Countdown to Paris: New World Order II

MICHAEL HART, SPECIAL TO FINANCIAL POST | November 25, 2015 9:40 AM ET

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Timothy A. Clary/AFP/Getty Images filesThe UN's efforts to establish a New International Economic Order (NIEO) in the 1960s and 1970s and its current focus on "saving" the planet give one a strong sense of déjà vu.

Climate change provides the opportunity to tackle such UN perennials as population control and income redistribution

The United Nations adopted the climate change agenda in the 1980s and has since developed it into an all-consuming, ambitious framework through which to tackle a number of earlier progressive causes, from gender inequality to sustainable development. The coming Paris climate conference, under the UN Framework Convention on Climate Change, is the culmination of a concerted effort launched 70 years ago this year.

The founding of the UN in 1945 was a response to the outrage of two world wars, and the UN's charter provides it with a mandate to broker peace and global order and to limit war and disorder. That mandate includes an economic and social dimension predicated on the idea that a more prosperous and socially cohesive world will be a more peaceful one.

On the political side of its mandate, the UN has had moderate success. On the economic and social side, however, it has focused on an increasing array of fads, cajoling member governments into adopting a wide range of agendas and resolutions favoured by the so-called international community, a term adopted by the media to describe activists with agendas.

The UN's efforts to establish a New International Economic Order (NIEO) in the 1960s and 1970s and its current focus on "saving" the planet give one a strong sense of déjà vu.

The focus for much of the early effort was the UN Conference on Trade and Development (UNCTAD), established in 1964. Its high point was the fourth conference in Nairobi in 1976, at which governments agreed to establish the Integrated Program for Commodities (IPC). But by the time of the Manila (1979) and Belgrade (1983) conferences, governments were losing their enthusiasm for the NIEO. Over the course of the 1980s, more and more developing-country governments realized that their development goals were more likely to be met working through the trade regime embedded in the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), than through UNCTAD.

The WTO now has twice as many members as GATT had during UNCTAD's heyday, and many developing countries have embarked on serious efforts to open their markets to global competition. Most have turned their backs on the dirigiste policy preferences of the NIEO and are beginning to see positive results.

UNCTAD still exists but is now a mere shadow of its earlier self, its many meeting rooms standing idle for much of the year.

Over the past few decades, a new focus on sustainability and the climate change agenda suggest another attempt to establish a new world economic order is underway. This time it is science that is being harnessed to meet the political objectives of those committed to warding off the alleged crisis of global warming and the equally alleged deteriorating state of the global commons, with the goal of ushering in a world more to their liking. Climate change professor Mike Hulme from the UK's University of East Anglia baldly asserts: "We need to ask not what we can do for climate change, but to ask what climate change can do for us. … Rather than trying to 'solve' climate change … we need to approach climate change as an imaginative idea, an idea that we develop and employ to fulfill a variety of tasks for us. Because the idea of climate change is so plastic, it can be deployed across many of our projects and can serve many of our psychological, ethical and spiritual needs."

For Hulme, the climate change "crisis" provides a convenient basis upon which to tackle such UN perennials as population control, income redistribution, and sustainable development. Christiana Figueres, the Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC), has enthusiastically taken up this theme. At a Brussels press conference, she explained that climate negotiations are "probably the most difficult task we have ever given ourselves. … This is the first time in the history of mankind that we are setting ourselves the task of intentionally, within a defined period of time to change the economic development model that has been reigning for at least 150 years, since the industrial revolution."

The NIEO appears to have morphed into the quest for sustainable development, with all its questionable economic assumptions intact but now covered with a new coat of environmentalist paint.

For many environmentalists, even switching to new forms of energy is problematic because it delays de-industrializing advanced economies.
James Speth, a leading American environmentalist, maintains that: "The prioritization of economic growth is among the roots of our problems. … Economic growth may be the world's secular religion, but for much of the world it is a god that is failing – underperforming for most of the world's people and, for those in affluent societies, now creating more problems than it is solving." The media's current favourite Malthusian, Bill McKibben, adds in a familiar lament: "growth may be the one big habit we finally must break." For anti-growth environmentalists, industrialization, capitalism, and population growth are the satanic trinity that must be exorcised in order for the planet to survive. In their view, even sustainable development places too great a burden on the planet.

The new economic order on offer would involve massive increases in government regulatory activity and control leading to significant costs for economies that are already stretched from fiscal overreach due to the continuing growth of government programs.

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Michael Hart, Professor Emeritus at Carleton University, held the Simon Reisman chair in trade policy at the Norman Paterson School of International Affairs.

This is the first of two excerpts from Hart's Hubris: The Troubling Science, Economics, and Politics of Climate Change, *available on Amazon and Kindle.*

Countdown to Paris: Taxing carbon would be taxing

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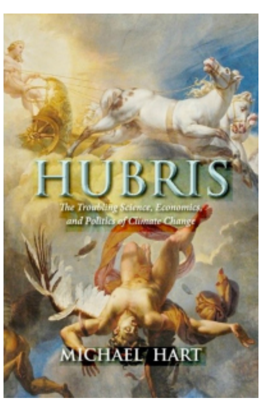
A carbon tax will inevitably generate extensive government programming and intervention

Government can already claim substantial experience with carbon taxes – experience, however, that does not suggest much benefit to be gained by increasing such taxes. European governments have long imposed high gasoline taxes to reduce consumption, promote public transportation, spur the production of more fuel-efficient automobiles, and fund infrastructure. Even so, Europeans have not significantly reduced car ownership to levels below those of North America.

How much higher would carbon taxes need to go in order to have an impact on Europe's future carbon "footprint"? British Columbia's modest carbon tax was just enough to give the Campbell government green credentials but not high enough to irritate most BC motorists or to have a significant impact on consumption. Sales and excise taxes on fuel, both federal and provincial, already make up a third or more of the price in most provinces and in many U.S. states. A much higher tax will be needed to alter fundamental consumption patterns, and political resistance to much higher fuel taxes, at least in North America, is deeply ingrained.



Additionally, such taxes raise costs throughout the economy, often with undesirable effects requiring further government interference.

In addition to the EU's emissions trading scheme discussed below, a number of EU members have introduced various carbon or CO_2 taxes, mostly focused on major emitters. India introduced a carbon tax on coal set at 50 rupees per tonne, a modest amount that will raise some revenue but will have little impact on the use of coal in generating electricity.

Handout Michael Hart's new book, Hubris: The Troubling Science, Economics, and Politics of Climate Change.

Determining carbon intensities for individual products and calculating the level of tax required are formidable obstacles to a carbon tax. In recognition of these difficulties, most proponents suggest that a carbon tax be leveled on producers and be limited to major carbon emitters. Such a tax would be easier to administer but would create serious problems for domestic firms competing with imports or for firms active in export markets.

To get around this problem and level the international playing field, some proponents have suggested that in addition to taxing domestic emitters, governments should introduce border tax adjustments by imposing a carbon tariff on competing products imported from countries that fail to impose a carbon tax of their own and then by remitting taxes on products exported to those countries. Border tax adjustments would thus prevent free riders from gaining an unfair advantage.

Unfortunately, this beguilingly simple solution would contravene the international trade rules embedded in the World Trade Organization (WTO) and various regional trade agreements. Characterizing the new tariff as a carbon tax does not change the fact that it is a tax imposed on imports, i.e., a tariff, while taxes that are remitted upon exports constitute prohibited export subsidies.

Some argue that countries not applying carbon taxes would, in effect, be subsidizing their exports. Accordingly, countervailing import duties should be applied to level the playing field. Again, the international trade rules governing the application of countervailing duties are designed to prevent this kind of abuse. Of course, governments could ignore the trade rules and simply apply countervailing duties to all imports from countries not applying carbon taxes at some arbitrarily determined level and then face the consequences of lost export markets as affected countries retaliated.

As public policy, this approach has little to recommend it. Governments could certainly seek changes to the WTO and other agreements to provide for carbon import tariffs, but it is difficult to envisage what would induce other countries, particularly those that have decided not to adopt measures to reduce carbon emissions, to agree to changes that would see their exports reduced.

The idea that carbon taxes can be imposed on a revenue-neutral basis also needs to be assessed cautiously. Governments do not have a very good record of curbing their appetite for revenue. Once money arrives at national treasuries, the temptation to do things with that money is very large, even if it is only to redistribute it in socially – read politically – desirable ways. Raising the cost of carbon will have significant multiplier effects throughout the economy that will quickly lead to special interests looking for relief based on the revenue generated by the carbon taxes.

A carbon tax, therefore, may be a market-based approach to reducing carbon intensity, but it will inevitably generate extensive government programming and intervention to deal with its effects, leading to multiplying dead-weight losses. And there will be nothing "neutral" about these programs. Some of the money raised from Peter's consumption of carbon may be returned to Peter, but more of the money is likely to find its way to Paul, Mary, and assorted other more politically worthy citizens.

Finally, it should be noted that imposing carbon tax regimes in industrialized countries but not in developing countries, as envisaged in the Kyoto Protocol and advocated by the IPCC and other UN organs, can have perverse consequences. The UN is right that the world's poor need more energy, and fossil fuels are the right choice for them until such time as non-carbon sources become competitive. Making carbon-rich energy more expensive only in industrialized countries may reduce consumption and spur transition to non-carbon source, but, unless the policy is pursued on a global basis, the effect will be undesirable market distortions, increasing the incentives to shift carbon-based production from developed to developing countries. The net result may well be a global increase in $CO2$ emissions rather than a decrease, which is surely not what climate alarmists have in mind.

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