

# World in the Balance

In negotiations to combat global warming, writes **Yamaguchi Mitsutsune**, world leaders need to strike a difficult balance.

**T**he collapse of Lehman Brothers in September 2008 triggered a shockwave of financial crisis around the globe which has now augmented to the level of impending peril in the global economy and finance, while bringing the crisis to the topmost of the global agenda. The problem of global warming continues to intensify; yet the interests of the developed countries and those of the developing countries remain divided in actual negotiation, leading to the prospect of tough talks in search of a new global framework to follow the Kyoto Protocol. For my part, I believe consideration in global warming negotiations must be given to achieving both a vertical and a horizontal balance.

By vertical balance I speak of the ultimate objective of efforts in stabilizing greenhouse gas concentrations. In other words, all parties need to agree on what they want to achieve after consideration of the costs and benefits of measures to be taken. Even now there is no international agreement on this point. I discussed this vertical balance in the January 2008 edition of *The Japan Journal*; in this edition, I shall limit myself in discussing the horizontal balance.

Global resources are scarce, and we face a mountain of problems. Global warming is obviously one of these, but the most urgent problem at present is the stabilization of the global economy. The reality is that, with huge numbers of people losing their jobs, global leaders must give priority to economic issues. A host of other problems jostle for attention, including energy security, poverty, hunger, diseases, medical care, pensions and universal primary education. In this context, devoting resources to solving any given problem invariably means that those same resources cannot be used to resolve other problems. If funds are spent to relieve the poverty and hunger

we witness in Africa and elsewhere, those same funds will not be available to combat unemployment, for example. And if pensions are increased to provide people with a stable income in retirement, then the spending to combat global warming will be decreased by the same amount. Of course, there may be some synergies between these problems, for example, between global warming (energy conservation) measures and energy security, or the development (or emergence) of environmental industries and job creation. However, these are incidental.



Polish Prime Minister Donald Tusk (left) gives a speech during the opening session for the UN climate change conference in Poznan, Poland, December 1, 2008.

What global leaders must always consider is how much of our scarce resources should be allocated to which problems and in which order of priority, so that those resources can be used as efficiently and effectively as possible. This balanced allocation of resources is what is meant by horizontal balance.

From this perspective, an attempt was made in 2004 to rank the priority of ten urgent global issues based on cost-benefit analysis. It resulted in an agreement reached in Copenhagen among eight distinguished economists, including three Nobel laureates, and is known as the "Copenhagen Consensus." Given the low priority it assigned to measures combating global warming, the Copenhagen Consensus was regarded as the "forbidden

book" by those promoting efforts against global warming. In the wake of such criticism, another attempt to rank the priority of global problems was made in 2008, and the results were made public. This time round, priority rankings were given to thirty proposals relating to ten issues, including global warming, disease, hunger, conflicts, education and the like, with a view to achieving the optimum cost-benefit allocation of resources assuming an additional outlay of 75 billion dollars over four years. The panel was made up of eight eminent economists including, this time, five Nobel laureates. Highest priority was given to measures to combat poor nutrition, with micronutrient supplements for children (vitamin A and zinc) ranking

first and micronutrient fortification (iron and salt iodization) ranking third. Measures to fight global warming were given low priority, with R&D in low-carbon energy technologies ranking fourteenth and R&D and mitigation ranking twenty-ninth.

I am by no means suggesting there is no need to devote resources to measures aimed at combating global warming. The benefits of global warming policy appear only in the long term and many of those, such as maintaining biodiversity, cannot be given a market value. Moreover, different discount rates yield completely different results. Various other questions remain, including the fact that 75 billion dollars (just 0.05% of global annual GDP) over four years is far too small an amount, so it would not be appropriate to blindly accept this priority ranking as it stands.

What I wish to emphasize is that devoting resources to global warming will depreciate the resources available for other important issues and vice versa. In our fight against global warming, any judgments must take due consideration of the horizontal balance alongside other important issues. □

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