

Former Treasury Secretary Paulson Calls for Global Commitments that are Transparent, Meaningful

Eight days before he left office, then Treasury Secretary Henry M. Paulson, Jr. came to RFF to talk about the future of climate policy. A successful policy would have to be consistent with continued economic growth, he said, and it would require

vigorous cooperation by the United States and leading developing countries, especially China.

He strongly opposed the suggestion that, in setting up penalties on carbon dioxide emissions in the United States, Congress might resort to tariffs to protect American industries from goods made in countries with weaker standards.

Frank Loy, a member of RFF's board, asked how, if not by tariffs, American producers could be shielded from less-regulated competition. Paulson replied that the alternative was "a global system, where we have commitments made by major developing and developed countries [that] are transparent, meaningful, clear."

The developing countries, he added, will need to eliminate their own tariffs on green technology and services from the more developed world.

The talk (part of RFF's Policy Leadership Forum series) was an informal conversation between Paulson and Phil Sharp, RFF's president, who asked the secretary whether the subject of climate change came up in his many meetings with Chinese officials.

"It came up a lot," Paulson said. He spoke of a trip with Chinese experts to the Chenghai Plateau: "And there you see a real example of



HENRY M. PAULSON, JR.

what's happening in terms of global warming. You see the biggest lake slowly drying up. On this very high plateau you've got the source of the seven big rivers of China. The Yellow River no longer flows continuously. The Chinese scientists explained to me that the temperature on this plateau was increasing by one degree a year and that in 25 or 30 years you wouldn't have the glaciers there any more."

Sharp asked Paulson how he would assess the Chinese government's willingness to take action to reduce carbon emissions.

The Chinese are dealing with serious challenges created by their high economic growth rate and soaring demands for energy, he said.

Developing countries will need to eliminate their own tariffs on green technology and services from the more developed world.

But they understand those challenges, he added, and they are focused on them.

Paulson emphasized the importance of American initiative in building a global regime to protect the climate. "The U.S. is the leader," he said, "and so unless the U.S. is engaging on a bilateral

basis directly with all the major economies, we're not going to have the kind of multilateral success you'd like to have."

He chided the United States for its failure to adequately help small and unsophisticated countries deal with climate policy. "We are very stingy when it comes to appropriating and spending money for use outside of the U.S., for a country as wealthy and as large as we."

The Treasury Department will need to play a central role, he said, in American climate policy:

"There is no way that we are going to be able to solve the enormous problems that we have in front of us without the deployment of a great deal of new technology. And it's going to take . . . hundreds of billions of dollars of investment in capital from the private sector. And that is something that the Treasury Department knows something about . . ."

"There's the science, which is strong and overwhelming. There's the politics, but then there's the economics. And so, unless we can have the proper pricings and unless we can have the capital flows that are going to allow us to put in place the regulatory system that's going to allow for sustainable economic growth, we're not going to be successful." ■