

## A Marshall Plan for Global Warming

The heat-trapping gases that are a necessary byproduct of economic activity pose difficult policy challenges for the world's leading economies. Government finance and environment ministers are increasingly concerned with what seems an intractable problem: how to reduce greenhouse gases without sacrificing economic growth. But closer inspection reveals that challenge to be an opportunity.

Consider China and India. The governments of both countries are keen to set their economies on the path to robust growth. Doing so would alleviate poverty and provide opportunities for their citizens. But that growth necessarily means increased energy use and rapidly rising emissions levels.

Meanwhile, some major developed countries have had mixed results in their efforts to cut emissions of heat-trapping gases. As the Associated Press reported this month, "the world's big industrialized nations are struggling to meet the greenhouse-gas reductions they committed to in the embattled Kyoto pact on climate change." They are finding it difficult to make severe cuts in the face of concerns over lost jobs and lowered productivity.

"Europe is veering off course," the news report concluded, "Japan is still far from its target and Canada has given up." The European Environmental Agency predicts that 12 of the 15 original EU member states will fail to meet their Kyoto targets for 2010. Understanding that failure would help officials in both the developed and developing worlds take the necessary steps to slow the growth of emissions.

One sensible, and politically achievable, way forward is the Asia-Pacific

Partnership on Clean Development and Climate (AP6). This initiative of six partners - the United States, China, India, Japan, South Korea and Australia - accounts for almost 50 per cent of the global population and more than 50 per cent of the planet's man-made greenhouse-gas emissions. The partners are aware that developing nations will account for the greatest growth in emissions over the next two generations. So, sensible efforts to reduce future emissions will focus on market mechanisms that transfer clean technology to the developing world.

China and India have relatively high emissions intensities: that means their greenhouse-gas emissions per dollar of economic output are much higher than in the US, Europe, Australia, Japan or South Korea. This is true for other developing countries as well.

The technology used by Chinese industry, for example, emits four times more greenhouse gases than a comparable amount of economic output in the US, on average. China is gradually getting cleaner, but even the new technology it introduces has twice the emissions intensity of new processes in the US. Meanwhile, India is lagging behind in emissions intensity, and new Indian investments are frequently as inefficient as their legacy industrial stock.

Lowering the emissions intensity of developing countries to levels found in new investments in the US would nearly achieve the goals of the Kyoto Protocol, according to analysis conducted for the International Council for Capital Formation think-tank.

Getting developing nations to adopt the newest technologies will require

initiative and vision from government officials. Promoting a favorable investment climate, for example, is a key requirement. Beijing and New Delhi have already taken farsighted steps to do that. But more could be done to minimize corruption and regulatory burdens, establish the rule of law and recognize intellectual property rights.

But AP6 and other efforts like it cannot succeed without sustained efforts from the business sector. Governments will only act when they are confident that foreign direct investment is likely to take place in the wake of politically risky reforms. This is why there is such a significant role to be played by firms from developed nations that are already present in China and India, and are familiar with the legal, political and economic terrain.

It's helpful to recall the success of the Marshall Plan. After the Second World War, European governments pledged various actions - with money provided by the US government, working in concert with business interests. When Europeans made good on those pledges, the plan was extended and broadened.

AP6 could operate similarly. China and India want certain actions from Australia, Japan, South Korea and the US. Those could be made contingent on Beijing and New Delhi's success on implementing certain near-term reforms.

This is a win-win situation rarely possible in public diplomacy. The beneficiaries will be the economies and environments of all involved.