

## Tackling Trade and Climate Change Leadership on the Home Front of Foreign Policy

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### Summary

For the next President, effective leadership abroad will depend largely on marshalling bipartisan support for foreign policy at home. Combating terrorism, constricting the proliferation of weapons of mass destruction, reducing global poverty, promoting an efficient, equitable world trading system, and reversing the process of climate change are all issues that require far more effective diplomacy and skillful management of U.S. domestic politics. Without support from Congress, the best agreements negotiated with other governments will do neither the United States nor the world any good; and without bipartisanship, sustained domestic support is impossible.

Trade and climate change provide the best case studies in how to improve coordination between the conduct of foreign policy and constituency-building on the home front. In addition to being long-term, complex, high-stakes issues, there are few issues that better represent the nexus between international and domestic politics than trade and climate change. After hard slogging with foreign governments, agreements have run into stiff opposition on Capitol Hill—mostly from Democrats in the case of trade and, with climate change, from the Republican side of the aisle. They are also linked, both as problems and as potential areas for solution.

In grappling with both issues, the next President will more likely succeed with an approach that:



- lays the ground domestically for diplomatic initiatives by mustering public and congressional backing, rather than waiting for negotiators to bring home a signed treaty
- seeks breakthroughs on trade and climate change that complement each another, thereby creating cross-cutting coalitions to support both efforts
- pays more attention to developing nations early in the process, since their influence over the outcome—for good or ill—is increasing
- uses American leadership to improve the effectiveness of the international institutions responsible for dealing with these challenges

## Context

Majorities in many nations around the world—including the United States—support maintaining an open world trading system and getting a handle on the problem of global warming.<sup>1</sup> Even if nations agree broadly on the goals, however, world leaders have not succeeded in addressing these challenges. Global negotiations have faltered for good reason: political leaders have different economic and geopolitical interests, as well as differences in how they judge preferences and tolerances of their own publics. Quite prominently, the United States has so far been unable to forge, on the issues of trade and climate change, the domestic consensus on which its international leadership depends.

## Trade Policy

Establishment of a rules-based trading system has been the linchpin of economic integration since the end of World War II, first under the General Agreement on Tariffs and Trade (GATT) in 1947, and then strengthened by establishment of the World Trade Organization (WTO) in 1995. World trade contributes about \$1 trillion a year to our

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<sup>1</sup> In a 2006 study, 75% of Europeans and 71% of Americans held “favorable” views of international trade. In the same year, a full 90% of Europeans and 82% of Americans believed climate change to be “important” with 56% of Europeans and 46% of Americans considering it “extremely important.” See “Perspectives on Trade and Poverty Reduction,” Washington, D.C.: The German Marshall Fund of the United States, November 2006, and “Transatlantic Trends 2006,” Washington, D.C.: The German Marshall Fund of the United States, September 2006.

economy, and is responsible for more than 12 million American jobs.<sup>2</sup> Most evidence shows that vigorous international trade reduces consumer prices, widens consumer choice, and increases productivity and growth. Successfully reducing trade barriers, through the WTO's current Doha Development Round negotiations, could help lift as many as 400 million people out of poverty worldwide in the next decade.<sup>3</sup>

Vigorous commerce among nations also contributes to international security. That was not the case before World War I. Despite increased trade, economic powers shared virtually no mechanisms for settling disputes or negotiating agreements. The two global conflagrations of the 20<sup>th</sup> century were preceded by tariff wars.<sup>4</sup> The international community learned a lesson from the disasters that ensued: since World War II, the GATT/WTO has both lowered trade barriers and provided a dispute settlement process to keep the system in balance.

However, over the past two decades, the wind has gone out of the sails of global trade liberalization. Negotiators at trade talks no longer just cut tariffs and quotas. They also try to cut back on regulations and subsidies that restrict trade: for example, laws that determine when canned tuna can be labeled "dolphin safe" or that compensate farmers for planting some crops (or not planting others). Doing away with these barriers to open trade is difficult, since they promote popular social goals and therefore have their own constituencies. And, global trade negotiations must compete for governments' time and attention with talks on regional and bilateral trade liberalization.<sup>5</sup>

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<sup>2</sup> Deich, Michael, and Orszag, Peter. "Briefing Paper on Growth, Opportunity, and Prosperity in a Globalizing Economy." The Hamilton Project. Washington, D.C.: Brookings Institution, July 2006.

<sup>3</sup> See the excellent literature review in Kimberly Ann Elliott, *Delivering on Doha: Farm Trade and the Poor*. Washington, DC: Peter G. Peterson Institute for International Economics, 2006, Ch. 1.

<sup>4</sup> Historians and economists blame the U.S. Smoot-Hawley Tariff Act of 1930 for setting off a wave of European reprisals that put the 'Great' in the Great Depression and deepened divisions within Europe. See Eichengreen, Barry. "The Political Economy of the Smoot-Hawley Tariff." *Research in Economic History* 12 (1989): 1-43.

<sup>5</sup> The principal examples of regional trade blocs are: the European Union, North American Free Trade Agreement (NAFTA), and South America's Mercosur (*Mercado Común del Sur*, the Southern Common Market, involving Argentina, Brazil, Paraguay, Uruguay, and Venezuela).

Then there is the gap — becoming a chasm — in perspectives between industrial and developing countries over which issues are most vital. Finally, the sluggishness of the recent negotiations, particularly in the Doha Round, has itself led many to question America's willingness and ability to lead in the next phase of global economic integration.

Progress at the WTO is still feasible, but it will take prompt, strong, and sustained Presidential leadership. Internationally, it will require making global trade a priority over regional or bilateral trade agreements. Domestically, it will mean cutting agricultural subsidies, perhaps even in advance of negotiating an international agreement, and it will mean leading at home, by taking on political battles that are tough but winnable if the new President can put the issues in the broader context of America's security interests.

In the United States, nearly five decades of post-World War II bipartisan support for trade has eroded. Democratic support—weak at best since the late 1980s—has nearly disappeared. In 2002 a Republican-controlled Congress barely gave President Bush the “Fast Track” authority he desired, which allows the Administration to negotiate trade agreements and submit them to Congress for an up-or-down vote, with no amendments. Part of the deal was a new 10-year, \$180 million package of agricultural subsidies. As a result, the rest of the world no longer sees the United States as a serious negotiating partner—let alone a leader—on farm trade.

American opponents of liberalized trade are looking beyond Doha to the next round of negotiations, which will involve the manufacturing and service sectors. Industry leaders and labor unions alike are particularly concerned about stagnant wage growth for American workers and growing inequality; further, they point to the current \$700 billion trade deficit and are likely to demand action to correct it.<sup>6</sup>

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<sup>6</sup> See Brainard, Lael, and Litan, Robert. “Services Offshoring, American Jobs, and the Global Economy.” *Perspectives on Work*, Winter 2005.

In the 2006 congressional elections, 30 consistently pro-free trade members of the House and six pro-trade Senators either retired or were defeated, and Congress now includes perhaps five Senators and 16 House members who are skeptical of negotiating any new trade agreements.

## **Global Warming**

Climate change, which became a focus of attention only in the late 1980s is now recognized to be of vital importance. If unchecked, human activity could further raise average global temperatures from 2.5° to 10° F in this century. By comparison, the difference in average temperature between now and the last ice age is only 9° F. Middle-range scenarios predict serious droughts and floods, more intense hurricanes, mounting pressure on fresh water supplies, increased spread of diseases, and rising sea levels that could uproot tens of millions of people worldwide.<sup>7</sup> Under more catastrophic scenarios, melting Greenland ice could trigger a collapse of the ocean current system that warms Northern Europe and eastern North America. The possible consequences include Siberian temperatures descending upon Europe, mega-droughts from Northern Europe to Southern China, serious food and water shortages, widespread disorder and conflict, and a major blow to the earth's human carrying capacity.

In the past six years, the United States—the world's largest emitter of greenhouse gases—has provided the opposite of leadership on climate change. In 1998, most other nations closed ranks behind the Kyoto Protocol, which set targets for industrial countries to reduce greenhouse gases emissions. In its first term, the Bush Administration questioned the scientific evidence of climate change and walked away from the negotiating table. It not only repudiated the Clinton Administration's negotiation of the Kyoto Protocol, but even undermined the 1992 Rio Convention and UN body to fight climate change, both of which were negotiated by President George

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<sup>7</sup> A recent study by Columbia University and the World Bank assessed the big natural killers between 1980 and 2000, with droughts topping the list at more than 560,000 deaths, storms next at more than 250,000, and floods third, responsible for more than 170,000. A one-meter rise in sea level—a widely predicted consequence of global warming in this century and perhaps in the next 40 to 50 years—could displace hundreds of millions of people who live near the coasts in places like Bangladesh, India, Indonesia, and the Philippines.

H. W. Bush and ratified by the Senate. In addition, the current administration has thwarted policymakers, scientists, and economists who have advocated effective responses. Only in the last two years has the administration conceded that climate change is a problem, although it has yet to suggest a comprehensive or effective response.

The problem goes well beyond Executive Branch policy. To restore American leadership in the world, a proactive President will need a new level of public awareness and congressional activism. The domestic politics on climate have been as contentious as those surrounding international trade, with even fewer legislative achievements. President Clinton's proposed energy taxes in 1993—intended both to balance the budget and to limit carbon emissions—suffered a major political defeat. American oil, coal, steel, auto, and other energy-dependent industries (such as agriculture) and their associated labor unions all lobbied against any action. With these groups' support, five months prior to Kyoto, the Senate unanimously passed the Byrd-Hagel resolution condemning any treaty that might harm the United States economically or that lacked commitments by developing countries.

Recently, public attitudes have begun to shift, not least because last year (2006) was the warmest on record. From Alabama to Alaska, winters are becoming shorter; nationwide, summers are hotter and storms more severe, with hurricanes Katrina and Rita only the most dramatic example.

In the 2006 congressional election, several opponents of climate action were defeated or retired, and Democrats, now in control of the Congress, have included energy reform among their campaign and legislative priorities. Another positive factor cuts across party lines. Senators Byrd (D-W.Va.) and Hagel (R-Neb.)—the cosponsors of the 1997 anti-Kyoto resolution—have each shown flexibility, and Senator John McCain (R-Ariz.) also has made the need to address climate a signature issue in his bid for the 2008 Republican Presidential nomination.

A number of states, notably ones with Republican governors, are ahead of the federal government. In September 2006, California's legislature passed the Global Warming Solutions Act, championed by Arnold Schwarzenegger. Mitt Romney of Massachusetts and George Pataki of New York led nine eastern states in developing a Regional Greenhouse Gas Initiative. Massachusetts and 11 other states sued the Environmental Protection Agency to regulate greenhouse gases as pollutants. Twenty-two states have adopted renewable energy production targets for utilities.<sup>8</sup> Some conservative and faith-based advocacy organizations are supporting climate change action, and industry opposition has begun to thaw.

Still, neither political party has reached a consensus within its own ranks on how to address climate change, much less laid the ground for a bipartisan approach. U.S. labor unions continue to oppose action involving mandatory and aggressive cuts; so do congressional representatives from farm and industrial states, who fear a rise in fuel costs, especially for farm equipment, and in the cost of fertilizers.<sup>9</sup>

## **International Stalemate**

Progress on trade and climate change is blocked internationally as well, partly because the governments of all major industrial democracies have to contend with skeptical or hostile domestic forces.

A formidable obstacle to moving forward on global trade is the dispute among the United States, Europe, and Japan over how much to cut farm supports and tariffs and how much trade liberalization to expect from the larger and more advanced developing countries. Among industrial powers, the United States had been a leader in eliminating protectionism in farm trade, but the return of subsidies in 2002 hurt America's position. Europe has made some progress, but France continues to veto

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<sup>8</sup> Rabe, Barry. "Second Generation Climate Policies in the American States: Proliferation, Diffusion, and Regionalization." *Issues in Governance Studies*, No. 6. Washington, D.C.: Brookings Institution, August 2006.

<sup>9</sup> Perhaps the best political barometer of congressional support is the 2003 bill co-sponsored by Senators McCain and Joseph Lieberman (I-CT), calling for reduced greenhouse gas emissions. Although five Republicans supported the bill, nine Democrats (including Senator Byrd) helped defeat it, 55 to 43.

changes to the current system. Poorer nations will block any agreement unless egregious protections are eliminated on commodity crops, such as cotton and sugar.<sup>10</sup>

As tension among its members mounts, the WTO itself has come under attack. Many who oppose trade liberalization argue that the WTO is starting to monopolize issues that should be handled by other international organizations, such as the International Labor Organization. They also fear that the WTO's dispute settlement process will be biased in favor of lowering trade barriers and will undercut national laws intended to protect labor rights and the environment.

Similar disputes hobble climate negotiations. The Kyoto Protocol took years to negotiate, with the United States, the European Union, Japan, Russia, and other industrial countries sparring for years over the correct structure of a global climate regime. The Kyoto Protocol was, in effect, a compromise on how to get that regime started. But while the EU and others ratified and implemented Kyoto, the United States did not only failed to do so, but has even walked away from the process moving forward.<sup>11</sup>

Even if the United States can be brought back to the table, a critical battle is shaping up between industrial nations and developing nations. Developing nations have long demanded that rich countries cut emissions first, based on their historically larger contribution to the problem. They were given a pass at Kyoto. China already is second only to the United States in emissions and will be in first place early in the next President's first term. India, with its economy expanding rapidly, is well on its way to being a major producer of greenhouse gases. Whatever the successor to the Kyoto

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<sup>10</sup> A few U.S. agricultural products were allotted extraordinarily high supports in the 2002 legislation: sugar receives \$1.2 billion and cotton \$3.9 billion. Neither crop would be close to competitive in international markets.

<sup>11</sup> The U.S. is the world's largest emitter, responsible for nearly a quarter of global emissions, trailed by the EU at 16%, Russia at 6%, and Japan at 5%. At Kyoto, the United States joined the so-called "Umbrella Group," along with Australia, Canada, Japan, New Zealand, Russia, and several states from the former Soviet Union. These countries all shared the U.S.-led approach to emissions trading and other market-based schemes to combat global warming. Australia and the United States both signed Kyoto, but neither intends to ratify the agreement.



Protocol when it expires in 2012, it will have to bring these two Asian giants (and several others) into the climate-control regime.<sup>12</sup>

## How to Move Forward on Trade and Climate Change

Despite a discouraging record so far, it is not too late for effective global approaches and renewed American political support on both trade and climate change. But converting inertia into momentum will require a systematic effort to synchronize the management of domestic politics with the conduct of diplomacy. Past administrations, with a few exceptions, have tended to negotiate international agreements first, then try to sell them to Congress and domestic constituencies. Although that approach worked reasonably well during the Cold War, a new approach is needed that *more deeply connects domestic and international political processes*. This approach will make international negotiations harder, especially since our main counterparts are virtually all democratic nations, with their own special interest groups. Still, the United States can set an example for others if the next President effectively manages domestic politics, linked to diplomacy.

To move forward on the Doha Round trade negotiations, our new President will first have to take action domestically—and persuade the nation that doing so is in our own interest. *The single most important move would be a roll-back of much of the \$18 billion in new annual agricultural supports*. American negotiators already have proposed to cut or shift away from as much as 60 percent of current export subsidies. But most other countries doubt their ability to deliver on this idea, believing that U.S. agribusiness is too addicted to subsidies. The policy challenge is not just whether the government should cut the subsidies, but also which ones, how fast, and how to link those cuts to reciprocal cuts by others. Aggressive reform in the early 1990s lacked

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<sup>12</sup> The industrial countries' willingness to exempt the developing countries at Kyoto flew directly in the face of the Byrd-Hagel Resolution. For that reason, the Clinton Administration agreed to *sign* the Kyoto Protocol, but not to submit it for Senate ratification until it had secured "meaningful participation of key developing countries." Many conservatives, including a group of foreign policy analysts calling themselves the Committee to Protect American Sovereignty and Security (or COMPASS), charged that opposed to the Kyoto Protocol would undermine U.S. energy security and sovereignty (in an echo of left-wing critics of the WTO). Conservatives targeted Kyoto's proposed international verification standards, and claimed that the U.S. would strictly comply (and be forced to do so) with a treaty that others would ignore. While these arguments had little basis in fact (and are somewhat illogical), a final objection rang true across the political spectrum: the treaty gave an open-ended exemption to developing countries.

sustained political support and led to more than a decade of unbalanced trade with the European Union, eroding U.S. farmers' confidence in the WTO as a way to restore trade balance.

The new President can make the case for the benefits of action. Cuts would reduce the federal budget deficit and improve equity for American taxpayers, since most benefits go to a few large agribusinesses. Other trade policies, specifically cutting tariffs and lifting quotas, would reduce the cost of food. Those subsidies that are retained could be shifted to other public benefits, such as maintaining rural communities or encouraging production of biofuel crops.

To ensure that other nations make reciprocal cuts, the United States should move ahead with the currently proposed 60 percent cuts, contingent upon "meaningful reductions" by the EU, Japan, and other industrial nations. The President could appoint a special committee that brings together the U.S. Trade Representative and key members of Congress to determine whether these other nations' actions were sufficient—in essence, making Congress part of the negotiations. The key is to put the legislation on the books first, but link it to action by other countries.

Thus, policy and politics are inextricably linked. The next President will advance America's international interests by convincing farm-state members of Congress to defend their long-standing convictions in favor of free trade and fiscal discipline. The President will also have to work hard to enlist a range of other constituencies. For example, pro-development organizations, from Oxfam to the Christian-based Bread for the World, could work with a range of businesses keen to move on to future rounds of trade negotiations on issues such as financial services and manufactured products. The pro-development forces are particularly ripe for harvest, considering the positive benefits a Doha Round agreement could have for poor nations; linking increased foreign assistance to progress on Doha could help further this cause. Environmental groups could lend support if some subsidies were shifted to biofuels. Given the unique potential for such a coalition, Fast Track reauthorization could be limited to the current Doha Round, with its largely agricultural focus.

The next President still must take steps to face the larger problem of re-establishing broad-based U.S. support for global trade, because concerns about job losses and wage decreases have made “trade”—coupled with outsourcing—a political liability. Most meaningful would be real progress on health coverage, wage insurance, and meaningful job training—all areas where current legislation and funding are woefully thin. In addition, the President should engage service workers in early conversations about the scope of any future trade talks. Though the U.S. service sector is projected to grow to over \$1.3 trillion by 2010, many service workers fear competition from countries such as India that become globally competitive through Internet-based services.

What we used to call “developing nations” are now, in many cases, booming ones. Their emergence as major economic and political players is perhaps the most significant new reality in global trade negotiations. Past agreements were negotiated largely by the United States, the EU, Japan, and Canada—that is, the core of the G-7. The new G-7 for trade starts with these nations, but also includes Brazil, India, and China. Our new President must encourage these countries to step forward and take on the responsibilities that come with global leadership. Brazil, looking to open up foreign markets for its agriculture, can cut its protections on manufactured products; India, looking for both concessions on agriculture and future gains in services negotiations, could open up its retail sector; South Africa’s contribution should be largely diplomatic, urging political reform to some 40 least-developed African countries in exchange for aid and trade; and, although China’s role is currently less significant in the talks, because it is relatively new to the WTO system and not keenly interested in agriculture-led growth, it nevertheless should be involved in the final agreement, in order to cement its role as a stakeholder in a rules-based trading system.

Finally, the current Doha Round should press for continued reform of the WTO itself. The WTO should continue to focus on serving national governments, but the international trading system will be more effective if the WTO also reaches out to non-governmental organizations. Already, it has launched public forums for discussion of

questions and concerns about the negotiations and key disputes. It also could open up all hearings on dispute panels to accredited observers, and it could create special advisory commissions on the relationship of the WTO to other international organizations, such as the UN's Climate Change Convention or the International Labor Organization. These councils could operate much like the technical bodies that provide scientific input to various international treaties -- including the involvement of responsible experts from non-governmental organizations.

The next President can make a virtue out of the domestic and international pressures to address climate change. On the home front, a good start would go beyond President Bush's acknowledgement that human emissions are contributing to global warming, and would begin to address the potential great risk of continued inaction, as well as the fact that national and global efforts to confront the problem will require constant adjustments over the next century. A prudent approach would start with a domestic "cap and trade system" for emissions across the entire economy. Such an approach could regulate nearly three-quarters of U.S. greenhouse gas emissions from coal-intensive electric power generation, industrial and commercial activities that produce both carbon emissions and other heat trapping, and petroleum-based transportation.

Under the first version of the McCain-Lieberman proposal, companies would have had to cut emissions by 860 million metric tons by 2010 and 2.9 billion tons by 2020—about half as much as Kyoto targets, but nearly three times as aggressive as the current Bush Administration's non-binding goals.<sup>13</sup> Companies could trade permits with one another to reduce costs or earn credits through sequestration (carbon-absorbing trees and plants or pumping and storing emissions deep under the earth's surface). Cost estimates vary widely, but it is likely that the total cost to the U.S. economy would be about \$9 billion.

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<sup>13</sup> Senators McCain and Lieberman introduced two separate bills, one each in 2003 and 2004, both of which would cut greenhouse gas emissions to 2000 levels by 2010. The 2003 version failed by a vote of 55 to 43. The 2004 version, which was not voted on, dropped a provision that would reduce emissions to 1990 levels by 2016. Both exempted residential and agricultural emissions, as well as small enterprises that have their own power production. Estimates differ on how much of U.S. emissions this would cover.

Many industry and environmental groups favor a cap and trade approach, as opposed to the direct carbon tax many economists tend to favor. Emissions trading would send a price signal to those whose operations emit greenhouse gases, emphasize a discrete limit on emissions (as opposed to a tax, which simply imposes costs), and place a specific value on carbon-absorbing and storing technologies. Investment will likely flow to zero-emission sources of energy (such as nuclear, wind, and solar) to low-emission fuels (such as natural gas or biofuels) to conservation (such as hybrid engines or compact fluorescent bulbs) or to sequestration technologies.

Although both industry and environmentalists may support a cap and trade system, they will disagree on how quickly and deeply to cut emissions. One way to bridge this gap may be to aim for mandatory cuts that are deep, but long-range. The latest scientific evidence suggests that, in order to keep warming below 2° F this century, we will need to cut current emissions 70 percent by 2050. A legislated target in this range and timeframe will assure both groups that climate-saving regulations will happen, but will give industry time to adjust.

Two economic sectors are politically key: agriculture and heavy, labor-intensive industries. The biggest promise comes from agriculture—and *for* agriculture. Gasoline made out of corn, other grains and grasses, and agricultural waste is “carbon-neutral”—carbon released in burning the fuel will be reabsorbed from the atmosphere when the fuel-stocks are grown in the next planting season. The next President should:

- provide investment tax credits up to \$1 billion to convert a wide range of agricultural products into gasoline
- set a national goal of one billion gallons of production, including a government commitment to ensure purchases and
- make sure that our entire automotive fleet can operate on biofuels

Just as important will be addressing the needs of coal, steel, and autoworkers. While the companies in these sectors may be able to meet aggressive greenhouse gas targets if given long enough lead-times, their workers fear that this will be at the

expense of American jobs. So as with trade, a long-term solution to climate requires reform of unemployment, health, retirement insurance, and other programs, in order to cushion dramatic changes in these industries that may negatively affect workers.

Once the United States has acted domestically, the next President will be empowered to aggressively rejoin global negotiations, undertaking three critical steps:

- **Forge a united front among industrial nations.** The EU already has made real progress in establishing an emissions trading system. It will be suspicious of extended U.S. timeframes unless our emissions cuts have become law. Thus, the United States should have a definitive domestic program in place prior to negotiations and it should include members of Congress from both parties in the negotiations, to send a strong message that any deal will be ratified.
- **Convince developing countries to set aside any resentment toward America's past inaction on climate and to begin slowing and reversing their own steeply climbing emissions.** This will not be easy. The United States will have gone eight years without taking any meaningful actions, while the emerging countries are driven by an urgent domestic need to develop their economies. Immediate steps that could help are 1) using a portion of the revenues generated by the sale of emission permits to create an emergency fund for climate-change related disasters in poor nations and 2) applying the long-term target concept to developing countries for their own emissions. Their targets could be set for some future time and linked to early compliance steps by industrial nations.
- **Address concerns that the UN Framework Convention on Climate Change is incomplete and undermines American sovereignty.** Two steps are vital: 1) securing meaningful participation by key developing nations will help assure that the climate regime addresses *global* emissions, not just those of industrial nations and 2) converting future rounds of climate talks from "treaty protocols" to "emissions trading agreements." This would mean that each future reduction target and timetable would require only majority approval in both houses of Congress, rather than the current two-

thirds. These steps would soften the current structure of the Kyoto Protocol. The first would focus on the most critical developing countries—China, India, Brazil, Indonesia, Korea, and Mexico, which, together with industrial countries, account for about 90 percent of global emissions—rather than adopt the universal approach of the current agreement. The second step would ease approval in the United States, and perhaps even some developing countries. *The key on both points is to build confidence in this new global system, not to set the bar so high that Americans reject it.*

## **Link Trade Policy and Global Warming**

For both trade and climate change, unlocking the domestic and international impasses not only can happen simultaneously, but it should do so. Progress on trade talks can happen *only* if the new President works for a new domestic consensus on trade liberalization that involves bipartisan support for the structure of the international trading regime. Likewise, on climate change, the new President must foster a domestic consensus on how to reduce emissions, as well as an international consensus on the global framework, including the roles and responsibilities of industrial and developing countries. The next President should therefore make the most of the natural linkages and common features between these two global challenges.

First, the future of both these issues requires bipartisan political approaches capable of generating legislative majorities *while* conducting extensive negotiations with other countries. In the past, the United States often negotiated international treaties first, and then tried to develop a domestic consensus. Switching the order of these activities empowers negotiators, because it shows that America is willing to lead.

Investment in biofuels has promise for addressing both trade and climate concerns. The resources needed for these investments could come by reducing less productive agricultural subsidies. Moreover, investment in retiree health and pension benefits could help address the concerns of organized labor around both issues. These are obviously large policy undertakings, but some immediate attention to them could help

persuade American farmers and workers that their leaders are not sacrificing them at the altar of global leadership.

Bipartisan mechanisms that link negotiations to the domestic legislative processes, and vice versa, also would help. The next President should involve a core set of Senators and Representatives from both parties in regular consultation on the issues, possibly even in the negotiations themselves. He or she also should reach out aggressively to key non-governmental stakeholders, including religious constituencies.

Once domestic action is taken, the President will be empowered to break global gridlocks. The support of traditional democratic allies—including the EU and Japan—is crucial, as will be that of emerging democratic powers. In both trade and climate change negotiations, the United States must address the sequencing dilemma; that is, when developing countries will not act until industrial countries do. Progress may be possible by extending the timeframes for developing countries' compliance in exchange for a meaningful reduction target, and by establishing that they are not expected to act until industrial countries have done their part.

Leadership in these two key arenas requires understanding that Americans are prepared to support international institutions, even if they don't want world bodies that have a life of their own and an ever-expanding agenda. Keeping a focus on core competencies is critical, particularly as these two issues have begun to cross with one another.<sup>14</sup> It would help to see the institutions as service providers to national governments, not as global bodies that will usurp the right of democratic nations to legislate for themselves. On trade, this means continuing to open the process to interested observers. Participation of corporations, farmers, and NGOs is essential to making trade law within nations. They should have as open a view as possible of what happens within WTO negotiations and dispute panels. On climate, it means lowering the treaty-making bar for the United States and making sure that key developing

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<sup>14</sup> European politicians, for example, have proposed that energy tariffs be applied to products made in countries that refuse to on the basis they have not ratified Kyoto, arguing that they unfairly have not taken on the same energy costs as the adoptees., a concept American labor unions have begun to consider such a tariff to be an essential component of any U.S. legislation, as well.



countries not only allow other developing countries to take on binding limits, but that the leading ones begin to commit to meaningful reductions.

## **Concluding Observations**

The next President must re-establish America's standing as a leader in addressing global challenges. That leadership starts with actions at home. How much support a treaty or agreement has when it comes to the Congress should depend not just on what public-opinion polls say at the time, but on how much political capital the White House has invested in bringing the citizenry along with—or even prior to—the negotiations. American Presidents have historically spoken of the importance of both leadership and of democracy. Global problems such as trade and climate increasingly demand democratic systems to undertake enormous domestic change in the name of a global cause. While this is certainly a challenge, it is also an opportunity for an American President to demonstrate that there is no problem too big, complex, or long-term for the United States to lead in its resolution.

## **About the Authors and the Project**

### **William Antholis**

William Antholis is the director of strategic planning at Brookings. He is an expert on international economic policy, climate change policy, and international organizations. Antholis served as director of international economic affairs for Clinton on the National Security Council, including serving as policy coordinator for G-8 summits and as deputy director of climate change policy. He also worked at the State Department as director of the Office of Policy Analysis in the Bureau of Economic Affairs, and before that as a member of the Policy Planning Staff.

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Strobe Talbott is president of the Brookings Institution. Talbott, whose career spans journalism, government service, and academe, is an expert on U.S. foreign policy, with specialties on Europe, Russia, South Asia, and nuclear arms control. As deputy secretary of state in the Clinton administration, Talbott was deeply involved in both the

conduct of U.S. policy abroad and the management of executive branch relations with Congress.

Opportunity 08 aims to help 2008 presidential candidates and the public focus on critical issues facing the nation, presenting policy ideas on a wide array of domestic and foreign policy questions. The project is committed to providing both independent policy solutions and background material on issues of concern to voters.

## **Additional Resources**

Brainard, Lael, and Litan, Robert. "Services Offshoring, American Jobs, and the Global Economy." *Perspectives on Work*, Winter 2005.

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