

# Green Protectionism

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Kyoto activism and the global warming campaign have less to do with saving the world and more to do with new forms of European protectionism.

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The public is bombarded almost daily with doomsday messages about the dangers of climate change, and the Australian government has come under mounting political pressure to sign the Kyoto Protocol. These pressures come mainly from European governments and the United Nations. They are frequently reinforced by Australian chapters of international advocacy groups, many of whom have close ties to European Union governments. In line with the American, Russian and numerous other non-European governments, Australia is not submitting to globally planned greenhouse gas controls while third world competitors, such as China, India and South Africa, remain exempt from the strictures of the Kyoto Protocol. Contemporary Australian experts with years of serious research on global warming argue against the Australian government signing Kyoto.<sup>1</sup>

In the latest round of world trade negotiations, the European Union—by threatening to withhold EU consent from progress to free trade—is now trying to enshrine rules that justify punitive trade sanctions on environmental grounds. One has only to recall the disastrous consequences of trade confrontation in the lead up to the economic crisis of the 1930s, and the benefits of trade liberalisation becoming the engine of unprecedented global growth during the past 50 years, to appreciate that disagreement over environmentally justified sanctions and the Kyoto Protocol now threaten a global depression. That would be a catastrophe for the world's poor.

It seems appropriate to step back from the heated partisan arguments over the Kyoto Protocol and take a sceptical look at entrenched political positions.

## Greenhouse and global warming

There is evidence that, over recent decades and on average, we have experienced some warming around the globe. However, major disputes over issues of measurement still persist. For example, experts disagree whether observations of rising temperatures are due to local urbanisation and industry, or are general, and whether one should rely on surface or satellite measurements (the two sets of measurements often conflict). The UN's Intergovernmental Panel on Climate Change (IPCC), in its recent and supposedly conclusive report, was far from unanimous; sceptical minority views could not be fully aired in what became an increasingly political rather than a scientific debate. Leading members of the IPCC denounced the biased and undemocratic manipulation of the deliberations about the latest report. Respected, independent experts are also casting doubts on the IPCC findings.

The climate models used by the Intergovernmental Panel on Climate Change include huge uncertainties. Water vapour and clouds have ten times more influence on atmospheric temperatures than carbon dioxide (CO<sub>2</sub>) accumulation in the outer atmosphere, but are poorly understood. Moreover, the models may underestimate the main driver of global temperatures,

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the historic fluctuations in the sun's energy output. Sun spots and solar flaring have long been held responsible for major and temporary variations in the global climate and hence economic conditions, but are hardly mentioned in the current Greenhouse debate.

Global temperatures rose from the 1880s to around 1940, during a period of small CO<sub>2</sub> increase in the outer atmosphere. They fell from 1940 to the 1970s, the period of greatest increase. Lately, temperatures have again risen, but—as mentioned—well within historic margins. The world's climate has often been significantly warmer than it now is, for example during the Medieval Climate Optimum when crops grew in Greenland. Speculative scare stories about rising seas and bad weather spawned by global warming are not supported by past evidence. A warmer world would, on average, benefit world agriculture, especially in vast regions of Siberia and Canada. Predicted rises in rainfall in some parts of Australia would also add to the world's food producing capacity.

Another reason to remain somewhat sceptical is that the possible impact of the proposed Kyoto measures on global warming, which the IPCC predicts, has been becoming smaller and smaller. Even the IPCC now admits that full Kyoto compliance would curb their predicted global warming between now and the year 2100 by a mere one-fifth of one degree.

### **The costs of Kyoto**

While accepting some precaution in handling the environment, one has to weigh this against the costs. The Danish economist Bjørn Lomborg has documented how energy-fuelled economic growth has lifted living standards, education, health, human lifespans, and environmental amenity.<sup>2</sup> It is valid to ask whether we should forego the ongoing gains in human welfare, particularly of the world's poor, for minute gains in global warming. The sceptical social scientist and historian will note that human inventiveness has regularly avoided the dire predictions of scientists, from Antiquity to the Club of Rome which warned of global calamities and disastrous shortages by the 1980s. Yet, according to an exhaustive investigation by leading technical, environmental and social scientists, the state of humanity has never been better.<sup>3</sup>

There can be no doubt that the Kyoto Protocol could not be implemented in Australia or North America without inflicting harm on future employment or living standards. One of Australia's most pronounced natural and comparative advantages is in coal and gas and in technologies that use these resources to produce metals

and metal products. For example, central Queensland is now attracting a growing number of major, clean metals projects based on abundant coal and mineral wealth. In fact, the new emission standards for smelting in Queensland improve even on the world's best standards. They can do so because they are built from scratch with leading-edge technology and are subjected to environmentally aware and democratically monitored governance. There is now even discussion of new technology to capture and bind CO<sub>2</sub> emissions from fuel burning in solid form. Though still in its infancy, this innovation promises to capture CO<sub>2</sub> emissions and hinder them from affecting the atmosphere.<sup>4</sup> If this can be implemented anywhere, it will be in new locations with high skills and strict standards, such as Australia, rather than the third world or old industrial plants.

The metal smelting plants in central Queensland and other new, developed country locations around the world are likely to draw metal processors downstream. Metal smelting attracts profitable and job-creating plants, such as making high-tech aluminium-manganese alloys for the lightweight, energy-efficient car of the future, and other metal fabrications and high value-added metal products. A check on the ground in places such as Gladstone and Townsville will reveal that this is already creating attractive life opportunities for a new generation of Australians.<sup>5</sup> This expansion will allow all Australians to benefit through growing revenues and amenities that we otherwise could not afford.

Artificial, Kyoto-driven costs and sanctions threaten the competitiveness and attractiveness of Queensland and Australia. These new metal processors operate huge plants and are now searching for the most advantageous locations globally. Australian locations frequently figure on the shortlist of global search parties, but there are other places, too, where transport is favourable, energy and metal ore abundant, and industrial governance transparent, stable and non-corrupt. The margins are slim, and there are no second prizes when it comes to attracting world market-oriented plants.

In many instances, internationally imposed Kyoto costs and regulations have the potential of hindering this new type of industrialisation in Australia or America. They would shift smelters to third world locations, where energy use is exempted under the Kyoto Protocol. This threatens wealth and job creation in Australia. Nor will it be conducive to the containment of global pollution and Greenhouse emission per ton of metal made, if metal-processing expansion is diverted to India, China or South Africa, where emissions are frequently more than double Australian or US standards. Clean industry requires clean

government, and that in turn requires not only high skills, but also democracy, public vigilance and industry compliance with environmental laws.

Recently, some econometric models have been used to analyse the costs for Australia of not signing the Kyoto Protocol and incurring EU sanctions for this. The assumptions about economic evolution in these models are highly debatable, and trade sanctions on environmental grounds would violate WTO rules as they now stand.

### Ulterior motives?

When the science is so uncertain and the economics spurious, one should ask whether the strident promoters of the Kyoto Protocol do not, perhaps, have hidden, ulterior motives. Analysts trained in the traditions of public choice economics always find it instructive to assume blatant self-interest behind political campaigns and propose to follow the 'money trail'. They tend to note subsidy and other connections between the European Union, the German Environment Ministry, and Greenpeace, Friends of the Earth and other pro-Kyoto advocates.<sup>6</sup> 'Nearly ten percent of the EU budget now goes to the funding of [advocacy] . . . groups . . . [the] network of national advocacy groups in Brussels receives about half its funding from direct EU grants.'<sup>7</sup>

If one looks at the world from Brussels, the Ruhr or Berlin, the motivation for pushing centrally planned Kyoto controls becomes understandable. Political and industry leaders, as well as the people, observe the growing political costs of proliferating interventionism, fuel levies, high taxes, and collective welfare for a rapidly ageing population. Europe's increasingly corporatist-collectivist policy design confronts them with the loss of manufacturing prowess and, more recently, deflation. However, they are loath to surrender the dream of a regulated, featherbedded social democratic society to competitive world markets and young, energetic competitors outside.

We note in passing that it is easier to cope with a rationing system such as the Kyoto controls if one has little or no economic growth, as is the case in Europe. Fast-expanding economies with growing populations, such as Australia or America, easily overshoot fixed targets. Moreover, the baseline for the Kyoto calculations contains, in the case of Germany, not only West German emission levels, but also the massive emissions of East German industry, which was quickly wound down after the fall of the Berlin Wall as it was uncompetitive. It is therefore easy for the Europeans to hold themselves up as paragons of Kyoto compliance.

Europe's remaining industry core is based on metal products and high skills. European industry and tax

collection are directly affected when potential die-casters in Gladstone—or skilled people in Vancouver or Ohio with access to cheap energy, metal ore, technology and skills—set out to conquer world markets with new metal products. It is only natural for Europeans to try and handicap the new competition by seeking supposedly virtuous pretexts, such as saving the world from global warming. This seems the real reason for trying to inflict on others the competitive handicaps of social and environmental charters.

From a selfish Berlin or Brussels viewpoint, it also makes sense to facilitate cheap metal smelting in Durban, Tianjin or Mumbai. Energy-using smelters there will supply existing European factories, but lack the skills and leading-edge technology to compete successfully at the profitable end of metal processing.

Seen in this light, the European Union's Kyoto drive only replicates EU tactics of fuelling global GM hysteria to protect the interests of EU agriculture, mandating high wages and costly welfare conditions on third world producers, or imposing new, costly shipping practices on shippers from the third world through centrally planned and enforced global agreements.

One must therefore conclude that Kyoto activism is in reality not about saving the world. It is about exploiting Green sympathies and justified environmental concerns to convince the world that it should accept a new form of European protectionism. As far as Australia is concerned, not only are future Australian jobs and life opportunities at stake, but also the global freedom to trade and invest that underpins prosperity, security, and peace amongst trading nations.

### Endnotes

- <sup>1</sup> For a concise summary: W. McKibbin, *The Australian* (12 July 2002).
- <sup>2</sup> B. Lomborg, *The Skeptical Environmentalist: Measuring the Real State of the World* (Cambridge: Cambridge University Press, 2001), as well as R. Stone's review of Lomborg in *Policy* 17:4 (Summer 2001-2002), pp.49-55.
- <sup>3</sup> J. Simon, *The State of Humanity* (Oxford: Basil Blackwell, 1995).
- <sup>4</sup> *The Economist*, 'The Global Environment, a Survey' (6-12 July 2002); after p. 50.
- <sup>5</sup> ACIL Consulting, *International Benchmarking of Minerals Processing in Queensland, Report to Queensland Department of State Development* (Brisbane, March 2002), on CD ROM.
- <sup>6</sup> See A. Voss, *Betteln und Spenden* (Berlin: de Gruyter, 1992); J. Rabkin, *Euroglobalism? How Environmental Accords Promote EU Priorities into 'Global Governance'—and Global Hazards* (Brussels: Centre for the New Europe, 1999); as well as [www.cne-network.org](http://www.cne-network.org)
- <sup>7</sup> Rabkin, *Euroglobalism?*, pp. 19-20.