



Protectionism harms consumers and the environment

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Last week, delegates from "major economies" concluded a summit in Hawaii aimed at "supporting the collective effort to negotiate a new international agreement" to restrict greenhouse gas emissions globally. In the background, politicians in the European Union and the United States have been peddling protectionism - threatening to impose restrictions on imports from countries which refuse to reduce greenhouse gas emissions. This is no doubt music to the ears of the labor unions and environmentalists that have been calling for such tariffs, but it is bad news for everyone else -- especially the poor.

In January, European leaders suggested that, to sell their goods in Europe, companies from the U.S., China, India and other countries should be forced to purchase emissions permits in the EU's Emissions Trading Scheme. Although the U.S. trade representative criticized this proposal, legislation being considered in the U.S. Senate -- the Lieberman-Warner bill -- would have a similar effect, applying a carbon tax to imports from countries that do not cap their emissions.

The idea behind such protectionism is to create a "level playing field" -- where European and American producers are not disadvantaged by their self-imposed restrictions on greenhouse gas emissions. But instead of leveling the playing field, this game would artificially make all players one-legged and one-armed. The benefits of trade would be replaced by losses in consumer welfare and environmental degradation.

Whereas the beneficiaries of liberalization are widely dispersed, the beneficiaries of trade restrictions are concentrated and tend to be very effective in lobbying national governments to "protect" their business from competition, especially when supported by moralists, such as environmentalists, who claim that such protections benefit the earth.

Thus, Greens, big business and organised labor unite. The Lieberman-Warner bill is endorsed not only by major Green groups but also by electricity providers and their associated trade unions. Similarly, various European trade unions have applauded calls for punitive trade measures against non-EU competitors.

But in reality, it is far more moral to support liberalization. Trade barriers of any kind, including "green" subsidies, tariffs and quotas, harm both consumers and producers. They artificially increase costs, leading to unnecessary waste of scarce natural and human resources. Consumers and producers spend more to purchase the same goods and services, so have less to invest in new technologies or to save for the future.

Although some claim that trade barriers would help the environment, they are actually counterproductive. They favor the status quo by rewarding inefficient producers and thus delaying the adoption of cleaner, resource-saving technologies.

Consider bananas. These could be grown in the cold climates of Finland, Canada, and Russia. But to do so would be far more costly than growing them in warm places, and then exporting them to consumers around the world. Which is why they are grown in places such as Costa Rica and the Ivory Coast. As a result bananas are less expensive and resources are used more sustainably.

Poor countries would suffer disproportionately from green trade barriers -- with adverse effects on both people and the environment. Protectionism will mean fewer products from poor countries being sold to industrialized countries. So local companies will have less money to invest in new, cleaner technologies. Instead, they will continue to use older, dirtier production methods and thus will use scarce resources less sustainably. This effect would be exacerbated by reduced investment from multinational companies. Moreover, less trade means less wealth, which translates into fewer resources available to invest in environmental conservation.

India demonstrates the follies of protectionism. Until 1984, India had one car manufacturer, which produced just one car - the Ambassador - which was technologically inferior, belched pollutants, and was unaffordable to all but the elite. In 1984, India began to open its market to foreign car producers. This process exploded after the reforms of 1991 and millions of Indians have benefited from competition, purchasing cars that are less expensive, cleaner, more technologically advanced and efficient.

Environmental ideologues continue to make dour prognostications about our planet's future, claiming that we all must consume less, have fewer children and trade less with each other to address climate change. Based on their scaremongering and frankly embarrassing record of false predictions in recent decades, these claims should not be heeded seriously. Such demands may suit the protectionist agenda but they have little merit in terms of their practical ability to enable humanity to use scarce natural and human resources in an ever-more sustainable manner.

The competitive market process, underpinned by free trade between and within nations, is inherently more sustainable than the regulated economy advocated by eco-doom mongers. Protectionism, naked or cloaked in green, harms the vast majority of people as well as the environment - and is best avoided.

Februar 2008



