

Free Trade, Green Trade

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PRESIDENT OBAMA and the other leaders at the Group of 20 meeting last month vowed to both pursue a “green” economic recovery, and not turn inward. They can fight protectionism and climate change at the same time by unilaterally eliminating tariffs on clean technology products.

The United States should call on each of the major economies to choose any of the products from the World Bank’s list of 43 climate-friendly technologies — for example, solar and wind energy equipment — and end tariffs on them. The only requirement would be that each country reduce the tariffs collected on these 43 products in total by at least 20 percent.

This proposal is simple and easy to put into place, and need not await the outcome of drawn-out international trade negotiations. Countries merely need to choose the products on which they want to cut tariffs, and reduce those tariffs to zero.

This can be done through the Major Economies Forum on Energy and Climate Change — an initiative that began with the Bush administration — that brings together the 17 G-20 countries that together constitute 80 percent of the world’s energy consumption and greenhouse gas emissions. These cuts should be made before the leaders of these countries meet in conjunction with the Group of 8 summit meeting this July in Italy.

Secretary of State Hillary Clinton said at a meeting of the climate change forum on April 27 that the United States is “ready to lead” on climate change. It’s time to demonstrate that leadership.

According to information collected by the World Trade Organization, the United States imposes tariffs (topping out at 5.2 percent) on 32 of the 43 climate-friendly technologies identified by the World Bank. China imposes duties on all but two of the product categories, with a maximum rate of 35 percent. These tariffs, while not the only barrier, are an impediment to trade and hinder the spread and development of clean technologies.

Tariff reduction would have clear trade and climate benefits. Getting all major developed and developing economies back in the habit of reducing barriers is good practice if we want to have any hope of concluding the current world trade negotiations, known as the Doha Round. If the United State leads this effort, it would help alleviate our trading partners’ concerns about mixed signals on trade sent by “Buy American” provisions and the administration’s ambivalence on pending free trade agreements with Colombia and South Korea.

Even on climate change, the trade message has been muddled. Secretary of Energy Steven Chu is open to tariffs on countries that do not adopt satisfactory emission reduction targets, while the United States trade representative, Ron Kirk, has written a letter to Congress indicating opposition to such measures, at least for now. The United States now has a chance to provide an unambiguous signal of its commitment to trade liberalization.

Cutting tariffs on clean technologies is a constructive, rather than confrontational, approach to trade and climate change.

Some developed countries have considered border taxes or tariffs on the products of major emerging markets that aren't curbing the growth of their greenhouse gas emissions. Developing countries rightfully cry foul on talk of such punitive trade measures and at the same time call for financial assistance to support clean energy projects. But developing countries can hardly expect financial support if they tax green goods entering their own borders. Encouraging trade, rather than trade sanctions, is a more effective way to combat climate change.

Eliminating tariffs on clean technology goods can help achieve the twin imperatives of economic growth and reducing greenhouse gas emissions. The solution lies in the development and deployment of affordable cleaner technologies.

To be sure, tariff cuts alone won't do it. We need both national legislation and international commitments by all major economies to reduce their emissions. But as a start, President Obama should use his personal popularity with world leaders to call upon his colleagues to join him in tearing down tariff walls.