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Chairman Boxer, Ranking Member Inhofe, members of the Committee: I want to thank you for the opportunity to testify today on the important subject of climate change and national security. I hope that my testimony will contribute to the Committee's work in this area. My testimony will focus solely on the question of how the U.S. can best exercise its leadership in a way that would produce a meaningful joint action to reduce carbon emissions by all of the world's major economies.

I. Introduction

Thus far, the Administration's legislative efforts to achieve large-scale reductions in global emissions of greenhouse gases ("GHGs") and to persuade other major GHG-emitting economies to participate equitably in the overarching effort to reduce global emissions have been reflected in the proposed American Clean Energy and Security ("ACES") Act of 2009 (also known as the "Waxman-Markey" or "cap-and-trade" bill). The Waxman-Markey bill (H.R. 2454) was passed by the House of Representatives on June 26, 2009 and is now under consideration by the Senate. The proponents of this legislation are prepared to commit the United States to a program of large-scale unilateral reductions in GHG emissions, notwithstanding the clear reluctance of other major economies to make corresponding reductions.

II. Discussion

A. The Waxman-Markey Cap-and-Trade Bill Is The Vehicle By Which The President's Unilateral GHG Reductions Agenda Would Be Implemented.

Waxman-Markey would impose a cap-and-trade system for GHG emissions on the U.S. domestic economy, with the goal of reducing allowable emissions of CO2 to 83 percent of the 2005 level by 2050. The federal government would limit the total volume of CO2 that U.S. companies could emit each year and issue tradable and limited emissions permits whose exchange would raise the costs, and lower the emissions, of CO2 and other GHGs.

Cap-and-trade would be – and is intended to be – a costly policy. The consumer prices of carbon-intensive goods and services would inevitably rise, the cost of electricity for American families and business, almost all of which is derived from fossil fuels. By making carbon-intensive goods and services more costly, the cap-and-trade model seeks to induce Americans to use less of them.

B. The Waxman-Markey Cap-and-Trade Bill Would Not Have A Beneficial Effect On The Global Climate.

Many environmentalists would argue that this carbon regulatory scheme would actually represent no more than the internalization of the true costs – "negative externalities" – of an economy based on GHG emissions, and that cap-and-trade would be a small price to pay for saving the Planet. However, it is worth emphasizing that the Administration's highest-ranking EPA official has publicly acknowledged that a unilateral cap-and-trade program by the United States alone will have no impact on the global climate whatsoever. In this respect, testifying before this Committee on July 7, 2009 EPA Administrator Lisa Jackson conceded that unilateral U.S. action to reduce greenhouse gas emissions would have no effect on climate, specifically stating that "U.S. action alone will not impact world CO2 levels."[1]

Assuming that we do not mean to commit economic suicide for its own sake, the question becomes whether, as a foreign policy matter, Waxman-Markey will help the global climate through inducing other nations to follow suit. This is a matter of foreign policy, rather than scientific or environmental analysis. Most important here are not the service-based economies of Europe which might go along in part with a U.S. cap-and-trade system, but the

[1] *See* U.S. Senate Committee on Environment and Public Works, Hearing on "Moving America Toward A Clean Energy Economy And Reducing Global Warming Pollution: Legislative Tools" (July 7, 2009). Webcast available at: http://epw.senate.gov/public/index.cfm?FuseAction=Hearings.Home. Note, however, that Secretary of Energy Stephen Chu took a contrary view at the same hearing.

world's most populous and rapidly-industrializing societies, China and India.[2] Reasoned consideration of the effects of passage of Waxman-Markey suggests that they will not.

C. Unilateral Adoption Of Cap-and-Trade By The United States Will Not Induce Developing Countries To Reduce Their Emissions.

Charging ahead with a project, particularly a costly one, when the key participants in the enterprise do not follow, is not leadership. Thus, if the Administration and its Congressional allies hope that Waxman-Markey will demonstrate U.S. leadership, the question becomes whether other countries will follow suit and accept analogous limits on emissions. The events over the last six months provide a clear answer to this question.

The most relevant foreign governments have already made plain that they have no interest in limiting their GHG emissions. India and China have both refused outright to accept mandatory emissions caps.[3] *See* "China says no to greenhouse gas cuts," *AFP* (Jun. 11, 2009) (quoting Chinese Foreign Ministry spokesman Qin Gang stating that: "China is still a developing country and the present task confronting China is to develop its economy and alleviate poverty, as well as raise the living standard of its people. Given that, it is natural for China to have some increase in its emissions, so it is not possible for China in that context to accept a binding or compulsory target")[4]; Matthias Williams, "India will reject greenhouse gas emission targets," *Reuters* (Jun. 30, 2009) (quoting a statement by Indian Environment Minister Jairam Ramesh

[2] Europe has long claimed to be in the forefront of efforts to reduce emissions. Whether Europe would really act in concert with U.S. reductions is another question, however. The European stance on GHG emissions is far from monolithic. *See*, *e.g.*, Mia Shanley & Ilona Wissenbach, "Germany calls carbon tariffs "eco-imperialism," *Reuters* (Jul. 24, 2009) (reporting that German diplomats denounced a French proposal to slap "carbon tariffs" on products from countries that are not trying to cut greenhouse gases a form of "eco-imperialism" and a direct violation of WTO rules.). *Available at*: http://uk.reuters.com/article/idUKLO69334820090724. It is no surprise that France, whose economy is heavily based on nuclear power, should be more enthusiastic about punishing carbon-intensive economic activity than other European countries.

[3] India, in particular, has taken pains to make its refusal to limit emissions all-but-impossible to retract, with the Indian Environment Minister publicly excoriating Secretary Clinton on environmental issues during a joint press conference. *See* Mark Landler, "Meeting Shows U.S.-India Split on Emissions," *The New York Times* (July 19, 2009), *available at*: http://www.nytimes.com/2009/07/20/world/asia/20diplo.html.

that "India cannot and will not take emission reduction targets because poverty eradication and social and economic development are first and over-riding priorities").[5] Significantly, these stances, far from being idiosyncratic, reflect a reasonable assessment of Chinese and Indian interests. China and India, as well as other developing countries, are striving to pull their people out of poverty and understandably place a higher priority on economic growth powered by traditional energy sources than the United States, which can afford to be more concerned about the environment.

That the world's major developing economies would be extremely reluctant to accept any serious constraints on their carbon emissions is not particularly surprising. Indeed, it was something that was easily predictable. However, for quite some time, the proponents of the U.S. unilateral carbon reductions were able to obscure these hard geopolitical realities by arguing that it was only the Bush Administration's alleged unwillingness to entertain mandatory limits on U.S. carbon emissions that had prevented global progress. During the last presidential campaign, we heard many statements that, once U.S. "set an example" through tough carbon-related mandates, other major emitting nations would swiftly follow. This "leadership by example" argument was backed up by the claim that it would be possible for the U.S. to compel those countries, which were insufficiently inspired to adopt carbon-related mandates of their own, through trade penalties on "carbon intensive" imports.[6]

These claims have been swiftly and decisively disproven. While the Obama Administration has made the passage of the carbon cap-and-trade legislation one of the highest legislative priorities, the results of the two recent international meetings – the March 29 – April 8,

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[4] *Available at*: http://www.google.com/hostednews/afp/article/ALeqM5gcKWD6TKOaM0JoHR55GjjosHw5NQ.

[5] *Available at*: http://www.reuters.com/article/environmentNews/idUSTRE55T65N20090630.

[6] *See* Amanda Little, "Obama on the Record: An interview with Barack Obama about his presidential platform on energy and the environment," *Grist.org* (July 30, 2007) (quoting then-Senator Obama as stating that "[w]e shouldn't look at it as a single tit-for-tat exchange. The U.S. is the world's largest economy and the largest single source of the world's greenhouse-gas emissions, *so it is our responsibility to take the first step*. We cannot expect China and India, with a billion people each, to take the lead on

2009 climate talks in Bonn, held under the UN auspices and the July 8 – July 10, 2009, G8 Summit in Italy at which President Obama announced the launch of a Major Economies Forum on Energy and Climate – were not auspicious. Neither were the bilateral exchanges with China and India. If anything, the more the U.S. has demonstrated that it is prepared to move forward with major mandatory carbon reductions, the more vociferous has become the opposition of the major developing economies to being included in any such efforts.

At the same time, China and India also are increasingly concerned about appearing to be responsible world citizens. They could perhaps have been persuaded to make a modest contribution to global efforts to reduce GHG emissions. Unilateral adoption of cap-and-trade by the United States will not achieve this, however.

The most basic problem is that enactment of Waxman-Markey represents unilateral emissions disarmament. In negotiations with other emitting countries, our most obvious bargaining chip is the ability to promise to reduce our emissions if they reduce theirs. A desirable emissions treaty would try to spread the pain of emissions reductions across the world's economies, so that no individual country would have to accept too great a relative disadvantage vis-à-vis its economic competitors. By committing the U.S. to reductions – and drastic reductions – *regardless* of what other countries do, Waxman-Markey makes such a grand bargain on emissions impossible. The U.S. would consign itself, by statute, to the worst of all possible bargaining positions.

Climate change has increasingly come to be seen as a national security concern. In understanding why unilateral cap-and-trade would not induce appropriate actions by other countries, we may profitably draw upon the lessons of experience in more traditional diplomatic contexts, which make clear that unilateral concessions are never a good idea. Two such traditional diplomatic contexts, involving arms control and trade, are particularly instructive.

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this if we do not -- but we can expect them to join us if we demonstrate leadership.") (emphasis added). *Available at*: http://www.grist.org/article/obama/.

It is important to underscore that the arms limitations agreements of the interwar and Cold War eras were all founded on the principle of reciprocity. This is the case with both nuclear and conventional forces, and has applied across the board to every conceivable aspect of arms control, whether involving naval war ships, tanks and ground forces, nuclear missiles, whether offensive or defensive, as well as the various forms of the so-called Confidence Building Measures, which limited the permissible types of exercises and military activities, as well as constrained the locations at which different force elements could be deployed. Carefully negotiated and detailed undertakings, which committed all parties to how to proceed, were invariably the only fruitful approach; nothing else has proved to work.

These general negotiating lessons were reflected with particular clarity in the area of nuclear arms control. This point is worth belaboring for the purposes of today's discussion, both because for many decades nuclear arms control has become one of the most pivotal aspects of American foreign and defense policy and because many lay persons and experts came to believe that, the logic of nuclear deterrence and strategic ability aside, nuclear arms reductions should have been propelled by a compelling set of moral imperatives. Yet, unilateral disarmament was always understood to be a bad option because, however strongly it might have been felt that nuclear weapons were undesirable, or even intrinsically evil, giving them away first meant that the U.S. and its allies would have nothing to trade for the Soviets' concession – or to rely upon for defense if strategic rivals decided to walk away from negotiations or go back on their word. Modern history is replete with instances of governments holding onto weapon systems which they did not really want so that they could be traded away at the opportune moment.

The same principle of reciprocity animates trade agreements: no country lowers its tariff walls without a reciprocal concession from its trade partner. Indeed, the U.S. has amassed literally decades worth of negotiating experience with both the global – WTO and GATT – and regional – NAFTA – trade arrangements, which demonstrates, just as with arms control, the

importance of securing detailed and comprehensive mutual agreements and undertakings, backed up by appropriate verification and compliance mechanisms.

There is one further irony here that is worth commenting upon. The previous Administration's approach to arms control was harshly criticized as being too informal – eschewing written agreements in favor of oral understandings – and lacking in details. Surprisingly, the new Administration has indicated early on that it is returning back to the traditional arms control approach of negotiating detailed written agreements with Moscow, running into hundreds of pages worth of definitions, detailed limitations and other assorted information. And yet, strangely enough, when it comes to international agreements relating to carbon, we seem to be willing to settle for some very vague generic promises by the major developing economies. This is not a very serious way to proceed.

Unilateral carbon-related commitments by the United States, leave us powerless because they leave us with nothing to trade. This would be all the more so in the case of the Waxman-Markey bill because, as a statute, it would be much less flexible than an Executive Branch foreign policy choice. Once a statute is in place, only an act of Congress can get rid of it.

There is a further problem. Given that the effect of such a policy would be a massive subsidy to carbon intensive imports from developing countries, Waxman-Markey would actually make it harder to persuade developing nation governments to reduce emissions. They would be loath to relinquish the advantage that the U.S.' unilateral sacrifice would bestow upon them. Indeed, inasmuch as India and China may already be the "rising" powers on the world stage, the U.S.'s hamstringing itself through crushing emissions limitations might be thought only to accelerate these countries' rise to global preeminence. Chinese and Indian leaders can hardly have been blind to this possibility. This, by the way, is another entirely predictable development. Linkage, that is to say, establishing connections among disparate issues and subjects, is a way of life in international relations. Thus, even if one assumes that our Chinese,

Brazilian, or Indian interlocutors are as passionately concerned about ameliorating climate change as the most dedicated of environmentalists, they would be practicing deficient statecraft if they did not simultaneously seek to pursue this goal in such a way as to benefit their other economic, political, and military interests. Seeking to change the world's existing security and economic architecture, which they presently see as being unduly tilted in favor of the West in general and the United States in particular, is the major strategic priority for the developing countries. This goal can be best accomplished through the imposition of an asymmetrical carbon reduction regime, under which the U.S. bears the greatest burden, the European countries bear the rest of the burden, and the developing countries do not do much at all. There is thus a strong argument that Waxman-Markey would make these and other large, developing GHG emitter states even *less* willing to reduce emissions than they are at present.

D. Attempting To Enforce GHG Emissions Reductions Through Trade Penalties Would Be Highly Problematic.

Having made it all but impossible to obtain a comprehensive GHG emissions limitation treaty by trading concessions with other governments, advocates of the unilateral cap-and-trade approach must rely on either the moral example of the United States' imposing emission limits on itself, or on the threat or use of trade penalties, to induce other countries to reduce their emissions. These strategies are unlikely to work.

The "moral example" of U.S. abstention from GHG emissions will have little impact on foreign leaders who must worry about feeding their populations. The leaders of more developed societies – particularly in Europe – have long been able to call for U.S. reduction of GHG emissions secure in the knowledge that the prior Administration of President George W. Bush was unlikely to take any action in the area. It is an open question whether Europe's enthusiasm for emissions reductions will persist once, as is likely, the *moral* example of Waxman-Markey proves, in fact, to be a *cautionary* one.

Trade penalties are similarly unlikely to be a very effective tool in this context, for a number of reasons. First, carbon tariffs are very likely illegal under WTO rules. Numerous countries, as well as senior U.N. officials, have already denounced the possibility of carbon tariffs as a violation of WTO principles. *See* Dina Capiello, "U.N. Climate Expert Warns Against Carbon Tariffs," *The Washington Post* (July 22, 2009).[7] They will be able to make a strong argument that a carbon tariff is "trade protectionism in the disguise of environmental protection." *See* Remarks by Yao Jian, Spokesman for Ministry of Commerce of People's Republic of China, *reported in* Alan Beatie & Kathrin Hille, "China joins carbon tax protest," *The Financial Times* (July 3, 2009).[8] This argument draws strength from the popularity of the Waxman-Markey bill among protectionist labor groups. Whether illegal under the WTO or not, it is a certainty that carbon tariffs would be challenged – repeatedly and acrimoniously – before the WTO Dispute Resolution System.

Climate-based protectionism would carry with it all the negative consequences of other forms of protectionism. If the United States puts carbon tariffs in place, other countries will likely retaliate. Protectionism pries countries apart. It widens oceans, divides friends and pushes rivals further apart. Trade would be impaired just as the world economy is struggling to recover from the worst downturn since the Great Depression (which was itself largely caused by retaliatory tariffs).

Attempts to pressure other countries into reducing emissions through tariffs will also complicate relations with countries from whom the United States needs help on a range of issues, many of which have little to do with the environment. If, for example, the United States is shackled by a unilateral cap-and-trade scheme, its foreign policy will increasingly be dominated by a desperate need to get India, China, and others to commit to emissions reductions, lest U.S. competitiveness be entirely lost. This will put the U.S. in a far worse

[7] *Available at*: http://www.washingtonpost.com/wp-dyn/content/article/2009/07/22/AR2009072200177.html.

position vis-à-vis such countries with regard to extracting cooperation on counterterrorism, counter-proliferation programs, human rights, and a legion of other concerns. In other words, it can be argued that Waxman-Markey drives the U.S. to adopt a demanding and confrontational strategy, *even while* greatly reducing the leverage that would be available to the U.S. in dealing with other major emitters.

I have also heard it argued that the tariff approach would work without causing any disruptive consequences, that tariffs, precisely because of their very real punitive "heft," will intimidate other countries into doing our bidding on carbon. Stated differently, and to borrow a term from defense analysts, the tariff approach would compel other countries to adopt the path of carbon reductions and deter non-compliance. I find this argument utterly wanting. We either have sufficient leverage to lead the rest of the world into agreeing to join us in a comprehensive global climate change accord, under which all countries would adopt real and binding reduction commitments or we don't. We would not know how this turns out until we try. What doesn't make sense is the notion that we do not have the leverage now, when we are prepared to put our own carbon emissions into play, but will somehow acquire this leverage years down the road, by virtue of having narrow and difficult to implement tariff provisions.

III. Conclusion

If climate change is really an issue of national security, it must be treated like one. The United States should approach issues of climate change with the same prudence and realism as any other national security issue. A unilateral cap-and-trade regime which would do nothing for the climate is a huge leap in the wrong direction.

[8] *Available at*: http://www.ft.com/cms/s/0/76f0e4b0-67fc-11de-848a-00144feabdc0.html.