit to the benefit of *Non-Annex 1* countries. This is also why on 10 December 2009 the delegates of the G77 reiterated that they wanted the United States to join the Kyoto Protocol at the copenhagen climate change conference.

United States

“You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.” The fateful words of Buckminster Fuller ring true as regards the case of the United States and its animalistic opposition to the Kyoto Protocol. In addition to not being subject to its heavy reductions burden, eradicating the Kyoto Protocol is in the interests of the United States for two reasons: 1) the inferior structural position of *Annex 1* countries within the framework convention; and 2) institutional comparative advantage.

As mentioned previously and reiterated by the lead delegate from the United States on 9 December 2009, the US will not join the Kyoto Protocol due to a lack of any commitment – mechanism to lock in emission reductions from developing countries. The justification of having no commitment – mechanism to lock in emission reductions from developing countries is intricately linked to the “historical responsibilities” of developed countries. The United States, however, sees things a little differently.

¹ Orwell, George (1949), *Nineteen Eighty-Four*. London: MacMillan (Ch9, pg 2)

Echoing the sentiments of the US delegation, Willem Buiter of the LSE wrote, "the past is a bygone...The stock of past emissions is not a choice variable or an instrument of policy. Only the flow of new emissions [may be considered an instrument for policy engineering]".²

On its institutional comparative advantage, producers in the United States, much like their sisters in developing countries, compete in terms of price, not quality. By refusing to join the Kyoto Protocol, the United States is unwilling to compromise its institutional comparative advantage as their production schematic is based upon low-cost, mass production, as in developing countries. By locking the United States into an internationally-binding treaty, where the treaty imposes no comparable locking-in mechanism upon developing countries, the Kyoto Protocol reduces the institutional comparative advantage of the United States, in relation to developing countries.

Importance of an international agreement

The importance of an international agreement ought not to be lost within the noise that emanated from the Copenhagen climate change conference. An international agreement creates an institutional structure, purposefully tying the hands of all actors within a framework allowing for predictable actions, which in turn creates credible, long-term commitments from all parties involved.

The issues of determining emission reductions go beyond the pedantic differentiations of "total" emissions versus "intensity" emissions. The force of greenhouse gas emissions is felt not by citizens of country X or Y, but by humans, irrelevant of national or cultural affiliations. The full force of greenhouse gas emissions will not be felt by those comfortable and fat; rather, by those living on the opposite end of the spectrum. An agreement is nothing, apart from its force; and as Marcuse wrote, "force is nothing, apart from its effect".³

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² Buiter, W (2009). *Does poverty give a country the right to pollute the atmosphere?* On-line Access: <http://blogs.ft.com/maverecon/2009/07/does-poverty-give-a-country-the-right-to-pollute-the-atmosphere/>. Last Accessed: 08 January 2010.

³ Marcuse, H. (1941). *Reason & Revolution: Hegel & the Rise of Social Theory*. London: Oxford University Press(pg 109)